

Rating object	ISIN	Rating incl. outlook / watch
SIGNA Prime Selection AG	--	A- / negative
SIGNA Prime Capital Market GmbH	--	A- / negative
SIGNA Senior Unsecured Bond 2012-2022 4,5%	AT0000A0WPF1	A- / negative
SIGNA Senior Unsecured Bond 2017-2047 4,0%	AT0000A1X101	A- / negative
SIGNA Prime CM 2017 GmbH	--	A- / negative
SIGNA Senior Unsecured Bond 2018-2047 3,5%	AT0000A21PP7	A- / negative
SIGNA Senior Unsecured Bond 2018-2029 3,25%	AT0000A25AV8	A- / negative
SIGNA Prime Finance 2020 S.C.S	--	A- / negative
SIGNA 3,00% Schuldverschreibungen 2020-2023	AT0000A2HRT5	BBB+ / negative

#### Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
SIGNA Prime Selection AG	29.11.2022	29.11.2022	01.01.2050
SIGNA Prime Capital Market GmbH	29.11.2022	29.11.2022	01.01.2050
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN: AT0000A0WPF1	29.11.2022	29.11.2022	10.10.2022
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN: AT0000A1X101	29.11.2022	29.11.2022	30.04.2047
SIGNA Prime CM 2017 GmbH	29.11.2022	29.11.2022	01.01.2050
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN: AT0000A21PP7	29.11.2022	29.11.2022	30.04.2047
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN: AT0000A25AV8	29.11.2022	29.11.2022	30.11.2029
SIGNA Prime Finance 2020 S.C.S	29.11.2022	29.11.2022	01.01.2050
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	29.11.2022	29.11.2022	30.11.2023

After initial notification of the rating grade to the rating object on November 29, 2022, there were no changes to the published rating grades, taking into account any objections. Irrespective of the maximum validity specified here, the ratings are valid until they are withdrawn by Creditreform Rating AG.

#### Rating summary:

SIGNA Prime is a real estate company headquartered in Innsbruck, whose business model is originally focused on holding and managing premium real estate. In addition, premium real estate project development has been established as a second segment. After completion, the majority of the projects are transferred to the company's Long-term portfolio, without excluding sales to third parties. SIGNA Prime focuses on commercial real estate (office, retail and hotel) in the upper segment up to trophy properties, primarily in prime innercity locations in major cities in the DACH region and in Northern Italy. With the partial acquisition of department store properties from the luxury department store chain Selfridges, SIGNA Prime is now expanding its market presence to the UK.

Based on the rating action of 19.09.2022 and the consideration of general and current rating factors, the SME Issuer Rating of SIGNA Prime Selection AG has been downgraded from A / negative to A- as part of the intra-year monitoring. The outlook remains **negative**.

Significant for the current rating change is the ECB's third interest rate hike in 2022 of +75bps, which is again strong and above our last expectations. This interest rate step and the increase in the general interest rate level potentially affect SIGNA Prime in two ways.

Firstly, we believe that this will result in further pressure on property valuations and prices in the real estate industry in general, including in the markets that are important for SIGNA Prime. A fourth rate hike by the ECB in 2022 is still possible. CRA expects a rate hike of up to 50bps and a slight decline in GDP in Germany of -0.1% in 2023<sup>1</sup>. Although for the time being we expect SIGNA Prime's Long-term portfolio to stand out from the market as a whole due to the asset quality in excellent locations, the prospects for valuation gains, which are essential for achieving positive annual results due to the comparatively low revenues from its operational rental business, have in this context also declined again at SIGNA Prime, in our opinion, most recently in the short to medium-term outlook, even if SIGNA should partially compensate for this with inflation-indexed rents from 2023 onwards. We generally see a higher valuation risk for real estate in the markets relevant to SIGNA Prime. Consequently, we have assumed a risk-oriented reduction in budgeted write-ups for the financial years 2022 and 2023 in our assumptions.

Furthermore, in addition to the valuation risks, we assume that the financing costs of SIGNA Prime will increase beyond our latest expectations as a result of the interest rate development. Although liabilities were extended or repaid in the third quarter of 2022, further financing will have to be extended, refinanced or repaid as planned in 2023. According to the rating object, feedback from the institutional, long-term partners continues

<sup>1</sup> [www.creditreform-rating.de](http://www.creditreform-rating.de) – November 2022: Economic Briefs – Heading for recession

to be positive, with interest in further expanding the business. The same applies to the main equity providers. We consider the contractual certainty of refinancing at SIGNA Prime to be frequently very short-term in relation to the maturity date of the preceding financing. We view these circumstances, in conjunction with the generally significant proportion of variable-rate and non-interest-hedged financing, particularly in the higher-risk project business, as critical in the current interest rate development, which, taking into account the recent extremely dynamic Euribor development, additionally burdens the rating. Important key figures, such as the EBITDA interest coverage ratio, may remain too low or fall even further.

Due to the second creditor protection proceedings (CPP) of GALERIA Karstadt Kaufhof GmbH (GALERIA) initiated at the end of October 2022, which is relatively close in time to GALERIA's first CPP due to the crisis, we see our previous cautious assessment of this important SIGNA Prime tenant to be confirmed, which has an additional dampening effect on our rating decision. This will be the case until GALERIA's share in SIGNA Prime's sales and earnings has been demonstrably reduced or relativized to a sufficient extent, or until sufficient operating earnings and internal financing strength for this tenant has been confirmed on a sustained basis. It should be noted that a declining rental share, e.g. in with regard to the sale of properties relevant to GALERIA, would have to be at least compensated for by other tenants whom we assess less critically in order not to burden the annual financial statement-based key figure development of SIGNA Prime and to generate a stabilizing to positive effect in the rating. With regard to the current rating of SIGNA Prime, we consider it positive that, based on our information, we do not expect any direct, short-term effects (especially from rent losses) with regard to SIGNA Prime in connection with the CPP and that, if a sale of GALERIA properties were to take place, corresponding funds would be available, the use of which would remain to be seen.

The risk of recession has increased further in Europe due to high inflation, rising interest rates and the energy crisis and could have an indirect negative impact on SIGNA Prime's business activities, despite producer prices having recently fallen again slightly<sup>2</sup> and the German Ifo business climate index showing slightly positive development again in November<sup>3</sup>. We classify this as a general, and possibly imminent, risk with a potential impact on the Group that may occur quickly. In total in view of the individual aspects mentioned above, as well as the overall risk position, increased risks are to be noted from today's perspective.

The one-year outlook for the rating was confirmed as **negative**. The main reason for this is our expectation that the predominantly interest rate-related risks as well as the economic and crisis-related risks will manifest themselves in SIGNA Prime's net assets, financial position and results of operations and in our analysis of the financial ratios in the future, which could lead to downward pressure on the rating.

Due to the financial, liability and corporate relationship between SIGNA Prime and the issuers listed above, these companies are equated with the SME Issuer Rating of SIGNA Prime (**A- / negative**).

The SME issue ratings listed above are derived from the SME Issuer Rating of SIGNA Prime using the CRA methodology for corporate issues. All of the above issues are rated **A-** with a **negative** outlook. An exception is the issue SIGNA 3.00% Notes 2020-2023, ISIN: AT0000A2HRT5, which, under otherwise identical application of the methodology, receives a rating of **BBB+** / **negative** due to a non-existing partial redemption mechanism in connection with the sale of defined core properties.

In the following, only those factors relevant to the rating are listed within the scope of the monitoring process during the year which were taken into account within the scope of the rating adjustment. For further positive and negative factors related to SIGNA Prime, please refer to the press release dated 19 September 2022.

#### Primary key rating drivers:

- The ECB's interest rate increase, which exceeded our expectations, on the one hand increases our risk assumptions in the valuation result and is thus the main driver of net income, and on the other hand increases the interest burden in the financial result with a significant share of short-term and partly variable/Euribor-based financing
- Negative rating implication in connection with the repeated creditor protection proceedings of a main tenant (GALERIA)

#### ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of SIGNA Prime Selection AG we have not identified any ESG factor with significant influence.

The current court proceedings and investigations against the company's founder, Mr. René Benko, have thus far had no negative effect on the rating. According to statements we have received from the Supervisory Board of SIGNA Prime and from SIGNA Holding, negative impacts on the rating object is not to be expected. Depending on the course of the ongoing court proceedings and investigations, we cannot rule out reputational risks for the SIGNA Group as a whole and thus indirectly for SIGNA Prime in the future, which would have a negative impact on our rating

<sup>2</sup> [www.euribor-rates.eu](http://www.euribor-rates.eu)

<sup>3</sup> See German Federal Statistical Office (Statistisches Bundesamt), Wiesbaden / Deutsche Bundesbank

assessment. This is despite the fact that Mr. Benko does not hold an official position in SIGNA Prime or on the supervisory board. In our experience, Mr. Benko is the key person in the public perception who in fact plays an active role in the SIGNA Group as a whole.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

**Rating scenarios:**

*Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.*

Best-case scenario: A-

The best-case scenario assumes an improvement in the result of our financial ratio analysis to at least the level of 2020 along with a significant improvement in certain ratios such as net total debt / EBITDA adj. and the interest coverage ratio EBITDA Interest Coverage. The macroeconomic and industry-specific framework conditions show improvement. The share of the tenant GALERIA has again decreased and the independent credit rating of this tenant has improved on a broad basis without any reduction in the turnover, the operating earnings or internal financing power of the SIGNA Prime Group. Valuation income, as far as we are aware, remains at the budgeted level. The generally low level of internal operating financial strength in the face of rising interest rates and the current dividend policy, combined with risks from the Group's project business, are limiting factors.

Worst-case scenario: BBB-

The worst-case scenario was calculated based on the management's base-case budget and has not changed since the rating of 19 September 2022. For this purpose, the fair values of the portfolio properties and project developments were stressed on the basis of the latest interest rate developments. For this purpose, it was assumed that the discount and capitalization rates (cap rates) would increase by 1.0 percentage point. Based on the budget planning for 2022, the effects on the P&L, asset position and equity would, ceteris paribus, lead to a downgrade of three notches.

In the worst case, regardless of the above calculation, we see at risk that the results of our financial ratio analysis, which have already been reduced in relation to the 2021 financial year, could be either confirmed or exacerbated in 2022, e.g. due to the above-mentioned factors, or that circumstances could arise in relation to the maturing of financing which make a rating adjustment within the presented range necessary.

Within the range of scenarios, rating adjustments can be made that could arise for other reasons, e.g. deteriorations in creditworthiness or defaults in the tenant portfolio or a negative outcome of GALERIA's CPP or risk realizations in the project business. Additional distortions in the market are not included in this scenario.

**Analysts / Person approving (PAC):**

Name	Function	Mail-Address
Christian Konieczny	Lead-Analyst	C.Konieczny@creditreform-rating.de
Artur Kapica	Analyst	A.Kapica@creditreform-rating.de
Dr. Matthias Peiss	Analyst	M.Peiss@creditreform-rating.de
Tim Winkens	Analyst	T.Winkens@creditreform-rating.de
Philipp Beckmann	PAC	P.Beckmann@creditreform-rating.de

**Rating history:**

Rating object	Event	Rating created	Publication date	Monitoring until	result
SIGNA Prime Selection AG	Initial rating	05.04.2011	05.04.2011	23.05.2012	A+ / stable
SIGNA Prime Capital Market GmbH	Initial rating	18.08.2021	25.08.2021	19.09.2022	A / stable
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN:AT0000A0WPF1	Initial rating	17.06.2014	17.06.2014	07.07.2015	A+
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN:AT0000A1X101	Initial rating	31.05.2017	02.06.2017	21.08.2017	A+
SIGNA Prime CM 2017 GmbH	Initial rating	18.08.2021	25.08.2021	19.09.2022	A / stable

SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	Initial rating	01.03.2019	12.03.2019	04.06.2019	<a href="#">A+ / stable</a>
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN: AT0000A25AV8	Initial rating	07.02.2019	13.02.2019	04.06.2019	<a href="#">A+ / stable</a>
SIGNA Prime Finance 2020 S.C.S	Initial rating	18.08.2021	25.08.2021	19.09.2022	<a href="#">A / stable</a>
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	Initial rating	31.08.2020	03.09.2020	30.10.2020	<a href="#">A / Watch NEW</a>

#### Status of solicitation and information basis:

The present rating is a solicited rating. The rating object participated in the creation of the rating as follows:

Solicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	Yes
With access to internal documents	Yes
With access to management	Yes

#### Rating methodology:

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

#### Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

#### Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

#### Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

##### SME issuer rating:

1. Annual report
2. Website
3. Internet research

##### SME issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

**Disclaimer**

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

**Contact information**

Creditreform Rating AG  
Europadamm 2-6  
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627  
E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Michael Bruns  
HR Neuss B 10522