

# 2018

**Eyeballs**

APG|SGA Annual Report



## The financial year at a glance

- Strong operational performance.
- Consistent development of analog and digital portfolio.
- Dividend/special dividend totaling CHF 20 per share.

### Key figures

#### Sales revenue

in CHF

# 302.1 million

#### EBIT

in CHF

# 59.5 million

### APG|SGA share performance 2018

in CHF



### APG|SGA Group key figures

in 1 000 CHF

	2018	2017	Change
<b>Sales revenue</b>	<b>302 110</b>	300 693	0.5%
– Switzerland	<b>287 232</b>	288 071	–0.3%
– International	<b>14 878</b>	12 622	17.9%
<b>Operating income</b>	<b>304 567</b>	304 777	–0.1%
<b>EBITDA</b>	<b>72 674</b>	74 770	–2.8%
– in % of operating income	<b>23.9%</b>	24.5%	
<b>EBIT</b>	<b>59 514</b>	61 330	–3.0%
– in % of operating income	<b>19.5%</b>	20.1%	
<b>Net income</b>	<b>47 176</b>	50 720	–7.0%
– in % of operating income	<b>15.5%</b>	16.6%	
<b>Cash flow</b>	<b>58 788</b>	60 204	–2.4%
<b>Free cash flow</b>	<b>41 623</b>	37 560	10.8%
<b>Investments in property, plant, and equipment</b>	<b>7 056</b>	10 963	–35.6%
– advertising plant	<b>5 224</b>	8 144	–35.9%
– other investments	<b>1 832</b>	2 819	–35.0%
<b>Net income per share, in CHF</b>	<b>15.74</b>	16.92	–7.0%

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## Eyeballs

A glance is the fastest, quietest and most spontaneous means of making contact with someone else. In the broadest sense of the term, it means awareness, attention, interest, care and, in the best cases, a memory of what was seen, engagement with it and possibly even action taken as a result of this perception. Awareness is a key currency of human coexistence and is often the first step in a chain of events.

In the advertising business, awareness means money. Anyone who can achieve both awareness and attention will gain customers. In an era of digitalization, media fragmentation and the shift to increasingly image-based communication, the poster – whether in analog or digital form – has developed a new strength. It achieves measurable visibility and therefore awareness like no other medium. It is based in public space: unmissable, unskippable, unable to be canceled or closed.

This strength is the basis for out of home media's huge success in the competition for eyeballs\*. Now and in the future. In the following report, various eyes – the recipients of visual messages – symbolize the attractiveness and variety of poster-based efforts to gain attention and visibility.

\* A technical term referring to the number of people who see a particular advertising motif.

Dear Shareholder

### General business development

Overall, APG|SGA enjoyed a successful 2018 financial year in operational terms. Sales revenues rose slightly at the group level, thanks in particular to a gratifying second semester in Switzerland and highly positive development in Serbian activities. Another pleasing result was an increase in digital revenues of double-figure percentages in both markets. Profitability in operational business remained at a high level, thanks to a diverse range of measures. Competition has further intensified in the Swiss market. So it is all the more pleasing that the company managed to secure important city contracts in the last year. We also succeeded in further expanding our comprehensive contractual and product portfolio, particularly in the digital range.

### APG|SGA Group

Sales revenues rose by 0.5% to CHF 302.1 million in the financial year 2018. Organic growth amounted to 0.2% in local currency terms, with currency factors having a positive impact of 0.3% on sales revenues. Although sales revenues fell by 0.3% in the Swiss domestic market, the international segment recorded a considerable rise of 17.9%.

Income from real estate remained at the previous year's level. Other income fell by 66.9% in the reporting year, a movement associated with the disposal of superfluous fixed assets.

Expenses for fees and commissions increased by 3.5% in the reporting year. Further process improvements brought personnel expenses down by 1.8% in the 2018 financial year. Operating and administrative costs fell by 5.5% compared with the previous year, a further substantial reduction that can be attributed to active cost management.

Despite higher expenses for fees and commissions, margins remained at a high level. The 2018 financial year saw an EBITDA margin of 23.9% (previous year: 24.5%) and an EBIT margin of 19.5% (previous year: 20.1%).

Net income for financial year 2018 amounted to CHF 47.2 million (previous year: CHF 50.7 million), representing a reduction of 7.0% on the previous year. This is primarily attributable to a drop in disposal of fixed assets of CHF 1.6 million and negative currency effects of CHF 2.4 million compared with the previous year. The company managed to avoid negative interests despite the difficult interest rate environment.

### Swiss market

Net sales revenues for Switzerland in the reporting period amounted to CHF 287.2 million, just 0.3% below the previous year. Although sales volume in the first half of 2018 was lower than the previous year's period at 1.6%, positive development in the second half of the year brought sales revenues almost up to the previous year's levels.

Competition in the Swiss advertising market is highly intense, with traditional media such as print, radio and TV under particular pressure. Suppliers are countering these developments with extensive sales promotion activities and discounts, further widening the gap between gross and net income. For the overall advertising market (display advertising, without search), Media Focus records a reduction in gross investment of 3.5% for 2018. However, experience shows that the decline in actually achieved net assets (which will be published by Stiftung Werbestatistik in May 2019) may prove significantly greater.

It is also apparent that for APG|SGA, it is not just the monthly revenues that remain volatile and characterized by short-term developments, the progression of media spend in individual sectors also differs from year to year due to specific market conditions. Investments in the wholesale/retail chains, internet mail order and banking sectors were significantly lower than the previous year in some areas, but higher in the telecommunications, insurance/health insurance and political advertising sectors.

The core strength of APG|SGA is its broad portfolio of services, which offers a comprehensive all-round solution, both in product diversity and national coverage of the advertising market. This not only results in a unique market position, it also enables diversification of revenue streams, with different segments once again developing at varying speeds this reporting year. Although revenues for some segments that offer services for highly specific special formats and advertising packages were sometimes lower than anticipated, the core business of APG|SGA, Allgemeine Plakatgesellschaft AG, exceeded the figures of the previous year. This was also due to dynamic development in digital products, which saw a significant growth in revenues.

Business developments for APG|SGA Interaction were similarly pleasing. In late February, APG|SGA Interaction launched "aymo", the most precise mobile targeting in Switzerland. This unique in-house technology allows customers to deliver location-specific

mobile targeting advertising – usually in connection with outdoor advertising – and is now delivered on more than 17 Swiss mobile apps. By late 2018, about 200 advertisers had successfully carried out more than 300 campaigns. The “aymo” service is expanding further and serves as an ideal “door opener” for local, national and international customers that wish to benefit from the comprehensive APG|SGA range, which covers all communication spaces in analog and digital outdoor advertising, including promotional space and mobile media.

Customers also appreciate APG|SGA’s various (self-)service tools, and are making greater use of them. Posters are increasingly being processed through “PosterDirect”. This planning and booking platform expanded substantially toward the end of the year, with more than 15,000 indoor public transport spaces now on offer. In addition, the tool now boasts various features for smart processing of trade advertising.

APG|SGA’s numerous contracts with both private and public property owners represent a key business pillar. They enable the company to offer the advertising market a range of optimal, high quality spaces, both analog and digital. The sustainable growth potential of outdoor advertising due to the rapidly changing media landscape has inspired other companies to launch or expand activities in the Swiss outdoor market, which has resulted in correspondingly higher costs in the procurement market. Years of experience with thousands of data profiles and international connections enable us to achieve a particularly high degree of planning security and realistic assessment of potential. The associated discipline in tendering results not just in sound bids, but also the conclusion that it is better to refrain from participating in certain tenders that we regard as unsustainable from an operational and/or advertising market viewpoint.

Fortunately, APG|SGA once again managed to renew numerous contracts and secure a number of key future prospects through public tender processes in the 2018 financial year, despite intensified competition.

These include public tenders in the cities of Thun, Fribourg and Zug, in which APG|SGA secured concession rights for several years. In addition, concession contracts and agreements with various destinations, including Crans Montana, Engadin St. Moritz and Leysin, were renewed.

A competitor lodged an appeal against the tender process, after APG|SGA was awarded the contract for all batches of analog and digital third-party advertising space and the exclusive marketing of outdoor and indoor advertising on trains in the tender for third-party advertising space on SBB sites. This brought a halt to the conclusion of contracts and implementation of concepts. In May 2018, the Federal Administrative Court handed down an interim decision on the case that allowed APG|SGA to resume conclusion of contracts with SBB effective January 1, 2019, and to continue its collaboration and the substantial planned expansion – particularly in digital offers.

APG|SGA continued to make targeted investments in its premium portfolio of digital advertising sites in the financial year 2018. In January 2018, for instance, APG|SGA successfully implemented Switzerland’s largest “City ePanel” network in Basel. In Lugano and St. Gallen, new “Rail ePanels” and “Rail eBoards” went into operation and Bern station saw installation of the spectacular “Rail ePanel AdWalk”, with two networks of 14 screens each. And APG|SGA launched Ticino’s first “Shopping ePanels” in Centro Shopping Serfontana. In the area of digital public transport advertising, more than 70% of the 500 “TrafficMediaScreens” planned for BERNMOBIL are now in operation.

APG|SGA decided not to take part in a tender for a batch of advertising screens and interactive city maps in the city of Zurich. APG|SGA believes that unlike similar initiatives in other cities, the advertising opportunities of the tender do not meet the national and international standards required by the advertising market. In another tender for the city of Zurich for a total of 20 digital advertising spaces – also with limited advertising potential – a competitor offered considerably higher minimum guarantees, in excess of what APG|SGA considers acceptable.

In further legal proceedings concerning the award of the city of Geneva’s poster concession to a competitor, the cantonal administrative court found against APG|SGA. APG|SGA regards the judgment as unreasonable and will contest it in the Federal Supreme Court.

### International markets

Economic conditions in Serbia improved further during the reporting period. Our subsidiary there, Alma Quattro, enjoyed a highly successful 2018 financial year.

Sales revenues increased by 10.6% in local currency. Through a positive currency effect sales revenues increased in CHF by 17.9% compared with the previous year, to reach CHF 14.9 million. Margins increased significantly, thanks to economies of scale and structural optimization.

Digital advertising vehicles implemented in Belgrade city center in late 2017 contributed greatly to the strong growth in sales revenues. Further large-format advertising vehicles were installed in late 2018. The first few weeks of sales for this new installation were highly promising.

Alma Quattro enjoys an excellent position in the Serbian market. A robust service portfolio and long-term agreements provide the foundation for a successful future.

### Organization

At the General Meeting on Thursday, May 24, 2018, all members of the Board of Directors were re-elected. Thus, the body continues to comprise Dr. Daniel Hofer (President), Robert Schmidli (Vice President), Xavier Le Clef, Stéphane Prigent and Markus Scheidegger. In operational management, the composition also remains unchanged.

Since the beginning of 2018, administrative activities have been centrally consolidated within the new "Operations" unit and carried out with the aid of newly developed IT solutions. This centralization and accompanying automation will free up front-line sales staff from administrative tasks, so they can focus more closely on integral customer support.

In view of further significant demands on the company resulting from advanced digitalization of our market environment, the Board of Directors has instructed the Executive Board to develop appropriate optimization measures and organizational changes to increase agility and further strengthen our competencies in the digital domain and the latest technology.

On March 19, 2019, it was announced that APG|SGA would be adopting a one-brand strategy and equipping itself for the future by expanding the fields of digitalization and data and putting in place an adapted company structure.

As part of its market strategy, APG|SGA will therefore be making a long-term investment in its performance capability. Its goal is to safeguard its position as market leader in the analog and digital out of home media market for the long term in a rapidly changing environment. To this end, APG|SGA will focus on a one-brand strategy and optimize the company structures. The employees and activities of the APG|SGA segment brands will be integrated into the core business as of June 1, 2019 to enable comprehensive one-stop services to be offered to all market partners. At the same time, various organizational and personnel measures will be adopted with the aim of setting new market standards in the areas of digitalization and data. Daniel Strobel, currently a member of the Executive Board and head of the Advertising Market unit, will take on overall responsibility for the comprehensive digitalization and innovative development of the advertising offering at Swiss railway stations and thus also the management of the SBB unit (APG|SGA Rail) from April 1, 2019. He will focus fully on this strategic task and step down from the Executive Board. He will be replaced as head of the Advertising Market unit and Executive Board member by Andy Bürki, who will join APG|SGA on April 1, 2019.

The new structures will prioritize rapid decision-making channels as well as customer centricity and proximity at 17 sites as before, and will include the creation of a new Marketing & Innovation unit. This unit will drive the digital transformation process and act as a hub within APG|SGA that will be responsible for product range development, media research and product management, set up e-commerce and programmatic platforms, and systematically pursue innovations and new business. This unit will also drive mobile advertising. Beat Holenstein, who is currently responsible for the Partner & Product Management unit, will head up the Marketing & Innovation unit from June 1, 2019.

Christian Gotter, who was previously head of Logistics, is now responsible for the expanded Partner & Operations unit. In the future, this will include integrated support for the partner

market (cities, public transport companies, airports, mountain destinations, shopping centres, private landowners, etc.) as well as all areas of logistics and operations. Beat Hermann, CFO of the Group, will continue to head up the Finance unit, which covers IT, infrastructure, holdings, international business, and now data analytics. The Human Resources unit managed by Marcel Seiler will no longer be represented on the Executive Board, but will gain new staff and report directly to the CEO from June 1, 2019.

The project tasks that have been ongoing over the past months will be continued at an intensive rate to ensure that the planned changes to the structures, processes and product range can be introduced on June 1, 2019 along with the one-brand strategy. The employees and market partners will be kept up to date at all times. The Executive Board and Board of Directors are convinced that these extensive measures will help to extend APG|SGA's leading position in the analog and digital out of home market and significantly strengthen its core competencies in the innovation, digital and data areas.

#### **Dividend**

In recent years, the liquidity not required for ongoing operating business has been paid out to shareholders through a special dividend. The Board of Directors is of the opinion that this measure remains justifiable for the 2018 financial year as planned. Net cash reserves will then be at the level required for ongoing business activities.

The Board of Directors therefore proposes to the General Meeting that an ordinary dividend of CHF 10 and a special dividend of CHF 10 be paid for the 2018 financial year, amounting to a gross dividend of CHF 20.

The Board of Directors plans to propose a dividend payment of around CHF 11 per share for the next two financial years (2019 and 2020). This is subject to assessment of business performance and development of general conditions.

#### **Outlook**

The future prospects for outdoor advertising are pleasing both from a global perspective and for our markets in Switzerland and Serbia. In inter-media competition, worldwide forecasts see out of home advertising pulling ahead of other media forms

and further improving its market position. Thanks to digitalization of advertising spaces and new planning, booking and format options, outdoor advertising is looking more modern and dynamic than ever.

We are the only provider with a comprehensive integrated portfolio of analog and digital products that covers all communication areas in every region, that is secure in the long term and supplemented by the promotional space business. With additional products from APG|SGA Interaction such as "aymo", which provides an effective link between mobile advertising and out of home campaigns, we as a reliable partner of the advertising industry are able to offer effective one-stop targeted marketing along the entire out of home customer journey. With this further digital expansion, APG|SGA also anticipates that it will be able to maintain its strong position in the public moving image market.

We expect the next two to three years to be dominated by investments and an expansion of core competencies required for further digitalization of our service portfolio, which should result in attractive opportunities for APG|SGA. One of the key projects begins in 2019 with implementation of the new long-term and exclusive marketing contract with SBB for advertising space in all Swiss railway stations and including rolling stock. The intense competition in the tender for the largest outdoor advertising contract in Switzerland, as well as other public submissions, has increased concession fees significantly. In addition, over the next two years we will establish a unique, innovative and primarily digital advertising site portfolio in Switzerland, which will require significant funding. We expect to see a significant, long-term increase in revenue following the marketing launch of this new portfolio.

In connection with the upcoming restructuring and increasing digitalization, the near future will see APG|SGA investing considerable resources and funds in the expansion and development of innovations, technology, data collection and analytics, as well as in the related specialists and talents. Plans include the creation of 10 new positions in various units. The changes to the business processes and the ongoing digitalization, in particular, will result in a further reorganization of tasks in the medium term. A consistent exploitation of synergies, standardized processes and other optimizations should result in the reduction of some 20 to 25

jobs in the back-office, administration and logistics areas by mid-2020. This reduction will be covered by natural fluctuations in staff. APG|SGA currently has over 500 employees in Switzerland.

Consequently, APG|SGA expects that operating margins will fall below present values during this development phase, at least temporarily, until the launch of the new structure and of the overall portfolio is complete. But the Board of Directors and the Executive Board are convinced that this transformation process will ensure that the company's market position and long-term revenue prospects, which are of central importance, are maintained at an attractive level.

Consequently, we evaluate the mid and long-term prospects for business development at APG|SGA as positive, despite the uncertainty associated with the development phase and ongoing margin pressure in operational business.

We are convinced that we can offer the greatest value to cities, municipalities, railways, airport operators, transport organizations and private property owners – now and in the future. We have more than 550 specialists in Switzerland and Serbia who bring a huge amount of enthusiasm, skill and reliability to the dynamic and innovative yet sustainable development of APG|SGA and out of home media.

The Board of Directors and the management would like to take this opportunity to thank all employees for their great commitment and for this pleasing result. And we thank you, dear shareholder, for your interest and trust.



**Dr. Daniel Hofer**  
Chairman of the Board

**Markus Ehrle**  
Chief Executive Officer

## Financial Report

### APG|SGA Group

Although sales revenues in Switzerland were slightly below the previous year's levels, strong revenue development in Serbia saw sales revenues growing at the group level. Profitability in operational business remained at a high level, thanks to a diverse range of optimization measures.

Sales revenues rose by 0.5% to CHF 302.1 million in the financial year 2018. Organic growth amounted to 0.2% in local currency terms, with currency factors having a positive impact of 0.3% on sales revenues. Although sales revenues fell by 0.3% in the Swiss domestic market, the international segment recorded a considerable rise of 17.9%.

Income from real estate remained at the previous year's level. Other income fell by 66.9% in the reporting year, a decline associated with the disposal of superfluous fixed assets.

Expenses for fees and commissions increased by 3.5% in the reporting year. Further process improvements brought personnel expenses down by 1.8% in the 2018 financial year. Operating and administrative costs fell by 5.5% compared with the previous year.

Despite higher expenses for fees and commissions, margins remained at a high level. The 2018 financial year saw an EBITDA margin of 23.9% (previous year: 24.5%) and an EBIT margin of 19.5% (previous year: 20.1%).

The euro exchange rate had a slightly negative influence on results. The company managed to avoid negative interests despite the difficult interest rate environment. Net income for financial year 2018 amounted to CHF 47.2 million, representing a reduction of 7.0% on the previous year.

### Switzerland

In the Swiss domestic market, sales revenues decreased by 0.3% year-on-year to CHF 287.2 million. Although sales volume in the first half of 2018 was lower than the previous year's period at 1.6%, positive development in the second half of the year brought it almost up to the previous year's levels. The digital range managed to achieve double-digit revenue growth, and there was a particularly successful start for "aymo", a new development from APG|SGA that is a highly promising addition to our advertising range.

### International

Alma Quattro, our subsidiary in Serbia, enjoyed a highly successful 2018 financial year. Economic conditions in Serbia improved further. Sales revenues improved by 10.6% in local currency terms. Through a positive currency effect, sales revenues increased by 17.9% compared with the previous year, to reach CHF 14.9 million. This increase in margins was largely driven by economies of scale and process optimization.

### Cash flow

Cash flow amounted to CHF 58.8 million during the 2018 financial year, representing a fall of 2.4% on the previous year. Cash flow from operating activities amounted to CHF 49.4 million. Investment in fixed assets of CHF 7.0 million, purchase of intangible fixed assets of CHF 1.1 million, financial investments of CHF 0.4 million and income from the sale of fixed assets of CHF 0.8 million resulted in a free cash flow of CHF 41.6 million. This represents an increase of 10.8% on the previous year.

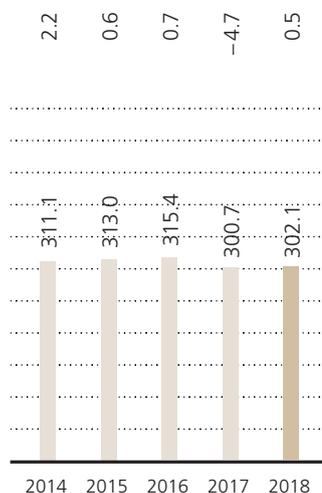
### Balance sheet

By the end of the reporting year, the balance sheet total had fallen by 14.9% to CHF 201.7 million. This reduction is primarily attributable to the decrease in cash and cash equivalents. The net cash position stood at CHF 60.1 million at the end of the 2018 financial year, representing a fall of CHF 30.4 million from the 2017 year-end. This decrease is primarily attributable to the dividend payment. Intangible assets account for 11.4% of total assets.

### Sales revenue

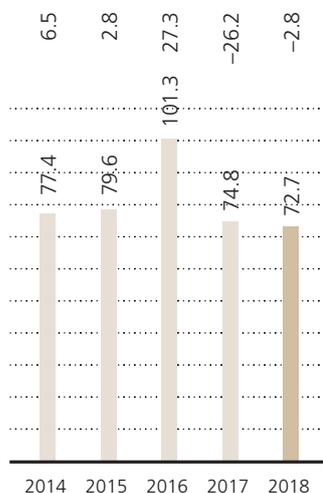
CHF m

Change vs. PY in %



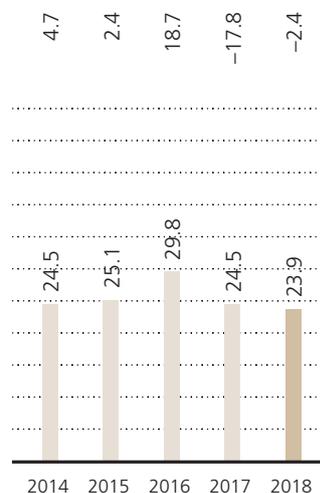
### EBITDA

CHF m



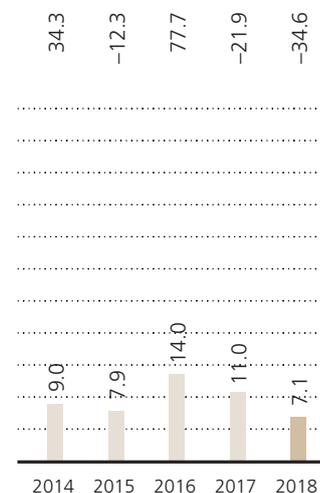
### EBITDA margin

in % of operating income



### Investments in property, plant, and equipment

CHF m



## Key figures

### 5-year financial highlights of the APG|SGA Group

		2018	2017	2016	2015	2014
<b>Balance sheet</b>						
Buildings and land	CHF m	<b>33.9</b>	35.1	36.8	41.6	44.2
Advertising plant	CHF m	<b>21.5</b>	23.3	21.4	18.2	18.6
Current assets	CHF m	<b>109.6</b>	141.0	181.3	188.7	201.2
Net current assets	CHF m	<b>28.6</b>	25.0	25.4	21.7	24.4
Net liquidity	CHF m	<b>60.1</b>	90.5	126.8	139.0	147.9
Equity	CHF m	<b>96.2</b>	120.3	141.8	140.4	152.1
Total assets	CHF m	<b>201.7</b>	237.1	273.7	269.0	286.9
– Change versus PY		<b>–14.9%</b>	–13.4%	1.8%	–6.2%	9.6%
<b>Income statement</b>						
Sales revenue	CHF m	<b>302.1</b>	300.7	315.4	313.0	311.1
– Switzerland	CHF m	<b>287.2</b>	288.1	303.4	302.3	298.4
– International	CHF m	<b>14.9</b>	12.6	11.9	10.7	12.7
Operating income (OI)	CHF m	<b>304.6</b>	304.8	339.8	316.7	316.3
Fees and commissions	CHF m	<b>139.4</b>	134.6	141.9	140.4	139.7
	in % OI	<b>45.8%</b>	44.2%	41.8%	44.3%	44.2%
Personnel expenses	CHF m	<b>61.4</b>	62.4	65.3	65.7	66.5
	in % OI	<b>20.1%</b>	20.5%	19.2%	20.8%	21.0%
Depreciation of property, plant, and equipment	CHF m	<b>10.8</b>	11.0	10.0	9.2	9.1
	in % OI	<b>3.5%</b>	3.6%	2.9%	2.9%	2.9%
Amortization of intangible assets	CHF m	<b>2.4</b>	2.4	2.5	2.2	2.1
	in % OI	<b>0.8%</b>	0.8%	0.7%	0.7%	0.7%
EBITDA	CHF m	<b>72.7</b>	74.8	101.3	79.6	77.4
Operating result (EBIT)	CHF m	<b>59.5</b>	61.3	88.8	68.1	66.3
Net income	CHF m	<b>47.2</b>	50.7	70.5	53.3	51.7
<b>Statement of cash flows</b>						
Cash flow	CHF m	<b>58.8</b>	60.2	59.3	61.9	60.7
Free cash flow	CHF m	<b>41.6</b>	37.6	56.6	55.6	64.8
<b>Financial indicators</b>						
EBITDA margin	in % OI	<b>23.9%</b>	24.5%	29.8%	25.1%	24.5%
Operating result (EBIT margin)	in % OI	<b>19.5%</b>	20.1%	26.1%	21.5%	21.0%
Net income	in % OI	<b>15.5%</b>	16.6%	20.8%	16.8%	16.3%
Cash flow	in % OI	<b>19.3%</b>	19.8%	17.5%	19.6%	19.2%
ROIC		<b>180.6%</b>	273.9%	1 083.0%	2 402.2%	1 129.4%
ROE		<b>43.6%</b>	38.7%	50.0%	36.4%	37.5%
<b>Investments</b>						
Advertising plant	CHF m	<b>5.2</b>	8.1	7.7	5.3	6.1
Other investments in property, plant, and equipment	CHF m	<b>1.8</b>	2.8	6.4	2.6	2.9
Intangible and financial assets	CHF m	<b>2.8</b>	4.9	19.4	0.6	–1.2
<b>Employees</b>						
		<b>500</b>	519	554	570	580

Explanation of financial terms: see page 52

## Share development

		2018	2017	2016	2015	2014
<b>Data per share</b>						
Operating result (EBIT)	CHF	<b>19.86</b>	20.46	29.62	22.73	22.22
Cash flow	CHF	<b>19.62</b>	20.08	19.78	20.66	20.34
Net income	CHF	<b>15.74</b>	16.92	23.51	17.78	17.34
Equity held by APG SGA SA shareholders	CHF	<b>32.11</b>	40.13	47.27	46.85	50.98
Payout	CHF	<b>20.00<sup>2</sup></b>	24.00	24.00	23.00	22.00
Payout ratio <sup>1</sup>		<b>127.1%</b>	142.0%	102.1%	129.5%	127.6%
<b>Share price data</b>						
Market price high/low <sup>3</sup>	CHF	<b>465.0/303.3</b>	510.0/384.75	453.75/375.0	411.75/309.0	305.0/238.4
Year-end market price	CHF	<b>330.0</b>	455.25	447.0	386.75	290.0
Payout yield <sup>4</sup>		<b>6.1%<sup>2</sup></b>	5.3%	5.4%	5.9%	7.6%
Market capitalization <sup>4</sup>	CHF m	<b>990.0</b>	1 365.8	1 341.0	1 160.3	870.0
– versus shareholders' equity		<b>10.3</b>	11.4	9.5	8.3	5.7
– versus operating income		<b>3.3</b>	4.5	3.9	3.7	2.8
P/E ratio <sup>3</sup>		<b>21.0</b>	26.9	19.0	21.8	16.7

<sup>1</sup> Including payout on treasury stock

<sup>2</sup> Proposal to the General Meeting

<sup>3</sup> Source: UBS AG

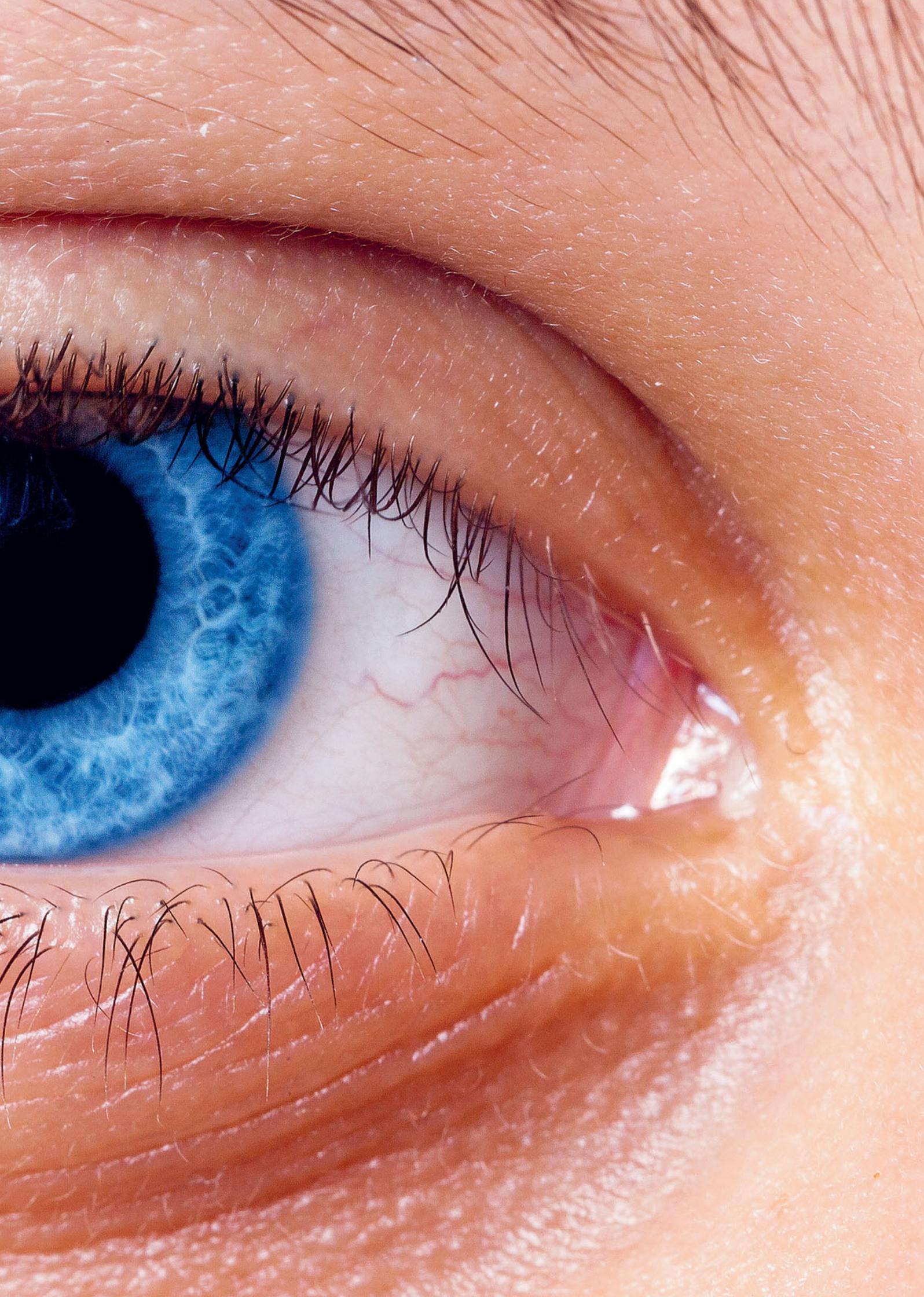
<sup>4</sup> Based on market price as at December 31

### Price trend since December 31, 2013



Source: SIX Swiss Exchange AG





APG|SGA

## Business development in Switzerland

### Out of home media highly attractive

Outdoor advertising, in all its appealing facets and forms, cuts through the information jungle to offer varied assistance to people moving through public spaces, helping them to find the products and services they're looking for, as well as make new discoveries. In the street, on public transport, in the mountains, in railway stations and shopping centers.

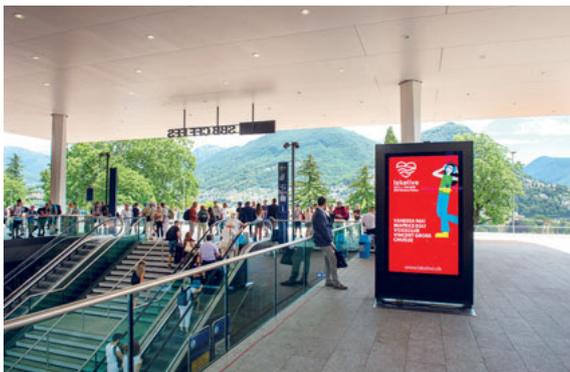
No other medium enjoys such broad-based acceptance among the population as outdoor advertising. And that goes for traditional commercial advertising, electoral and referendum campaigns, and tactical sell-through advertising in the immediate vicinity of the point of sale.

### Active market development

In the reporting year, more than 130 of our sales employees highlighted the benefits of outdoor advertising at over 70,000 sales meetings and at numerous events, seminars and presentations, and successfully closed deals with existing and newly acquired customers.

We managed to develop new markets and attract new national and local customers in the field of the "KAM Business Intelligence (KAM BI)" thanks to effective presentations and advocacy.

We were able to convince many advertisers who had seen their net ad spend cut of the strength of outdoor advertising with targeted usage examples. In fall 2018, for example, the largest telecoms provider in Switzerland decided to concentrate more of its ad spend on outdoor advertising, and profit from the outstanding opportunities for creative design and geographically precise configuration and the resulting high visibility and reach.



Above – The "Rail ePanels" are a highly attractive addition to the modernized railway station in Lugano.

Below – As with the cities of Fribourg and Thun, Zug will rely on APG|SGA for management and maintenance of its poster sites over the coming years.

Above – Elegantly integrated into a local setting, the new “City ePanel” in Basel attracts the attention of passers-by and has met with a great response from advertisers.

Below – The “Shopping ePanel” is now part of the Mall of Switzerland in Ebikon, one of 27 shopping centers throughout Switzerland in which APG|SGA offers advertising space for animated spots on a total of 185 screens.



With an impressive 28 screens, Bern's "Rail ePanel AdWalk" allows advertisers to reach the millions of commuters thronging the second largest station in Switzerland.



### Creativity pays off. So does education.

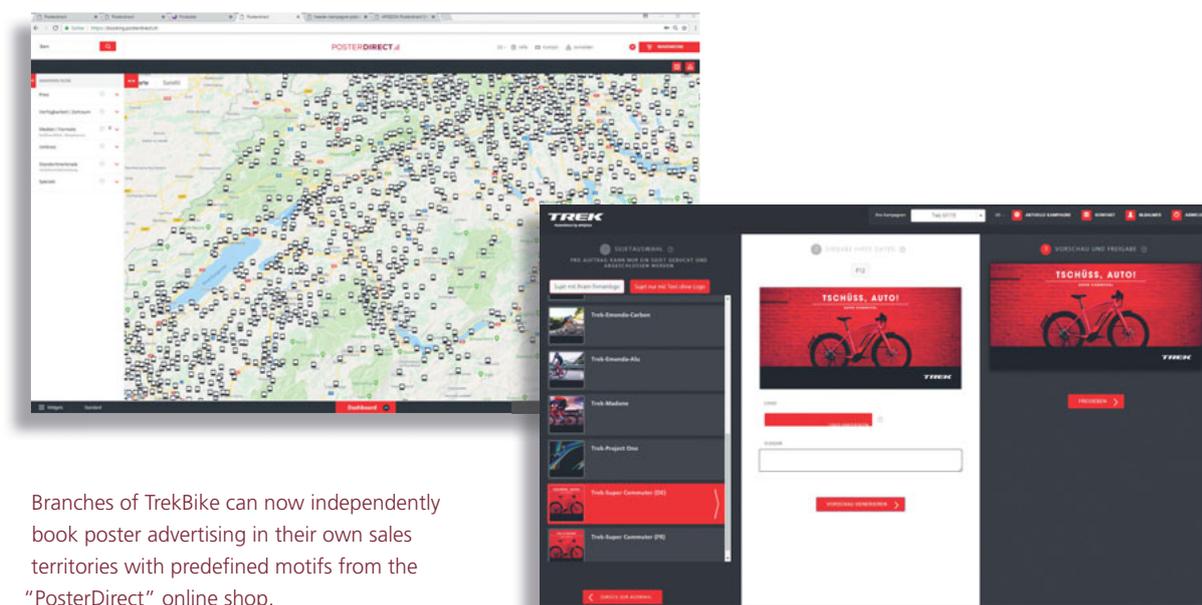
This year our “Innovate!” platform welcomed its 100th example of outstanding, striking out of home advertising. The competition that marked this anniversary attracted widespread interest and proved a positive means of demonstrating the varied, surprising and unique potential of outdoor advertising.

Along with this informative platform, this year we attended numerous evening events at a wide range of training institutes (such as SAWI), with various courses for aspiring advertising and marketing specialists. The goal of our training efforts was to showcase the benefits of outdoor advertising in inter-media competition, inspire young specialists in our medium and equip them with the basic tools for efficient out of home planning. And once again we had the opportunity of welcoming students from HFT Luzern, the school of tourism. They were looking for in-depth information on outdoor advertising, as were the boot-camp participants from Leading Swiss Agencies, LSA, who were guests of APG|SGA for a whole week.

### Outdoor advertising now even easier to book

The gratifying development of our online “PosterDirect” platform demonstrates – both in the number of campaigns and the increase in revenue – that by simplifying apparent complexities, we can attract smaller SMEs as customers of outdoor advertising and APG|SGA. We have further expanded the platform with the goal of enabling planning and booking of the majority of our portfolio on the booking tool. A major new component is the integration of indoor formats from 129 transport operators with more than 65,000 advertising spaces. With just a few clicks, customers can now plan and book their campaigns on public transport. With integrated route maps, they can also see the stops or communities along the journey of a given tram or bus, thus enabling greater consideration of target groups at the planning stage.

With the bicycle retailer TrekBike, we have our first “PosterDirect” deal with a Swiss chain, with an integrated element offering retailers the option of booking pre-defined poster motifs. “PosterDirect” displays the sales territory of each retailer and the motifs defined by TrekBike in keeping with its CI, so that retailers can search for a space online and book it directly. And at any time of night or day, retailers can view and manage every step in a protected online area.



Branches of TrekBike can now independently book poster advertising in their own sales territories with predefined motifs from the “PosterDirect” online shop.

**Expansion and optimization of analog products**

With additional digital spaces and an optimized analog range, APG|SGA has not just expanded its 2018 portfolio, but refined it as well. As always, the focus is on our customers and their requirements, whether that's the extensive reach of affixed posters – the last true mass medium – or the broadcast of relevant advertising messages to targeted smartphones. APG|SGA also enables advertisers to stake their presence in the largest digital network in Switzerland; with a weekly frequency of more than 16 million passers-by and some 420 "ePanels", the new "All Star ePanel CH" product is the highest frequency contiguous digital out of home network in the country. The trend is towards special formats and innovative implementations. Mast advertising on chairlifts is highly popular with customers, and can entertain skiers with creative applications. The large-scale "MegaPoster" remains an unmissable eyecatcher and is now available in back-lit configuration for even greater visibility, thanks to cutting-edge technology. And although the world and outdoor advertising are becoming more digital, APG|SGA Promotion, market leader in promotions, sampling and fundraising campaigns and pop-up stores, offers everything from a single source, demonstrating that the digital and analog worlds complement each other perfectly.

**Successful tenders**

APG|SGA won a public tender process in the city of Fribourg, securing the rights to market a total of 450 spaces for the next 10 years. The installation of digital advertising vehicles in the pick of prime city locations is also in the planning stage. Following a public tender, the city of Thun expressed its confidence in APG|SGA by awarding it marketing rights for a further five years from 2019. APG|SGA will continue to maintain and manage the 330 or so poster sites on public property. In December 2018, the city of Zug awarded exclusive rights for the marketing of around 200 analog poster sites to APG|SGA. Along with financial criteria, APG|SGA's market development concept and references also proved persuasive in the city authority's decision.

Major ski destinations have also extended their advertising contracts with APG|SGA Mountain, including key locations such as Crans Montana, Engadin St. Moritz and Leysin-Les Mosses.

In November 2017, APG|SGA was awarded all batches including the entirety of analog and digital third-party advertising in all Swiss railway stations, and exclusive marketing of interior and exterior advertising on trains. One of the unsuccessful applicants has contested the decision and lodged an appeal with SBB. The interim decision of the Federal Administrative Court handed down in May 2018 allows APG|SGA to conclude contracts with SBB and to continue its collaboration to drive digitalization of stations. This includes new information platforms for digital guidance of passengers. The first applications, which will represent a milestone in digital outdoor advertising, are planned for 2019. As of January 1, 2019, APG|SGA Traffic is responsible for marketing all interior and exterior advertising on SBB trains.

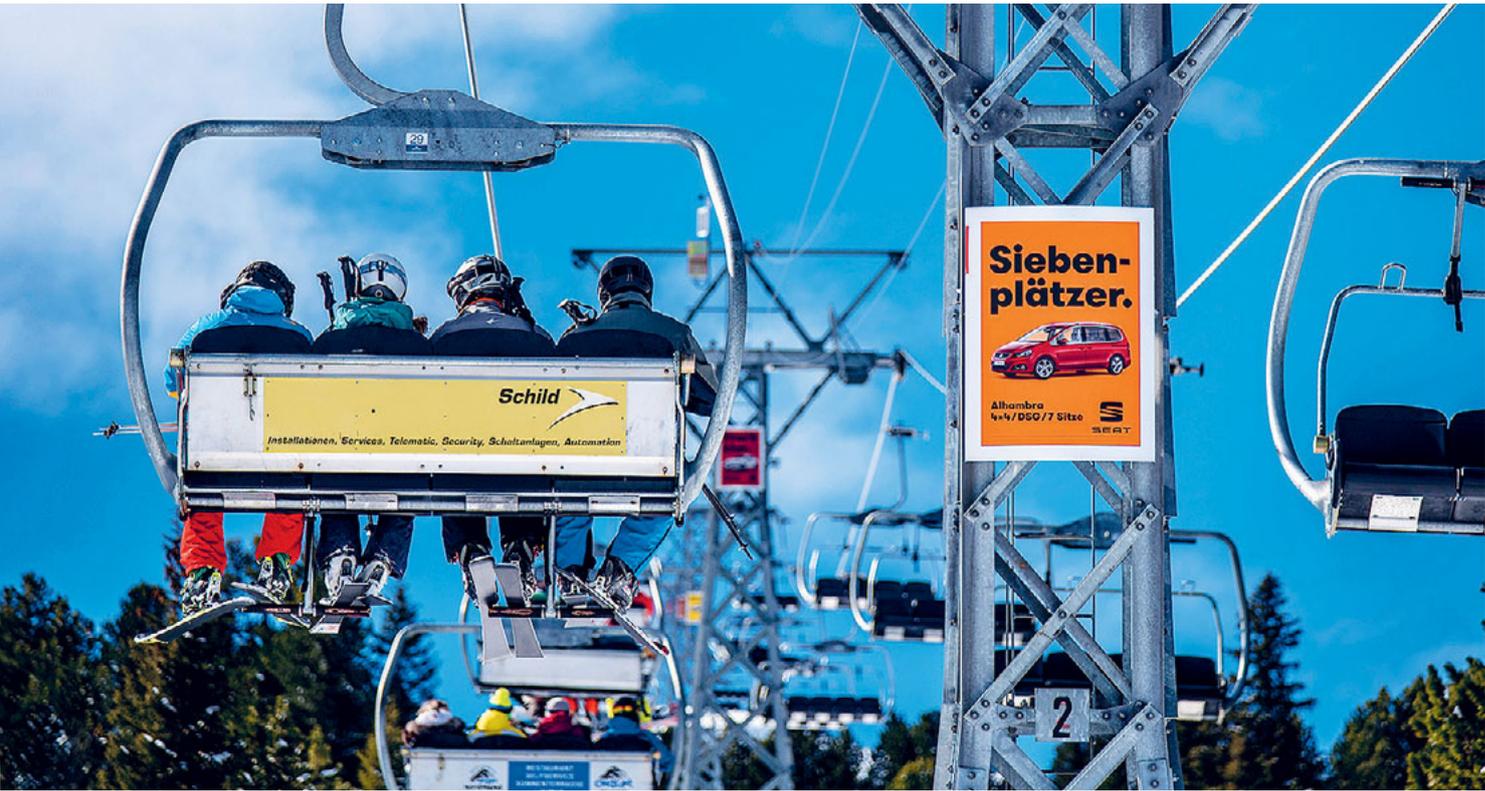
The final decision is still outstanding in further legal proceedings related to the city of Geneva's award of a poster concession to a competitor.



In BERNMOBIL vehicles, new screens and an appealing program keep passengers entertained. This provides advertisers with a compelling environment that promises high levels of attention.

Above – Simple sampling campaigns or promotions over several days with a dedicated setting in Zurich’s main station – the analog world of direct, personal contact is an ideal complement to digital.

Below – Special advertising opportunities on chairlift masts represent just one of numerous new options for unusual brand presentations in the mountains.



Emerging from renovations to eastern Switzerland's largest station, St. Gallen, a host of new "Rail ePanels" and the 9m<sup>2</sup> "Rail eBoard" represent another milestone in the digitalization of SBB stations.



### Great progress in digitalization of advertising sites

In early January APG|SGA successfully launched Switzerland's largest "City ePanel" network in Basel. Flexible booking options mean that animated spots can be broadcast in the streets of Basel throughout the day or coordinated for a particular time – on a total of 31 screens at high-frequency sites.

The "Rail ePanel AdWalk" in Bern, the only one of its kind in Switzerland, was launched in September 2018. Two networks of 14 screens arranged in rows attract the attention of more than 2 million commuters a week in the second largest station in Switzerland. And numerous "Rail ePanels" and a 9m<sup>2</sup> "Rail eBoard" have been installed in the refurbished station of Lugano and the largest station in eastern Switzerland, St. Gallen.

APG|SGA launched Ticino's first "Shopping ePanels" in Centro Shopping Serfontana. With this, APG|SGA now operates 185 digital advertising vehicles in a total of 27 shopping centers.

The process of fitting BERNMOBIL vehicles with a total of 565 digital screens is proceeding rapidly, and in early 2019 around 70% of the fleet had been completed. As well as advertising, the screens broadcast an entertaining passenger program. In addition, the first digitalized hanging display and a screen integrated into the passenger window have been tested.

Digitalization has also advanced into the Swiss Alps. In Zermatt, advertising is now shown in the form of animated spots on the networked visual information system throughout the entire ski area, in addition to the existing "Mountain ePanels".



### "aymo" sets new standards in the mobile advertising market

On February 26, 2018, APG|SGA Interaction successfully launched its "aymo mobile targeting" product, impressively demonstrating its expertise in the Swiss mobile advertising market. An in-house development, "aymo" is the only targeting technology of its kind in Switzerland and sets new standards for precision in location-based targeting. This means that advertising messages of high relevance to consumers can be targeted to smartphone apps. The name "aymo" combines "aim" and "mobile", a creative portmanteau that represents the precision of the new mobile product, which can be booked independently of analog and digital poster advertising. The products "aymo LiveTarget" (real-time targeting) and "aymo ReTarget" (location-based retargeting) are based on a direct data connection with more than 17 high quality, high-reach Swiss mobile apps, which together generate 3.8 million location data points a day. In the local, regional market in particular, "aymo" is an appealing ice-breaker that can be used in combination with analog or digital outdoor advertising to attract customers and generate measurable interactions. More than 300 campaigns for over 200 customers to date prove the high acceptance rate and quality of the service.

APG|SGA Interaction is currently testing blockchain applications in the smart city field. To test the data-driven business models of the future, APG|SGA is taking part in a proof-of-concept for the blockchain start-up IOTA. In this context, data from public spaces is made available in a data marketplace on the Internet of Things (IoT). Ten sensors are being installed on APG|SGA advertising vehicles throughout Switzerland to record temperature, CO<sub>2</sub>, air humidity and pressure. The sensors are connected to the internet via Swisscom's LoRa network and deliver regular data points to the APG|SGA server. The goal is to make this data available to interested research facilities, towns and municipalities. The long-term aim is commercialization of this sensor data. If the test proves successful, APG|SGA Interaction will further expand the network of sensors and offer its services to towns and municipalities as a technology partner in the smart city field.

The unique mobile targeting technology from APG|SGA is making a big impression on advertisers. With precision advertising in smartphone apps, the reach of poster messages extends right into the pockets of passers-by.





## Corporate Governance

### Operational structure of APG|SGA as of December 31, 2018



### Group structure and shareholders

#### Introduction

The principles and rules that govern the management and supervision of the APG|SGA Group are set forth in the articles of incorporation, the organizational regulations of the Board of Directors, and the regulations of the Executive Committees. The Board of Directors regularly reviews these documents and updates them in the event of new developments. The articles of incorporation of APG|SGA SA can be viewed at [www.apgsa.ch/articlesofincorporation](http://www.apgsa.ch/articlesofincorporation). The information published here corresponds to the requirements of the Directive on Information Relating to Corporate Governance by SIX Swiss Exchange.

#### Listed company

Company name, headquarters: APG SGA SA, Geneva  
 Market capitalization as at December 31, 2018: CHF 990 million  
 Place listed: SIX Swiss Exchange  
 Security no.: 1 910 702  
 ISIN: CH0019107025  
 Ticker: APGN

#### Participating interests

The list of participating interests is provided in the Financial Report on page 26.

#### Cross-shareholdings

No capital or voting cross-shareholdings exist between the APG|SGA Group and other companies.

## Significant shareholders<sup>1</sup>

	Shares as reported as of December 31, 2018	in %	Shares as reported as of December 31, 2017	in %
JCDecaux SA, Neuilly-sur-Seine (F) <sup>2</sup>	900 000	30.00 <sup>3,4</sup>	900 000	30.00 <sup>3,4</sup>
Pargesa Asset Management (Netherlands) N.V., Rotterdam (NL)	758 888	25.30 <sup>4</sup>	758 888	25.30 <sup>4</sup>
Pictet Asset Management SA, Geneva (CH)	179 486	5.98 <sup>4</sup>	172 022	5.73 <sup>4</sup>
Polymedia Holding AG, Markus and Andreas Scheidegger, Berne (CH)	97 657	3.26 <sup>4</sup>	93 613	3.12 <sup>4</sup>
APG SGA SA, Geneva (CH) (shares)	2 071	0.07 <sup>4,5</sup>	5 532	0.18 <sup>4,5</sup>
APG SGA SA, Geneva (CH) (conditional purchase option)	147 000	4.90 <sup>3,5</sup>	147 000	4.90 <sup>3,5</sup>

<sup>1</sup> 3% or more of shares, in the form of stocks or rights to purchase and/or sell stocks. The information is derived from announcements made by shareholders pursuant to Art. 20 BEHG as at December 31, 2018, subject to the availability of other information.

All published notifications can be found at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

<sup>2</sup> JCDecaux SA, rue Soyier 17, 92200 Neuilly-sur-Seine (F), is controlled by JCDecaux Holding SA, rue Soyier 17, 92200 Neuilly-sur-Seine (F), whose shareholders are:

- Members of the Decaux family: Jean-François Decaux (London/GB), Jean-Charles Decaux (Neuilly-sur-Seine/F), Jean-Sébastien Decaux (Brussels/B), Jean-Pierre Decaux (Paris/F), and Danielle Decaux (Neuilly-sur-Seine/F)
- JFD Investissements (Luxembourg/L), and JFD Participations (Luxembourg/L), companies under the direct control of Jean-François Decaux
- Open 3 Investimenti (Uccle/B), a company under the direct control of Jean-Sébastien Decaux

<sup>3</sup> On February 29, 2008, JCDecaux announced that it had granted a stock purchasing option to APG|SGA SA. The option is an entitlement to purchase up to 147,000 APG|SGA SA shares, which represent up to 4.9% of the voting rights of the company (see Clauses on changes of control, page 31).

<sup>4</sup> Number of shares according to stock register as at December 31, 2018 and December 31, 2017.

<sup>5</sup> Registered without voting rights

## Capital structure

### Ordinary, authorized, and conditional capital

As at December 31, 2018, the share capital of APG|SGA SA amounted to CHF 7,800,000, fully paid in and subdivided into 3,000,000 registered shares with a par value of CHF 2.60 per share. As at December 31, 2018, APG|SGA SA had neither authorized nor conditional capital.

As at December 31, 2018, shareholders' equity amounted to CHF 96.2 million (PY CHF 120.3 million). Details on the changes in shareholders' equity are provided in the respective annual reports: for the years 2018/2017 on page 52 of the present report, for the years 2017/2016 on page 72 of the 2017 report.

### Shares, participation, and bonus certificates

APG|SGA SA shares are registered shares with a par value of CHF 2.60 per share. Each individual share is equivalent to one vote. There are no differential dividend entitlements except that no dividend is paid on treasury shares. There are no preferential rights for individual shareholders.

APG|SGA SA has not issued any participation or bonus certificates.

### Share register

Each share recorded in the share register entitles its owner to one vote.

Registration with voting rights may be denied for the following reasons:

- If the purchaser, in spite of a request by the company, fails to explicitly confirm that he/she has purchased or is holding such registered shares in his/her own name and for his/her own account.
- If registration of the purchaser might prevent the company from being able to provide the evidence required by Swiss legal provisions regarding the acquisition of real estate by persons residing abroad.

### Convertible bonds and options

No convertible bonds have been issued. There are no option plans for employees or members of the Board of Directors.



Daniel Hofer



Robert Schmidli

## Board of Directors

### Members, activities, and interests

The Board of Directors of APG|SGA SA comprises five members.

Name	Member since	End of term
<b>Dr. Daniel Hofer</b> , Chairman	2014	2019
<b>Robert Schmidli</b> , Vice-Chairman	2011	2019
<b>Xavier Le Clef</b>	2015	2019
<b>Stéphane Prigent</b>	2015	2019
<b>Markus Scheidegger</b>	2000	2019
Departures		
–		
General Secretariat		
<b>Christelle Heimberg</b>		

The Board members execute additional functions beyond their responsibility for APG|SGA SA and/or other companies of the Group and have informed APG|SGA SA about such functions. These functions comprise activities within the framework of important associations, foundations, or institutions in Switzerland and abroad, as well as official positions and political mandates.

#### **Dr. Daniel Hofer** (1963)

Chairman, non-executive member.

Swiss citizen, Master of Business Administration (University of Rochester, New York/USA) and Doctorate of Business Administration (University of South Australia, Adelaide/AUS). Member of the Group Executive Board of the JCDecaux Group, Paris (F), and CEO of the Germany, Austria, Central and Eastern Europe region and Central Asia with subsidiaries in 14 countries. 2010–2014: CEO of APG|SGA SA. 2006–2010: member of the Management Board of the NZZ Media Group and Publishing Director of NZZ AG. 2002–2005: CEO of the International Division and member of the Executive Committee at PubliGroupe SA. Prior to this, many years of management experience in media marketing in Switzerland. Chairman, vice-chairman and member of the Board of Directors for various companies and holdings of the JCDecaux Group. 2008–2012: president of the International Advertising Association (IAA), Swiss Chapter. President of AWS Outdoor Advertising Switzerland from 2011 to 2018. Vice-president of FEPE International, a worldwide industry association, from 2011 to 2014, and member of the Board since 2018. Former member of the Board of KS/CS Communication Switzerland.

#### **Robert Schmidli** (1950)

Vice-Chairman, non-executive member.

Swiss citizen, Swiss-certified business economist with further education in sales, marketing, management and corporate leadership. Experienced expert in the Swiss media and advertising market. Successful senior management experience at Xerox, Bertelsmann, and PubliGroupe SA. Member of the Family Advisory Board of the Oschmann Group (Müller Medien, Nuremberg/D), and member of the Board of Directors of Aertzeverlag medinfo AG, Erlenbach.

#### **Xavier Le Clef** (1976)

Non-executive member.

Belgian citizen, Master in Business Economics at the Solvay Brussels School of Economics and Management, and Master of Business Administration at the Vlerick Business School in Belgium. Advanced studies in finance at the Institut Européen d'Administration des Affaires (INSEAD) in France. Started his career with Arthur D. Little (2000–2006) as a manager in Belgium, France, and Germany. Joined Compagnie Nationale à Portefeuille (CNP), Loverval (B), as an Investment Manager in



**Xavier Le Clef**

2006. Elected to the Board of Directors in 2011, he has been CEO of CNP since 2015 and co-CEO of Frère-Bourgeois since early 2018. Chairman or member of the Boards of Directors of various listed and non-listed shareholdings of Groupe Frère-Bourgeois.

**Stéphane Prigent** (1961)

Non-executive member.

French citizen, graduate of the École des hautes études commerciales (HEC) in Paris (F). Joined JCDecaux SA, Paris (F), in 1994 as Controlling Director France. Corporate Financial Controller from 2002, Corporate Finance Director since 2011. Also president of JCDecaux Europe Holding, JCDecaux Asia Holding, JCDecaux America Holding, and JCDecaux Africa Holding. Recognized financial controlling expert with 30 years' professional experience in international corporate controlling, including six years at Xerox France and five years at SC Johnson France, latterly as financial controller for various countries, and more than 20 years at the JCDecaux Group.

**Markus Scheidegger** (1965)

Non-executive member.

Swiss citizen, attorney-at-law, member of the Board of Directors of Polymedia Holding SA, Berne, chairman of the Board of Directors of Maxomedia SA, Berne, chairman of the Board of Directors of Serigraphie Uldry SA, Hinterkappelen, member of the boards of directors of various Swiss SMEs.

**Elections and terms of office**

According to the articles of incorporation, the Board of Directors comprises three to five members, who must be appointed from among the shareholders and must own at least 100 shares. They are individually elected by the General Meeting of Shareholders for a term of one year and may be re-elected without restrictions. Members who have reached the age of 71 are, as a general rule, required to resign on the date of the subsequent General Meeting. However, they may remain in office if this would benefit the continuity and proper functioning of the Board of Directors.

**Internal organizational structure**

According to the law and the articles of incorporation, the Board of Directors is the supreme management body of the Group. It has the authority to decide on all matters that, according to the law and the articles of incorporation, are not in the competence of the General Meeting, or which it has not delegated to other bodies through regulations and decisions. By majority vote, it determines the strategic, organizational, financial, and accounting guidelines to be followed by the APGJSGA Group. In the event of a tied vote, the Chairman does not have a casting vote.



**Stéphane Prigent**



**Markus Scheidegger**

The Board of Directors meets as often as business requires, but at least four times per year or rather once a quarter. Each member of the Board of Directors may ask the Chairman to call a meeting. In financial year 2018, the Board of Directors held five ordinary meetings with the regular participation of Executive Board members. The average duration of individual meetings is a half or full day. Most meetings were attended by all members of the Board of Directors.

Two permanent committees were appointed to assist the Board of Directors in its activities: the Audit Committee and the Remuneration Committee. Their tasks and competences are defined in the regulations of the Board committees and primarily encompass functions of assessment, consulting, and supervision. In some individual cases, delegated by the Board of Directors, they also have decision-making powers. The committees prepare the activities of the Board of Directors in the domains assigned to them and directly inform the Board on all important matters.

The Audit Committee comprises Board members Stéphane Prigent (Chairman) and Robert Schmidli. The Committee has the following tasks:

- to supervise the independence and efficiency of external audits
- to review risk management in the areas of finance and operations
- to review the organization and efficiency of the internal control system
- to determine the investment strategy and the real estate policy
- to analyze the consolidated interim and annual statements and forward them to the Board of Directors.

In the year under review, the Audit Committee held three ordinary meetings (in February, July, and November), with participation of the CEO and the CFO. At one meeting, the external auditors were present.



**Markus Ehrle**



**Beat Hermann**



**Daniel Strobel**

The members of the Remuneration Committee were elected individually by the General Meeting of Shareholders pursuant to Art. 28 of the articles of incorporation. The committee currently comprises the following Board members: Robert Schmidli (Chairman) and Markus Scheidegger. This committee reviews:

- the remuneration policy
- the selection criteria for the members of the Executive Board
- their basic conditions of employment
- the proposals regarding their remuneration and participation
- management development and succession planning.

In the year under review, the Remuneration Committee held two meetings (in February and November), with the participation of the CEO and the CFO.

In order to ensure continuous improvement in its work, the Board of Directors conducts an annual self-evaluation procedure.

#### **Delimitation of the areas of responsibility between the Board of Directors and the Executive Board**

The Board of Directors decides on all matters entrusted to it by law, the articles of incorporation, and the company regulations. Implementing and complementing Article 716a of the Swiss Code of Obligations and Article 27 of the articles of incorporation, the following decisions in particular are the exclusive responsibility of the Board of Directors:

- determination of business policies and financial strategies
- approval of sales, cost, and investment budgets of the APG|SGA Group
- establishment, acquisition, sale, liquidation, and merger of subsidiaries
- exercise of voting rights in the general meetings of the subsidiaries and drafting of the recommendations to private individuals who represent the company on the boards of directors or in other bodies of subsidiaries
- conclusion of loan contracts (whether as lender or borrower), contracts of surety, or any other form of guarantee contracts – excluding concession contracts – that involve obligations by the company toward third parties in excess of CHF 2 million
- conclusion of contracts for non-budgeted items where the amount exceeds CHF 1 million.

The Board of Directors has entrusted the Executive Board, under the direction of the CEO, with the management of current operations. The Executive Board is responsible for all matters that another body of the company is not responsible for under the law, the articles of incorporation, or the organizational regulations of the Board of Directors.

#### **Information and control instruments vis-à-vis the Executive Board**

In addition to the tasks assigned to the Audit and the Remuneration Committees, the Board of Directors is provided at every meeting with the relevant information pertaining to management, revenue, and profit. The Board of Directors is informed verbally and in writing about the following financial data:

- quarterly, semi-annual, and annual statements (balance sheet, statement of income)
- annual budget figures, regular comparisons of actual with budgeted figures, and projections
- extraordinary occurrences.

In addition, the Chairman of the Board of Directors is in constant contact with the CEO. Extraordinary occurrences must be reported immediately by the members of the Executive Board to the CEO, who must immediately inform the Chairman of the Board of Directors. If required, the Chairman of the Board of Directors participates in the meetings of the Executive Board. With the consent of the Chairman, each member of the Board of Directors may request that management provide information on the Group's business performance, as well as access to records and documents. The Board of Directors assigns signatory powers to staff members. As a rule, signatory powers are collective (two signatures required).



**Beat Hostenstein**



**Christian Gotter**



**Marcel Seiler**

## Management

### Executive Board

		since
<b>Markus Ehrle</b> (1965), Swiss citizen	Chief Executive Officer	2011
<b>Beat Hermann</b> (1969), Swiss citizen	Chief Financial Officer and International Markets	2012
<b>Daniel Strobel</b> (1962), Swiss citizen	Advertising Market	2011 <sup>1</sup>
<b>Beat Hostenstein</b> (1968), Swiss citizen	Partner and Product Management <sup>2</sup>	2007
<b>Christian Gotter</b> (1970), Swiss citizen	Logistics <sup>3</sup>	2012
<b>Marcel Seiler</b> (1963), Swiss citizen	Human Resources	2011 <sup>4</sup>
<b>Andy Bürki</b> (1974), Swiss citizen	Advertising Market	2019 <sup>5</sup>

<sup>1</sup> Member of the Executive Board until 31.03.2019

<sup>2</sup> From 01.06.2019: Marketing & Innovation

<sup>3</sup> From 01.06.2019: Partner & Operations

<sup>4</sup> Member of the Executive Board until 31.05.2019

<sup>5</sup> Member of the Executive Board from: 01.04.2019

**Markus Ehrle** took over the leadership of APG|SGA SA as Chief Executive Officer on June 1, 2014. From April 1, 2011, until May 31, 2014, he was responsible for the Marketing & Business Development division at APG|SGA SA. He had a long career at PubliGroupe SA, including positions as Account Director, Marketing Director and Deputy CEO of Publimedia AG; he was also a member of the boards of various subsidiaries (including web-based companies). From 2006 to 2011 he worked for the NZZ Media Group, where he was in charge of the Advertising Market & Business Development department. He has Swiss federal degrees in communication management and marketing management, and is President of AWS Outdoor Advertising Switzerland and a member of the Board of IAA International Advertising Association, Swiss Chapter, and a member of the Communications Council of KS/CS Communication Switzerland.

**Beat Hermann** was appointed CFO of APG|SGA effective April 1, 2012; in this position, he is responsible for finance, IT, and infrastructure. On September 1, 2014, he additionally assumed management responsibility of International Markets. He began his career as an internal auditor and later controller with the Volcafe/ED&F Man Group in Switzerland and in Latin America. From 2000, he was Director of Finance & Administration with Sony Music Entertainment in Switzerland. Within the Lindt & Sprüngli Group, he first worked as a senior corporate controller, and from 2006 to 2011 served as the CFO of the Ghirardelli Chocolate Company (Lindt & Sprüngli Group) in San Francisco (USA). He holds a degree in business administration (lic. oec. publ.) from the University of Zurich. He has since continued his studies with executive courses at Harvard University and The Wharton School, and has also completed an Advanced Management Program at INSEAD, Singapore.

**Daniel Strobel** came to APG|SGA from the NZZ Media Group, where he was responsible for the Magazines & Specials department. He enjoyed a long career with PubliGroupe SA, where he held a variety of senior management positions. From 2002 to 2008 he was CEO of Publimedia AG.

**Beat Hostenstein** was employed by Zürcher Kantonalbank before joining APG|SGA in 1996. Within the company, he held consecutive positions as an agency manager, implementation manager, and manager of the Zurich branch with national key account management responsibility. In 2009, he was appointed Head of Marketing/Acquisition. As a member of the Executive Board, he has been in charge of Partner and Product Management since 2011. He is a member of the Board of AWS Outdoor Advertising Switzerland and holds Swiss federal diplomas in organization, marketing planning, and sales management.

**Christian Gotter** has been responsible for APG|SGA Logistics since March 1, 2012. His previous roles enabled him to acquire broad specialist knowledge of logistics, supply chain management and distribution. His former employers include ABB Turbo Systems, ABX Logistics, Central Station, and Planzer Transport. From 2009 he worked at Tobler Haustechnik where, as Head of Logistics and Transport, he had managerial responsibility for 200 members of staff. He has commercial training, is a qualified forwarding agent, has completed the Certificate of Advanced Studies SME management course at the University of St. Gallen, and has gained a Diploma in Advanced Management awarded jointly by Swiss Programs in Management (SKU) and the Executive School of the University of St. Gallen (HSG).

**Marcel Seiler** graduated in business economics from the Zürcher Fachhochschule before taking a postgraduate master's degree in personnel management. He previously worked in a variety of management functions in the human resources field, including eight years with the Migros Group, nine with ABB and most recently a spell with SIX Group.

### Management contracts

APG|SGA SA and its associated companies have concluded no management contracts with third parties.

## Compensation, participations, loans, and other rules

### Scope and stipulation procedure of compensation

The Remuneration Committee submits proposals to the Board of Directors for approval of the remuneration policy and compensation for the members of the Board of Directors on an annual basis. The members of the APG|SGA Board of Directors receive a fixed compensation.

All staff except for APG|SGA Group management receive a fixed salary along with a voluntary incentive bonus based on performance and results.

At the request of the Remuneration Committee, management compensation is reviewed and determined by the Board of Directors on an annual basis. The remuneration system was prepared by external experts. Remuneration consists of a basic salary together with a variable component (short-term incentive), both of which are dependent on the operating profit and net income. Both the basic salary and the short-term incentive are paid in cash. In addition, a long-term incentive program has been developed on the basis of a "bonus/malus system". Based on the target values for operating profit and net income and qualitative targets, a third of the target bonus is disbursed annually with a third of this amount paid in cash and two thirds in blocked shares. Two thirds of the target bonus is set aside in a "bonus/malus account" and paid out, a third each in the following years. If the specified targets are not achieved, then these values are deducted accordingly from the "bonus/malus account". Shares are allocated on the basis of their weighted average price on the first 10 trading days of the month following the General Meeting.

The General Meeting of Shareholders votes annually on the following proposals from the Board of Directors about the compensation to be paid to the Board of Directors and the Executive Board:

1. Approval of a maximum total amount for the compensation to be paid to the Board of Directors for the period from the end of the current General Meeting of Shareholders until the next ordinary General Meeting;
2. Approval of a maximum total amount for the fixed compensation to be paid to the Executive Board for the coming financial year;
3. Approval of a maximum total amount for the variable compensation to be paid to the Executive Board for the past financial year.

The Board of Directors may also divide the corresponding proposals into individual compensation elements and/or present them to the General Meeting of Shareholders for approval for different time periods.

If the General Meeting of Shareholders refuses to approve a maximum total amount for the Executive Board and/or the Board of Directors, the Board of Directors may present a new proposal to the same General Meeting of Shareholders or convene a new General Meeting of Shareholders.

The remuneration system and the remuneration of the members of the Board of Directors and the members of the Executive Board are disclosed in the Remuneration Report on pages 33–36.

### Statutory rules in relation to the number of permitted activities pursuant to Art. 12 para. 1 (1) of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)

A member of the Board of Directors may exercise up to 15 additional mandates beyond their responsibility for the APG|SGA Group, although no more than five of these may be with listed companies. A member of the Executive Board may exercise up to six additional mandates beyond their responsibility for the APG|SGA Group, although no more than one of these may be with a listed company. A member of the Board of Directors or the Executive Board may exercise up to 12 additional mandates with non-profit and/or charitable legal entities (such as associations and other charitable, social and cultural or sporting organizations, as well as foundations, trusts, and employee benefit schemes) beyond their responsibility for the APG|SGA Group.

Mandates held by a member of the Board of Directors or the Executive Board with legal entities that are controlled by the company or that control the company are not deemed to be mandates outside the APG|SGA Group.

Mandates held by a member of the Board of Directors or the Executive Board in associated legal entities outside the APG|SGA Group are always deemed to collectively constitute a mandate outside the APG|SGA Group.

The stated limits may be exceeded temporarily by up to one third of the permitted number of mandates in the relevant categories.

Before accepting mandates in legal entities outside the APG|SGA Group, members of the Executive Board must obtain the consent of the Board of Directors, or of the Remuneration Committee if such powers have been delegated to it.

The term "mandate" refers to membership of the highest governing or executive bodies of legal entities that are required to be entered into the commercial register or in a corresponding register abroad.

## Shareholders' participation rights

### Voting rights

At the General Meeting of APG|SGA SA, each individual share entitles its owner to one vote. Voting rights can be exercised only if the shareholder is registered in the share register and thus entitled to participate at the General Meeting. Shareholders may be represented at the General Meeting of Shareholders by the independent proxy or by a third party only if they have issued these representatives with a written power of attorney. In such cases, the power of attorney that has been issued with instructions is valid only for a specific General Meeting of Shareholders and cannot be made the object of a contract. In addition, the shareholder may issue the independent proxy with powers of attorney and instructions electronically. The shares are indivisible and the company recognizes only one single representative per share.

### Statutory quorums

The following decisions require the votes of at least two thirds of the represented shares and the absolute majority of the par value of the represented shares:

- change of company purpose
- introduction of shares carrying voting rights
- authorized or conditional capital increase
- capital increase from shareholders' equity, with non-cash contributions or acquisitions in kind, and granting of special privileges
- limitation or elimination of subscription rights
- relocation of the company domicile
- dissolution of the company

### Convocation of the General Meeting of Shareholders

The ordinary General Meeting of Shareholders takes place every year within six months after the close of the financial year. Extraordinary General Meetings are convened as often as necessary, particularly in cases where a meeting is required by law. Shareholders representing a par value of at least 10% may demand the convocation of an extraordinary General Meeting. Any such demand must be made no less than 50 days before the proposed meeting date. The convocation of the General Meeting of Shareholders by the Board of Directors must be dispatched no less than 20 days in advance of the day of the meeting, and must list the agenda and the motions of the Board of Directors and the shareholders.

### Agenda

Shareholders representing a par value of CHF 225,000 may demand inclusion of an item in the agenda. Any such demand must be made no less than 50 days before the proposed meeting date.

### Registrations in the share register

No registration is performed between the time of dispatch of the invitation to and the closure of a General Meeting.

### Changes of control and defensive measures

#### Duty to make an offer

There are no statutory opting-out or opting-up clauses.

#### Clauses on changes of control

Gewista Werbegesellschaft mbH (Austria) (Gewista) and JCDecaux SA (France) (JCDecaux) on the one hand and APG|SGA SA on the other have terminated the joint venture contract governing their mutual relationship in conjunction with Europlakat International Werbegesellschaft mbH (Austria) (EPI), in the stock capital of which Gewista and APG|SGA SA participated with 50% each. The contract, agreed on October 26, 2007, grants both parties mutual rights of pre-emption and change-of-control-related purchasing options in the participating interests that were split up as part of the dissolution of the joint venture. Additionally, the contract grants JCDecaux pre-emption rights and purchasing options in foreign subsidiaries of APG|SGA SA, whereby such options are contingent on a change of control in APG|SGA SA.

In this context, JCDecaux has agreed not to expand its current participation in APG|SGA SA (30%). APG|SGA SA is entitled to a maximum purchasing option of 4.9% of its own share capital if JCDecaux should fail to comply with the obligations stated above. The preferential price of the purchasing option is the average closing price of APG|SGA SA shares in the last 30 days before exercise of the option.

Special obligations under labor law do not exist in the event of a change of control.

## Auditors

### Term of mandate and term of office of the auditor in charge

PricewaterhouseCoopers AG has been the statutory auditor of APG|SGA SA and the Group auditor since 2013. Stefan Räsamen, the auditor in charge, has held this position since 2018. The Audit Committee ensures that the auditor in charge is rotated after no more than seven years.

### Auditing fee and additional fees

For financial year 2018, the auditing fee of PricewaterhouseCoopers AG for services in conjunction with the auditing of the financial statements totaled CHF 150,000. PricewaterhouseCoopers AG charged a further CHF 3,250 for additional services. These additional services relate to a compliance for public tenders.

### Information instruments of the auditors

On behalf of the Board of Directors, the Audit Committee annually reviews the independence, qualification, performance, and fees of the auditors. It prepares a proposal for the Board of Directors for selection of the auditor, which is then submitted by the Board to the General Meeting. The Board of Directors annually reviews the scope of the external audit, the audit plans, and the respective procedures, and discusses the audit results with the external auditors. In a joint meeting at least once a year, the auditor reports to the Audit Committee of the Board of Directors on the auditing work and its essential results. A regular exchange of information takes place between the auditor and the CFO.

## Information policy

The APG|SGA Group practices an open information policy toward the financial market and the general public. The shareholders receive semi-annual correspondence informing them about the Group's business performance.

The annual report, the detailed Financial Report, the letters to shareholders, the stock price, and press releases are available at [www.apgsga.ch](http://www.apgsga.ch). Financial media and analysts conferences are held at least once per year. The publication of share price-relevant facts is governed by the provisions relating to the ad-hoc disclosure requirements of SIX Swiss Exchange. Interested parties may subscribe to media releases at [www.apgsga.ch/en/account/register](http://www.apgsga.ch/en/account/register).

Key dates:

- closing date: December 31
- announcement of the annual results: February 27, 2019
- financial media and analysts conference: February 27, 2019
- publication of the annual report: April 16, 2019
- General Meeting: May 16, 2019
- closing date for the semi-annual results: June 30
- announcement of the semi-annual results: July 26, 2019

# Remuneration Report

## 1. Introduction

This Remuneration Report complies with Article 13 et seq. of the Federal Council Ordinance of November 20, 2013, Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). This Ordinance was issued by the Federal Council in response to the adoption by the Swiss electorate of the federal-level “popular initiative against fat cat salaries” (also known as the “Minder Initiative”) on March 3, 2013. This report also respects the Directive on Information Relating to Corporate Governance (DCG) issued by SIX Exchange Regulation, and the Swiss Code of Best Practice issued by *economiesuisse*.

The report describes the basic remuneration policy, the procedure by which remuneration is determined, and the elements and structure of the system of remuneration for the Board of Directors and Executive Board of APG|SGA. It also contains the information required under Arts. 14–16 ERCO, specifically details of fixed and variable performance-related remuneration to the Board of Directors and Executive Board.

This Remuneration Report replaces the information previously presented in the Notes to the Balance Sheet in accordance with Article 663b<sup>bis</sup> of the Swiss Code of Obligations.

## 2. Basic remuneration policy

The long-term objective of APG|SGA is to achieve an attractive and sustainable return, or increase in value, for its shareholders. Our Group pursues this aim in a demanding and highly competitive environment. To operate successfully in this market, we must attract and retain talented, performance-driven and motivated management staff.

APG|SGA's present system of remuneration was introduced effective 2012 in the interests of good corporate governance. It is structured in such a way that the interests of the members of the Board of Directors and the Executive Board are aligned with the long-term objectives of the company and the interests of the shareholders.

The remuneration system supports the sustainable, long-term success of the Group, and corresponds to both modern practice and market custom. Great importance is attached to transparency of the individual elements of remuneration.

## 3. Procedure for determining compensation

### 3.1. Remuneration Committee

Each year, the General Meeting of Shareholders elects the members of the Remuneration Committee on an individual basis. The term of office of these members ends at the close of the next Annual General Meeting.

The Remuneration Committee has the following tasks and responsibilities:

- preparing and periodically reviewing the remuneration policy and principles of the APG|SGA Group, as well as remuneration-related performance criteria; periodically reviewing how these are applied in practice, and submitting the corresponding proposals and recommendations to the Board of Directors
- preparing all relevant decisions by the Board of Directors concerning remuneration for the members of the Board of Directors and Executive Board, and submitting the corresponding proposals and recommendations to the Board of Directors
- briefing the Board of Directors twice a year on the process used to determine remuneration
- ensuring appropriate remuneration based on benchmarks of listed Swiss companies, with adjustments made for the size of the company in question

### 3.2. Board of Directors

Subject to the powers of the General Meeting of Shareholders, in accordance with the provisions of ERCO, the Board of Directors bears ultimate responsibility for the remuneration system. It proposes the members of the Remuneration Committee to the General Meeting of Shareholders. As at the end of 2018, the Committee was composed of Robert Schmidli (Chairman) and Markus Scheidegger, both members of the Board of Directors. If the Committee does not have its full number of members at any point between two General Meetings, the Board of Directors appoints additional members to serve out the remaining term of office.

The Board of Directors determines, on the basis of the proposal from the Remuneration Committee, the amount of remuneration its members should receive. The relevant provisions of ERCO on approval for remuneration apply. The Board of Directors submits to the General Meeting of Shareholders the proposal requesting approval of its remuneration.

The Board of Directors determines, on the basis of the proposal from the Remuneration Committee, the amount of remuneration the members of the Executive Board should receive.

### 3.3. General Meeting of Shareholders

In compliance with the provisions of ERCO, the General Meeting will vote on the approval of remuneration for the Board of Directors and Executive Board.

## 4. Elements and structure

### 4.1. Elements of remuneration for the Board of Directors

The total remuneration paid to the Board of Directors comprises the following components:

- annual fixed directors' fees, paid in cash
- fee for committee work (CHF 20,000 for the Chairman and CHF 10,000 per member), paid in cash
- fixed long-term remuneration in the form of APG|SGA SA shares, which vest for a minimum of three years

This remuneration system is stable and cannot be manipulated. It does not encourage excessive risk-taking, nor does it create short-term incentives, and thus does not result in any activity that may harm the reputation of APG|SGA SA.

For these reasons, a conscious decision was made not to include any variable component in the fees paid to the Board of Directors.

### 4.2. Elements of remuneration for the Executive Board

The total remuneration paid to the Executive Board comprises the following elements:

- basic salary (fixed component), paid in cash
- short-term incentive (variable component), paid in cash
- long-term incentive (variable component), one third of which is paid in cash, and two thirds in the form of APG|SGA SA shares, which vest for a minimum of three years

The fixed element of remuneration constitutes the basic annual salary, which reflects the market value and the individual skills and experience of the members of management.

In the financial year 2018, the Executive Board's compensation was analyzed by an external specialist and compared to that of other market participants. This resulted in certain adjustments.

The variable element is capped at twice the fixed remuneration.

The short-term incentive is based on quantitative targets, and is paid out in cash if these are reached. This is measured based on whether the budgets for EBITDA (earnings before interest, taxes, depreciation and amortization) and net income were met. These factors each have a 50% weighting. The bonus is calculated

on a linear basis using the target bonus and the target attainment. Where targets are attained in full, 100% of the target bonus will be paid out. No bonus is paid if target attainment is 70% or less. The maximum bonus is paid if target attainment is 130% or more.

The long-term incentive is based on two quantitative and two qualitative corporate targets. The quantitative targets carry an 80% weighting, the qualitative targets 20%. If the targets are achieved, the bonus will be credited to a "bonus/malus account", which operates on a rolling three-year basis. Two thirds of the balance in the "bonus/malus account" is carried forward to the next year, and its payment thus deferred. One third of the balance is paid out each year if the balance is positive. One third of this bonus is paid in cash, and two thirds in the form of APG|SGA SA shares, which vest for a minimum of three years.

Shares are allocated on the basis of their weighted average price on the first 10 trading days of the month that follows the General Meeting.

If the targets are not achieved, a debit is charged to the "bonus/malus account", and the account balance declines accordingly. It may even fall to below zero, the result of which is that no further payments are made until the balance is positive once again.

## 5. Remuneration in 2018

Sections 5, 6 and 7 are subject to review by the auditors.  
The payments listed below are accruals and undisbursed amounts for financial year 2018.

### 5.1. 2018 Remuneration for members of the Board of Directors<sup>1</sup>

Name	Function	Fixed Compensation			Total 2018	Total 2017
		Cash portion	Value in shares	Social benefits		
Dr. Daniel Hofer	Chairman	200 000	100 000	23 000	323 000	323 000
Robert Schmidli	Vice-Chairman	88 000	20 000	6 000	114 000	116 000
Markus Scheidegger	Member	68 000	20 000	7 000	95 000	95 000
Stéphane Prigent	Member	78 000	20 000	8 000	106 000	105 000
Xavier Le Clef	Member	58 000	20 000	6 000	84 000	84 000
Total		492 000	180 000	50 000	722 000	723 000

### 5.2. 2018 Remuneration for members of the Executive Board<sup>1</sup>

	Fixed Compensation				Variable Compensation		Total Compensation		
	Cash portion	Social benefits	Total	Short-term cash	Long-term allocation	Social benefits	Total	2018	2017
Total	1 801 000	666 000	2 467 000	545 000	534 000	100 000	1 179 000	3 646 000	3 636 000 <sup>2</sup>
Highest individual remuneration:									
Markus Ehrle, CEO	435 000	139 000	574 000	215 000	202 000	29 000	446 000	1 020 000	959 000 <sup>2</sup>
Bonus/malus account <sup>3</sup>	Balance previous year		New allocation current year		Pay-out		Change		Balance to be carried forward
Total	864 000		534 000		465 000		68 000		933 000
Highest individual remuneration:									
Markus Ehrle, CEO	271 000		202 000		158 000		44 000		315 000

<sup>1</sup> Amounts allocated, accrued, rounded

<sup>2</sup> This amount includes a correction to the employer pension fund contributions of CHF 56,000 for previous years.

<sup>3</sup> Based on a long-term incentive plan: one third of the balance of the bonus/malus account is paid out yearly (whereof 1/3 in cash and 2/3 in shares)

## **6. Loans and credit granted to members of the Board of Directors and Executive Board**

As in the previous year, no loans were made or credit granted to members of the Board of Directors or Executive Board during the reporting year. There are also no loans or credit outstanding.

Furthermore, as in the previous year, no guarantees or sureties were provided to third parties, neither was any other form of security provided for members of the Board of Directors or Executive Board.

## **7. Payments, loans, and credit granted to former members of the Board of Directors and Executive Board, and related parties**

During the reporting year, no payments were made to former members of the Board of Directors or Executive Board. In the reporting year, as in the previous year, no payments or loans were made or credit granted to former members of the Board of Directors or Executive Board during the reporting year. There are also no such loans or credit outstanding.

As in the previous year, no fees were paid to related parties on anything other than market terms during the reporting year.

As in the previous year, no loans were made or credit granted to related parties on anything other than market terms during the reporting year. There are also no loans or credit outstanding.

Transactions with related parties are disclosed in the Financial Report, in Note 22 to the consolidated annual financial statements.

## **8. Participations**

The participations (number of shares) held by members of the Board of Directors and the Executive Board are disclosed in the Financial Report, in the Notes to the annual financial statements of APG|SGA SA.



## **Report of the statutory auditor to the General Meeting of APG SGA SA Geneva**

We have audited the remuneration report (paragraph 5 to 7, pages 33 to 36) of APG SGA SA for the year ended 31 December 2018.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

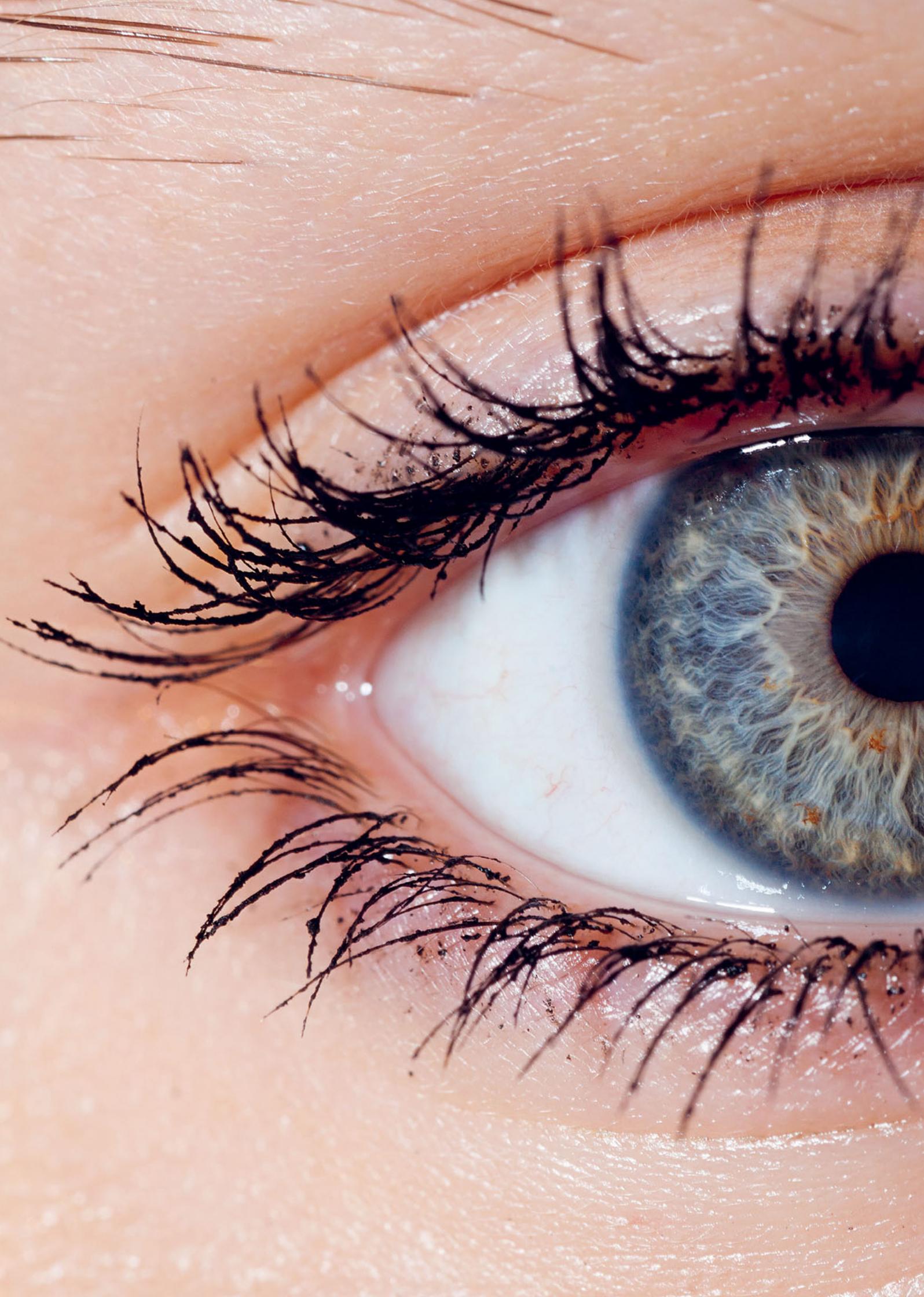
In our opinion, the remuneration report of APG SGA SA for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Stefan Räbsamen  
Audit expert  
Auditor in charge

Philipp Gnädinger  
Audit expert

Zürich, 22 February 2019





## Corporate Responsibility

APG|SGA aims to foster comprehensive and sustainable values for its partners, customers, shareholders and employees, while making a contribution to the environment and society. Balanced consideration of environmental (planet), social (people) and economic (profit) factors in decision-making processes is regarded as vital for the long-term success of the company.

Corporate responsibility and sustainability, is enshrined as one of the six values of the APG|SGA Code of Conduct alongside passion, partnership, entrepreneurship, integrity and transparency – values that are anchored in our daily work. APG|SGA has been reporting on its active commitment to environmental protection for 15 years. From 2018, we are expanding our reporting to reflect an overall view of corporate responsibility.

Sustainability reporting will be based on the four pillars of the corporate strategy:

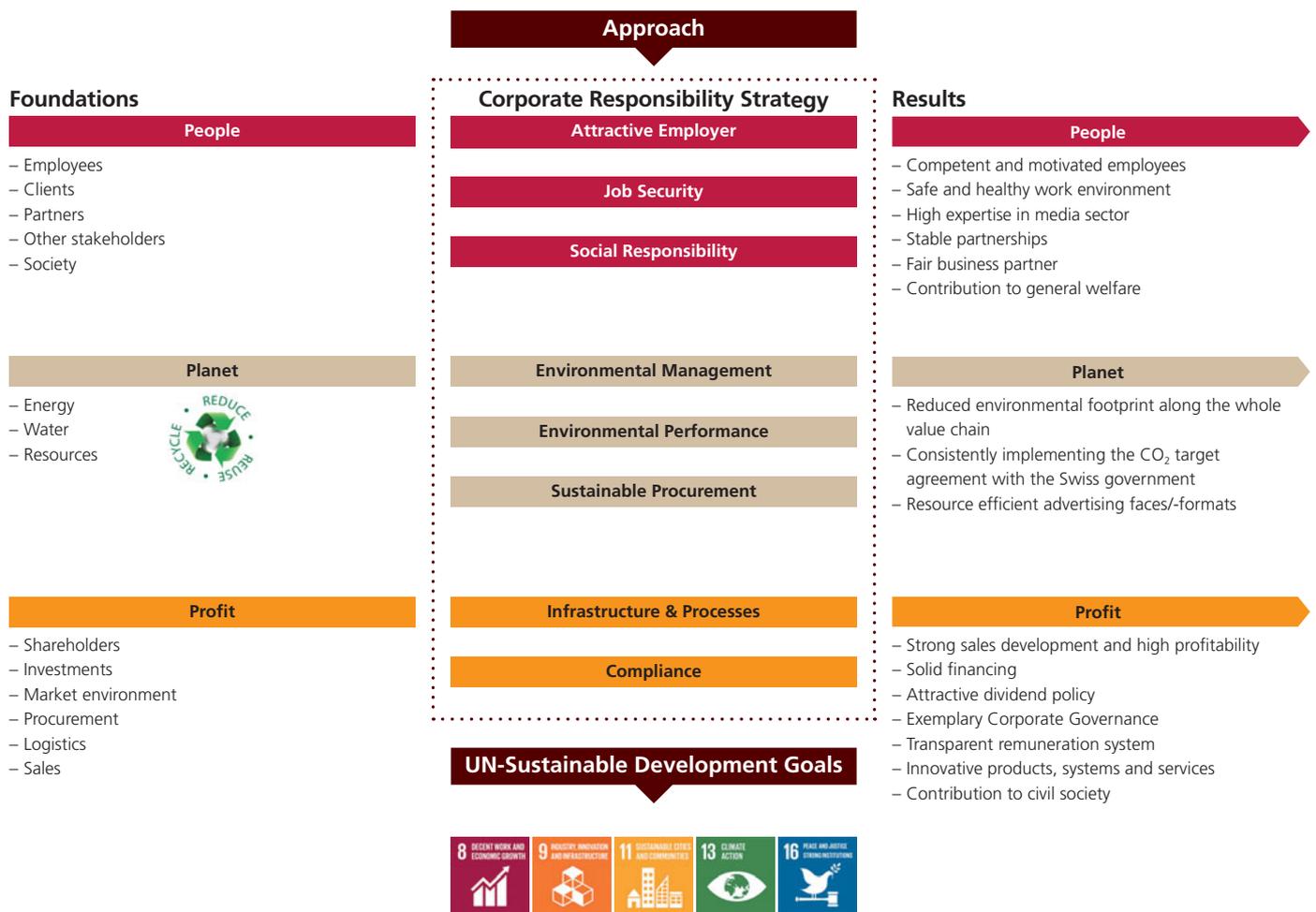
1. Pioneering analog and digital out of home communication solutions for clients
2. Development of best quality locations in public and private space in Switzerland together with partners
3. Commitment to innovation and technology
4. Sustainable, quality-oriented development of our business processes

The sustainability strategy derived from this is based on the triad of people, planet, profit, and both the guidelines of the Global Reporting Initiative (GRI) and the UN's Sustainability Development Goals.

Complete, constantly updated Sustainability Report:  
[www.apgsga.ch/sustainability](http://www.apgsga.ch/sustainability)

### Corporate Strategy

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Pioneering analog and digital out of home communication solutions for clients	Development of best quality locations in public and private space in Switzerland together with partners	Commitment to innovation and technology	Sustainable, quality-oriented development of our business processes



## People

## Modules and direction

**Attractive employer**

APG|SGA is committed to the creation of future-oriented, attractive jobs in a challenging work environment and the promotion of its employees.

## Key facts and achievements 2018

- **Values:** Our employees embody the values defined in the Code of Conduct in their daily working life. To consolidate these values, a company-wide dialog was cultivated, addressing each of the different values at various levels.
- **Vocational and further training:** Employees are specifically trained and promoted. This commitment may be financial or temporal.
- As at the end of 2018, APG|SGA had 8 apprentices and was able to offer three out of four apprentices further employment. One apprentice was taken on from an insolvent teaching program.
- **Leadership culture:** As part of the potential and leadership programs (PEP/FEP), specific measures for targeted support were defined for five employees in western Switzerland in 2018 and were then implemented.
- **Feedback culture:** The management feedback survey carried out in 2018 attracted a high number of respondents. The results indicated that the clear majority of employees are happy with the leadership of their supervisors.
- **Remuneration policy:** APG|SGA offers a fair market and performance-based remuneration. The issue of equal pay between genders is of great importance to us. The remuneration system is designed in such a way that equal work and performance are paid equivalently, and this is regularly reviewed in external audits.
- In 2018, all employees profited from a performance and success bonus thanks to positive business development.
- **Fringe benefits:** Employees profit from staff discounts and offers, and up-to-date fringe benefits.

## Forecast 2019–2023

- A number of feedback instruments (employee satisfaction survey, line manager appraisal, objective setting and review) reflect our focus on values.
- The objective is to meet the demand for qualified employees through training in the form of vocational training and internships.
- APG|SGA offers its employees internal training tailored to meet the changing requirements of the company.
- Company leadership development (FEP) training is carried out periodically.
- Based on assessments from the line management appraisal, two or three concrete objectives will be incorporated into individual objective setting.

## People

## Modules and direction

**Workplace safety/health protection**

APG|SGA promotes a culture of safety at a high level. Preventative measures are used to protect the health of employees.

## Key facts and achievements 2018

- In 2018, APG|SGA continued to implement the system and associated approaches defined by Switzerland's Federal Coordination Commission for Occupational Safety (FCOS).
- Training in workplace safety and health protection for all billposters in all business locations.
- **Accident/illness:** 92.2% of employees had no absences due to accident in 2018 (BU and/or NBU). The level of absenteeism across the whole company is comparable with other companies.
- **Harmful substances:** In 2018, all harmful substances in the company (Logistics division) were stored and documented in accordance with regulations.
- **Ergonomics:** The majority of office workstations were fitted with ergonomic desks with electric height adjustment.
- Simple, effective factsheets on lifting and carrying and personal protective equipment were created in 2019 and training carried out for Logistics.
- **Building/work safety:** In 2018, existing safety concepts at the Lucerne, Neuenburg and Lugano sites were evaluated in an audit in collaboration with an external institute.

## Forecast 2019–2023

- Training of company vehicle drivers to promote anticipatory driving.
- Work safety, health protection and sustainability will be instilled in all apprentices as a thematic block.
- A concept for skin protection developed for employees in the Logistics division, with corresponding training.
- In 2019, the existing safety concept for the Logistics division will again be reviewed and further improved. In addition, building/work safety audits are planned for Zurich, Bern and St. Gallen.

**Social responsibility**

APG|SGA takes its social responsibilities seriously.

- Through poster sponsorship, we offer non-profit organizations as well as cultural and sporting events support to a media value in the tens of millions.
- All fasteners for affixing advertising vehicles are manufactured by a social institution.
- Household items for APG|SGA properties are procured from the Swiss Workshop for the Blind and Visually Impaired.

- Poster sponsorship to be continued for the benefit of Swiss society.
- Continuation of partnership with social institutions for procurement.

## APG|SGA workforce

### APG|SGA total workforce overview

as at December 31, 2018

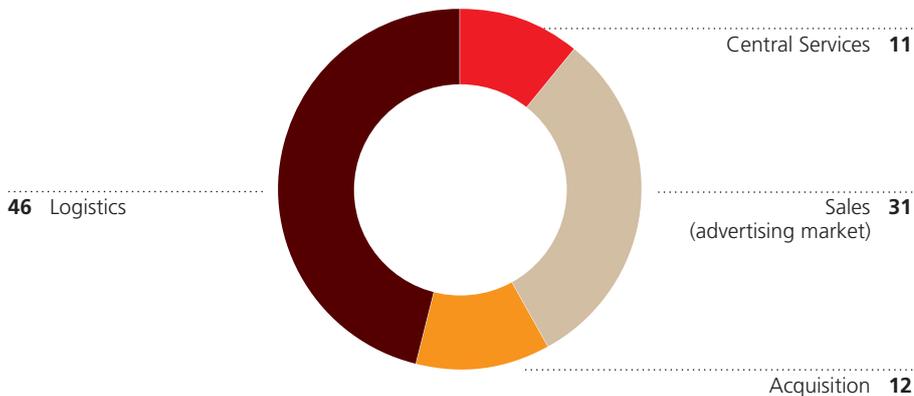
	2018	2017
<b>Total</b> <sup>1</sup>	<b>500</b>	519
<b>By country</b>		
Switzerland	<b>453</b>	472
Serbia	<b>47</b>	47
<b>By demographics</b>		
Share of men, in %	<b>71</b>	71
Share of women, in %	<b>29</b>	29
Share of full-time positions (90–100%), in %	<b>88</b>	81
Share of part-time positions (<90%), in %	<b>12</b>	19
Apprentices <sup>2</sup>	<b>8</b>	12

<sup>1</sup> Full-time 100% equivalent as basis, percentages rounded, excluding apprentices

<sup>2</sup> Switzerland, APG|SGA: commercial 7, logistics 1, IT 0

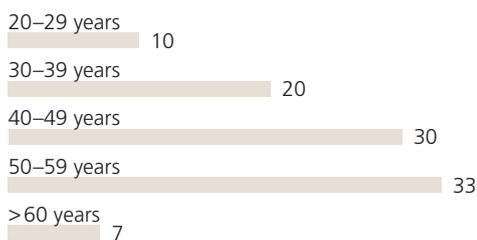
### APG|SGA employees in Switzerland, by business unit

in %



### Age structure

in %



## Planet

Modules and direction	Key facts and achievements 2018	Forecast 2019–2023
<p><b>Environmental management</b> APG SGA sees environmental management as a continuous process in which identification of environmental impact, action planning, management/monitoring and, if necessary, adjustments are integral components.</p>	<ul style="list-style-type: none"> <li>– The area of “environment” regularly included as an agenda item for the Board of Directors/Executive Board. The objectives were approved by this body and facts and figures on progress thoroughly discussed.</li> <li>– Employees are informed of the new sustainability strategy and facts and figures for the Environmental Report 2018 through newsletters and orientation at the individual offices.</li> </ul>	<ul style="list-style-type: none"> <li>– Constant assessment of the defined modules and objectives.</li> <li>– Communication of environmental achievements to employees through various channels.</li> <li>– Sustainability regularly included as an agenda item for the Board of Directors/ Executive Board.</li> <li>– Management objectives also include objectives in the area of corporate responsibility.</li> </ul>
<p><b>Environmental performance</b> APG SGA makes an active contribution to environmental protection, consistently reducing its CO<sub>2</sub> emissions to levels below legal regulations.</p>	<ul style="list-style-type: none"> <li>– <b>Overall environmental impact:</b> In comparison with 2017, the overall environmental impact fell by about 1%.</li> <li>– <b>Energy consumption:</b> Energy consumption has fallen by 5% since 2017.</li> <li>– <b>Vehicles:</b> Fuel consumption has fallen by 4% since 2017.</li> <li>– <b>Electricity:</b> The environmental impact of electricity fell by 5% in the equivalent period despite the expansion of the digital product range.</li> <li>– <b>Heating energy:</b> Heating energy consumption has fallen by 5% since 2017.</li> <li>– <b>Disposal:</b> A negative trend was noted in 2018 (refinement of data capture/system parameters).</li> <li>– <b>Materials:</b> Material consumption fell by 3% for the same period.</li> <li>– <b>Posters:</b> In 2018, a total of 2,027,927 posters were hung. This represents a fall of 4%.</li> </ul>	<ul style="list-style-type: none"> <li>– 10% reduction in environmental impact per CHF by 2022. (Base year 2017)</li> <li>– Optimization of energy in APG SGA premises and reduction of energy consumption by advertising vehicles.</li> <li>– Development of further CO<sub>2</sub> measures.</li> <li>– Development of measures for targeted reduction of energy consumption, and promotion of an ongoing upgrade of APG SGA advertising vehicles with new technology.</li> <li>– 10% reduction in heating energy consumption by 2022. (Base year 2017)</li> <li>– Recycling quotient for poster disposal more than 90%.</li> <li>– Introduction of a new reference size in response to increase in digital advertising formats – currently the environmental impact is calculated per poster.</li> <li>– Improvement of ecological assessment.</li> </ul>

## Planet

## Modules and direction

## Key facts and achievements 2018

## Forecast 2019–2023

Modules and direction	Key facts and achievements 2018	Forecast 2019–2023
<p><b>Sustainable procurement</b> APG SGA sets standards for environmentally and socially responsible production.</p>	<ul style="list-style-type: none"> <li data-bbox="571 486 1013 840">– <b>CDP climate protection ranking:</b> In the international climate protection ranking carried out by the CDP (Carbon Disclosure Project) in 2018, APG SGA scored a “B”, comparable with the best of the prestigious, listed companies in CDP Climate Score. This evaluation represents an improvement on the previous year and illustrates the optimization and consistent efforts APG SGA has pursued as part of its Corporate Responsibility strategy.</li> <li data-bbox="571 904 1013 999">– <b>CO<sub>2</sub> reduction path:</b> Intensifying the CO<sub>2</sub> reduction path to 110 g CO<sub>2</sub>/km in procurement of new personal vehicles.</li> <li data-bbox="571 1193 1013 1350">– <b>Eco-fleet:</b> With a total of 157 “green” vehicles and a 10% increase in biogas content, APG SGA achieved CO<sub>2</sub> savings of about 100 t. The gas content in gas vehicle fueling stood at 98% in 2018.</li> <li data-bbox="571 1352 1013 1480">– <b>Eco-electricity:</b> Purchase of 100% eco-electricity (naturemadeStar) for illuminated advertising and commercial premises.</li> <li data-bbox="571 1482 1013 1639">– <b>More energy-efficient technology:</b> 44 light boxes and six Startowers (columns) fitted and optimized with the latest LED tube technology. Better illumination with lower electricity consumption.</li> <li data-bbox="571 1641 1013 1926">– <b>Work clothing:</b> The focus is on sustainability in the procurement of work clothing. The materials are manufactured according to the world’s strictest textile standards for environmental and consumer protection and occupational safety. As a result, where available, parts of the new APG SGA work clothing bear the bluesign® label.</li> </ul>	<ul style="list-style-type: none"> <li data-bbox="1037 486 1500 613">– Continuation of CDP climate protection ranking and consistent implementation of efforts as part of the Corporate Responsibility strategy</li> <li data-bbox="1037 904 1500 1256">– Promotion of alternative vehicle propulsion systems. – Threshold of 95 g CO<sub>2</sub>/km from 2020 according to the New European Driving Cycle (NEDC). – Review of defined reduction path following the new WLTP (worldwide harmonized light vehicles test procedure) measurement methodology. – Gas vehicles: Gas content in fueling maintained at a level of 98%.</li> <li data-bbox="1037 1352 1500 1413">– APG SGA continues to purchase 100% eco-electricity.</li> <li data-bbox="1037 1482 1500 1576">– Ongoing reduction of electricity consumption in digital and illuminated advertising vehicles (increasing energy efficiency).</li> <li data-bbox="1037 1641 1500 1704">– Introduction of a sustainability code of conduct for all new suppliers.</li> </ul>

## Profit

**Modules and direction****Key facts and achievements 2018****Forecast 2019–2023****Long-term existence of the company**

The optimal generation of earnings forms the foundation for the sustainable existence and competitiveness of the company.

- In the financial year 2018, the APG|SGA Group generated an EBIT of CHF 59.5 million and a net profit of CHF 47.2 million.
- The cash flow generated amounted to CHF 58.8 million.

- APG|SGA will continue to focus on consistently following its defined objectives. All decisions are made in the interests of long-term company success.

**Attractive shareholder policy**

APG|SGA aims for attractive returns for shareholders and pays appropriate dividends in line with its business performance.

- The Board of Directors recommends to the General Meeting that a dividend/special dividend totaling CHF 20.00 per share be paid out.

- APG|SGA pursues an attractive return and pays a reasonable dividend.

**Infrastructure and processes**

APG|SGA obtains and operates long-lasting, high quality infrastructure, such as buildings, facilities and tools.

- Revised processes to increase the efficiency of operations and material flow.
- Improvement of route planning for more efficient management of poster space.
- Management of company vehicles through an external provider to increase fleet efficiency.

- Constant process and route optimization to minimize mileage.
- Evaluation of defined objectives and implementation of measures relating to external vehicle procurement.

**Compliance**

APG|SGA adheres to all legislation, guidelines and standards. APG|SGA evaluates the effectiveness of internal control systems and guidelines. In the event of misconduct, appropriate measures are taken.

- Annual review and revision of the APG|SGA Code of Conduct.
- By the end of 2018, all employees of the APG|SGA Group had passed the e-learning course "Anti-Bribery and Corruption Guidelines".
- Training of all office employees through e-learning.
- In 2018, a Compliance Committee was defined and established.
- Samples <10 were carried out with a positive result and no abnormalities.
- Continual training.

- Continual improvement and implementation of legislative changes through e-learning.
- Consistent training for new employees.
- Compliance Committee to conduct random checks to monitor compliance with the Anti-Bribery and Anti-Corruption Guidelines.





## Consolidated balance sheet

<b>Assets</b>	in 1000 CHF	31.12.2018	31.12.2017
Buildings and land		33 873	35 119
Advertising plant		21 492	23 328
Other property, plant, and equipment		4 482	5 281
<b>Property, plant, and equipment</b>		<b>59 847</b>	<b>63 728</b>
Deferred tax assets		1 581	1 507
Investments in joint ventures		130	210
Other financial investments		7 575	7 156
<b>Financial investments</b>		<b>9 286</b>	<b>8 873</b>
Goodwill		5 997	7 649
Contractual advertising rights		16 932	15 884
<b>Intangible fixed assets</b>		<b>22 929</b>	<b>23 533</b>
<b>Non-current assets</b>		<b>92 062</b>	<b>96 134</b>
Inventories		2 379	2 465
Trade accounts receivable		38 603	38 186
Other accounts receivable		2 078	4 152
Deferred expenses and accrued income		6 456	5 692
Cash and cash equivalents		60 128	90 490
<b>Current assets</b>		<b>109 644</b>	<b>140 985</b>
<b>Total</b>		<b>201 706</b>	<b>237 119</b>
<b>Shareholders' equity and liabilities</b>	in 1000 CHF	31.12.2018	31.12.2017
Share capital		7 800	7 800
Capital reserves, premiums		13 449	13 746
Treasury shares		-748	-2 337
Translation differences		-1 461	-758
Retained earnings		77 171	101 865
<b>Shareholders' equity</b>		<b>96 211</b>	<b>120 316</b>
Provisions		7 614	10 760
Deferred tax liabilities		4 919	5 550
<b>Non-current liabilities</b>		<b>12 533</b>	<b>16 310</b>
Trade accounts payable		12 369	15 654
Taxes payable		4 247	4 905
Other accounts payable		24 584	22 492
Accrued liabilities and deferred income		49 016	56 376
Provisions		2 746	1 066
<b>Current liabilities</b>		<b>92 962</b>	<b>100 493</b>
<b>Liabilities</b>		<b>105 495</b>	<b>116 803</b>
<b>Total</b>		<b>201 706</b>	<b>237 119</b>

## Consolidated income statement

in 1000 CHF	2018	2017	Change
Advertising revenue	302 110	300 693	0.5%
Real estate revenue	1 652	1 650	0.1%
Other operating income	805	2 434	-66.9%
<b>Operating income</b>	<b>304 567</b>	<b>304 777</b>	<b>-0.1%</b>
Fees and commissions	-139 363	-134 587	3.5%
Personnel expenses	-61 352	-62 446	-1.8%
Operating and administrative costs	-31 178	-32 974	-5.5%
<b>Operating result before depreciation and amortization (EBITDA)</b>	<b>72 674</b>	<b>74 770</b>	<b>-2.8%</b>
Depreciation of tangible assets	-10 750	-11 018	-2.4%
Amortization of intangible assets	-758	-770	-1.6%
Amortization of goodwill	-1 652	-1 652	
<b>Operating result (EBIT)</b>	<b>59 514</b>	<b>61 330</b>	<b>-3.0%</b>
Financial result	-393	1 966	
Result from joint ventures	-74	-90	
<b>Ordinary result before income tax</b>	<b>59 047</b>	<b>63 206</b>	<b>-6.6%</b>
Income tax	-11 871	-12 486	-4.9%
<b>Consolidated net income</b>	<b>47 176</b>	<b>50 720</b>	<b>-7.0%</b>
<b>Basic and diluted earnings per share, in CHF</b>	<b>15.74</b>	<b>16.92</b>	<b>-7.0%</b>

## Consolidated statement of changes in equity

in 1000 CHF	Share capital	Capital reserves, premiums	Treasury shares	Translation differences	Retained earnings	Shareholders' equity
as at January 1, 2017	7 800	13 711	-377	-2 474	123 106	<b>141 766</b>
Consolidated net income					50 720	<b>50 720</b>
Translation differences				1 716		<b>1 716</b>
Distributions					-71 961	<b>-71 961</b>
Purchase of treasury shares			-2 722			<b>-2 722</b>
Sale of treasury shares		58	762			<b>820</b>
Equity transaction costs		-23				<b>-23</b>
as at December 31, 2017	7 800	13 746	-2 337	-758	101 865	<b>120 316</b>
Consolidated net income					47 176	<b>47 176</b>
Translation differences				-703		<b>-703</b>
Distributions					-71 870	<b>-71 870</b>
Purchase of treasury shares			-750			<b>-750</b>
Sale of treasury shares		-289	2 339			<b>2 050</b>
Equity transaction costs		-8				<b>-8</b>
as at December 31, 2018	7 800	13 449	-748	-1 461	77 171	<b>96 211</b>

### Explanation of financial terms

**EBITDA** Earnings before interest, taxes, depreciation of property, plant, and equipment, and amortization of intangible assets

**EBIT** Earnings before interest and taxes

**Free cash flow** Cash flow from operations minus cash flow from investments

**Gearing** Degree of debt, also called leverage: net debt in % of equity

**Net current assets** Trade accounts receivable plus inventories minus trade accounts payable

**Net debt** Debt-serviced borrowed capital minus interest-bearing current assets (cash and cash equivalents, marketable securities)

**Payout ratio** Payout in % of net income

**P/E ratio** Price/earnings ratio: ratio of share price to earnings per share

**ROE** Return on equity: net income in % of average shareholders' equity

**ROIC** Return on invested capital: operating income in % of average capital employed, without cash and cash equivalents, less interest-free liabilities

## Consolidated statement of cash flows

in 1000 CHF	2018	2017
Consolidated net income	47 176	50 720
Depreciation and amortization	13 160	13 440
Changes in provisions	-384	-402
Changes in deferred taxes	-690	-679
Financial result with no cash impact	257	-1 137
Gain from sale of non-current assets	-805	-1 828
Result from joint ventures	74	90
<b>Cash flow</b>	<b>58 788</b>	<b>60 204</b>
Change in inventories	75	-143
Change in accounts receivable	1 392	3 912
Change in deferred expenses and accrued income	-770	1 034
Change in accounts payable and taxes payable	-1 814	-11 952
Change in accrued liabilities and deferred income	-8 309	-5 252
<b>Cash flow from operating activities</b>	<b>49 362</b>	<b>47 803</b>
Capital expenditures in property, plant, and equipment	-7 056	-10 963
Capital expenditures in intangible assets	-1 061	-1 070
Capital expenditures in investments in subsidiaries		-284
Capital expenditures in other financial investments	-432	-3 508
Sale of property, plant, and equipment	810	2 755
Sale of intangible assets		2 827
<b>Net cash used in investing activities</b>	<b>-7 739</b>	<b>-10 243</b>
Purchase of treasury shares	-750	-2 722
Sale of treasury shares	715	800
Repayment of non-current financial liabilities		-189
Dividends to APG SGA SA shareholders	-71 870	-71 961
<b>Net cash used in financing activities</b>	<b>-71 905</b>	<b>-74 072</b>
Currency translation effect on cash and cash equivalents	-80	185
<b>Change in cash and cash equivalents</b>	<b>-30 362</b>	<b>-36 327</b>
Cash and cash equivalents as at January 1	90 490	126 817
Cash and cash equivalents as at December 31	60 128	90 490

The detailed Financial Report is published in English. It is available free of charge or can be downloaded from

[www.apgsga.ch/report](http://www.apgsga.ch/report)



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Digital and analog poster advertising along streets, on squares, in railway stations, at points of sale, and points of interest:

[www.apgsa.ch](http://www.apgsa.ch)

Advertising in and around airports:

[www.apgsa.ch/airport](http://www.apgsa.ch/airport)

Mobile advertising along the customer journey:

[www.apgsa.ch/interaction](http://www.apgsa.ch/interaction)

Fixed and temporary large poster panels:

[www.apgsa.ch/megaposter](http://www.apgsa.ch/megaposter)

Advertising and communication systems in the mountains:

[www.apgsa.ch/mountain](http://www.apgsa.ch/mountain)

Live communication with promotions, sampling and fundraising:

[www.apgsa.ch/promotion](http://www.apgsa.ch/promotion)

Product development and sale of special formats in railway stations:

[www.apgsa.ch/rail](http://www.apgsa.ch/rail)

Internal and external advertising panels on mass transit vehicles:

[www.apgsa.ch/traffic](http://www.apgsa.ch/traffic)

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