Letter to Shareholders

APG|SGA at a glance

164,796
analog & digital advertising spaces

20,003
campaigns

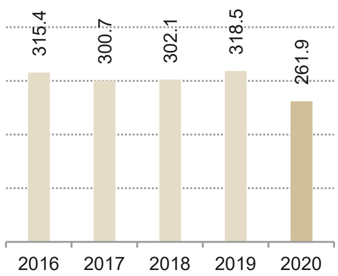
7,059
contracts & partnerships

538
employees

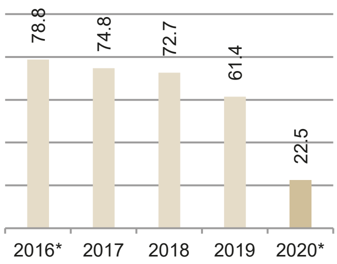
A
CDP score for climate change

–15%
reduction of greenhouse gas emissions

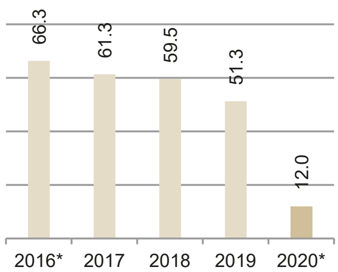
Advertising revenue
(CHF m)



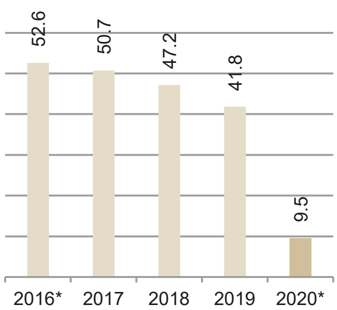
EBITDA
(CHF m)



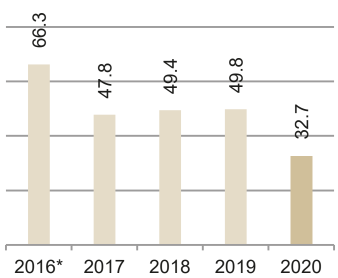
EBIT
(CHF m)



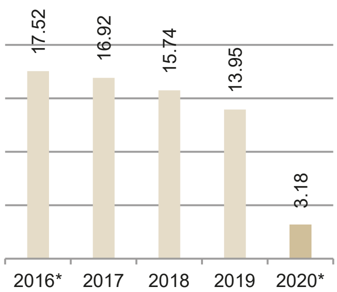
Consolidated net income
(CHF m)



Cash flow from operating activities
(CHF m)



Earnings per share
(CHF)



*adjusted for one-time effects

COVID-19 pandemic has massive negative influence on business activities in 2020.

Significant decline in consolidated net income.

Financial situation sound thanks to comprehensive package of measures.

Positive one-time effect with disposal of Meyrin/GE property.

Distribution of dividends suspended for the financial year 2020.

Recommended dividend distribution of 100% of consolidated net income for the financial years 2021, 2022 and 2023, with a minimum dividend of CHF 11 per share.

In brief (adjusted for one-time effects)

- Advertising revenues in Switzerland fall by 17.5% to CHF 250.9 million
- Decline in advertising revenues in Serbia of 24.1% to CHF 11.0 million
- EBITDA margin: 8.5% (prior-year period: 19.2%)
- EBIT margin: 4.5% (prior-year period: 16.0%)
- Consolidated net income of CHF 9.5 million (prior-year period: CHF 41.8 million)
- Free cash flow of CHF 19.8 million (prior-year period: CHF 41.6 million)

Financial highlights

in CHF 1 000	2020	2020 adjusted for one-time effects[1]	2019	Change	Change adjusted for one-time effects
Advertising revenue	**261 904**	261 904	**318 494**	−17.8%	−17.8%
– Switzerland	**250 903**	250 903	**304 003**	−17.5%	−17.5%
– International	**11 001**	11 001	**14 491**	−24.1%	−24.1%
Operating income	**269 528**	265 158	**320 227**	−15.8%	−17.2%
EBITDA	**26 876**	22 506	**61 405**	−56.2%	−63.4%
– in % of operating income	**10.0%**	8.5%	**19.2%**		
EBIT	**16 323**	11 953	**51 314**	−68.2%	−76.7%
– in % of operating income	**6.1%**	4.5%	**16.0%**		
Consolidated net income	**13 243**	9 521	**41 832**	−68.3%	−77.2%
– in % of operating income	**4.9%**	3.6%	**13.1%**		
Cash flow from operating activities	**32 674**	32 674	**49 837**	−34.4%	−34.4%
Free cash flow[2]	**25 799**	19 762	**41 579**	−38.0%	−52.5%
Investments in property, plant, and equipment	**8 868**	8 868	**8 377**	5.9%	5.9%
– advertising panel	**7 821**	7 821	**6 440**	21.4%	21.4%
– other investments	**1 047**	1 047	**1 937**	−46.0%	−46.0%
Earnings per share, in CHF	**4.42**	3.18	**13.95**	−68.3%	−77.2%

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

[1] Adjusted for effect of property sale
[2] Cash flow from operating activities (operating cash flow) CHFt 32 674 (previous year: CHFt 49 837) less cash flow from investing activities CHFt 6 875 (previous year: CHFt 8 258), (see page 9 Consolidated statement of cash flows)

Dear Shareholder:

General business development

After a highly promising start to 2020, from March the COVID-19 pandemic had a massive impact on the development of revenues and results from one day to the next. This was primarily due to two reasons. Acting in the general interest, federal and cantonal authorities put measures in place to combat the pandemic that led to a dramatic drop in foot traffic in cities and the use of public transport; this in turn greatly impacted the basis of our business model – the sale of our advertising panels and their reach among the population. The other major reason was the mandatory closing of retail outlets in the lockdown phase, with a corresponding effect on advertising behavior. APG|SGA was greatly affected by these two measures, as well as the advertising budget restrictions imposed in light of the pandemic. As a direct consequence, it experienced historic declines in revenue throughout a large part of the year, most markedly in the second and fourth quarters. In contrast, it was highly gratifying to see the rapid recovery and dynamism in revenues as soon as the mobility figures in many communication spaces began climbing again in the summer months, with the loosening of restrictions. Regrettably, this positive development turned negative again with the second wave of COVID-19 infections in the fall and the associated new restrictions.

In addition, the pressure on the result arising from higher minimum guarantees and concession fees had a negative impact given the historic slump in revenue. In the initial phase of uncertainty following the outbreak of the pandemic, APG|SGA immediately took numerous extensive measures to secure liquidity and reduce costs. We experienced a great deal of solidarity from shareholders, employees and contract partners, who all helped to support the company through this unprecedented crisis.

Despite the persistence of difficult general conditions and limited visibility over 2021, the fundamental factors for both outdoor advertising and APG|SGA are positive, as indicated by results from the start of the year and the pleasing revenue dynamic of the third quarter of 2020 following the lifting of lockdown. Therefore, in hopeful expectation of a return to positive conditions over the course of 2021, and despite stringent general cost measures, we have consistently expanded our digital project development and our service portfolio in particular. APG|SGA also concluded or extended a number of marketing contracts in the last year.

APG|SGA Group

In the financial year 2020, group revenue fell by 17.8% to CHF 261.9 million. Real estate revenue was CHF 1.7 million, at about the same level as the previous year. Other operating income refers to income from the sale of obsolete tangible assets – primarily from the disposal of the property in Meyrin (Geneva), which was no longer required for operations. Overall, this resulted in operating income of CHF 269.5 million in the financial year 2020, representing a decrease of 15.8% compared with the previous year.

Fees and commissions represented 61.1% of operating income in the financial year 2020, clearly exceeding the previous year’s level of 51.5%. The main drivers of this increase were concession contracts with non-sales volume related fees, combined with a reduction in revenue. This key figure was also influenced by tougher competitive conditions and an associated increase in fees in the procurement market for strategic contracts.

In the financial year 2020, APG|SGA succeeded in reducing its expenses for personnel, operations and administration in step with the reduction in revenue caused by COVID-19. This massive reduction in costs was all the more impressive given the concurrent increase in expenses for digital growth projects. Personnel expenses fell by 16.6% in the reporting year. A halt to incentives and bonuses, a temporary reduction of fixed management remuneration, short-time work compensation and extensive process improvements contributed to this reduction. Operating and administrative costs decreased by 17.3% in the reporting year. This reduction was driven by strict cost management and targeted savings measures.

Despite these numerous measures, the major decline in revenue had a significant influence on the operating result. For the financial year 2020, this resulted in an EBITDA of CHF 22.5 million (previous year: CHF 61.4 million), an EBIT of CHF 12.0 million (previous year: CHF 51.3 million) and consolidated net income of CHF 9.5 million (previous year: CHF 41.8 million), all adjusted for one-time effects. With the inclusion of the one-time effect (disposal of the Meyrin property), consolidated net income of CHF 13.2 million was reported.

Cash flow
Cash flow from operating activities for the financial year 2020 amounted to CHF 32.7 million (previous year: CHF 49.8 million). As receivables from customers had decreased significantly, this drop of 34.4% was significantly lower than for consolidated net income. After deduction of net cash used in investing activities of CHF 6.9 million, this resulted in a free cash flow of CHF 25.8 million (previous year: CHF 41.6 million).

Balance sheet
The balance sheet total fell by CHF 12.4 million in the financial year 2020 to CHF 205.3 million. Fixed assets fell to CHF 84.0 million, primarily due to the disposal of the Meyrin (Geneva) property. Intangible assets amounted to CHF 19.8 million, corresponding to 9.6% of the balance sheet total.

Current assets increased by CHF 17.3 million. A significantly higher level of cash and cash equivalents was partly offset by lower trade accounts receivable. Short-term financial investments of CHF 6.0 million corresponded to a time deposit with a residual term of over 90 days. As at December 31, 2020, cash and cash equivalents stood at 66.6 million. Equity amounted to CHF 89.4 million, representing an equity ratio of 43.6%.

Swiss market
The advertising revenues for 2020 stood at CHF 250.9 million, 17.5% below the previous year. Products in the communication spaces of railway stations, public transport, airports and the promotional space business were affected at an above-average rate due to reduced footfall. Following a pleasing recovery in the summer months, the measures introduced to combat the second wave of COVID-19 in the 4th quarter led to a renewed slump in revenues. The service portfolio was consistently expanded. Digitalization in railway stations, for example, was further expanded with the installation of 57 screens. In early June, APG|SGA launched its programmatic advertising service in collaboration with the leading international platform VIOOH, followed in October by “ChannelOHH!”, a new service for moving image communications. APG|SGA also further optimized its portfolio and created sound conditions for further growth through various tender processes and contract renewals (with BLS, PostAuto, the city of Fribourg and others).

Serbian market
In the financial year 2020, our subsidiary Alma Quattro d.o.o. contributed 4.2% to group revenues. The Serbian operation also experienced a sharp drop in revenue in the 2nd quarter due to COVID-19 lockdown measures. Despite periodic recovery of revenues in the second half of the year, the overall financial year saw a decline in advertising revenue of 21.2% compared with 2019. The weakening of the Serbian dinar resulted in a reduction of 24.1% in Swiss francs.

Organization
At the APG|SGA AG General Meeting on May 14, 2020, Dr. Maya Bundt and Jolanda Grob were elected to the Board of Directors. All existing members of the Board of Directors were confirmed for a further year. Robert Schmidli will reach the statutory age limit by the next general meeting, and will therefore not stand for re-election. We would like to take this opportunity to thank him for his great commitment, his profound expertise and his many years of outstanding cooperation. All other members of the Board of Directors will stand for re-election at the next general meeting. The Board of Directors intends to appoint Xavier Le Clef as the new Vice Chairman of the Board, and to appoint Jolanda Grob as Chairwomen of the Remuneration Committee, subject to their re-election.

Dividend
The financial year 2020 was heavily affected by extraordinary market pressures. As a result, the company was forced to introduce rigorous cost-cutting measures in materials and investment, and to reduce the remuneration components of management staff and employees. The majority of employees received short-time working compensation over an extensive period of time. These measures, and in particular the remarkable support of many of our market partners, who have met us halfway with their willingness to reduce concession fees in line with actual market conditions, prevented an even steeper decline in the company’s earnings. In light of this, the Board of Directors proposes to the General Meeting that the distribution of dividends be suspended for the financial year 2020.

However, looking to the future, the Board of Directors remains convinced that in a market environment without the restrictions of the pandemic, the company's business model has unreservedly positive prospects. The fundamental framework conditions that assured an impressive performance in analog and digital out of home advertising in previous years have not changed. The Board of Directors therefore intends to systematically continue the traditionally shareholder-friendly dividend policy. This applies equally to the financial year 2021, which will again be affected by the pandemic as a result of the strict lockdown measures in the first quarter and the associated negative effects on business performance. The Board of Directors therefore intends to propose to the respective General Meetings a dividend payment of 100% of consolidated net income for the financial years 2021, 2022 and 2023, but no less than CHF 11 per share.

Outlook

The measures ordered by the authorities at the beginning of 2021 once again led to significant restrictions on mobility, accompanied by widespread retail closures, which again resulted in a considerable drop in revenue in January and February. The ongoing development of the revenue situation will depend to a large degree on how quickly vaccination leads to improvement and normalization of mobility in public spaces and public transport.

At this point, it is impossible to offer a forecast for the development of business in the current year. Nonetheless, based on the positive revenue dynamic following the easing of measures in summer 2020, we are working on the assumption that the overall situation for APG|SGA will improve rapidly and significantly as soon as mobility recovers and retail outlets open.

The Board of Directors and the Executive Board feel strongly that APG|SGA is very sound overall and will emerge from this crisis robust thanks to its proven business model. This is because we believe the fundamentally positive factors of out of home media will retain their full appeal with the return to mobility and regular business activities. We are therefore convinced that the medium and long-term market and earnings prospects in the operational business of APG|SGA, which plays a key role in both the analog and digital out of home media market, remain positive.

We would like to take this opportunity to thank the employees of APG|SGA, who have responded with great commitment, discipline and confidence to the extraordinary situation. On behalf of the Board of Directors and the Executive Board, we would also like to thank our shareholders, market partners, advertising customers and concession issuers for their great support and trust in our company in these uncertain and challenging times.

Dr. Daniel Hofer
Chairman of the Board

Markus Ehrle
Chief Executive Officer

Consolidated balance sheet

Assets

in CHF 1 000	31.12.2020	31.12.2019
Buildings and land	**29 065**	32 576
Advertising panel	**23 459**	22 381
Other property, plant, and equipment	**3 495**	4 074
Property, plant, and equipment	**56 019**	59 031
Deferred tax assets	**1 515**	1 351
Other financial investments	**6 653**	7 400
Financial investments	**8 168**	8 751
Goodwill	**5 298**	5 648
Contractual advertising rights	**14 546**	15 515
Intangible fixed assets	**19 844**	21 163
Non-current assets	**84 031**	88 945
Inventories	**4 885**	3 865
Trade accounts receivable	**30 353**	44 331
Other accounts receivable	**8 359**	7 415
Deferred expenses and accrued income	**5 040**	6 547
Short-term financial investments	**6 000**	
Cash and cash equivalents	**66 587**	41 762
Current assets	**121 224**	103 920
Total	**205 255**	192 865

Shareholders' equity and liabilities

in CHF 1 000	31.12.2020	31.12.2019
Share capital	**7 800**	7 800
Capital reserves, premiums	**12 938**	13 246
Treasury shares	**−1 491**	−853
Translation differences	**−2 128**	−2 098
Retained earnings	**72 291**	59 048
Shareholders' equity	**89 410**	77 143
Financial liabilities		350
Provisions	**7 299**	7 979
Deferred tax liabilities	**2 651**	3 302
Non-current liabilities	**9 950**	11 631
Financial liabilities	**298**	
Trade accounts payable	**7 785**	7 989
Taxes payable	**4 879**	7 265
Other accounts payable	**27 059**	29 995
Accrued liabilities and deferred income	**64 967**	56 454
Provisions	**907**	2 388
Current liabilities	**105 895**	104 091
Liabilities	**115 845**	115 722
Total	**205 255**	192 865

Consolidated income statement

in CHF 1 000	2020	2019	Change
Advertising revenue	**261 904**	318 494	−17.8%
Real estate revenue	**1 690**	1 693	−0.2%
Other operating income	**5 934**	40	
Operating income	**269 528**	320 227	−15.8%
Fees and commissions	**−164 630**	−165 039	−0.2%
Personnel expenses	**−51 443**	−61 646	−16.6%
Operating and administrative costs	**−26 579**	−32 137	−17.3%
Operating result before depreciation and amortization (EBITDA)	**26 876**	61 405	−56.2%
Depreciation of tangible assets	**−9 267**	−8 790	5.4%
Amortization of intangible assets	**−937**	−952	−1.6%
Amortization of goodwill	**−349**	−349	
Operating result (EBIT)	**16 323**	51 314	−68.2%
Financial result	**23**	−124	
Result from joint ventures		−129	
Ordinary result before income tax	**16 346**	51 061	−68.0%
Income tax	**−3 103**	−9 229	−66.4%
Consolidated net income	**13 243**	41 832	−68.3%
Basic and diluted earnings per share, in CHF	**4.42**	13.95	−68.3%

Consolidated statement of changes in equity

in CHF 1 000	Share Capital	Capital reserves, premiums	Treasury shares	Translation differences	Retained earnings	Shareholders' equity
as at January 1, 2019	7 800	13 449	−748	−1 461	77 171	**96 211**
Consolidated net income					41 832	**41 832**
Translation differences				−637		**−637**
Distributions					−59 955	**−59 955**
Purchase of treasury shares			−1 018			**−1 018**
Sale of treasury shares		−192	913			**721**
Equity transaction costs		−11				**−11**
as at December 31, 2019	7 800	13 246	−853	−2 098	59 048	**77 143**
Consolidated net income					13 243	**13 243**
Translation differences				−30		**−30**
Purchase of treasury shares			−1 637			**−1 637**
Sale of treasury shares		−294	999			**705**
Equity transaction costs		−14				**−14**
as at December 31, 2020	7 800	12 938	−1 491	−2 128	72 291	**89 410**

Consolidated statement of cash flows

in CHF 1 000	2020	2019
Consolidated net income	**13 243**	41 832
Depreciation and amortization	**10 553**	10 091
Changes in provisions	**−757**	227
Changes in deferred taxes	**−816**	−1 377
Financial result with no cash impact	**−40**	137
Gain from sale of non-current assets	**−5 925**	4
Result from joint ventures		129
Change in inventories	**−1 021**	−1 497
Change in accounts receivable	**12 999**	−11 303
Change in deferred expenses and accrued income	**1 442**	−29
Change in accounts payable and taxes payable	**−5 517**	4 137
Change in accrued liabilities and deferred income	**8 513**	7 486
Cash flow from operating activities	**32 674**	49 837
Capital expenditures in property, plant, and equipment	**−8 868**	−8 377
Capital expenditures in intangible assets	**−1 345**	−159
Capital expenditures in short-term financial investments	**−6 000**	
Sale of property, plant, and equipment	**8 525**	244
Sale of other financial investments	**813**	34
Net cash used in investing activities	**−6 875**	−8 258
Purchase of treasury shares	**−1 637**	−1 018
Sale of treasury shares	**691**	710
Increase in non-current financial liabilities		358
Repayment of financial liabilities	**−51**	
Dividends to APG SGA SA shareholders		−59 956
Net cash used in financing activities	**−997**	−59 906
Currency translation effect on cash and cash equivalents	**23**	−39
Change in cash and cash equivalents	**24 825**	−18 366
Cash and cash equivalents as at January 1	**41 762**	60 128
Cash and cash equivalents as at December 31	**66 587**	41 762

Notes to the consolidated financial statements

Reporting principles of APG|SGA SA

This report comprises the audited annual financial statements for the reporting period ended on December 31, 2020. Since the beginning of 2013, the consolidated financial statements have been prepared in accordance with Swiss GAAP ARR (Accounting and Reporting Recommendations).

The preparation of the consolidated annual financial statements requires management estimates and assumptions that influence reported assets, liabilities, contingent liabilities and contingent assets as at the closing date, as well as income and expenses for the reporting period. The actual results may differ from these estimates.

Changes in the scope of consolidation and minority interests

In the reporting year, the scope of consolidation compared with the prior-year period did not change.

In the previous year, TAQ Belgrad, which had been consolidated according to the equity method, was liquidated and consequently deconsolidated.

Events after the closing date

These financial statements were approved by the Board of Directors on March 12, 2021.

Explanation of financial terms

Cash flow margin
Cash flow from operating activities in % of operating income

EBIT
Earnings before interest and taxes

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

Equity ratio
Shareholders’ equity in % of balance sheet total

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

Free cash flow per share
free cash flow divided by the average number of shares in circulation during the reporting period

Agenda and publications

Announcement of annual results 2020 and publication of the annual report
Monday, March 15, 2021

General Meeting
Wednesday, April 28, 2021
(Based on the federal government's COVID-19 Ordinance 3 for the protection of shareholders and employees, the ordinary General Meeting will take place without the physical presence of shareholders or their proxies. APG|SGA shareholders will be able to exercise their rights by postal or electronic channels through the independent proxy.)

Announcement of semi-annual results 2021
Thursday, July 29, 2021

Publications: Annual Report and Financial Report
The Annual Report and the Financial Report are available online at www.apgsga.ch/report. To order the print publications, please complete the form at www.apgsga.ch/order-reporting.

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This letter to shareholders is available
in German, French and English.
The German version is legally binding.

APG|SGA
Out of Home Media

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APG|SGA AG is Switzerland’s leading Out of Home media company. Listed on the SIX Swiss Exchange, APG|SGA covers all aspects of outdoor advertising: on streets and squares, in railway stations, at airports, in shopping centers, in the mountains as well as in and on means of transport – from poster campaigns with the widest coverage and large formats to state-of-the-art digital advertising spaces, special advertising formats, promotions and mobile advertising. When communicating with customers, the authorities and the advertising industry, APG|SGA represents sustainability and innovation, aiming to inspire people with the very best communication solutions in public spaces.

Printed in Switzerland
March 2021

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ClimatePartner.com/53173-2103-1002