

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	A- / 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	19.09.2022	19.09.2022	01.01.2050
SIGNA Prime Capital Market GmbH	19.09.2022	19.09.2022	01.01.2050
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN: AT0000A0WPF1	19.09.2022	19.09.2022	10.10.2022
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN: AT0000A1X101	19.09.2022	19.09.2022	30.04.2047
SIGNA Prime CM 2017 GmbH	19.09.2022	19.09.2022	01.01.2050
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN: AT0000A21PP7	19.09.2022	19.09.2022	30.04.2047
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN: AT0000A25AV8	19.09.2022	19.09.2022	30.11.2029
SIGNA Prime Finance 2020 S.C.S	19.09.2022	19.09.2022	01.01.2050
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	19.09.2022	19.09.2022	30.11.2023

After initial notification of the rating grade to the rating object on September 19, 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 Irrespective of the maximum validity specified here, the ratings are valid until they are withdrawn by Creditreform Rating AG.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, real estate project development has been established as a second segment. After completion, the projects are mainly transferred to the company's own portfolio, without excluding sales to third parties. The focus of SIGNA Prime is on commercial real estate (office, retail and hotel) in the upper segment up to trophy properties, primarily in prime inner city locations in the largest cities in the DACH region and in Northern Italy. With the partial acquisition of department stores' properties from the luxury department stores' chain Selfridges, SIGNA Prime is now expanding its market presence to the UK.

Based on our financial ratio analysis and the consideration of general and current rating factors, we confirm the corporate rating of SIGNA Prime Selection AG at **A** with a now **negative** outlook.

First, we note a deterioration in the result of our structured financial ratio analysis for the financial year 2021 compared to the previous year, which we have already adjusted for non-cash value adjustments on a forward interest rate swap to support the rating.

Following this indicator-based deterioration in creditworthiness, the current exogenous risks are having a negative impact. These include supply bottlenecks for raw materials and building materials, rising construction costs, the energy crisis, rising inflation, rising interest rates, the weakening of European economic growth and the propensity to invest, as well as an increase in insolvencies and (geo-)political risks from the conflict between Russia and Ukraine. However, these factors did not affect SIGNA Prime's 2022 half-year results. We nevertheless consider the resulting exogenous risks to be worthy of attention and to have increased again compared to the previous year. This also applies to GALERIA Karstadt Kaufhof GmbH (GALERIA), which was again burdened by the protracted lock-down measures in 2021/2022 and was again dependent on government support measures at the beginning of 2022. We continue to assume a markedly subdued business development, limited financial strength and below-average creditworthiness for this major tenant in the 2021/22 financial year, which also remains to be observed. The announced sales of further GALERIA properties and the completed investment in Trophy properties (Selfridges) are expected to further reduce the share of GALERIA properties in the overall portfolio.

The property value appraisals submitted to us as of 31 December 2021 indicate that the specific debt financing is sufficiently covered by the assets, most of which have remained stable in value to date, which supports the rating level. However, the high and further increased volume of real estate development continues to have a dampening effect on the rating assessment. In this context, we have noted worsened assumptions

compared to the previous year's budget plan for various projects in the period from 2022 to 2030, which, however, do not yet include rent increases adjusted to current inflation.

After a key interest rate increase of 50 bps by the ECB in July, the ECB announced a further interest rate increase of 75 bps on 08.09.2022. CRA expects a third and possibly fourth interest rate step in the coming months, which may have an overall dampening effect on the numerous variable/Euribor-based financings, property valuations and short-term financial liabilities or their terms for follow-up financing. It remains to be seen to what extent indexed rents and the general value stability of the high-quality assets can compensate for this. SIGNA Prime reports stable estimates for the coming valuation as at 31 December 2022 with regard to the type of its portfolio properties, based on discussions held with renowned real estate appraisers.

In connection with the historically high inflation rates, which on the one hand could support debt relief, we see considerable economic risks and expect further losses in purchasing power, combined with a possible tendency of consumers and companies to save or a change in the allocation of available income or assets, which could have a negative impact on the SIGNA Prime tenants downstream.

We see the cash-effective equity increase of EUR 750 million in August 2022, which was supported by the majority of shareholders, as a strong commitment that currently determines a satisfactory liquidity position. The equity increase, in conjunction with the equity measures taken in previous years, acts as a supporting component in the rating. This shareholder decision was taken against the background of the capital-intensive takeover of Selfridges luxury department store properties in the UK and to secure liquidity and borrowing capacity.

Due to the shareholder structure and the other institutional investor base, demand-oriented equity injections, the quality of the real estate, the past developments in real estate values, the high occupancy rates of the lettable space, the previous rent collection rate, with sufficient cross-portfolio rental (WALT) and financing terms in the high-quality and, if necessary, marketable existing portfolio, as well as the solid compliance to date with the LTV ratio agreed with lenders at Group level, it was and is possible for SIGNA Prime to cover the necessary capital requirements through external financing. These factors continue to determine SIGNA Prime's unchanged high rating level.

The one-year outlook for the rating is **negative**. Due to the currently deteriorating and, in our opinion, uncertain general conditions, we are taking into account an increased manifestation of the above-mentioned risk components in a risk-oriented manner, which is expressed in a positive development of the operating internal financing power from the rental business, which is in need of strong improvement for the rating level, and a possibly only incomplete recovery of our results of the key financial figure analysis for the 2022 financial year or its confirmation of results at an already reduced level.

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 (**A / negative**).

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 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 deviating rating of **A- / negative** due to a non-existing partial redemption mechanism in connection with the sale of defined core properties.

Primary key rating drivers:

- + Experienced management with excellent track record
- + Established industry player, well-known investor portfolio, capital market capability
- + Portfolio consisting of valuable, attractive premium and trophy assets in very good macro and micro locations
- + High occupancy rates and collection rates in the existing portfolio and predominantly long remaining lease terms
- + High diversification of financing with balanced maturity structure and interest rate hedging at matching maturities for Long-term properties
- + Strategy-compliant development projects and acquisitions, attractiveness of New Investments through new construction according to green building standards
- + Strategy-compliant sale of "GALERIA properties" reduces tenant risk in the medium to long term and supports liquidity
- + Improved valuation result in the 2021 financial year led to an EAT that is almost in line with the plan
- + Equity injection of EUR 750 million in August 2022
- + Announced absolute cap on dividend payments for the coming years
- + Progress in projects with regard to building rights, construction and pre-letting as well as rental agreements for Long-term properties
- + Expectation of increased differentiation of commercial properties by type, location and sustainability in favour of SIGNA Prime
- + Cushioning of the current historical inflation values through contractual indexation of rents

- High number of individual companies and changes in the scope of consolidation lead to complexities, intransparency and potential risks
- High volume of development, highly capital-intensive business
- Risks from forward-looking assumptions in portfolio and project valuation
- Tenant concentration vis-à-vis KaDeWe Group (limited by numerous sublease agreements in the luxury segment) and GALERIA Karstadt Kaufhof GmbH with only average to below-average credit rating
- Internal financing strength from operating, regular revenues in need of improvement
- Deterioration of the result of the financial ratio analysis for the 2021 financial year
- Increased development volume with increased project risks such as postponement of various completion dates and rising investment and interest costs
- (Geo)political, economic environment increasingly burdened and still uncertain
- Inflation with significantly increased producer prices / construction costs in connection with supply bottlenecks and the energy crisis
- Higher interest rates, risk increase or interest rate hikes by the ECB with a significant share of short-term and partly variable/Euribor-based financing
- Increased risks of a weakening dynamic of real estate price development or increasing valuation risks via a possible adjustment of capitalisation/discounting rates and letting assumptions
- Despite limitation, unabated shareholder-friendly dividend policy with continued high external financing requirements

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](#).

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 key financial ratios to at least the previous level and a significant improvement in certain ratios contained therein. The macroeconomic and industry-specific framework conditions show improvement. The share of the tenant GALERIA has decreased again and the independent credit rating of this tenant has improved. The so far low operative internal financing power with rising interest rates and the previous dividend policy, in conjunction with the risks from the project business, are limiting factors.

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 portfolio properties and project developments were stressed. It was assumed that the discount and capitalisation rates (cap rates) would increase by 1.0 percentage point. The effects on the P&L, asset position and equity would lead to a downgrade of three notches, ceteris paribus, based on the budget planning for 2022. We keep the worst-case scenario stable with a BBB compared to the previous year. However, we consider the probability of a downgrade to be higher than in the previous year due to the deterioration in the financial ratio analysis in 2021 and the significant deterioration in the general conditions.

Within the range of scenarios, rating adjustments can be made, which could result, for example, from a deterioration in the financial ratio analysis due to other factors, e.g. deterioration in creditworthiness or defaults in the tenant portfolio.

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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+ / stabil
SIGNA Prime Capital Market GmbH	Initial rating	18.08.2021	25.08.2021	19.09.2022	A / stabil
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 / stabil
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	Initial rating	01.03.2019	12.03.2019	04.06.2019	A+ / stabil
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN: AT0000A25AV8	Initial rating	07.02.2019	13.02.2019	04.06.2019	A+ / stabil
SIGNA Prime Finance 2020 S.C.S	Initial rating	18.08.2021	25.08.2021	19.09.2022	A / stabil
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	Initial rating	31.08.2020	03.09.2020	30.10.2020	A / Watch NEW

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
Corporate Ratings	2.4	July 2022
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	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).

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

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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.

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