

# 2017

Interaction

APG|SGA Annual Report



## The financial year at a glance

- Downturn in revenues caused by reduced advertising inventory.
- Profitability in operating business margins at a high level.
- Financial situation very sound.
- Dividend/special dividend totaling CHF 24 per share.

### Key figures

Sales revenue  
in CHF

**300.7 million**

EBIT  
in CHF

**61.3 million**

### APG|SGA share performance 2017 in CHF



### APG|SGA Group key figures

in 1 000 CHF

	2017	2016	2016 adjusted for one-time effects <sup>1</sup>	Change	Change adjusted for one-time effects
<b>Sales revenue</b>	<b>300 693</b>	315 361	315 361	-4.7%	-4.7%
– Switzerland	<b>288 071</b>	303 445	303 445	-5.1%	-5.1%
– International	<b>12 622</b>	11 916	11 916	5.9%	5.9%
<b>Operating income</b>	<b>304 777</b>	339 802	317 188	-10.3%	-3.9%
<b>EBITDA</b>	<b>74 770</b>	101 318	78 769	-26.2%	-5.1%
– in % of operating income	<b>24.5%</b>	29.8%	24.8%		
<b>EBIT</b>	<b>61 330</b>	88 846	66 297	-31.0%	-7.5%
– in % of operating income	<b>20.1%</b>	26.1%	20.9%		
<b>Net income</b>	<b>50 720</b>	70 523	52 551	-28.1%	-3.5%
– in % of operating income	<b>16.6%</b>	20.8%	16.6%		
<b>Cash flow</b>	<b>60 204</b>	59 314	63 956	1.5%	-5.9%
<b>Free cash flow</b>	<b>37 560</b>	56 626	33 228	-33.7%	13.0%
<b>Investments in property, plant, and equipment</b>	<b>10 963</b>	14 034	14 034	-21.9%	-21.9%
– advertising plant	<b>8 144</b>	7 680	7 680	6.0%	6.0%
– other investments	<b>2 819</b>	6 354	6 354	-55.6%	-55.6%
<b>Net income per share, in CHF</b>	<b>16.92</b>	23.51	17.52	-28.0%	-3.4%

<sup>1</sup> adjusted for effect of property sale

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## Interaction

Whether pasted, backlit, moving or digital, posters allow messages to be transmitted and received. Outdoor advertising has gained an additional communicative dimension – the possibility of active engagement and interaction – through connections between out of home and mobile media, and the expansion of promotional spaces.

APG|SGA offers a wide range of interaction opportunities thanks to analog and digital poster space, mobile advertising and promotional space. Attractive options for reaching target groups and communicating interactively are therefore available to advertisers in every communication space and throughout the whole day. Profitably and entertainingly.

The option to actively intervene in events and the resulting relationships between people or systems offers countless new, inspiring means of interaction for both consumers and advertisers. The fascinating images in the current annual report illustrate the diversity, scope and attractiveness of such interactions in the broadest sense of the terms.

Dear Shareholder

### General business development

The financial year 2017 for APG|SGA can once again be described as successful. Although sales revenues in Switzerland fell below those of the previous year due to non-renewal of concession contracts, the ongoing portfolio showed positive revenue development. It is pleasing that operating business margins have remained at a high level thanks to a diverse range of measures. The previous year was also marked by the securing of major tenders and the targeted expansion of our contractual and product portfolio, particularly in the area of digital advertising assets.

### APG|SGA Group

Group-wide sales revenues fell by 4.7% to CHF 300.7 million during the financial year 2017. The main reason for this reduction in revenue was reduced advertising inventory resulting from non-renewal of concession contracts in Switzerland. Although sales revenues fell by 5.1% in the Swiss domestic market, the international segment recorded a considerable rise of 5.9%.

Real estate revenues were 9.6% lower year-on-year. This decline was due to the sale of a Basel property in June 2016. In the previous year, other operating income benefited from the one-off

positive effect of CHF 22.6 million from the sale. Revenue from sales of advertising media in business year 2017 amounted to CHF 2.4 million.

Expenses for fees and commissions were reduced by 5.2% in the reporting year. This reduction is partially explained by a 4.4% reduction in personnel expenses in the reporting year due to further process optimization. Another factor was the outsourcing of the IT computing center. The 5.5% increase in operating and administrative costs in the reporting year was driven by set-up costs in new business areas and expenses for the IT computer center outsourcing partner. In the last year, there was increased investment in the strategically important digital range. This consequently led to increased depreciation in fixed assets. Despite reduced sales revenues, margins remained at a high level. The business year 2017 saw an EBITDA margin of 24.5% (previous year, adjusted: 24.8%) and an EBIT margin of 20.1% (previous year, adjusted: 20.9%).

The euro exchange rate had a positive influence on results in the reporting year. Despite high cash reserves, no negative interest was paid in a demanding interest rate environment. Net income



for financial year 2017 amounted to CHF 50.7 million, which on an adjusted basis represents a reduction of 3.5% compared with the previous year.

#### **Swiss market**

Net sales revenues in Switzerland of CHF 288.1 million were 5.1% down on the previous year. This fall is largely due to the reduction of advertising inventory caused by non-renewal of three concession contracts in 2016 – with the Zurich transport authority (VBZ), and the cities of Lucerne and Geneva. Adjusted for this inventory reduction, sales revenues in Switzerland would have risen by 1.4% in 2017.

Within APG|SGA, the development of sales revenues in digital and large-format products was particularly positive. The split of revenue between national and regional advertising vehicles remained well balanced. Most sectors performed well. Exceptions included significant declines in political advertising – which is cyclical in any case – and in the gastronomy and clothing sectors due to structural market changes.

Advertisers and their agents value the integrated APG|SGA range of analog and digital outdoor advertising, which covers all communications areas and which has also included the promotional space business since 2016. In early February 2017 came the launch of the APG|SGA Interaction segment brand, which covers the areas of mobile media advertising and data collection. This is driven by the conviction that mobile media is an increasingly integral component of the out of home market; in the context of outdoor advertising, growing mobile internet use enables effective, combined target group appeal along the customer journey. In addition to successful initial sales, APG|SGA Interaction spent its first year building partnerships, driving concrete product range and tool developments, comprehensively training its sales staff and hosting numerous customer information events in every region of Switzerland.

As the APG|SGA range continues to expand, so too does the competitive environment, and relieving the administrative burden on the sales organization and focusing on integrated customer support will become increasingly important. As we further optimize our internal structures and processes, administrative activities are being centrally consolidated and will in future be

managed by the new “Operations” unit, with the aid of newly developed IT solutions. We will continue to provide customers with access to new self-service tools.

A key pillar of business for APG|SGA is the large number of contracts with both private and public property owners, which enable us to offer the advertising market a range of optimal, high quality space. In this area, APG|SGA once again managed to renew numerous contracts and secure a number of key future prospects through public tender processes.

APG|SGA will remain in a strong position in the city of Basel until 2028, where it has been awarded all existing space in F200, F12 and F4 formats, more than 250 backlit posters in the F200 format and the creation of 22 digital “City ePanels”. These new digital products have been available to advertising customers since early 2018. In Lausanne, the Federal Supreme Court confirmed the city of Lausanne’s decision to award the poster concession for management of a total of 1,980 poster spaces to APG|SGA in mid-March. In Lugano, APG|SGA secured the exclusive right to all analog and digital outdoor advertising products in the city until 2030. In Zurich, APG|SGA received the award for its targeted batches, representing the right to manage a total of 1,150 commercial spaces on public property until mid-2023. In the city of Geneva, legal proceedings in the award of a tender to a competitor are still ongoing. A decision in this appeal procedure is expected in 2018. It was therefore even more pleasing that APG|SGA won the tender for the “Parking Place de Cornavin SA” in a top location in the center of Geneva, allowing it to further drive a major expansion to its range in the form of digital “City ePanels” and backlit spaces in “MetroShopping”.

This allows a consistent push to digitalization in prime locations. In January, a total of 64 new “Escalator ePanels” went into operation in Zurich’s main railway station. Since fall, 12 additional “Escalator ePanels” have been available in “Métro m2” in Lausanne, joining the city’s range of 12 “City ePanels”, five “Rail ePanels” and two “City eBoards”. Through another successful tender for the second largest shopping center in Switzerland, the “Mall of Switzerland”, a total of 19 “Shopping ePanels” were installed. This brings the total of Swiss shopping centers with APG|SGA digital advertising to 27. Another attractive location for advertising space is the steadily expanding SOCAR service station network. Here, APG|SGA won a selection process and will work with Socar Energy Switzerland to continue to expand the analog poster site network.

In the city of Winterthur, however, a competitor managed to beat APG|SGA on purely quantitative criteria, and has been managing various analog advertising space on public property since

January 1, 2018. Nonetheless, APG|SGA remains in a strong market position in Winterthur and is able to offer advertisers a compelling range, thanks to high quality digital and backlit spaces, as well as numerous attractive private property spaces.

In the public transport segment, APG|SGA Traffic was awarded the rights to market and manage all analog and digital indoor and outdoor advertising space in a tender for BERNMOBIL. APG|SGA Mountain secured long-term extensions to its partnerships with a number of major mountain rail and cableway companies, encompassing destinations such as Pizol, St. Moritz-Corvatsch, Pilatus, Meiringen-Hasliberg and Verbier.

Another focus of APG|SGA activities in the reporting year was the conception and creation of a submission for the tender covering third-party advertising space on SBB property throughout Switzerland, launched at the beginning of the year. And the good news came in November 2017: APG|SGA had seen off competitors in the public selection process and was awarded the contract by SBB for all lots of analog and digital third-party advertising space and the exclusive marketing of outdoor and indoor advertising on trains. Since then, one of the unsuccessful applicants has lodged an appeal against SBB’s tender with the Federal Administrative Court. As a result, the contractual negotiations and the implementation of concepts have been postponed until the court reaches a decision. The marketing business from ongoing contracts with SBB is not affected and APG|SGA is committed to driving this business forward.

#### **International markets**

APG|SGA’s foreign operations are now confined solely to Serbia. During the reporting period, economic framework conditions improved in Serbia and the Alma Quattro subsidiary there developed positively.

In the reporting year, sales revenues increased by 5.9% to CHF 12.6 million. Margins increased significantly, thanks to economies of scale and structural optimization.

The new concession contract with the city of Belgrade based on a public-private partnership model was signed in the first quarter of 2017, and implementation is underway. Alma Quattro is the exclusive partner of the Serbian capital in the areas of street furniture and advertising on public property. In addition to existing advertising vehicles, this has also brought with it new and highly attractive advertising sites. The rollout of digital advertising media in the city center was implemented in December 2017. The first weeks of sales revenues for digital advertising media were highly promising.

Alma Quattro is in 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 Tuesday, May 23, 2017, 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.

### Dividend

The Board of Directors takes the view that, based on the positive annual statement, strong balance sheet and consistently high net cash position, a doubling of the dividend is again warranted in the interests of a shareholder-friendly dividend policy.

The Board of Directors therefore proposes to the General Meeting that an ordinary dividend of CHF 12 and a special dividend of CHF 12 be paid for the financial year 2017. This corresponds to a total payment of CHF 24 (gross) per share.

### Outlook

The ongoing digitalization of our daily lives and associated long-term changes in media consumption have led advertisers to reassess their advertising investments and adapt them to the new market conditions. In this context, out of home advertising will be able to further expand its position as the only truly mass medium and shows a positive dynamic. With the expansion of digital out of home products and new planning, booking and format options, the medium has outstanding prospects in inter-medial competition.

APG|SGA considers itself to be ideally positioned for both inter-medial and intra-medial competition. We are the only provider that has a comprehensive integrated portfolio of analog and digital products that covers all communication areas in all regions of Switzerland and which is both secure in the long term and supplemented by the promotional space business. With additional products from APG|SGA Interaction, which effectively link mobile advertising with out of home campaigns, as a reliable partner to the advertising industry we are in a position to offer effective targeted marketing along the entire customer journey from a single source.

As a pure player in out of home advertising, we are convinced that we can offer the greatest added value to advertisers, cities, municipalities and private property owners – now and in the future. With more than 550 specialists in Switzerland and Serbia,

we offer outstanding professional expertise, reliability and innovation dedicated to the dynamic, successful and sustainable further development of the medium. With the new contracts, expansion of technology and other initiatives in the reporting year, we have laid a solid foundation for further positive development. We are determined to secure our market position and continue to actively demonstrate our role as an innovation leader in the current year.

The Board of Directors and Executive Board wish to thank all employees for their commitment and impressive work, and the pleasing results they achieved. We would like to thank you, our esteemed shareholders, for your interest and the trust you have shown in APG|SGA over the past year.



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

**Markus Ehrle**  
Chief Executive Officer

## Financial Report



**Beat Hermann**  
Chief Financial Officer and  
Head of International Markets

**“Agility has an impact  
on profitability.”**

### **APG|SGA Group**

The past financial year was successful. Although sales revenues in Switzerland fell with the non-renewal of concession contracts, profitability remained at a high level. This is in large part thanks to the agility of the organization, with the decisive factors being rapid process adaptation and diverse optimization measures. In Serbia, economic conditions improved and the product portfolio was further expanded, leading to increased sales revenues.

Group-wide sales revenues fell by 4.7% to CHF 300.7 million during financial year 2017. The main reason for this reduction was the reduced advertising inventory in Switzerland. Although sales revenues fell by 5.1% in the Swiss domestic market, the international segment recorded a considerable rise of 5.9%.

Year-on-year real estate revenues were 9.6% lower, due to the sale of a property in Basel in June 2016. This led to a positive one-time effect of CHF 22.6 million in other operating income in the previous year. The financial year 2017 saw revenues of CHF 2.4 million from sales of advertising media.

Expenses for fees and commissions were reduced by 5.2% in the reporting year. Personnel expenses fell by 4.4% in 2017, due to process adaptations and optimizations, and the outsourcing of IT operations. Development costs in new business fields and expenses of outsourcing partners for IT operations led to a 5.5% increase in operational and administrative expenses. In recent years, there has been increased investment in the strategically important digital product range, which has led to correspondingly increased depreciation in fixed assets.

Despite reduced sales revenues, margins remained at a high level. The business year 2017 saw an EBITDA margin of 24.5% and an EBIT margin of 20.1%.

### Switzerland

Sales revenues in Switzerland were CHF 288.1 million, 5.1% below the previous year. This fall is largely due to the reduction of advertising inventory caused by non-renewal of concession contracts – with Zurich's public transport authority, and the cities of Lucerne and Geneva. The major expansion of the digital range is bearing fruit and the development of sales revenues in this area was positive once again. On the advertiser side, most sectors exhibited positive development. The exceptions were the area of political advertising as well as the gastronomy and clothing sectors, caused by structural market changes. It is highly gratifying that the segment brands once again made a major contribution to our strong profitability.

### International

Internationally, APG|SGA is operationally active in Serbia. The economic conditions improved in this market and the subsidiary Alma Quattro showed highly positive growth. Margins increased by 5.9% to CHF 12.6 million in the reporting year. This significant increase in margins was largely driven by economies of scale and process optimization.

### Cash flow

Cash flow for financial year 2017 amounted to CHF 60.2 million. This represents an increase of 1.5% on the previous year, adjusted for one-time effects. Cash flow from operating activities amounted to CHF 47.8 million. After investment in fixed assets of CHF 11.0 million, purchases of intangible assets of CHF 1.1 million, financial investments of CHF 3.8 million, proceeds from the disposal of fixed assets of CHF 2.8 million and intangible assets of CHF 2.8 million, free cash flow stood at CHF 37.6 million. The cash flow margin during the reporting year was 19.8% (previous year 17.5%).

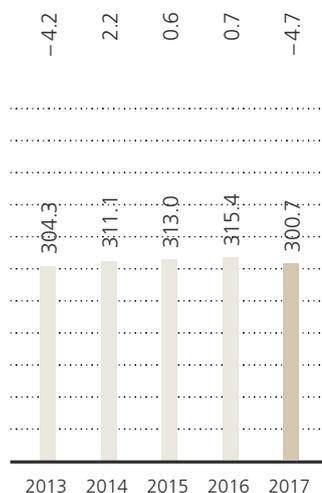
### Balance sheet

By the end of the reporting year, the balance sheet total had fallen by 13.4% to CHF 237.1 million. The primary driver was the decrease in cash and cash equivalents. The net cash position at the end of the reporting year was CHF 90.5 million, CHF 36.3 million lower than at the close of 2016. This decrease was primarily caused by the dividend payment. Intangible assets account for 9.9% of total assets. The high net cash position, the low level of intangible assets and an equity ratio of 50.7% are further indicators of a strong balance sheet.

### Sales revenue

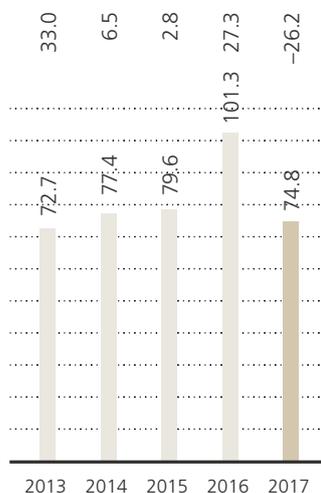
CHF m

Change vs. PY in %



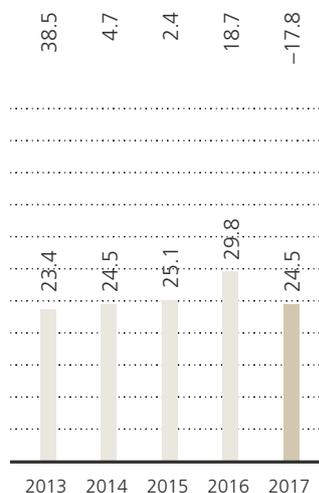
### EBITDA

CHF m



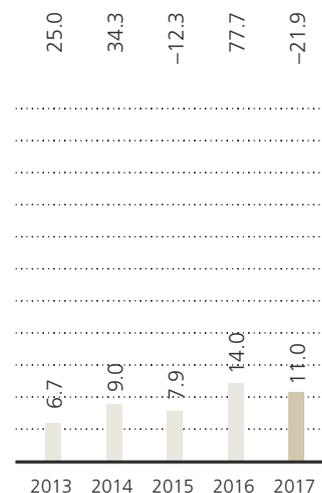
### EBITDA margin

in % of operating revenue



### Investments in property, plant, and equipment

CHF m



## Key figures

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

		2017	2016	2015	2014	2013
<b>Balance sheet</b>						
Buildings and land	CHF m	35.1	36.8	41.6	44.2	45.9
Advertising plant	CHF m	23.3	21.4	18.2	18.6	17.3
Current assets	CHF m	141.0	181.3	188.7	201.2	177.7
Net current assets	CHF m	25.0	25.4	21.7	24.4	29.2
Net liquidity	CHF m	90.5	126.8	139.0	147.9	119.0
Equity	CHF m	120.3	141.8	140.4	152.1	126.5
Total assets	CHF m	237.1	273.7	269.0	286.9	261.7
– Change versus PY		–13.4%	1.8%	–6.2%	9.6%	7.6%
<b>Income statement</b>						
Sales revenue	CHF m	300.7	315.4	313.0	311.1	304.3
– Switzerland	CHF m	288.1	303.4	302.3	298.4	289.1
– International	CHF m	12.6	11.9	10.7	12.7	15.2
Operating income (OI)	CHF m	304.8	339.8	316.7	316.3	310.8
Fees and commissions	CHF m	134.6	141.9	140.4	139.7	137.4
	in % OI	44.2%	41.8%	44.3%	44.2%	44.2%
Personnel expenses	CHF m	62.4	65.3	65.7	66.5	66.0
	in % OI	20.5%	19.2%	20.8%	21.0%	21.2%
Depreciation of property, plant, and equipment	CHF m	11.0	10.0	9.2	9.1	9.6
	in % OI	3.6%	2.9%	2.9%	2.9%	3.1%
Amortization of intangible assets	CHF m	2.4	2.5	2.2	2.1	1.1
	in % OI	0.8%	0.7%	0.7%	0.7%	0.4%
EBITDA	CHF m	74.8	101.3	79.6	77.4	72.7
Operating result (EBIT)	CHF m	61.3	88.8	68.1	66.3	61.9
Net income	CHF m	50.7	70.5	53.3	51.7	47.7
<b>Statement of cash flows</b>						
Cash flow	CHF m	60.2	59.3	61.9	60.7	52.3
Free cash flow	CHF m	37.6	56.6	55.6	64.8	60.1
<b>Financial indicators</b>						
EBITDA margin	in % OI	24.5%	29.8%	25.1%	24.5%	23.4%
Operating result (EBIT margin)	in % OI	20.1%	26.1%	21.5%	21.0%	19.9%
Net income	in % OI	16.6%	20.8%	16.8%	16.3%	15.3%
Cash flow	in % OI	19.8%	17.5%	19.6%	19.2%	16.8%
ROIC		273.9%	1 083.0%	2 402.2%	1 129.4%	409.5%
ROE		38.7%	50.0%	36.4%	37.5%	41.6%
<b>Investments</b>						
Advertising plant	CHF m	8.1	7.7	5.3	6.1	3.9
Other investments in property, plant, and equipment	CHF m	2.8	6.4	2.6	2.9	2.8
Intangible and financial assets	CHF m	4.9	19.4	0.6	–1.2	
<b>Employees</b>						
		519	554	570	580	596

Explanation of financial terms: see page 72

## Share development

		2017	2016	2015	2014	2013
<b>Data per share</b>						
Operating result (EBIT)	CHF	<b>20.46</b>	29.62	22.73	22.22	21.01
Cash flow	CHF	<b>20.08</b>	19.78	20.66	20.34	17.76
Net income	CHF	<b>16.92</b>	23.51	17.78	17.34	16.19
Equity held by APG SGA SA shareholders	CHF	<b>40.13</b>	47.27	46.85	50.98	41.90
Payout	CHF	<b>24.00</b>	24.00	23.00	22.00	12.00
Payout ratio <sup>1</sup>		<b>142.0%</b>	102.1%	129.5%	127.6%	75.5%
<b>Share price data<sup>2</sup></b>						
Market price high/low <sup>3</sup>	CHF	<b>510.0/384.75</b>	453.75/375.0	411.75/309.0	305.0/238.4	252.5/190.0
Year-end market price	CHF	<b>455.25</b>	447.0	386.75	290.0	249.0
Payout yield <sup>4</sup>		<b>5.3%</b>	5.4%	5.9%	7.6%	4.8%
Market capitalization <sup>4</sup>	CHF m	<b>1 365.8</b>	1 341.0	1 160.3	870.0	747.0
– versus shareholders' equity		<b>11.4</b>	9.5	8.3	5.7	6.1
– versus operating income		<b>4.5</b>	3.9	3.7	2.8	2.4
P/E ratio <sup>3</sup>		<b>26.9</b>	19.0	21.8	16.7	15.4

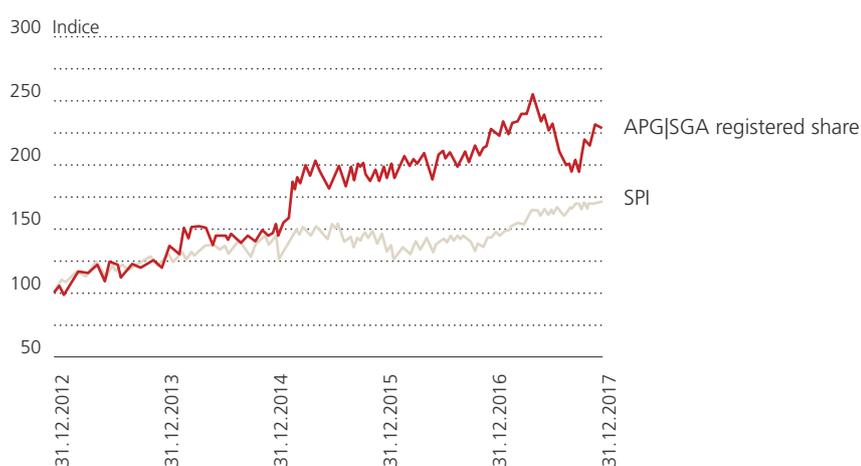
<sup>1</sup> Including payout on treasury stock

<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, 2012



Source: SIX Swiss Exchange AG





Curling depends on the interaction between player and medium. Precise brushing of the ice guides the stone onto the optimal path towards its target.

APG|SGA

## Innovation and sustainability that speak for themselves



**Beat Hostenstein**

Head of Partner and Product Management

**“We give 100% to our partnerships. That’s why we have won so many major tenders.”**

### Partner management: into the future with our concession partners!

All eyes were on the largest tender for outdoor advertising space in Switzerland. In November 2017, SBB awarded all batches to APG|SGA, 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. Unfortunately, a losing competitor appealed against the decision at the Federal Administrative Court in December 2017. At the end of 2017, the proceedings were still undecided. The appeal to the city of Geneva also remained undecided at the end of the year. Here, APG|SGA felt obliged to take legal recourse against the city’s award decision in late 2016.

As part of a tender, APG|SGA created a new concept for “Parking Place de Cornavin SA” in Geneva, which consists of a parking area and the attractive “MetroShopping”, aimed at modernizing and digitalizing these locations. It was a compelling concept – with almost 60 new advertising spaces, 16 of them digital, “Parking Place de Cornavin SA” is now a contract partner to APG|SGA. The implementation of the digital “ePanels” is considered a milestone in outdoor advertising when it comes to quality and advertising impact. A two-year legal dispute in Lausanne had a positive outcome for APG|SGA in 2017 – the Federal Supreme Court confirmed the city of Lausanne’s decision to award it the poster concession, and with it about 2,000 spaces. Lausanne also saw massive investment in new digital advertising vehicles in “Métro m2”. A total of two “City eBoards”, 12 “City ePanels”, five “Rail ePanels” and 12 “Escalator ePanels” were put into operation. In the city of Basel, APG|SGA chalked up another major success. Along with the award for all analog space and more than 250 F200 backlit posters in prime locations, the promising Batch 6 was won, with a total of 22 new digital “City ePanels” in top locations. Over the next 10 years, APG|SGA will be able to offer an outstanding product portfolio for its customers in Basel. The city of Lugano also decided in favor of APG|SGA – and for no less than 13 years. The exclusive right to outdoor advertising products also includes advertising vehicles, “MegaPoster” and other innovative products.

SOCAR Energy Switzerland has also come on board, bringing to its long-term partnership with APG|SGA a valuable service station network and the second largest shopping center in the country, the “Mall of Switzerland”. This arrangement has already seen 22 analog spaces and 19 digital “Shopping ePanels” installed in the “Mall of Switzerland”. APG|SGA’s digital, nationwide shopping network now encompasses a total of 189 “ePanels” in prime locations in 27 shopping centers, and is steadily expanding. In the city of Zurich, the market leader took part in the tender for public space in the city of Zurich and was awarded a total of more than 1,150 of the 1,400 commercially tendered spaces. APG|SGA Traffic managed to secure a major tender for the transport company BERNMOBIL. The award includes the marketing and management of all analog and digital indoor and outdoor advertising space. In the reporting year, APG|SGA Mountain secured long-term extensions with a number of major mountain rail and cableway companies, encompassing destinations such as Pizol, St. Moritz-Corvatsch, Pilatus, Meiringen-Hasliberg and Verbier.



The quality and advertising impact of the newly installed digital "ePanels" in "Parking Place de Cornavin SA" in Geneva represent a milestone in outdoor advertising.

### Product Management

The huge expansion of digital advertising vehicles in high-traffic locations has also had an impact on product design. "Digital out of home touchpoints" prove the perfect complement to classic poster space – a combination that makes outdoor advertising the perfect customer journey. Programmatic solutions for automated control of digital advertising vehicles is the next step that will provide APG|SGA customers with even higher levels of flexibility and individuality. However, the market is also looking for reach! And as populations increase and become more mobile, it is here that outdoor advertising will have a significant advantage over other media. The "AllStar ePanel CH" product, for example, with a weekly frequency of more than 16 million pedestrians and 420 "ePanels", offers outstanding moving image outdoor advertising. More opportunities arise when posters are linked with mobile technology and smartphones, resulting in greater advertising awareness. APG|SGA brings these technologies together to offer customers customized solutions that meet their communications goals – whether analog or digital.

### Market and media research: APG|SGA and LINK receive the European Research Prize 2017

The market demands advertising impact and performance values. SPR+, the research institute for Swiss outdoor advertising, provides transparent and reliable proof of media performance for every APG|SGA poster space. This is one of the factors that makes outdoor advertising so popular with customers – it's plannable and traceable. In fall 2016, APG|SGA and the LINK Institute carried out a digital pilot project to investigate the advertising impact of poster campaigns with beacon technology. On March 17, 2017, this work was awarded the European Research Prize for General Online Research (GOR) by the German Society for Online Research (DGOF). The "GOR Best Practice Award" recognized the forward-thinking market research approach. The project analyzed the impact of poster campaigns by bringing together poster sites, beacons and a specially developed app. For example, it managed to prove that increased poster contact increased willingness to enter an advertised Lotto game (+47%) and the spontaneous recognition of a mobile phone package (+66%).



A digital pilot project to investigate the advertising impact of poster campaigns, carried out in collaboration with the LINK Institute, was awarded the European Research Prize for General Online Research (GOR).

Above – In Basel, APG|SGA will market all analog space until 2028, including more than 250 F200 backlit posters and 22 new digital “City ePanels” – all in top locations.

Below – The range offered by APG|SGA to advertisers in the city of Lausanne encompasses outdoor advertising space on public property and space in “Métro m2”.



APG|SGA

## Effective advertising – analog, digital, interactive



**Daniel Strobel**  
Head of Advertising Market

**“Bold – interactive.  
High-impact outdoor  
advertising will be-  
come even stronger.”**

### **The oldest medium – agile, efficient and interactive**

Mobile internet consumption has increased enormously in recent years, thanks to better performing devices and improved transmission rates. While “digital natives” may have been the driving force of this development a few years ago, “silver surfers” also spend a lot of time online these days.

And internet usage is becoming an ever-greater component of our professional and personal lives. It is flexible, dynamic and can be adapted to individual needs. Working, reading, shopping, or just staying informed and entertained – almost everything is possible online.

With the APG|SGA Interaction segment brand, APG|SGA bridges the gap between the wide reach and impact of outdoor advertising formats and the data-supported precision of smartphones. This allows advertisers to address consumers at all relevant touch-points, locally and temporally, with the right message.

APG|SGA firmly believes that mobile media is an integral component of the out of home media market. The growing use of mobile internet in the context of digital and analog outdoor advertising allows the most effective targeted marketing and new interactive advertising forms along the customer journey.

All sales staff in the different training units were familiarized with the features of mobile media to ensure they could offer advice and sound sales arguments from the start.

### **Strong performance in outdoor advertising**

The new research findings from SPR+Mobnat make it possible to compare the strong performance of outdoor advertising with other media at a local and regional level. Here again, all sales staff are equipped with the necessary research expertise, so they can demonstrate the compelling strengths of outdoor advertising over other media forms in the local and national markets.



The link between posters and “mobile media” offers people information and interaction independent of time and place – in front of a retail outlet, on the bus or at home on the internet.



Out of home media along the entire customer journey. Targeting people out and about on a wide range of platforms – around the clock and from a single source.



[www.apgsga.ch/out-of-home-advertising360](http://www.apgsga.ch/out-of-home-advertising360)

**More customer proximity: expanding the “PosterDirect” online booking tool**

Efforts to further develop the “PosterDirect” planning and booking tool had a positive impact this year, too. Once again both revenue and bookings saw an increase over the previous year. The year also saw the first approach to companies with dealer networks in order to embed “PosterDirect” in advertisers’ planning. This was a key step in making outdoor advertising even easier for advertisers and their dealers and affiliates.

**“innovate!”: leave normal behind**

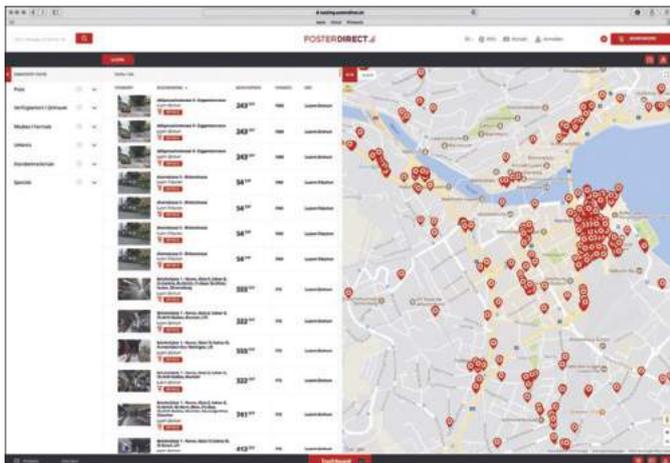
The “innovate!” platform showcases almost 100 examples of unusual, surprising and out-of-the-ordinary campaigns, with high-impact advertising from national, regional and local advertising customers. And there are more all the time: [www.apgsga.ch/innovate](http://www.apgsga.ch/innovate) offers an inspiring insight into the diversity and variety of outdoor advertising.

**“All-rounder” package**

With around 130 employees, the outdoor and indoor service at APG|SGA commands a wide range of advertising space, numerous resources and corresponding expert knowledge to easily satisfy all customer requirements when it comes to the fascinating world of outdoor advertising, from the local to the national level. Integrated consultation on all formats and specialties, whether analog, digital or interactive, in mountain stations, railway stations or other transport facilities, to promotions and “MegaPosters” – this is what we do, day in, day out. We make it easy for advertisers to enter the world of outdoor advertising. One point of contact, one quote, one bill. The fastest route to advertising success.

Simple, intuitive and completely targeted – “PosterDirect” provides effective advertising in the right place at the right time, even on a tight budget.

People remember innovative poster usage for longer. Poster and digital advertising space offers an endless range of inventive usage options.







The introduction and movement of a magnet among iron filings triggers interactions that lead to fascinating new configurations of filings.

APG|SGA

## Efficient installation – punctual, impeccable and planned with precision



**Christian Gotter**  
Head of Logistics

“Now even more efficient thanks to restructuring, intensive training and the new “Operations” unit.”

### **Logistics in the analog out of home market**

The internal logistics organization is the central service provider for sales, acquisition and all segment brands at APG|SGA. About 219 employees (FTE basis) professionally processed and mounted approximately 2.25 million posters<sup>1</sup>.

### **Occupational safety and health protection training**

In the current year, about 30 employees received several days’ training in occupational safety and health protection. Specialist knowledge is particularly important for safe work in the SBB track area. Consequently, each operational site of APG|SGA Logistics is in a position to professionally satisfy the steadily growing requirements for occupational safety and health protection.

### **Challenging construction activities – analog and digital**

After the award of various submissions, Logistics faced a number of construction activities. In the city of Basel, for instance, 20 digital advertising vehicles in 85” format were installed in the waiting halls of the Basel public transport authority within a very short period, with a further four installations on private property. For the “Parking Place de Cornavin SA”, 14 “ePanels” in 80” format were installed in the attractive “MetroShopping” and 31 new analog backlit surfaces in the adjoining car park. As part of other largescale construction projects, 58 digital “ePanels” and “eBoards” were set up and put into operation in the railway stations of Biel/Bienne and Lugano, in “Métro m1” and “m2” in Lausanne, in the new “Mall of Switzerland” in Ebikon, and in other shopping centers. All construction activities were carried out either as in-house operations or in close collaboration with long-term contractual partners.

### **Getting ready for the coming year**

Fall saw the start of intensive preparations for 2018. As part of a further restructuring of tours, a total of about 3,500 posting tours on the current roster are being adapted to current capacity, geographical conditions and specialties, coming into effect in spring 2018. A new feature is that construction activities will be undertaken by specialist teams and centrally managed for the Western, Central and Eastern regions.

### **New Operations unit established**

A new unit, Operations, was founded in fall of this year. Under the direction of Logistics, this new unit will take control of all administrative and repetitive activities that are not customer-facing. In a detailed process analysis, activities in regional sales Switzerland-wide were analyzed in a first phase and then collated into logical work packages. These work packages were subject to plausibility checks and allocated to either the “Operations” or “Back Office” units for future handling. The “Operations” unit began its activities on January 1, 2018.

<sup>1</sup> calculated on a square meter world format

Above – “ePanels” are an asset, and not only for existing shopping centers. New buildings can also host ideal integrations, as seen here in the new “Mall of Switzerland”, the second largest shopping center in Switzerland, located in Ebikon, Lucerne.

Below – In Basel, the attractive new “City ePanels” were installed and commissioned in a tour de force operation. Harmoniously integrated and adapted to local conditions, they offer brands a high quality framework for effective messaging.



## Human Resources

# Fulfilling increased requirements for specialist and management skills



**Marcel Seiler**  
Head of Human Resources

**“We help our employees take an active role in digital transformation.”**

### Support with operational and legal adjustments

Increased digitalization in the industry has also brought greater momentum to digitalization efforts within APG|SGA. New and exciting challenges – technical, specialist and organizational – present employees with new opportunities, but also a greater need for guidance. Central to this is a modern company culture and management that exemplifies this culture for its employees, accompanying them on this path. Necessary adjustments at APG|SGA are supported by targeted services of the Human Resources department.

The strategic adjustment of the out of home media market and the added dimension of interaction have been reflected in amendments to the guiding principles and values. In a refresher campaign, these new factors were instilled in every employee. New conditions from amended anti-bribery and anti-corruption legislation were also analyzed last year, and the implementation and training measures required by APG|SGA carried out. The new ordinances from SECO concerning employee health protection were also implemented. The required recording of working hours was successfully launched at the beginning of the year and established in the reporting year.

All these changes presented APG|SGA management, in particular, with new challenges. To aid them in their support of their employees, they had the opportunity to reflect on their own managerial work and their embodiment of these legal and operational changes in 2017 as part of a management feedback process. This process was based on a line manager assessment by employees. The results were largely very positive. Target findings feed into objective-setting on an individual basis as part of the management by objectives (MBO) process. The next-generation development project, which began in 2016, was successfully completed in the reporting year with workshops in western Switzerland.

### Further optimization of management processes

The onboarding process, which aims at efficient and sound introduction of new employees to their working environment, was further optimized and now enables vacancies to be filled seamlessly. The need for further training identified by objective-setting and performance-assessment interviews will be satisfied through targeted on-the-job measures or further training in external facilities with financial support as required. This objective-setting and assessment process (MBO) was revised last year to offer management a more efficient managerial instrument better adapted to new challenges. To secure timely training for trainees that meets requirements, the training concept was also revised and now better reflects the challenges of digitalization.

### Securing an APG|SGA pension fund with long-term prospects

Thanks to a favorable investment year, the APG|SGA pension fund can point to a very high rate of coverage. But the pressures of sociodemographic developments and long-term low interest rates in Switzerland will require adjustments from the APG|SGA pension fund. A gradual lowering of conversion rates over the next three years and partial changes to the retirement age will be cushioned by various mitigating measures.

### APG|SGA total workforce

as at December 31, 2017

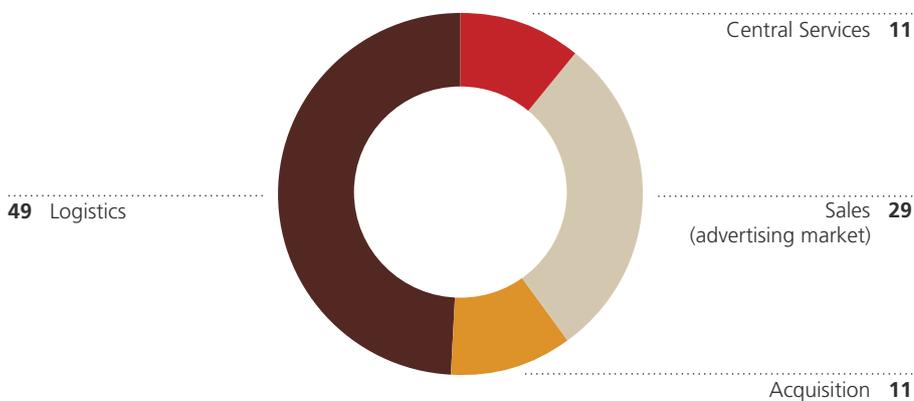
	2017	2016
<b>Total</b> <sup>1</sup>	<b>519</b>	554
By country		
Switzerland	472	505
Serbia	47	49
By demographics		
Share of men, in %	71	73
Share of women, in %	29	27
Share of full-time positions (90–100%), in %	81	78
Share of part-time positions (<90%), in %	19	22
Apprentices <sup>2</sup>	12	10

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

<sup>2</sup> Switzerland, APG|SGA: commercial 8, logistics 3, IT 1

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

in %



### Age structure

in %







Improvised theater aims for specific interactions with the audience by inviting them to intervene in the course of the performance and give it a new direction. This transforms viewers into participants.

## APG|SGA Airport

# Upgrading airports and their access routes – attractive APG|SGA advertising vehicles



**Beat Holenstein**  
Head of APG|SGA Airport

**“We profit enormously from the collaboration with JCDecaux, worldwide no. 1 in the out of home and airport market.”**

### **Innovation and high-quality solutions for airports are the key to success**

With its comprehensive analog and digital product portfolio, APG|SGA offers high-quality, future-oriented and customized solutions for reaching relevant target group segments.

These products not only allow applications with surprising and target group-oriented advertising media, but also provide added value for air passengers by including customer guidance to increase the quality of their visit in and around the airport. APG|SGA has introduced digital products to the railway stations at Geneva airport and Zurich airport. The new high quality “ePanels” in access routes to Geneva’s international airport enhance the airport’s railway station, have established themselves well and enjoy a high degree of acceptance from advertising customers and passers-by.

The products in and around the airports of Zurich, Basel, Geneva and Lugano are fixed components of the APG|SGA product portfolio, with continuous additions ensuring direct access to attractive target groups of air passengers and airport visitors.

Whether seen from the train or the escalator, the posters in railway stations at Swiss airports enjoy great visibility thanks to skillful positioning oriented to passenger flow.





The changing content of the “RailBeamer” draws the attention of passers-by and offers waiting passengers information and welcome diversion.

APG|SGA Interaction

## Thinking in communication spaces – mobile advertising based on location data



**Raphael Bratschi**  
Head of APG|SGA Interaction

“Reaching target groups in a meaningful way relies on accurate user location data in real time.”



Example of football stadium polygon:  
Thanks to precise local targeting, only visitors to the football stadium receive advertising.  
With “aymo – LiveTarget”, wastage is reduced to a minimum and the advertising assumes greater relevance to the visitor.

### Mobile media as an integral component of out of home

Mobility is increasing among the Swiss population, along with smartphone internet usage; APG|SGA is using this newly created synergy in the outdoor advertising field and developing it for the advertising market. The APG|SGA Interaction segment brand was created at the beginning of the year to service this market segment. It has developed new advertising products and free-standing mobile solutions that can also be used in combination with outdoor spaces. These products offer new communications options in the mobile advertising sector – advertising in specific communication space, as seen in outdoor advertising. These new options met with great interest from advertisers and their agencies.

### Location replaces cookie

To reach target groups in a focused and effective way, accurate location data from smartphone users in real time is essential. To achieve this, APG|SGA Interaction picks up the current location of the anonymous smartphone user by using mobile apps of publishers through direct data connection. This means that for the first time a smartphone can be accurately recognized at about 10 meters and immediately supplied with relevant display advertising. The advertising for products and services in the consumer’s direct environment transmitted with pinpoint accuracy is thus of great relevance. This relevance offers a decisive added value for the advertiser, as the advertising messages concern the consumer directly, making them more interesting. Collaboration has already been agreed with 16 mobile apps, including prestigious, wide-reaching news apps such as “20 Minuten”, “Watson” and “Le Matin”. Further expansion is planned. These apps have already generated more than 300 million anonymous location data points, and more are added daily. The scope of these data points forms a basis for advertising on smartphones that is unique in Switzerland.

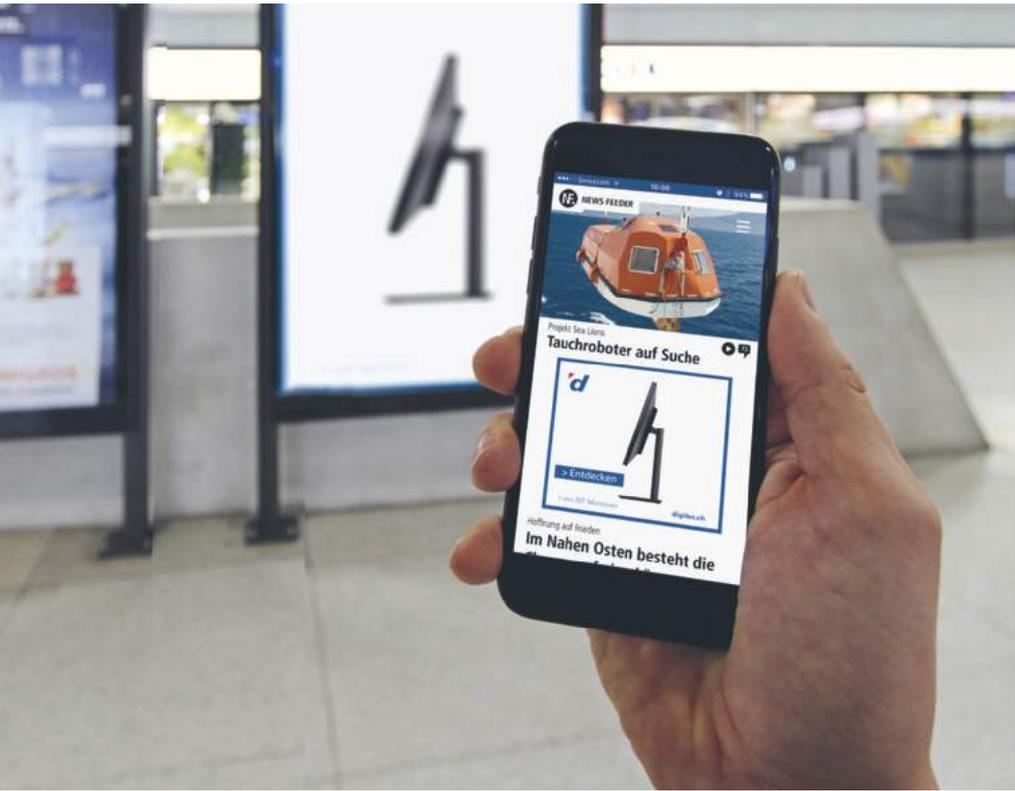
### Developments based on location data

The “aymo – LiveTarget” service, for instance, allows real-time advertising within these apps in a pre-defined area. This means that advertisers can increase awareness of their products or foot traffic in their businesses without wastage. Another service developed with this technology is “aymo – ReTarget”. The specific target groups previously captured in the polygon can be reached at a later date with advertising on their smartphones.

### Innovative forecast tool leads to greater planning security

To give advertisers greater planning security and enable rapid decision making, the “AdTech Lab” at APG|SGA Interaction has developed a unique instrument with which the desired polygon can be defined during the meeting with the customer, along with potential reach and a quotation.

Commuters are the key target group; they access internet content on their smartphones and are attractive and accessible to advertisers. In combination with a poster or screen, this enables interaction with the consumer along the entire customer journey.



Either on its own or in combination with posters and screens, this product of the segment brand APG|SGA Interaction offers unique new options with unparalleled precision.





The mesmerizing aurora is the result of interactions between the magnetosphere and the Earth's atmosphere. Bursts of solar wind launch electrically-charged particles towards the Earth. The resulting particle collisions produce fluorescent light.

APG|SGA Mega Poster

## Still on trend – “enormous” and “surprisingly innovative”



**Ernst Fuhrer**  
Head of APG|SGA Mega Poster

**“The generously sized MegaPoster gives brands the presence they deserve.”**

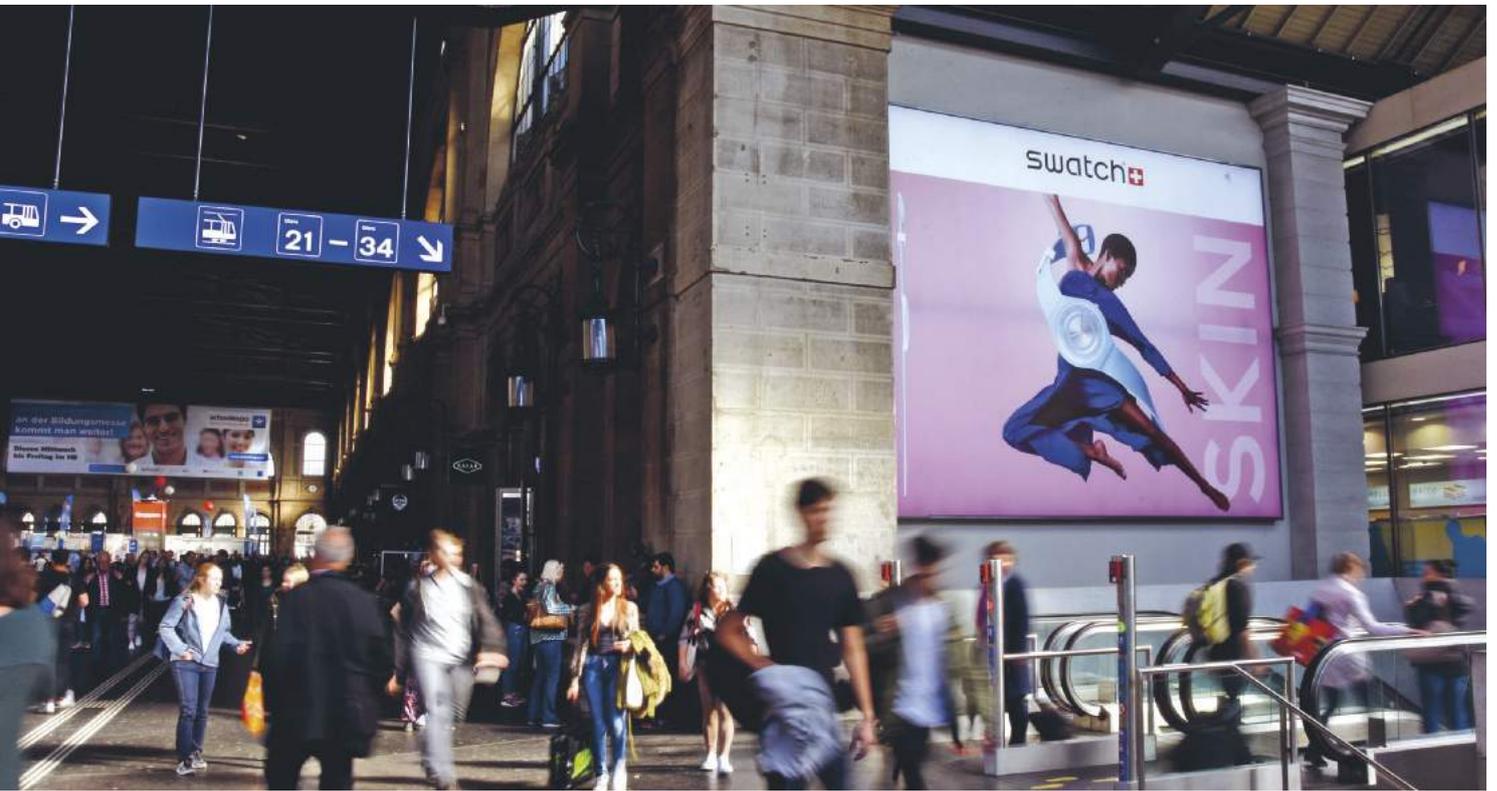
### Product optimization and new techniques make for even more effective messages

In 2017, the focus was on upgrading and remounting “MegaPosters”. The size of the “MegaPoster” had already made it an attractive option; optimization carried out over the past year now makes it even more appealing. That’s because presentation of an advertising message in an innovative and surprising way ensures even greater attention, and is thus able to anchor products and brands in the minds of end consumers. This performance strength proved attractive to a gratifyingly large number of advertisers in the reporting year. The range of refinements and improvements spurred additional business with “MegaPosters” in the reporting year, and further increased demand for large-format brand presentations.

A large number of backlit posters were mounted, which provided particularly welcome enhancement to bleak façades, dark halls and unattractive passageways. With sizes of up to 100m<sup>2</sup>, the “MegaPoster” is seamlessly integrated into the existing architecture. The lighting ensures stronger and more homogeneous illumination of the advertising motif and is both durable and energy-saving. Similarly, many “MegaPosters” in sizes from 12m<sup>2</sup> to 600m<sup>2</sup> were replaced or upgraded with additional elements. These additions ranged from simple installation of spotlights for increased awareness to innovative technical extras. One of these innovations is the “Day’n’Night” format. The light boxes mounted behind the surface are fitted with a programmable automatic light switch; with the addition of a new printing process, they create the effect of switching between two motifs. With the addition of the “BrandingWall”, familiar poster formats, such as the F12L, have been integrated into the large-format “MegaPoster”. The new “Platform Banners” format with a total of seven double-sided flags was successfully installed at Geneva’s main railway station. Cleverly mounted in a row, these 4m<sup>2</sup> advertising spaces come together to form a large-format presentation.

The innovative “Day’n’Night” format enables attractive surprise effects. The light boxes mounted behind the surface and a new printing process create the effect of switching between two motifs. This means that messages really stick.





Above – Still attractive – the “MegaPoster” stands out for its size alone, recognizable from a distance, with demand still strong.

Below – Bleak façades, dark halls and unattractive passageways are upgraded with the greater illumination and brilliant colors of the “MegaPosterL”. Greater operational sustainability also makes it a compelling option.





Interpersonal communication represents one of the most common forms of interaction. Unexpected ideas or objections can charge a conversation with inspiration and lead it onto an entirely new path.

## APG|SGA Mountain

# Top marks for usage and awareness – the new advertising options arrive in the mountains



**Markus Bien**  
Head of APG|SGA Mountain

**“ Mobile media in combination with posters is exciting for our customers and our partners alike.”**

### **Market leadership secured, marketing contracts extended**

APG|SGA Mountain, the specialist for out of home advertising in the Swiss mountains, once again managed to confirm its position as market leader in the field of outdoor advertising and wayfinding systems in 2017. It has consolidated and further established its business model with mountain rail partners and advertisers. It managed to secure a number of new contracts with mid-sized and major destinations, while also extending existing contracts. APG|SGA Mountain also managed to attract new customers in new sectors for alpine advertising.

### **New products, new advertising vehicle formats**

It was all about creative implementation in 2017. And these new brand settings were met with correspondingly high attention from target groups. The new “PylonPoster” format brought further exciting implementation options. And the redesign of advertising vehicles that began in 2016 came to a successful close with new panorama boards, clock boards and ski stands.

### **Attractive target groups reached**

The results of the annual market research confirm that the sociodemographic composition of guests at alpine destinations remains attractive. The target groups reached are of interest to the auto industry, thanks to an above-average affinity with vehicles among respondents. The surveyed advertising formats – new clock boards and ski stands – achieved high usage and awareness values. The new “PylonPoster” format also received top marks for awareness and attention.

### **Services from A to Z**

It is not just individual license partners but whole tourist destinations that profit from the attractive, customized services of APG|SGA Mountain. Advertisers are supported from A to Z in implementing their spectacular presence in the mountains – from the selection of ideal destinations and choice of suitable space formats to detailed specifications for specialist implementations with responsible parties, or other interesting partnerships in the target region.

### **Attractive link-up with mobile media**

The options for linking posters with mobile media for presentations in tourist destinations has been greeted warmly by advertisers, with demand increasing all the time. Meanwhile, license partners welcome the new options for direct contact with guests during their stay in the mountains.

For storytelling, question-&-answer games or presenting an entire product range – thanks to “PylonPosters”, each ski lift and cable car mast can present alpine travelers with a new message while shortening the time to the summit – with guaranteed attention.



Strong brand presentation reaches customers in a relaxed, receptive leisure mood, and the impressive size ensures high awareness values.



APG|SGA Promotion

## Direct, popular – promotions and sampling campaigns in private and public spaces



**Ernst Fuhrer**  
Head of APG|SGA Promotion

**“With live communication, we offer advertisers endless opportunities for interaction.”**

### Promotion at the pulse points of customer flows

Promotions and sampling campaigns in railway stations, underground stations, airport stations, etc., are a perfect way to communicate with end consumers – live and direct. Full-service packages based on the modular principle can include personable promotion staff, information stands and creative structures that make brands, products and services come alive for the consumer in a multi-sensory way, and anchor messages in their minds. Visual impact with large-format presence, distribution of product samples or consultation at info terminals – live communication is a multifaceted method that can be applied to a wide range of communication objectives. Direct encounter with potential customers makes it an integral component of successful product launches and sales promotion campaigns. In the reporting year, 370 advertisers used this form of communication, either selectively or comprehensively. APG|SGA Promotion staff have exclusively carried out more than 3,440 high profile, attractive launches of new products, films and services, and given numerous political initiatives an effective platform at about 200 SBB stations and Lausanne Métro stations.

### Sampling for success

Sampling campaigns, which involve free distribution of products, samples, trial products, flyers and give-aways, remain one of the most proven and effective forms of promotion. The restructuring of processes and the expansion of the product range carried out over the last year have attracted an increasing number of advertisers. The qualities that advertisers both large and small particularly valued were the impetus for new ideas, consultation for efficient implementation options and the experience with proven presentation methods. Auxiliary services – from the use of simple sampling wagons to the planning, implementation and logistics for entire campaigns – have also proved popular.

### Optimal complement to proven poster presentations

For brands using the poster medium to expand recognition, selective support for product launches and additional sales through promotions and sampling have proven to be meaningful additions. Thanks to the broad range of new live communication options across the entire APG|SGA Group, a wider selection of advertisers enjoyed exposure and easy access to SBB promotional surfaces throughout the reporting year.

This sampling campaign with a competition forms the heart of a broad-based sales promotion campaign for the established brand “Rivella rot”. On hot summer days, the campaign refreshed memories of the renowned Swiss drink among a broad public.

Unmissable, attention-grabbing – the promotional activities for the start of the new Smurfs film, here at Stadelhofen station in Zurich.







Physical interaction from a volleyball player alters a course planned by an opponent: the ball's trajectory is diverted to prevent it from landing in the player's court.

APG|SGA Rail

## Continuing demand – innovative station advertising options prove popular



**Chris Mühlemann**  
Head of APG|SGA Rail

**“We develop up-to-date, interactive forms of communication for the railway environment of the future.”**

### **Award for exclusive marketing of SBB advertising spaces**

The big news in 2017 was the SBB tender. The exclusive marketing rights were awarded to start from January 1, 2019 for third-party advertising space of Swiss Federal Railways (SBB) in every station in Switzerland, by far the most important and most heavily trafficked communication space of the future. Along with analog and digital products, the exclusive marketing of interior and exterior advertising on trains was a new integral component of the tender. Without doubt, the award for marketing all SBB advertising space assigned to marketing can be described as the highlight of the year. Unfortunately, a losing competitor appealed against the SBB award to the Federal Administrative Court. At the end of 2017, the proceedings were still undecided.

### **Analog: demand remains at a high level**

The analog APG|SGA Rail advertising range was the subject of targeted optimization and expansion. More than 650 poster walls for railway stations in Switzerland were remodeled or rebuilt in order to provide advertisers with a consistently wide range of advertising space.

### **Digital: expansion through regional hubs**

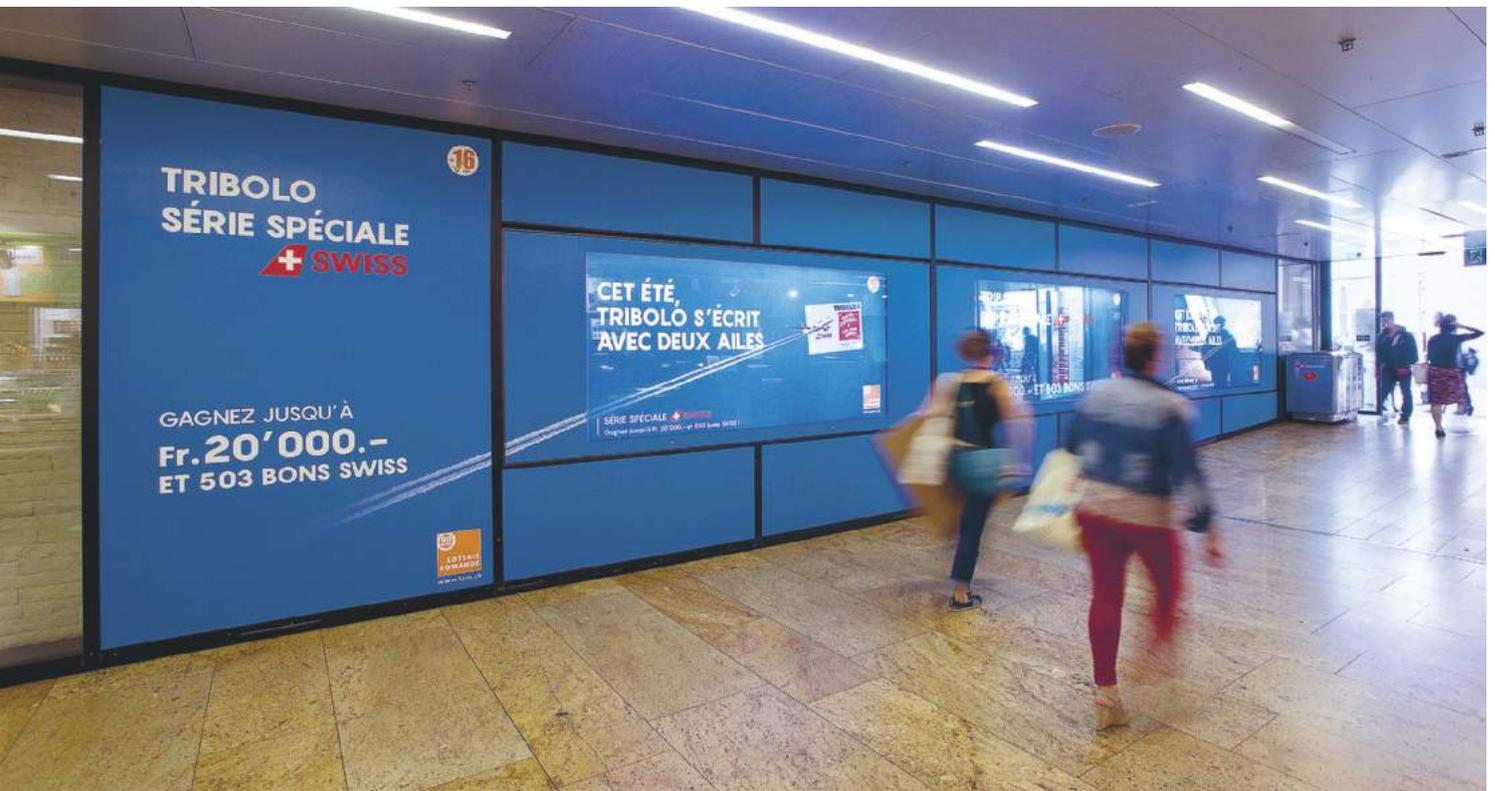
In addition to maintenance of the analog range, the coverage of digital advertising vehicles was expanded to regional railway stations. The railway stations of Biel/Bienne and Lugano were fitted with a total of six “ePanels”. Those in Lugano represent the first “ePanels” in the canton of Ticino. In addition, the first large-format digital advertising space in a Ticino railway station was put into operation in Bellinzona.

### **MegaPoster: optimization through prestige locations**

Over the course of the year, there were big wins in the expansion of the “MegaPoster” range. High quality installations in Zurich’s main railway station, Zürich-Hardbrücke station and Lugano station bring further coverage to the overall range of “MegaPosters”, and greater diversity to the premium sector. Targeted optimization has also led to a substantial expansion in both the utilization of advertising space and benefits for railway station operators. Further activities include temporary installations on construction site walls and scaffolding.

### **Special applications**

In Geneva’s Cornavin railway station, the range of unusual advertising presentations was expanded with the launch of special applications. The installation of a “BrandingWall” and the first permanent flagging of an SBB platform with the “Platform Banners” were warmly received by advertisers and travelers alike.



Above – Last year western Switzerland became host to its first “BrandingWall”. It is an asset to a passage at the central, high-traffic Cornavin station in Geneva.

Below – Also at Geneva’s Cornavin station – the first permanent flagging in a Swiss railway station. These attractive new advertising spaces have been well received among advertisers throughout Switzerland. Consequently there was great demand for the new format.

APG|SGA Traffic

## The ultimate in scope – the range of digital and analog advertising space in public transport



**Daniel Flück**  
Head of APG|SGA Traffic

**“The targeted combination of analog and digital surfaces in the media mix brings remarkable results in terms of reach and advertising impact.”**

### Strategic wins in a demanding market environment

Despite intensive competition in the public transport advertising market, APG|SGA Traffic further expanded its market position in 2017. The year was distinguished by two public tenders for advertising space marketing in public transport, which APG|SGA Traffic managed to secure. Thus, the advertising space portfolio of BERNMOBIL will also be marketed and further expanded by APG|SGA Traffic in the coming year. This was joined by the award for the exclusive marketing of interior and exterior advertising on SBB trains. Unfortunately, the award was legally contested as part of the overall SBB award and was still undecided at the end of the year. With the diverse range of other marketing mandates, APG|SGA Traffic further consolidated its position as market leader.

### Continual expansion of digital advertising space in public transport

In 2017, APG|SGA Traffic significantly expanded its range in the area of digital screen advertising in public transport vehicles. The establishment of the “Top Cities” network for screen advertising, the attractive range of digital advertising surfaces in public transport, brought an appealing range of products with wide reach and compelling pricing.

### Analog advertising space remains no. 1 in the public transport advertising market

Along with growing digital advertising revenue, the analog advertising business remains the most important component of the public transport advertising market. When it comes to securing awareness, attention and image goals, analog formats remain the uncontested leaders in public transport media. The digital portfolio is seen as a complement rather than a direct competitor to the analog range. In future, the art of media planning will continue to consist of creating the ideal media mix of optimally coordinated digital and analog media, thus significantly optimizing the impact and contact opportunities of advertising campaigns.

### Advertising impact of the “Valiant” campaign



Source: Representative survey by Innofact AG, Zurich, in July 2017, commissioned by APG|SGA Traffic AG (random sample of n = 217, survey area WEMF 14,32,33,34)



Present and memorable: Along with the progressive digitalization of public space, the striking advertising media of public transport vehicles remain popular, enjoying uninterrupted popularity as reliable brand ambassadors in the Swiss advertising market.

Screen advertising in the digital passenger program "TrafficMediaScreen", seen here in Regiobus Lenzburg vehicles, form part of a practical, region-specific infotainment program for passengers.



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15



The unpredictability of the masked figures at the Basel carnival is notorious and lends the passing floats their particular appeal. Will the interaction result in flowers, sweets and confetti? Or will the float just drive on by?

UBI	114,83		4870
DPW	22,25	(22,25)	4455
DTE	13,70	(13,70)	
EDA	129,24	(129,20)	
FME	34,33	(34,33)	

## Corporate Governance

### Operational structure of APG|SGA as of December 31, 2017



### 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, 2017: CHF 1,366 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, 2017	in %	Shares as reported as of December 31, 2016	in %
JCDecaux SA, Neuilly-sur-Seine (F) <sup>2</sup>	900 000	30.00 <sup>3,5</sup>	900 000	30.00 <sup>3,5</sup>
Albert Frère, Gerpennes (B), Compagnie Nationale à Portefeuille, Loverval (B)	758 888	25.30 <sup>4,5</sup>	758 888	25.30 <sup>4,5</sup>
Pictet Asset Management SA, Geneva (CH)	172 022	5.73 <sup>6</sup>	166 305	5.54 <sup>5</sup>
Polymedia Holding AG, Markus and Andreas Scheidegger, Berne (CH)	93 613	3.12 <sup>6</sup>	93 501	3.12 <sup>5</sup>
APG SGA SA, Geneva (CH) (shares)	5 532	0.18 <sup>5,6</sup>	914	0.03 <sup>5,6</sup>
APG SGA SA, Geneva (CH) (conditional purchase option)	147 000	4.90 <sup>3,6</sup>	147 000	4.90 <sup>3,6</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, 2016, 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 57).

<sup>4</sup> For detailed information on the relationship between Albert Frère, Compagnie Nationale à Portefeuille, and Pargesa Asset Management (Netherlands) N.V., see: [http://www.apgsa.ch/media/filer\\_private/2012/09/04/pargesa\\_management\\_organigramme.pdf](http://www.apgsa.ch/media/filer_private/2012/09/04/pargesa_management_organigramme.pdf)

<sup>5</sup> Number of shares according to stock register as at December 31, 2017 and December 31, 2016.

<sup>6</sup> Registered without voting rights

## Capital structure

### Ordinary, authorized, and conditional capital

As at December 31, 2017, 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, 2017, APG|SGA SA had neither authorized nor conditional capital.

As at December 31, 2017, shareholders' equity amounted to CHF 120.3 million (PY CHF 141.8 million). Details on the changes in shareholders' equity are provided in the respective annual reports: for the years 2017/2016 on page 72 of the present report, for the years 2016/2015 on page 62 of the 2016 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	2018
<b>Robert Schmidli</b> , Vice-Chairman	2011	2018
<b>Xavier Le Clef</b>	2015	2018
<b>Stéphane Prigent</b>	2015	2018
<b>Markus Scheidegger</b>	2000	2018
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. President of AWS Outdoor Advertising Switzerland. 2008–2012: president of the International Advertising Association (IAA), Swiss Chapter. 2011–2014: vice-president of FEPE International, a worldwide industry association. 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 2006. Elected to the Board of Directors of CNP and became



**Xavier Le Clef**

CFO of Groupe Frère-Bourgeois in 2011. Appointed Managing Director of CNP in 2015. 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 25 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 2017, 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.

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 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).

## 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
<b>Beat Holenstein</b> (1968), Swiss citizen	Partner and Product Management	2007
<b>Christian Gotter</b> (1970), Swiss citizen	Logistics	2012
<b>Marcel Seiler</b> (1963), Swiss citizen	Human Resources	2011

**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 a member of the Executive Board of AWS Outdoor Advertising Switzerland and 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, which at the time was the national key account company of Publicitas with more than

100 employees. He holds Swiss federal diplomas in media management and communication management.

**Beat Holenstein** 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, as well as completing the VSKP (Swiss course for HRM executives) and an international executive program at the School of Economics INSEAD (Fontainebleau/Singapore). 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. On July 1, 2011, Marcel Seiler became the new Head of Human Resources for the entire APG|SGA 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 two 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 59–62.

#### 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 SA 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. Patrick Balkanyi, the auditor in charge, has held this position since 2013. 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 2017, the auditing fee of PricewaterhouseCoopers AG for services in conjunction with the auditing of the financial statements totaled CHF 145,000. PricewaterhouseCoopers AG charged a further CHF 12,118 for additional services. These additional services relate to a "health check" carried out on the remuneration policy of the Board of Directors and the Executive Board.

### 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 28, 2018
- financial media and analysts conference: February 28, 2018
- publication of the annual report: April 20, 2018
- General Meeting: May 24, 2018
- closing date for the semi-annual results: June 30
- announcement of the semi-annual results: July 27, 2018

# 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 2017, 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.

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 2017

Sections 5, 6 and 7 are subject to review by the auditors.  
The payments listed below are accruals and undisbursed amounts for financial year 2017.

### 5.1. 2017 Remuneration for members of the Board of Directors<sup>1</sup>

Name	Function	Fixed Compensation			Total 2017	Total 2016
		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	8 000	116 000	116 000
Markus Scheidegger	Member	68 000	20 000	7 000	95 000	95 000
Stéphane Prigent	Member	78 000	20 000	7 000	105 000	105 000
Xavier Le Clef	Member	58 000	20 000	6 000	84 000	84 000
Total		492 000	180 000	51 000	723 000	723 000

### 5.2. 2017 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	2017	2016
Total	1 769 000	656 000 <sup>2</sup>	2 425 000	558 000	503 000	150 000	1 211 000	3 636 000	3 457 000
Highest individual remuneration:									
Markus Ehrle, CEO	403 000	178 000 <sup>2</sup>	581 000	169 000	168 000	41 000	378 000	959 000	863 000
Bonus/malus account <sup>3</sup>			Balance previous year	New allocation current year			Pay-out	Change	Balance to be carried forward
Total			793 000	503 000			432 000	71 000	864 000
Highest individual remuneration:									
Markus Ehrle, CEO			239 000	168 000			136 000	32 000	271 000

<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 previous year, payments of CHF 279,000 were made to a former member of the Executive Board (including social security benefits). In the reporting year, as in the previous year, no 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 accompanying remuneration report (section 5 to 7, pages 59 to 62) of APG SGA SA for the year ended 31 December 2017.

## **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 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Patrick Balkanyi  
Audit expert  
Auditor in charge

Philipp Gnädinger  
Audit expert

Zürich, 27 February 2018

# 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 now be based on the four pillars of the corporate strategy:

1. Pioneering analogue 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.

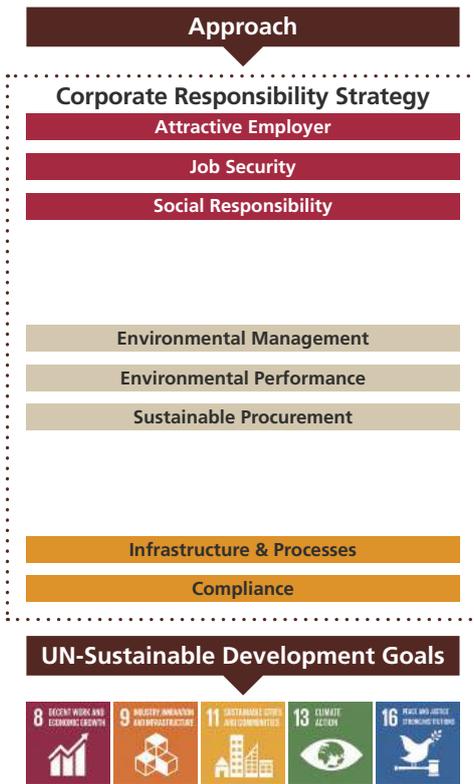
Complete, constantly updated Sustainability Report: [www.apgsga.ch/sustainability](http://www.apgsga.ch/sustainability)

## 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

### Foundations

<b>People</b>
<ul style="list-style-type: none"> <li>– Employees</li> <li>– Clients</li> <li>– Partners</li> <li>– Other stakeholders</li> <li>– Society</li> </ul>
<b>Planet</b>
<ul style="list-style-type: none"> <li>– Energy</li> <li>– Water</li> <li>– Resources</li> </ul> 
<b>Profit</b>
<ul style="list-style-type: none"> <li>– Shareholders</li> <li>– Investments</li> <li>– Market environment</li> <li>– Procurement</li> <li>– Logistics</li> <li>– Sales</li> </ul>



### Results

<b>People</b>
<ul style="list-style-type: none"> <li>– Competent and motivated employees</li> <li>– Safe and healthy work environment</li> <li>– High expertise in media sector</li> <li>– Stable partnerships</li> <li>– Fair business partner</li> <li>– Contribution to general welfare</li> </ul>
<b>Planet</b>
<ul style="list-style-type: none"> <li>– Reduced environmental footprint along the whole value chain</li> <li>– Consistently implementing the CO<sub>2</sub> target agreement with the Swiss government</li> <li>– Resource efficient advertising faces/-formats</li> </ul>
<b>Profit</b>
<ul style="list-style-type: none"> <li>– Strong sales development and high profitability</li> <li>– Solid financing</li> <li>– Attractive dividend policy</li> <li>– Exemplary Corporate Governance</li> <li>– Transparent remuneration system</li> <li>– Innovative products, systems and services</li> <li>– Contribution to civil society</li> </ul>

## 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 2017**

- **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 2017, APG|SGA had 11 apprentices and was able to offer two out of three apprentices further employment.
- **Leadership culture:** As part of our existing programs for potential and leadership development (PEP/FEP), potential assessment and training for five employees were held in western Switzerland in 2017.
- **Feedback culture:** In collaboration with an external university of applied sciences, manager feedback was conducted for the first time.
- **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 2017, 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 2018–2022**

- 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.

**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 2017**

- In 2017, APG|SGA continued to implement and refine 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:** Expansion of the accident/illness assessment statistics and development of measures.
- **Harmful substances:** In 2017, 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.
- **Movement at the workstation:** A simple and effective training program to promote movement at the workstation was created and distributed.
- **Building/work safety:** In 2017, existing safety concepts at the Aarau, Basel, Chur and Wallisellen sites were evaluated in an audit in collaboration with an external institute.

**Forecast 2018–2022**

- Training of billposters in the areas of "lifting and carrying" and "personal protective equipment".
- Beginning January 2018, in cooperation with HR, enhanced reporting will be implemented to define further measures to reduce absenteeism caused by accidents and illness.
- 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 2018, the existing safety concept for the Logistics division will again be reviewed and further improved. In addition, building/work safety audits are planned for Lugano, Lucerne and Neuenburg.

**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.

## Planet

## Modules and direction

**Environmental management**

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.

## Key facts and achievements 2017

- 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 as well as figures on progress thoroughly discussed.
- Employees are informed of the new sustainability strategy and facts and figures for the Environmental Report 2017 through newsletters and orientation at the individual offices.

## Forecast 2018–2022

- Constant assessment of the defined modules and objectives.
- Communication of environmental achievements to employees through various channels.
- Sustainability report regularly included as an agenda item for the Board of Directors/Executive Board.
- Management objectives also include objectives in the area of corporate responsibility.

**Environmental performance**

APG|SGA makes an active contribution to environmental protection, consistently reducing its CO<sub>2</sub> emissions to levels below legal regulations.

- **Overall environmental impact:** In comparison with 2016, the overall environmental impact fell by about 7%.
- **Energy consumption:** Energy consumption fell by 4% since 2016.
- **Vehicles:** Fuel consumption has fallen by 5% since 2016.
- **Electricity:** The environmental impact of electricity remained unchanged in the equivalent period despite the expansion of the digital product range.
- **Heating energy:** Heating energy consumption has fallen by 8% since 2016.
- **Disposal:** A negative trend was noted in 2017 (improper disposal).
- **Materials:** Material consumption fell by 9% for the same period.
- **Posters:** In 2017, a total of 2,117,127 posters were hung. This represents a fall of 9%.

- 10% reduction in environmental impact per CHF by 2022.
- Optimization of energy in APG|SGA premises and reduction of energy consumption by advertising vehicles.
- Development of further CO<sub>2</sub> measures.
- Development of measures for targeted reduction of energy consumption, and promotion of an ongoing upgrade of APG|SGA advertising vehicles with new technology.
- 10% reduction in heating energy consumption by 2022.
- Recycling quotient for poster disposal more than 90%.
- Introduction of a new reference size in response to increase in digital advertising formats – currently the environmental impact is calculated per poster.
- Improvement of ecological assessment.

Modules and direction	Key facts and achievements 2017	Forecast 2018–2022
<p><b>Sustainable procurement</b> APG SGA sets standards for environmentally and socially responsible production.</p>	<ul style="list-style-type: none"> <li>– <b>CO<sub>2</sub> reduction path:</b> Intensifying the CO<sub>2</sub> reduction path to 116 g CO<sub>2</sub>/km in procurement of new personal vehicles.</li> <li>– <b>Eco-fleet:</b> With a total of 166 “green” vehicles, APG SGA achieved CO<sub>2</sub> savings of about 100 t.</li> <li>– <b>Eco-electricity:</b> Purchase of 100% eco-electricity (naturemadeStar) for illuminated advertising and commercial premises.</li> <li>– <b>More energy-efficient technology:</b> A significant reduction in consumption of 80% per installation was achieved in 11 digital sites.</li> <li>– <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>– Promotion of alternative vehicle propulsion systems.</li> <li>– Threshold of 95 g CO<sub>2</sub>/km from 2020.</li> <li>– Gas vehicles: Gas content in fueling maintained at a level of 98%.</li> <li>– APG SGA continues to purchase 100% eco-electricity.</li> <li>– Ongoing reduction of electricity consumption in digital and illuminated advertising vehicles (increasing energy efficiency).</li> <li>– Introduction of a sustainability code of conduct for all new suppliers.</li> </ul>

## Profit

**Modules and direction****Key facts and achievements 2017****Forecast 2018–2022****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 2017, the APG|SGA Group generated an EBIT of CHF 61.3 million and a net profit of CHF 50.7 million.
- The cash flow generated amounted to CHF 60.2 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 24.00 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.
- Development of Anti-Bribery and Anti-Corruption Guidelines and group-wide introduction.
- Training of all office employees through e-learning.
- Appointment of a Compliance Committee and random checks to monitor compliance with the Anti-Bribery and Anti-Corruption Guidelines.

- Continual improvement and implementation of legislative changes through e-learning.
- 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	31.12.2017	31.12.2016
Buildings and land		35 119	36 822
Advertising plant		23 328	21 406
Other property, plant, and equipment		5 281	5 920
<b>Property, plant, and equipment</b>		<b>63 728</b>	<b>64 148</b>
Deferred tax assets		1 507	1 433
Investments in joint ventures		210	
Other financial investments		7 156	3 648
<b>Financial investments</b>		<b>8 873</b>	<b>5 081</b>
Goodwill		7 649	9 301
Contractual advertising rights		15 884	13 904
<b>Intangible fixed assets</b>		<b>23 533</b>	<b>23 205</b>
<b>Non-current assets</b>		<b>96 134</b>	<b>92 434</b>
Inventories		2 465	2 294
Trade accounts receivable		38 186	43 431
Other accounts receivable		4 152	2 030
Deferred expenses and accrued income		5 692	6 712
Cash and cash equivalents		90 490	126 817
<b>Current assets</b>		<b>140 985</b>	<b>181 284</b>
<b>Total</b>		<b>237 119</b>	<b>273 718</b>
<b>Shareholders' equity and liabilities</b>	in 1000 CHF	31.12.2017	31.12.2016
Share capital		7 800	7 800
Capital reserves, premiums		13 746	13 711
Treasury shares		-2 337	-377
Translation differences		-758	-2 474
Retained earnings		101 865	123 106
<b>Shareholders' equity</b>		<b>120 316</b>	<b>141 766</b>
Financial liabilities			179
Provisions		10 760	8 297
Deferred tax liabilities		5 550	6 117
<b>Non-current liabilities</b>		<b>16 310</b>	<b>14 593</b>
Trade accounts payable		15 654	20 288
Taxes payable		4 905	7 129
Other accounts payable		22 492	27 429
Accrued liabilities and deferred income		56 376	61 490
Provisions		1 066	1 023
<b>Current liabilities</b>		<b>100 493</b>	<b>117 359</b>
<b>Liabilities</b>		<b>116 803</b>	<b>131 952</b>
<b>Total</b>		<b>237 119</b>	<b>273 718</b>

## Consolidated income statement

in 1000 CHF	2017	2016	Change
Advertising revenue	300 693	315 361	-4.7%
Real estate revenue	1 650	1 827	-9.6%
Other operating income	2 434	22 614	-89.2%
<b>Operating income</b>	<b>304 777</b>	<b>339 802</b>	<b>-10.3%</b>
Fees and commissions	-134 587	-141 898	-5.2%
Personnel expenses	-62 446	-65 341	-4.4%
Operating and administrative costs	-32 974	-31 245	5.5%
<b>Operating result before depreciation and amortization (EBITDA)</b>	<b>74 770</b>	<b>101 318</b>	<b>-26.2%</b>
Depreciation of tangible assets	-11 018	-9 982	10.4%
Amortization of intangible assets	-770	-897	-14.1%
Amortization of goodwill	-1 652	-1 593	3.7%
<b>Operating result (EBIT)</b>	<b>61 330</b>	<b>88 846</b>	<b>-31.0%</b>
Financial result	1 966	-113	
Result from joint ventures	-90		
<b>Ordinary result before income tax</b>	<b>63 206</b>	<b>88 733</b>	<b>-28.8%</b>
Income tax	-12 486	-18 210	-31.4%
<b>Consolidated net income</b>	<b>50 720</b>	<b>70 523</b>	<b>-28.1%</b>
<b>Basic and diluted earnings per share, in CHF</b>	<b>16.92</b>	<b>23.51</b>	<b>-28.0%</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, 2016	7 800	13 672	-343	-2 232	121 550	<b>140 447</b>
Consolidated net income					70 523	<b>70 523</b>
Translation differences				-242		<b>-242</b>
Distributions					-68 967	<b>-68 967</b>
Purchase of treasury shares			-814			<b>-814</b>
Sale of treasury shares		47	780			<b>827</b>
Equity transaction costs		-8				<b>-8</b>
as at December 31, 2016	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>

### 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	2017	2016
Consolidated net income	50 720	70 523
Depreciation and amortization	13 440	12 472
Changes in provisions	-402	-1 124
Changes in deferred taxes	-679	-125
Financial result with no cash impact	-1 137	211
Gain from sale of non-current assets	-1 828	-22 643
Result from joint ventures	90	
<b>Cash flow</b>	<b>60 204</b>	<b>59 314</b>
Change in inventories	-143	-212
Change in accounts receivable	3 912	-3 653
Change in deferred expenses and accrued income	1 034	-511
Change in accounts payable and taxes payable	-11 952	5 279
Change in accrued liabilities and deferred income	-5 252	1 460
<b>Cash flow from operating activities</b>	<b>47 803</b>	<b>61 677</b>
Capital expenditures in property, plant, and equipment	-10 963	-14 034
Capital expenditures in intangible assets	-1 070	-10 944
Capital expenditures in investments in subsidiaries	-284	-8 411
Capital expenditures in other financial investments	-3 508	
Sale of property, plant, and equipment	2 755	28 338
Sale of intangible assets	2 827	
<b>Net cash used in investing activities</b>	<b>-10 243</b>	<b>-5 051</b>
Purchase of treasury shares	-2 722	-814
Sale of treasury shares	800	819
Increase of financial liabilities		183
Repayment of financial liabilities	-189	
Dividends to APG SGA SA shareholders	-71 961	-68 967
<b>Net cash used in financing activities</b>	<b>-74 072</b>	<b>-68 779</b>
Currency translation effect on cash and cash equivalents	185	-18
<b>Change in cash and cash equivalents</b>	<b>-36 327</b>	<b>-12 171</b>
Cash and cash equivalents as at January 1	126 817	138 988
Cash and cash equivalents as at December 31	90 490	126 817

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)



Out of Home Media

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

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