

Deutsche Lufthansa AG

August 12, 2025

(Editor's Note: S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly [see our research here: spglobal.com/ratings].)

This report does not constitute a rating action.

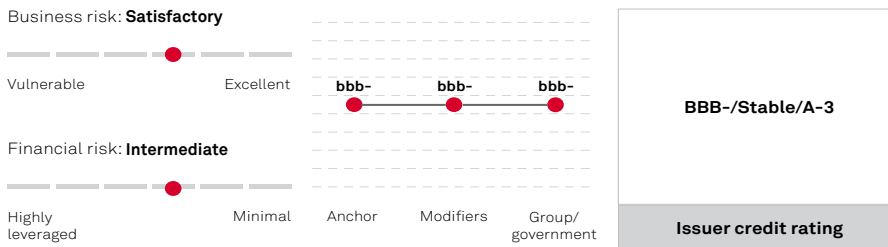
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Ratings Score Snapshot



Credit Highlights

Overview

Key strengths

Largest airline in Europe by revenues, ahead of Air France-KLM and IAG, and fourth-largest worldwide, with leading positions at its main hubs in Frankfurt, Munich, Zurich, Vienna, and Brussels.

Operator of one of the largest route networks globally and balanced exposure to high-yield, premium, and long-haul air traffic across the route portfolio.

Passenger revenue streams complemented by a leading position in aircraft maintenance, repair, and overhaul

Key risks

Inherent susceptibility to European and global economic cycles, oil price fluctuations, high capital intensity, pandemics, and unforeseen geopolitical and security events.

Lingering cost inflation, flat to slightly lower airfares, and decelerating growth in air traffic volumes will weigh on Lufthansa's profitability this year, constraining our business risk profile assessment.

Sizeable capital expenditure (capex) for fleet renewal to stay competitive and comply with tighter emissions regulations,

Overview

Key strengths

(MRO) and a significant share of the global air freight services market.

Key risks

which will absorb operating cash flows and restrain Lufthansa's capacity to reduce debt over the medium term.

Lufthansa is on track to meet its adjusted 2025 EBIT guidance, which should significantly exceed the 2024 level of €1.65 billion. In the first half of 2025, Lufthansa reported an adjusted EBIT (as defined by the group) of €149 million. This reflected a €312 million increase from 2024 and included results from the typically stronger second quarter, when adjusted EBIT was €871 million, up from €686 million the previous year.

Earnings benefited from reduced costs associated with labor strikes and lower fuel expenses, as well as increased income from equity investments, primarily due to contributions from ITA Airways. Additionally, enhanced network resilience contributed to a €106 million decrease in expenses related to flight irregularities in the first half of 2025, compared with the same period last year.

Lufthansa's airlines carried 61 million passengers in the first half of 2025, a 2% increase from 2024. Despite a 4% rise in seat capacity, the load factor remained steady at about 81%, compared with 82% in the second quarter. Revenue per available seat kilometer (RASK) fell slightly by 0.9% (exchange rate adjusted) in the second quarter. This was due to lower average prices for short-haul flights to European destinations amid heightened competition, while unit revenue of long-haul flights remained stable.

Lingering inflation weighed on Lufthansa's cost base, particularly personnel expenses due to higher headcount and wages after the collective labor agreements concluded in 2024, and location-related fees and charges. This put pressure on cost per available seat kilometer (CASK), which, excluding fuel and emissions, increased by approximately 4.0% in the second quarter.

Our base-case expectations for 2025 correspond with Lufthansa's EBIT guidance and translate into S&P Global Ratings-adjusted EBITDA of €4.0 billion-€4.2 billion. This exceeds the adjusted EBITDA of €3.8 billion in 2024 but falls short of our previous forecast of €4.4 billion-€4.8 billion from December 2024, mainly because of intensified pressure on unit costs. Our base-case forecast for 2025 projects continued growth in Lufthansa's top line in the face of lingering global trade tensions and evolving air passenger booking behavior. We forecast mid-single-digit revenue growth for the passenger airlines business, incorporating Lufthansa's capacity guidance of 95% of the pre-pandemic base, robust load factors of about 83%, and stable to slightly lower unit revenue. We note that the emerging yield weakness must be considered against the context of the record-high unit revenue base over 2022-2024. Furthermore, we think industry-wide capacity constraints will persist over the medium term, which should support air fares in general. We also believe air fares will continue to benefit from robust demand for premium leisure travel, particularly as Lufthansa's major hubs are in wealthy catchment areas, such as Germany and Switzerland.

Our assumption of a lower fuel bill supports our forecast. This is underpinned by Lufthansa's proactive hedging policy (86% of expected fuel consumption in the passenger airline business is hedged for 2025 and 60% for 2026) and S&P Global Ratings' Brent crude oil price forecast for the remainder of 2025 of \$60 per barrel (/bbl), compared with the 2024 average of \$80.5/bbl.

That said, we acknowledge persistent uncertainties in air passenger and air cargo volume trends. We understand that North America, which appears to be more sensitive to the ongoing trade tensions compared with other destinations, is Lufthansa's most critical traffic region, contributing 20% of total traffic revenues in 2024 and 19% in the first half of 2025. Lufthansa has

reported softness in outbound transatlantic air travel demand, particularly in non-premium classes. However, strong inbound traffic has largely offset this decline, and we anticipate that these trends will continue in the coming months. While the group saw a 7.6% increase in RASK for North American routes in the first quarter of 2025, the pressure on yields increased, demonstrated by a 3.8% decline in RASK during the second quarter. This was partly due to market-wide promotions and EUR/USD currency movements.

We expect the MRO segment (Lufthansa Technik) and the logistics segment (Lufthansa Cargo) will boost group earnings this year. In the first half of 2025, Lufthansa Technik reported robust adjusted EBITDA of €386 million (adjusted EBIT of €310 million), similar to the €381 million in the first half of 2024. EBITDA benefits from the continued high number of flights that generate solid demand for maintenance and repair services. Lufthansa Technik has demonstrated resilience in the face of lingering operational challenges, including trade tariffs, cost inflation, and the capital-intensive nature of ramping up new international locations, while enhancing its competitive advantage by renegotiating maintenance contracts to incorporate inflation adjustment clauses. We now expect Lufthansa Technik's adjusted EBITDA will be at least as high as in 2024, when it reached €790 million (adjusted EBIT of €635 million).

Lufthansa Cargo's expanded freighter and passenger aircraft belly capacities, alongside solid load factors and yields, meet the strong e-commerce sales from Asia and the generally robust demand for global air freight. This has resulted in positive earnings trends year to date. We think Lufthansa Cargo's adjusted EBITDA for 2025 is on track to exceed the €449 million (adjusted EBIT €251 million) from 2024.

In our base case, we expect EBITDA and operating cash flows will recover over 2025-2026. We assume continued solid underlying demand for leisure travel across Lufthansa's European short-haul and international long-haul routes, despite macroeconomic and geopolitical uncertainties. We think healthy labor markets and low unemployment across Europe will lend support to robust consumer spending.

The premium leisure segment--typically among Lufthansa's most profitable segments--should continue to outperform others. That said, visibility beyond the next couple of months is low, given persistent short-term booking trends and the current demand softness for transatlantic destinations.

Lufthansa Airlines' turnaround program--which aims to combine operational stability improvement, revenue growth, and cost reduction, while adding €1.5 billion to gross earnings by 2026 and €2.5 billion by 2028--has produced tangible financial results in the first half of 2025, such as a 35% reduction of irregularity costs and 25% rise in revenue from flight-related ancillary services. We believe, however, that it might take time for the group to reap the full benefits of that program, as general cost inflation could offset some gains. In addition to this, our view of a recovery in EBITDA is based on whether the following developments will continue:

- Accelerating deliveries of new aircraft that are 30% more cost-efficient will back Lufthansa's unit cost and premium product offerings amid sustained strong demand for premium cabins.
- Increased focus on the MRO segment, which enjoys sound medium-term prospects, as industry-wide capacity remains tight. The military and defense segment also offers significant growth potential.
- Stringent capacity management, which should prop up load factors and unit revenue.

A recovery of Lufthansa's credit metrics to levels that are commensurate with the rating hinges predominantly on significant and uninterrupted EBITDA growth, in line with our base-

case expectations for 2025-2026. We expect the group to pursue its fundamental fleet transformation program, under which it will take delivery of 242 more fuel-efficient and less noisy aircraft over time. We assume that net capex will remain elevated at €2.7 billion-€3.3 billion (gross capex of €3.7 billion-€4.3 billion) in 2025, as per Lufthansa's guidance, and at least at that level in 2026. In our view, this will weigh on cash flows and balance-sheet deleveraging. Accordingly, we forecast a build-up of S&P Global Ratings-adjusted debt over 2025-2026, above the 2024 level of €7.4 billion.

However, the expected improvement in EBITDA to €4.0 billion-€4.2 billion in 2025 and €4.5 billion-€4.8 billion in 2026 should largely absorb these investments, resulting in adjusted funds from operations (FFO) to debt recovering toward 45%, from about 39% in 2024. While this is consistent with our 45% threshold for the rating, headroom for unexpected operational or financial setbacks will remain limited.

We also expect Lufthansa to maintain strong liquidity, with liquidity sources exceeding uses by more than 2.0x over the 12 months from June 30, 2025, and by more than 1.5x over the subsequent 12 months. Lufthansa reported liquidity of €11.1 billion as of June 30, 2025 (comprising unrestricted cash, cash equivalents, and liquid securities of €8.6 billion, as well as available funds under the committed revolving credit facility of €2.5 billion) exceeded the group's target liquidity of €8.0 billion-€10.0 billion.

Lufthansa's credit profile benefits from its excellent competitive position, but profitability lags that of some close peers. Lufthansa's credit quality benefits from leading positions at its main hubs in Frankfurt, Munich, Zurich, Brussels, and Vienna; resilient demand from its economically strong outbound markets; good exposure to high-yield premium traffic; and diverse operations. Even so, the airline industry's susceptibility to European and global economic cycles, oil price fluctuations, high capital intensity, and unforeseen geopolitical and security events, including global terrorism and disease outbreaks, weigh on the group's credit profile.

Good geographic diversification reduces Lufthansa's dependency on local economies and mitigates localized event risks. Furthermore, its leading market position in aircraft MRO and significant share of global air freight services add stability to group earnings, given the lower and different-stage cyclicity of these operations. That said, Lufthansa's cost position and relatively low EBITDA margins--compared with some close peers, such as International Consolidated Airlines Group S.A. and Delta Air Lines Inc.--is a competitive disadvantage and constrains our business profile assessment.

Outlook

The stable outlook reflects our expectation that economic or geopolitical conditions will not deteriorate unexpectedly or sharply, supporting resilient demand for air travel and ticket fares and translating into weighted-average adjusted FFO to debt above 45% over the next two years.

Downside scenario

We could lower the ratings if:

- Passenger demand, yield levels, and, consequently, Lufthansa's EBITDA fall short of our expectations, such that adjusted FFO to debt stays below 45%, with limited prospects of improvement. This could occur if unexpectedly intensifying inflationary pressures curb consumer confidence and travel affordability, or if geopolitical tensions escalate, dampening travel demand;

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- Credit measures do not meet our rating thresholds over a sustained period due to a large debt-funded acquisition; or
- EBITDA margins remain below 13%. This might lead us to reassess Lufthansa's business risk profile to fair from satisfactory.

Upside scenario

We could raise our ratings if Lufthansa improves adjusted FFO to debt to about 60% on a sustainable basis or recovers its profitability, such that adjusted EBITDA margins increase and remain at least at 15% (from about 13% in 2023), commensurate with our satisfactory assessment of the group's business risk profile. This could happen if the group's earnings and operating cash flow exceed our base-case scenario and are sufficient to absorb Lufthansa's high capex. We would expect this to be underpinned by a prudent financial policy that prioritizes the sustainability of improved ratios over shareholder remuneration.

Our Base-Case Scenario

Deutsche Lufthansa AG--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. €)	2023a	2024a	2025f	2026f
Revenues	35,442	37,581	38,000-40,000	40,000-42,000
EBITDA	4,631	3,767	4,000-4,200	4,500-4,800
Funds from operations (FFO)	3,948	2,893	3,400-3,600	3,800-4,100
Debt	7,145	7,435	7,500-8,000	8,500-9,000
EBITDA margin (%)	13.1	10.0	10.0-11.0	11.0-12.0
Adjusted ratios				
Debt/EBITDA (x)	1.5	2.0	1.8-2.0	1.7-1.9
FFO/debt (%)	55.2	38.9	about 45.0	45.0-47.0

a--Actual. f--Forecast. Source: S&P Global Ratings.

Company Description

Lufthansa is the fourth-largest airline in the world, with operations out of main hubs in Frankfurt, Munich, Zurich, Vienna, and Brussels, under the brands Lufthansa Airlines, SWISS, Austrian Airlines, and Brussels Airlines. In addition, the group's passenger business encompasses point-to-point airlines, including Eurowings, Discover, Air Dolomiti, and Edelweiss.

Lufthansa generates about 65% of EBIT from its passenger airline businesses. Non-passenger segments, such as MRO and airfreight/cargo, account for the remaining 35%. Lufthansa is among the largest global network carriers and one of two leading airline groups in Europe. It also has a number one market position in Germany, while its regional brands are well established.

The group maintains leading market shares at its Frankfurt, Munich, Zurich, Brussels, and Vienna hubs, notwithstanding fierce competition, while its wealthy catchment area (Germany and Switzerland, in particular) typically generates solid demand for travel. Before the COVID-19 pandemic, flights outside Europe accounted for about 70% of Lufthansa's revenue passenger

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kilometers (RPK), with long-haul flights to and from the Americas, mainly the U.S., contributing to half of these flights.

The number of aircraft in Lufthansa's fleet has not changed since December 2024 and stood at 735 as of June 30, 2025. As of Dec. 31, 2024, the average age of the aircraft in the fleet was 14.0 years, compared with 13.4 in 2023. The airline continues to modernize its fleet, with 242 aircraft on order and purchase options for another 182 at year-end 2024.

Peer Comparison

Deutsche Lufthansa AG--Peer Comparisons

	Deutsche Lufthansa AG	International Consolidated Airlines Group S.A.	Delta Air Lines Inc.	United Airlines Holdings Inc.	Air Canada
Foreign currency issuer credit rating	BBB-/Stable/A-3	BBB-/Stable/--	BBB-/Stable/--	BB/Stable/--	BB/Stable/--
Local currency issuer credit rating	BBB-/Stable/A-3	BBB-/Stable/--	BBB-/Stable/--	BB/Stable/--	BB/Stable/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	37,581	32,100	59,540	55,117	14,940
EBITDA	3,767	6,743	9,387	8,713	2,396
Funds from operations (FFO)	2,893	5,701	8,134	6,679	1,962
Interest	706	805	1,007	1,860	513
Cash interest paid	693	797	1,252	1,949	467
Operating cash flow (OCF)	3,599	6,505	8,407	9,443	2,617
Capital expenditure	3,522	2,783	4,965	5,204	1,748
Free operating cash flow (FOCF)	77	3,722	3,442	4,239	869
Discretionary cash flow (DCF)	(295)	3,371	3,132	4,082	551
Cash and short-term investments	8,488	9,799	2,964	13,981	4,687
Gross available cash	8,488	9,799	2,964	13,981	4,300
Debt	7,435	7,712	22,836	21,397	4,265
Equity	11,594	6,176	14,771	12,243	1,603
EBITDA margin (%)	10.0	21.0	15.8	15.8	16.0
Return on capital (%)	11.1	35.2	15.8	17.1	28.1
EBITDA interest coverage (x)	5.3	8.4	9.3	4.7	4.7
FFO cash interest coverage (x)	5.2	8.2	7.5	4.4	5.2
Debt/EBITDA (x)	2.0	1.1	2.4	2.5	1.8
FFO/debt (%)	38.9	73.9	35.6	31.2	46.0
OCF/debt (%)	48.4	84.3	36.8	44.1	61.4
FOCF/debt (%)	1.0	48.3	15.1	19.8	20.4
DCF/debt (%)	(4.0)	43.7	13.7	19.1	12.9

Financial Risk

Deutsche Lufthansa AG--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
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Deutsche Lufthansa AG--Financial Summary

Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	36,424	13,589	16,811	32,770	35,442	37,581
EBITDA	4,663	(2,599)	(25)	3,722	4,631	3,767
Funds from operations (FFO)	3,465	(2,747)	(413)	3,026	3,948	2,893
Interest expense	408	410	453	510	667	706
Cash interest paid	189	229	287	408	591	693
Operating cash flow (OCF)	4,154	(2,434)	355	4,806	4,386	3,599
Capital expenditure	3,693	1,230	1,290	2,323	3,449	3,522
Free operating cash flow (FOCF)	461	(3,664)	(935)	2,483	937	77
Discretionary cash flow (DCF)	34	(3,698)	(2,185)	2,462	899	(295)
Cash and short-term investments	3,385	5,460	7,666	8,301	8,265	8,488
Gross available cash	3,385	5,460	7,666	8,301	8,265	8,488
Debt	10,813	15,871	12,424	7,150	7,145	7,435
Common equity	10,506	1,637	4,740	8,724	9,959	11,594
Adjusted ratios						
EBITDA margin (%)	12.8	(19.1)	(0.1)	11.4	13.1	10.0
Return on capital (%)	9.6	(27.7)	(13.7)	7.8	17.2	11.1
EBITDA interest coverage (x)	11.4	(6.3)	(0.1)	7.3	6.9	5.3
FFO cash interest coverage (x)	19.3	(11.0)	(0.4)	8.4	7.7	5.2
Debt/EBITDA (x)	2.3	(6.1)	(497.0)	1.9	1.5	2.0
FFO/debt (%)	32.0	(17.3)	(3.3)	42.3	55.2	38.9
OCF/debt (%)	38.4	(15.3)	2.9	67.2	61.4	48.4
FOCF/debt (%)	4.3	(23.1)	(7.5)	34.7	13.1	1.0
DCF/debt (%)	0.3	(23.3)	(17.6)	34.4	12.6	(4.0)

Reconciliation Of Deutsche Lufthansa AG Reported Amounts With S&P Global Adjusted Amounts
(Mil. EUR)

	Debt	Revenue	EBITDA	S&P Global Ratings- adjusted EBITDA	Capital expenditure
2024a					
Company reported amounts	11,345	37,581	3,917	3,767	3,657
Cash taxes paid	-	-	-	(181)	-
Cash interest paid	-	-	-	(558)	-
Trade receivables securitizations	55	-	-	-	-
Lease liabilities	2,887	-	-	-	-
Postretirement benefit obligations/	1,099	-	22	-	-

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deferred
compensation

Accessible cash and liquid investments	(8,373)	-	-	-	-
Capitalized interest	-	-	-	(135)	(135)
Share-based compensation expense	-	-	8	-	-
Dividends from equity investments	-	-	12	-	-
Noncontrolling/ minority interest	-	-	-	-	-
Debt: Litigation	167	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	(100)	-	-
EBITDA: Business divestments	-	-	(92)	-	-
Reverse factoring	255.0	-	-	-	-
Total adjustments	(3,910)	-	(150)	(874)	(135)
S&P Global Ratings-adjusted	Debt	Revenue	EBITDA	Funds from Operations	Capital expenditure
	7,435	37,581	3,767	2,893	3,522

a--Actual.

Environmental, Social, And Governance

Social factors are a negative consideration in our credit rating analysis of Lufthansa. This reflects the correlation of air passenger traffic and Lufthansa's operating performance with health and safety risks, such as pandemics.

For example, the COVID-19 pandemic weighed on Lufthansa's performance, which led us to lower our rating on the group by four notches. Now that pandemic-related travel restrictions have been lifted, the group's European short-haul leisure travel has recovered significantly. However, business and some long-haul flights have not returned to pre-pandemic levels. In 2024, demand for Lufthansa's flights, measured by RPK, recovered to about 91% of the 2019 level, from just 30% in 2021. We anticipate that the recovery will continue this year.

Environmental factors are a negative consideration, as they are for the broader airline industry, reflecting the need to reduce greenhouse gas emissions. Therefore, Lufthansa will continue upgrading its fleet, which is about 14.0 years old, with aircraft that are more fuel-efficient. Even though this will result in significant cash outflows, it will reduce running costs and negative environmental effects.

Rating Component Scores

Foreign currency issuer credit rating	BBB-/Stable/A-3
Local currency issuer credit rating	BBB-/Stable/A-3
Business risk	Satisfactory
Country risk	Low
Industry risk	High
Competitive position	Excellent
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb-
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb-

Related Criteria

- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [ARCHIVE | General Criteria: Hybrid Capital: Methodology And Assumptions](#), March 2, 2022
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Industry Credit Outlook Update Europe: Transportation](#), July 16, 2025

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- [Credit Trends: Global Airlines Brace For Tariff Uncertainty](#), April 22, 2025
- [Deutsche Lufthansa AG's Proposed Subordinated Hybrid Capital Notes Rated 'BB'](#), Jan. 7, 2025

Ratings Detail (as of August 12, 2025)*

Deutsche Lufthansa AG

Issuer Credit Rating	BBB-/Stable/A-3
Junior Subordinated	BB
Senior Unsecured	BBB-
Subordinated	BB

Issuer Credit Ratings History

04-Dec-2023	BBB-/Stable/A-3
17-Apr-2023	BB+/Positive/B
30-Nov-2022	BB/Positive/B
08-Nov-2021	BB-/Stable/B
19-Nov-2020	BB-/Negative/B

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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