

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

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

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
SIGNA Prime Selection AG	18.08.2021	18.08.2021	01.01.2050
SIGNA Prime Capital Market GmbH	18.08.2021	18.08.2021	01.01.2050
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN:AT0000A0WPF1	18.08.2021	18.08.2021	10.10.2022
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN:AT0000A1X101	18.08.2021	18.08.2021	30.04.2047
SIGNA Prime CM 2017 GmbH	18.08.2021	18.08.2021	01.01.2050
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	18.08.2021	18.08.2021	30.04.2047
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN:AT0000A25AV8	18.08.2021	18.08.2021	30.11.2029
SIGNA Prime Finance 2020 S.C.S	18.08.2021	18.08.2021	01.01.2050
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	18.08.2021	18.08.2021	30.11.2023

After initial notification of the rating grade to the rating object on July 27, 2021, 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 Irrespective of the maximum validity specified here, the ratings are valid until they are withdrawn by Creditreform Rating AG.

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**Rating summary:**

The strained general conditions in the wake of the COVID-19 pandemic have a certain significance for the rating. Although the relevant pandemic statistics and lock-downs showed a certain easing of the situation in the course of the current year, both seasonally and as a result of ongoing vaccination campaigns, this was partly to be expected. However, new virus variants with higher infection rates and recently rising incidence figures do not yet indicate a clearly sustainable easing of the situation. In this respect, the further development in this regard remains characterized by uncertainties with regard to further possible waves of infection and lock-down measures, which in our opinion could have a negative impact on the commercial properties relevant for SIGNA Prime. This also applies to the GALERIA Karstadt Kaufhof Group (GKK), which, as one of the main tenants, after successfully completing the protective shield proceedings in 2020, was again burdened by the protracted lock-down measures in 2020/2021 and in 2021 was dependent on government support loans in the mid three-digit million range. The real estate leased to GKK has alternative uses in case of need, although some of them involve project planning and time delays, which is why there is no supportive effect on the rating.

Over the last few years, the volume of real estate development has expanded. In this context, we generally note a gradual increase in business risks, which have a negative impact on our rating assessment, even though we believe that SIGNA Prime has a good overall track record in terms of project business. The characteristics of individual financial ratios also have a dampening effect. Growth, especially in the project business, regularly leads to a negative free cash flow, which is why SIGNA Prime is currently and will continue to rely on external financing to fund growth. In this context, the dividend policy remains to be monitored. Due to the group of shareholders, the quality of the real estate, the past evolution of real estate values, the fundamentally promising project portfolio and the access to real estate and capital markets, SIGNA Prime was and is able to cover the necessary capital requirements through external financing. In the past, equity injections and profit participation rights issues also contributed to this to a considerable extent, so that the analytical equity ratio remained roughly stable. For the current and the following year, in connection with the project progress of individual developments, we expect an increase in debt and a possible deterioration of individual key figures. The real estate appraisals submitted to us indicate that the specific debt financing is adequately covered by the assets, which to date have largely been assumed to be stable in value, which supports the rating level to date.

The one-year outlook for the rating after the downgrade is stable. With regard to the SIGNA Prime real estate portfolio, we assume further increases in value and earnings development according to plan, which, however, will continue to be determined by elements with no cash effect. Capital inflows from the sale of the trading portfolio should contribute to the stability of the financial situation.

We expect that properties in prime locations should continue to show comparatively good value stability in the future. However, it remains to be seen whether and, if so, what longer-term effects the pandemic will have on office, retail and hotel properties. The associated uncertainties remain for the time being. An unchanged weak credit rating or a default of the main tenant GKK may have a negative impact on the rating - until an improved subsequent use will be found.

If the share of development business in relation to the portfolio continues to increase or the volume continues to grow as dynamically as in recent years, a negative adjustment of the outlook or rating cannot be ruled out due to what we consider to be increasing risks.

Due to the financial, liability and corporate relationship between SIGNA Prime Selection AG and the issuers or financing companies listed above, these are equated with the SME Issuer Rating of SIGNA Prime Selection AG.

The SME issue ratings listed above are derived from the SME issuer rating of SIGNA Prime Selection AG using the CRA method for corporate issues. All of the above issues are rated A with stable outlook. An exception is the issue of SIGNA 3.00% bonds 2020-2023, ISIN: AT0000A2HRT5, which receives a different rating of A - / stable due to a non-existent partial redemption mechanism in connection with the sale of defined core properties, using otherwise the same methods.

#### Primary key rating drivers:

- + Experienced management with excellent track record
  - + Established industry player, well-known investor portfolio, capital market capability
  - + Portfolio with properties in very good macro- and micro-locations
  - + High occupancy rate in existing portfolio and long remaining lease terms
  - + High diversification of financing with balanced term structure
  - + Development projects in line with strategy
  - + Planned sales of "GKK properties" in line with strategy reduce cluster risks in the medium- to long-term and improve liquidity
  - + Taking the COVID-19 pandemic into account, overall satisfactory business development in 2020 with a largely stable development of the financial ratio analysis incl. collection rate
- High number of individual companies and changes in the scope of consolidation lead to complexities, lack of transparency and potential risks
  - Risks from forward-looking assumptions in portfolio and project valuations
  - Tenant concentration regarding KaDeWe Group (restricted by various sublease agreements) and GALERIA Karstadt Kaufhof
  - Rising development volume implies increasing project development risks and need for external financing
  - Internal financing strength from operating, regular revenues in need of improvement
  - Impairment losses and write-downs on receivables and fair values in 2020, largely in connection with COVID-19
  - Economic / business environment still uncertain as a result of COVID-19 pandemic
  - Tenant GKK burdened by lock-down measures in 2021 after successful protective shield proceedings in 2020 and dependent on government aid loans
  - Risks regarding some consolidation of commercial property prices and rents in the relevant market

#### 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.

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:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

**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 key financial ratios. The development of sustainable cash flows from operations plays an important role here, and we assume significantly improved underlying conditions. The share and duration of the project business are limiting factors. Another factor to consider is the cost of capital, which in a broader view also includes dividends.

Worst-case scenario: BBB

The worst-case scenario was calculated based on the management's base-case budget. For this purpose, the fair values of the existing properties and project developments were stressed. It was assumed that the capitalization interest rates (cap rates) were assumed to jump by 1.0%. The effects on income statement, asset position and equity would, based on the budget planning for 2021, ceteris paribus, lead to a downgrade by 3 notches.

Rating adjustments can be made within the bandwidth of the scenarios, which may result, for example, from a deterioration in the analysis of financial indicators or other factors such as deterioration in the framework conditions or deterioration in creditworthiness or defaults in the tenant portfolio.

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

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**Rating history:**

Rating object	Event	Rating created	Publication date
SIGNA Prime Selection AG	Initial rating	05.04.2011	05.04.2011
SIGNA Prime Capital Market GmbH	Initial rating	18.08.2021	www.creditreform-rating.de
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN:AT0000A0WPF1	Initial rating	17.06.2014	17.06.2014
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN:AT0000A1X101	Initial rating	31.05.2017	02.06.2017
SIGNA Prime CM 2017 GmbH	Initial rating	18.08.2021	www.creditreform-rating.de
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	Initial rating	01.03.2019	12.03.2019
SIGNA Prime Finance 2020 S.C.S	Initial rating	18.08.2021	www.creditreform-rating.de

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	Website
Corporate Ratings	2.3	29.05.2019	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf</a>
Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf</a>

**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.

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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. SME issuer rating incl. information used for the SME 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: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

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