

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

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

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
SIGNA Prime Selection AG	30.10.2020	30.10.2020	01.01.2050
SIGNA Senior Unsecured Bond 2012-2022 4,5%, ISIN:AT0000A0WPF1	30.10.2020	30.10.2020	10.10.2022
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	30.10.2020	30.10.2020	30.04.2047
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN:AT0000A1X101	30.10.2020	30.10.2020	30.04.2047
SIGNA Senior Unsecured Bond 2018-2029 3,25%, ISIN:AT0000A25AV8	30.10.2020	30.10.2020	30.11.2029
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	30.10.2020	30.10.2020	30.11.2023

There occurred no changes after the communication of the rating to the rating object.

**Rating summary:**

Creditreform Rating has confirmed the SME Issuer Rating of SIGNA Prime Selection AG with A+ and replaced the addition "watch NEW" with a stable outlook. The main reason for this is the fact that the creditors' meeting of Galeria Karstadt Kaufhof GmbH (GKK), which is a tenant of various properties owned by SIGNA Prime Selection AG, approved the insolvency plan drawn up by the management of GKK for the restructuring of the department store chain on 01.09.2020, as part of the protective shielding procedure. On 30.09.2020 the Essen District Court cancelled the insolvency proceedings concerning the assets of GKK. As a result, the risks from the properties leased to GKK have been significantly reduced. In addition, the SIGNA Group has been able to further optimize or supplement its existing real estate and trading portfolio in the current business year. This includes the sale of 21 GKK retail properties and an office property in Frankfurt-Eschborn ("The CUBE") and the acquisition of a real estate portfolio of the luxury department store chain "Globus", Switzerland in a 50:50 joint venture. The previously stable real estate portfolio in first-class macro and micro locations, mainly in Germany, Austria and Switzerland, thus contributes to the rating. The portfolio currently comprises 19 properties with a focus on holding, 16 development projects and 12 trading properties. The Executive Board reaffirmed its budget planning of May 2020 to the Supervisory Board in September. Based on this, and based on its half-year figures for 2020 the Group continues to show sufficient profitability and (external) financing power, as well as satisfactory balance sheet ratios and loan-to-value ratios despite certain negative COVID-19 related effects.

The further course of the COVID 19 pandemic and the further countermeasures taken by governments to contain it remain to be observed. The current intensification of the pandemic could further worsen the negative economic development in the markets and industries relevant to SIGNA Prime Selection AG. Due to the high quality real estate portfolio and sufficient liquidity, we do not see any immediate risk for the rating object, but we do not completely rule out negative effects in the medium term with declining profitability. Around 62% of the Group's rental space can be allocated to the retail sector by type of utilization, and 7% to the hotel segment. These sectors are currently generally among the more severely affected and sensitive sectors of the economy in terms of the pandemic. A further 17% of the rented space is attributable to the office segment, which could be affected in the medium term by an increasing trend towards digitalization and Home Office. Under the current conditions, the dividend from the net income for 2019 of around EUR 201 million also has a limiting and dampening effect on the rating. This is also in view of the Group's further expansion efforts. Especially as the consolidated net profit for 2019 was largely based on non-cash valuation gains.

The SME Issue Ratings listed above are derived from the SME Issuer Rating of SIGNA Prime Selection AG using the CRA methodology for corporate issues. For all the above-mentioned issues, the previous ratings are also confirmed with a stable outlook.

**Primary key rating drivers:**

- + Revoked insolvency proceedings on the assets of Galeria Karstadt Kaufhof GmbH
- + Experienced management with a very good track record
- + Portfolio with properties in very good macro and micro locations
- + Very good rental income structure
- + High diversification in the financing area
- + Very long-term credit period and fixed interest rates for existing properties
- + Capital increase executed in 2019 stabilizes equity ratio and satisfactory LTVs
- + Realized, profitable exits
- + Potentially profitable project developments that should increase the CF surplus after completion
- + Acquisition of the Globus portfolio will increase revenues and diversification by region, tenant and currency
  
- Economic / business environment remains highly uncertain due to COVID-19 pandemic, especially retail and hotel industry is particularly negatively affected
- Increasing risks with regard to a certain consolidation of asset prices and rents in the relevant real estate market
- Tenant concentration compared to KaDeWe Group (limited by various subleases)
- Tenant concentration compared to the tenant Galeria Karstadt Kaufhof GmbH, but recently reduced and optimized

**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.*

The scenarios described below correspond to the scenarios as presented in the report on the last SME Issuer Rating of June 3, 2020. Furthermore, as the company has confirmed its latest budget planning of May 2020 as of September 2020 (including the effects of COVID-19).

**Best-case scenario: A+**

The best case scenario was calculated based on the management's base case budget (as of May 2020), no discounts were applied. The result in the best case is A+.

**Worst-case scenario: BBB**

The worst-case scenario was calculated based on management's base case budget (as of May 2020). For this purpose, the fair values of the portfolio properties and project developments were stressed. This was based on the assumption that discount and capitalization interest rates would increase sharply by 1.0%. Based on budget planning, the effects on the income statement, net asset position and equity would, ceteris paribus, lead to a downgrade to BBB.

**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 Senior Unsecured Bond 2012-2022 4,5%, ISIN:AT0000A0WPF1	Initial rating	17.06.2014	17.06.2014
SIGNA Senior Unsecured Bond 2018-2047 3,5%, ISIN:AT0000A21PP7	Initial rating	01.03.2019	12.03.2019
SIGNA Senior Unsecured Bond 2017-2047 4,0%, ISIN:AT0000A1X101	Initial rating	31.05.2017	02.06.2017
SIGNA 3,00% Schuldverschreibungen 2020-2023, ISIN: AT0000A2HRT5	Initial rating	31.08.2020	03.09.2020

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:**

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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

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.

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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: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

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