

ABC Czech Republic Methodology for publishing and auditing digital editions of printed titles

Valid from 1. 7. 2009

ABC Czech Republic (Audit Bureau of Circulation further as ABC ČR) is an association of corporations having tripartite sponsorship, formed of – Czech Publishers Association, Association of Communications Agencies (AKA) and the Czech Association of Branded Products (ČSZV). The Audit Bureau of Circulations is a corporate member of the International Federation ABC (IF ABC) and governed by its statute.

ABC ČR is an independent body, which provides services based on publicly published methodology compiled by the representatives of professional organizations represented in the Methodology Committee. Participants of the audit undertake to comply with the methodology of this statute on a voluntary basis and in disputable circumstances, respect the methodological interpretation of the Methodology Committee. Failure to comply with the methodology by the publisher, ABC ČR will withdraw from the contract. The publishing company can request a new initial audit in 12 months at the earliest since the termination of the contract.

1. SUBJECT OF ACTIVITY

The mission of ABC ČR is to objectify information and data on the media market. In the field of periodic press, it principally focuses its activities on:

- Gathering circulation reports on periodic press and compiling them,
- Publishing circulation results on periodic press and providing them to publishers, advertising agencies, advertisers and IF ABC members,
- Auditing circulation data for periodic press according to the contracts and accounting records of publishers and distributors,
- Methodical and co-ordinating activities.

2. DEFINITION OF A DIGITAL EDITION

The digital edition of newspapers and magazines is a copy of the printed edition of a specific title transferred into digital form available to internet users using basic browsers.

The digital edition must maximally resemble the original printed edition by editorial and advertising content and design. This requirement relating to the authenticity of the form

and subject of the digital edition does not apply to supplements. If all supplements incorporated in the printed title are not incorporated in the digital edition, this will be noted in the digital edition report form. Copies of the printed publication must be provided to ABC ČR upon request.

A requirement for auditing digital editions of newspapers and magazines is the existence of a printed copy audited by ABC ČR. The digital edition must be sold at minimally 35 % of the basic cover price (further as BCP) of the printed copy.

The calculation of minimally 35 % of the BCP of the printed title for dailies is performed from the BCP of the standard edition with exclusion to supplements or the so-called supplemented edition.

The distribution of the digital edition must be launched on the same day at the latest as the printed title. It must contain the identical logo and names as the printed title. Advertising may include digital enhancements or can be adjusted in order to take advantage of the given media (such as links to other website, etc).

If the authors of the editorial or advertising sections do not agree with the electronic publications, those parts can be excluded. The publisher must then be able to submit a written disapproval by the authors for electronic publication, and ABC ČR will decide whether data of the digital edition will be published depending on the gravity of the interference into the editorial and advertising content and even design.

Digital editions can be sold in the form of:

a) subscription – All digital editions of newspapers and magazines included into digital edition subscription must be ordered as paid subscription, must have been sent payment invoices to be paid before the date of availability and then must have had the subscriber pay the subscriber fee corresponding to minimally 35 % of the BCP of the printed copy. The publisher must ensure the defined availability. The defined availability of digital editions of newspapers and magazines is understood as the publication was made available in such a way so that the user could have downloaded it or viewed it using basic procedures and resources used on the Internet. The digital edition of the printed title must be available to the subscriber no later than at the same time as the printed title. The publishing company must ensure ABC ČR free access to the digital edition of each printed title. The publisher is required to make the total distribution list available to ABC ČR auditors. The total distribution list is defined as a set, which contains full records without duplicate data on all digital copies for each edition subject to audit. Such sold copies will be included into the digital editions of the printed edition upon the submission of evidential documents as described in point 6.2.a) of this methodology.

b) digital sales via an on-line intermediary / on-line sales – The final consumers must pay minimally 35 % of the BCP of the printed copy for all digital editions of the newspapers and magazines. Such sold copies will be included into the digital editions of printed edition upon the submission of evidential documents as described in point 6.2.b) of this methodology. If the publisher will entrust an intermediary in ensuring the availability of the digital edition of the printed title, he must ensure the fulfilment of all its responsibilities in relation to ABC ČR during digital edition audits of printed title.

3. CIRCULATION REPORT

Circulation reports for digital edition of printed titles are executed on digital edition report forms provided by ABC ČR along with instructions on its fulfillment:

- According to this methodology, each publishing company that is part of the circulation audit is required to provide accurate and complete reports on digital editions within the appointed deadlines.
- The reported number of digital editions must correspond to the number of printed editions of the main title.
- Data for the appropriate month are featured in the report. Copies that have been invoiced and distributed prior to or after this period must not be included in the report.
- By signing a contract on providing premium services, the publishing company is required to report the item **Digital edition of the printed title**.
- The final deadline for submitting the circulation report is the last day of the month following the month for which the report is compiled (i.e. for January up to February 28th, for February up to March 31st, etc).
- For monthlies issued as a double issue, the report is compiled for the full two-month period. Similarly, periodicals with a longer duration period than one month are treated accordingly.
- A timely report submission is one that was given to ABC ČR prior to the deadline.
- Late submission of a report on circulations or its non-submission will be published in the reviews as: “Publisher’s failure to supply data on time.”.
- If ABC ČR receives a report where all substantial data listed in point 3. are not acquired by the methods explained in this methodology, it will immediately notify the compiler of the report. If a correction is not established prior to the deadline, ABC ČR will not publish the incomplete data and as a result, it will be published in the reviews as: “Publisher submitted incomplete data.”.

- All changes related to the name and address of the publishing company, title, the publishing company's technique, the basic cover price, etc. must be reported by the publisher to the nearest following report on circulations.
- If the title is not issued or its circulation limited due to extraordinary circumstances (strike, catastrophes, halted distribution etc), the publishing company will alter the reporting method depending on the concrete situation upon agreement with ABC ČR.

Dailies report:

The daily average and the average of circulations for daily issues of individual days of a standard week are reported for dailies. The daily average is the arithmetic average of average daily circulations of individual days within the week. It is calculated as:

$$\text{Average daily circulation (Monday)} = \frac{\text{Sum of copies of Monday editions in the month}}{\text{Number of Mondays in the month}} = \phi \text{ PC (Mon)}$$

Same for Tues, Wed, Thurs, Fri, Sat and Sun.

$$\text{Daily average} = \frac{\phi \text{ PR (Mon)} + \phi \text{ PR (Tues)} + \phi \text{ PR (Wed)} + \phi \text{ PR (Thurs)} + \phi \text{ PR (Fri)} + \phi \text{ PR (Sat)} + \{ \phi \text{ PR (Sun)} \}}{6 \{7\}} = \phi \text{ PR}$$

Weeklies and bi-monthly report:

Weeklies and bi-weeklies are reported as an arithmetic average of circulations of individual editions in the monitored month.

Monthlies, magazines with a longer duration period, B2B and B2C magazines:

Monthlies, magazines with a longer duration period, B2B and B2C magazines are reported as a circulation of the given edition in the monitored month.

4. PUBLISHING CIRCULATION REPORTS

The publishing company must sign a premium contract relating to auditing digital editions of printed copies with ABC ČR and send an appropriate link to the location of the digital edition of the title on the Internet by the commencement of the sale period of the appropriate issue. In the event of failure to sign the contract, failure to send the link or the unavailability of the link, ABC ČR loses its responsibility to publish data on digital edition of the printed title in its overviews. The unavailability for this purpose is understood as failure to link to the digital edition of the printed title after two connection attempts that ABC ČR will

perform after the commencement of the sale period of the appropriate issue and again after at least 1/10 of the sales period. All minor breakdowns of availability must be reported immediately by the publishing company to ABC ČR.

Dailies will be published in the circulation reviews in alphabetical order as a separate table, in which average circulations per day of individual days of a standard week and daily averages will be given. If an exceptional change to the regular standard issue dates occur due to an extended issue during the year (usually due to public state holidays and days off), the extended circulation is included to the day, when the printed edition is issued regularly during the week.

Weeklies, bi-weeklies, monthlies, magazines with a longer duration, B2B and B2C magazines will be published in alphabetical order in a separate table as an arithmetic average of circulations or as a circulation of individual editions in the month. Monthlies issued as a double-issue are not published and the following note is listed instead: "Issued as a double-issue.". ABC ČR does not publish data in its overviews for bi-monthlies in their bypassing month. Similarly, periodicals with a longer duration period than one month are treated accordingly.

ABC ČR shall ensure the publishing of data on circulations within a month after the report deadline. On a regular basis, the data will be published on www.abccr.cz, www.unievydavatelu.cz and in specialist journals. ABC ČR can even provide published data to other subjects but the subject is obliged to publish the data without commentary in table form and will quote in published circulations "Source of ABC ČR".

5. DIGITAL EDITION AUDIT

5.1. ABC ČR responsibilities during audit

ABC ČR consistently follows this methodology during the digital edition audit. It is expected that the publishing company will have already submitted the digital edition report form and is prepared to undergo an audit. If an ABC ČR employee has doubts on the authenticity of the submitted documents that cannot be eliminated in co-operation with the publishing company, he/she will suspend the audit and will inform the chairman of ABC ČR.

Document auditing is conducted by an ABC ČR employee at a designated workplace of the publishing company.

The ABC ČR employee will retain secrecy on all trade descriptions pertaining to the publishing company that have been rendered and will keep them strictly confidential. ABC ČR employees may not be in any way involved with a publishing company regardless of the form of co-operation while working for ABC ČR.

5.2. Place and extent of audit

Workplace preparation and records quoted in point 6. shall be the responsibility of the publisher. Auditing the digital edition is conducted 2 x per year at the publisher. The audit is conducted on the commercial premises of the publishing company. The place of audit can be specified by mutual agreement amongst the publishing company and ABC ČR. Change in the place of audit cannot be at the expense of the availability and integrity of the submitted documents.

5.3. Audit period

The audit period is the half-year in which one month is audited which is identical to the drawn month of the main printed title. The audited month is stated by the Methodology Committee with a draw during the presence of the majority of committee members. If there are considerable deviations, the ABC ČR manager may decide whether to audit even another month of the given year. The audit date is stated by the ABC ČR manager. The audit date needs to be announced 7 days in advance by ABC ČR to the publisher. The date and time can later be specified upon agreement of the publisher and the ABC ČR manager.

5.4. Postponing the audit

The ABC ČR manager after agreement with the ABC ČR employee can decide whether to postpone an audit date when requested by the publishing company once the audit date has been announced. A written request must be sent to the ABC ČR's address at least five days in advance to the stated audit date.

5.5. Failure to keep the audit date

If an ABC ČR employee will not be able to conduct a digital edition audit within 15 days of the announced audit, if appropriate conditions for a circulation audit are not established or if a proper audit is not completed within 15 days of its commencement then as a result, it will be published in the reviews as: "The publishing company did not enable a digital edition audit.". Increased costs resulting from the unpreparedness of the workplace or a failure to keep the audit date will be charged to the subscriber.

If an ABC ČR employee does not conduct the digital edition audit on the announced or agreed date without significant reasons, the audit will be conducted at an alternate date and ABC ČR will reduce the annual rate charged for auditing circulations by half.

5.6. Additional audit

If the difference between the data published based on the digital edition report and the data discovered during audit exceeds 1 % for any audited items, the ABC ČR manager is

required to suspend the audit and inform the chairman of ABC ČR. ABC ČR will conduct an additional audit on the payment of three times the amount of the valid pricelist stated for that audit period. If the publishing company does not settle the stated amount within 10 days or does not allow an additional audit within 14 days of paying the amount, it is considered a gross breach of methodology and the reason for withdrawal from the contract. The failure to comply with these deadlines and those listed in point 5.5., ABC ČR will remove unverified data from their reviews and publish a report in the media and in places where circulations are available.

5.7. Preliminary audit

The ABC ČR manager will decide whether a preliminary audit will take place based on the submitted digital edition report, whenever he/she questions the authenticity of the circulations stated in the report. During a preliminary audit, records listed in point 6. must be submitted with an exception to the settlement of invoices. In duly substantiated cases, publishing company data may be suspended until the completion of the preliminary audit for a maximum of 30 days and ABC ČR will publish a report in the media and in places where circulations are available.

5.8. Exceptional audit suggested by the founder (member) or ABC ČR manager

The ABC ČR General Assembly decides whether an exceptional audit will take place based on a suggestion from a member, chairman of the Methodology Committee or manager of ABC ČR. The publishing company will settle the increased auditing costs only if an ABC ČR employee discovers a deviation exceeding 1 % between the reported data and the data discovered during audit. In other cases, the proposer will settle the costs of an exceptional audit. The total sum will be stated by the ABC ČR manager with respect to the extent of an exceptional audit according to the valid pricelist.

5.9. Exceptional audit suggested by participants of audit

Other participants of the audit may submit proposals for exceptional audit by the Methodology Committee after settling the deposit. If the Methodology Committee recommends a proposal for a decision by the ABC ČR General Assembly, the settled deposit will remain at ABC ČR until the completion of the audit. The deposit amount will be stated by the ABC ČR manager with respect to the extent of an exceptional audit according to the valid pricelist.

Proposals on exceptional audits according to points 5.8. and 5.9. must be justifiable for the proposal of an exceptional audit and upon agreement with the ABC ČR manager as well as the anticipated price of audit.

5.10. Participation of other persons during a proper and an exceptional audit

Other persons may participate in a proper or an exceptional audit. The ABC ČR manager will draw up a declaration binding them to secrecy in the extent indicated in point 5.1. The ABC ČR chairman decides on the participation of other persons during a proper audit, the ABC ČR General Assembly decides on the participation of other persons during an exceptional audit.

5.11. Certificate of circulations and Final report

In conclusion to a proper audit, the ABC ČR employee will compile a certificate of auditing digital editions of the main printed title indicating even eventual deviations between the declared and the actual detected number of digital editions. Deviations exceeding 1 % from the reported data must be documented in the certificate with reference to the accounting record numbers. ABC ČR will forward a copy of the certificate to the publishing company for signing.

The final report of all titles for the auditing period will be published by ABC ČR in the media and in places where circulations are available.

6. PROVING DOCUMENTS FOR AUDIT

6.1. Bookkeeping of sales and accounting

A fundamental requirement for a circulation audit is that the publishing company has properly managed accounts in accordance to the Act on accounting. All internal orders, money transfers etc, essential for audits, pertaining to production and sales of publishing company products must be submitted in its original copies. Acquired data gathered by an ABC ČR employee during audit is compared to the digital edition report submitted during the auditing period by the publishing company. The difference between the acquired and reported values must not exceed 1 %.

ABC ČR employees are authorized to view all records quoted by this methodology and can request other documentation if it is important for the assessment of reported circulations.

6.2. Documents for audit

During audit of individual circulation forms, ABC ČR employees principally check the general ledger and analytical evidence books and the following records:

- a) **Subscription of a digital edition** is verified by submitting documentation proving a request for the digital edition by a subscriber, checking the subscriber's payment to the publishing company's account, payment slip for the rendition of the

subscriber's fee for the defined period before the date of availability and the availability resulting from point 2. for the appropriate period. ABC ČR regularly checks the availability of the digital edition of the title.

If the subscriber's clan is lead by an intermediary, the publishing company will submit invoices for the clan administration and deliveries, proof of payment invoices and documents on payments from the subscribers. If the publisher authorizes an intermediary for ensuring the availability of the digital edition of the title, he/she must ensure the compliance to all obligations related to ABC ČR during the digital edition of the title audit.

If the publishing company leads the subscriber's clan on its own, it must submit their proof of subscription incomes to the established account of this purpose during a check and upon request, submit the subscriber's clan list and other documents, in particular post money orders, account statements, orders, etc.

- b) **Digital sales via an on-line intermediary / on-line sales** is verified by submitting invoices issued to intermediaries, documentation proving payment of these invoices or the submission of tax documents with the mentioned title and number or date of issue and its payment. In the case of on-line sales via an intermediary, the publisher is required to ensure the compliance to all obligations related to ABC ČR during the digital edition of the title audit; for example, the submission of accounting documents of sales, contractual documentation between the publisher and the intermediary etc. The publisher is required to submit to ABC ČR a list of places where these sales are available on-line.

6.3. Proof of revenue

Sales revenue from the publishing company are audited in such a manner that revenue from paid circulation sales and revenue from digital editions are re-calculated for the reporting time period of income accounts and for the submitted value added tax returns for the full year.

6.4. Audit of editions

When auditing editions, invoice records for editions must be presented in such a manner so that each individual digital edition may be verified.

7. REQUIREMENTS FOR INCLUSION INTO THE SYSTEM FOR AUDITING DIGITAL EDITIONS

7.1. Inclusion into the system for auditing digital edition of printed main titles

Each publishing company that will express their approval with the methodology and its practical application may be included by:

- signing a standard contract on auditing printed and paid circulations in the ABC ČR system,
- signing a contract with ABC ČR on the provision of premium services, where the publishing company will be bound to provide data on the digital edition that is specified by this methodology,
- sending the appropriate link according to point 4.,
- paying the ABC ČR system service fees.

7.2. Fees

Fees associated with the publishing and auditing of circulations will always be set a year in advance in the pricelist. Prices are based on an hourly rate for auditing and a flat rate for the compilation and publication of circulation data. The price for the compilation and publication of circulation data for all participants remains the same and is stated by the amount of individual circulations.

8. FINAL PROVISIONS

8.1. Settlement of disputes

If disputes occur on the authenticity of data submitted in the reports and the publishing company will avoid or defend itself against the audit, ABC ČR according to its methodology must suspend the publication of data on all titles of the publishing company until all the disputable causes are resolved.

8.2. Proposals for amendments of methodology of ABC ČR shall be submitted via the ABC ČR manager (tel./fax: 221 733 526, e-mail: abccr@abccr.cz) to the Methodology Committee that is the expert authority. The Methodology Committee carries out expert surveillance, examines and proposes changes in methodology and submits it to the ABC ČR General Assembly for approval.

Methodology valid from 1. 7. 2009 was approved by the ABC ČR General Assembly on 21. 4. 2009.

The Methodology can be found at www.abccr.cz. The original copy of the methodology is stored at the ABC ČR office.

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