



Calculation of sales by advertising agencies

Statements of sales shall relate solely to gross income, as shown in the Profit and Loss Account prepared in accordance with the statutory balance sheet directives. (The equivalent billings shall then, in accordance with international usage, be calculated by multiplying the gross income by 6.62).

The entries in the statement shall be exclusively sales, which in the broader sense have to do with communication, which are invoiced directly or indirectly to customers.

Sales, which arise from invoicing foreign agencies or clients for services performed domestically (lead agency in Germany), shall be included in the sales. This shall, however, only apply if the income has in fact been received in Germany.

The following criteria shall apply to the actual sales reporting procedure:

Sales by affiliated inland companies in kindred*) sectors (sister or subsidiary companies) shall in the ratio of the share holding be recorded according to the same data collection methods and allocated to the gross income. Holdings up to and including 50% shall be shown pro rata, holdings above 50% shall be allocated as to 100% to the gross income. Holdings shall be classified in accordance with the date, i.e. the accounting date, of the business transfer. If there are additional holdings by foreign companies in the agency group in inland agencies, in which inland agencies already have holdings, the sales of the inland agencies may be similarly recorded in accordance with the extent of the holding (indirect or direct share holdings). If several German agencies in one group have holdings in the same agency, only the agency with the greater holding may include these sales.

*) Exclusively sales, which have in a broader sense to do with communication: For example, marketing and other services, etc. Excluded are, for example, income from personal consultations, irrelevant production services, etc.

Sales by sister and subsidiary companies included in the gross income shall be shown separately on the appendix page of the report form with the appropriate sales portion.



Gross sales shall be ascertained as follows:

1. Sales-related commission

1.1 From the media

All agency commission in the effectively received amount shall be entered. This shall apply to commission granted direct by the media and for receipts from other agencies as "split commission" (agency of records).

All onward transmitted commission shall be treated as a reduction of proceeds (not as expenditure).

1.2 From production

All commission invoiced to customers from the production of advertising material and other external services shall be entered

2. Honoraria

2.1 Flat rate honoraria

This includes honoraria in the place of commission. Supplementary honoraria, such as public relations, sales promotion and similar should be included. The entries should be confined to honoraria in the effectively received amount (no external costs).

2.2 Project honoraria

Only services shall be recorded, which the agency performs: honoraria for individual services, such as for the arrangement of market research and similar, and for presentations, photographic work, outline drawings or other services by the agency. These are to be entered in the effectively invoiced amount, less external services (e.g. by institutes, printers, etc.).

3. Not to be included in gross income:

Earnings from discounts, interest, etc. (so-called financial receipts) ·

Rents ·

Receipts achieved externally, i.e. receipts, which are outside the agency purpose ·



Sales not initiated by an external principal. .

External costs in the sense of transmitted costs, i.e. costs, for which the agency does not act as a trustee. .

Intercompany sales: To avoid double counting, the intercompany sales of German subsidiaries and sister companies shall be left out of account. .

Sales by foreign subsidiaries and sister companies.

4. *Total gross income* .

1/2000

Procedure for the sales return (ranking lists)

1. Since 1999, there exists the Consortium Ranking Lists with the two leading advertising trade magazines (Horizont and w+v) and a market research institute (GfK Marktforschung, Nürnberg).
2. At the beginning of each year, the Association reports the sales achieved by its members and the institute for the non-members.
3. The report form and the procedure is established by the Consortium.
4. The basic currency of the report is the gross income (for definition, see appendix)
5. The institute produces the basic material for the ranking lists in the media, so that they are similar in content.
6. Only sales certified by auditors and/or accountants are published. Agencies, who do not submit a certificate by a certain date, will not be shown in the publication for the following year and will be mentioned negatively in the press.
7. Subsidiaries, whose sales are by definition (see the definition of gross income) allocated to the total sales of the main agency. but who wish for an independent ranking, will be shown in the appropriate ranking position. But this will happen without a separate ranking position, to some extent double-counting and with a reference to the main (parent) agency.