

ABC Czech Republic Methodology for auditing circulations of periodic press

Valid since 1. 7. 2011

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. FORMS OF CIRCULATIONS

2.1. Press Run (PR)

A Press Run is the number of copies printed and billed by the press office after subtracting spoiled print waste.

2.2. Paid circulation (PC)

Paid circulation is the sum of copies from retail sales, subscription, other paid forms of circulations and digital edition sold at minimally 51 % of the basic cover price of the printed copy (DE1) in the given time period. The paid circulations are copies, whose distribution was possible due to payment, i.e. on the basis of invoicing or as part of valid contracts on subscription. Copies originating from the previous time period and distributed during the present time cannot be included into current circulation data (sending back issues or resale of returned copies). If during circulation audit an ABC ČR employee learns that the copies included in subscription, retail sales, other paid forms of circulations or digital edition sold at minimally 51 % of the basic cover price of the printed copy (DE1) do not comply with the provision of points 2.4., 2.5., 2.6. or 2.17., the ABC ČR employee will discard them from paid circulations.

2.3. Total distributed circulation (TDC) – premium service

Total distributed circulation is the sum of paid and total distribution at lower rate circulations.

2.4. Subscription (S)

Subscriptions are only those copies that have an accounting document to cover the costs for subscriptions at a defined time prior to supply. The publishing company or the dealer must collect minimally 51 % of the basic cover price of retail sales for subscriptions. For titles sold at different basic cover prices, the publisher must collect 51 % of the basic cover price of retail sales for relevant versions. If the publishing company leads the subscriber's clan on its own, it must make the subscriber's clan available to ABC ČR and the copies for the subscribers are paid into the publisher's account. If the subscriber's fee is collected by a dealer, the publishing company must ensure the submission of payment documents for subscriptions for individual titles for two consecutive audited periods (half-year). The copies, which are delivered for free for new subscribers are not included in the subscriptions. These copies may be included in controlled distribution (point 2.9.).

Partial subscription of dailies is the number of subscribers of one or more daily issues per week.

2.5. Retail sales (RS)

Retail sales are copies sold on their own or in an authorized store in cash or billed to the distributors, who are not the final consumers, have the right of returned copies and purchase goods for resale at minimally 51 % of the basic cover price of retail sales. Copies

sold in their own store in cash are included only if registered in the book of receipts or on a sales receipt with the name of the title and number or date of issue. Retail sales include the number of copies invoiced to distributors and authorized stores after deducting returned copies. It mainly concerns sales in stores with newspapers and magazines, bookstores or other dealers (including news-vendors) with return rights, who continue to sell the supplied copies to final consumers for the basic cover price of retail sales. Reclaimed copies are not included in paid circulations, if the claim is not processed prior to the deadline of compiling the circulation report by the publisher.

Using retail distributors or distributors ensuring news-vendor sales, which are not available to other publishers on the market or are not commonly used by other publishers, must be reported to ABC ČR in advance, and even in the case of initial audit. The publishing company must adapt their contractual relations with these distributors of retail sales and news-vendor sales in such a way, in order to submit the list and addresses of sale points, where the audited title is sold to final consumers or news-vendors. The distributor must supply documents proving sales from retail sales. If a distributor sells copies to news-vendors, an overview must be submitted, where the names with identification data, number of purchased copies, the number of returned copies and a book of receipts or sales receipts related to these transactions are included. ABC ČR must receive a list of distribution (issuing) points of titles to news-vendors with business (issuing) hours prior to the commencement of sales.

This procedure can be used by ABC ČR even during the verification of distributors, who are available to other publishers during an exceptional audit.

If during a circulation audit an ABC ČR employee learns that the copies included in retail sales do not comply with the provisions of this point, the ABC ČR employee will transfer them to other sales (point 2.6.) if they comply with the provisions of this point, or will discard them from paid circulations.

Copies, which cannot be re-checked at the distributor due to insufficient treaty reinsurance, will be excluded from retail sales.

2.6. Other paid forms of circulations (Other sales or OS)

Other paid forms of circulations further as other sales include copies that are directly sold by the publisher to the buyer based on invoicing. The condition that the buyer must minimally pay 51 % of the basic cover price must be met. The purchaser uses these copies for his own use, for his customers, for his partners and third parties. It primarily concerns subjects, who do not purchase copies for resale and which provide a service for their clients (such as transportation companies, travel agencies, hotels, auto salons, health centres, state authorities and government, and social organizations, etc.). In addition, it concerns unknown

distributors to ABC ČR or distributors who fail to comply with conditions in points 2.5. A condition for the inclusion of such purchased copies into other sales and therefore, even into paid circulation is, that the publishing company shall ensure the submission of complete information to ABC ČR on the target use of purchased copies. Based on this information and its audit, ABC ČR will decide on the inclusion of these copies into other sales. If the above-stated information will not be provided, ABC ČR will discard the corresponding copies from other sales.

2.7. Circulation of supplements - copies inserted into newspaper / magazine (CS)

Inserted circulation includes circulation of supplements inserted into the bearing title. If the supplement is inserted into the full circulation of a bearing title, the name of the supplement for the bearing title is listed and the press run of the bearing title is considered to be the inserted circulation. If the supplement is inserted into a part of the circulation of a bearing title or is inserted into more bearing titles, its circulation is audited and published separately and bearing titles, in which the supplement is inserted, have to be audited by ABC ČR.

2.8. Other distribution (OD) – premium service

Other distribution includes all copies sold with a rebate or at a discount larger than 49 %, which are excluded from subscriptions, retail sales and other sales. The publisher is required to submit accounting documents proving direct costs associated with delivery during audit.

2.9. Controlled distribution (CD) – premium service

Controlled distribution are copies of newspapers and magazines sent according to a list of recipients and sold with a rebate or at a discount larger than 49 %, which are excluded from subscriptions, retail sales and other sales. The recipients consent to its delivery and register to receive it by completing an authorization card using company or personal details. The publisher is required to submit a list of recipients and accounting records proving expenses associated with their delivery during a circulation audit.

2.10. Total distribution at lower rate (TDLR) – premium service

Total distribution at lower rate is the sum of other distribution, controlled distribution and digital edition sold at minimally 35 to 50,99 % of the basic cover price of the printed copy (DE2).

2.11. Returned copies (RC)

Returned copies are unsold copies reported by distributors and authorized stores (consumers) as so-called actual RC.

2.12. Paid circulations sold abroad (PCSA)

Copies sent abroad include copies demonstrably distributed outside the territory of the Czech Republic (ČR) through subscription or retail sales. When distributing copies abroad, price level and rate currency of the target country are taken into account. The minimal price limits related to the basic cover price are assessed with regards to foreign exchange rates and increased distribution costs.

2.13. Basic cover price (BCP)

The BCP is a publicly declared price listed on the front page, the imprint or elsewhere on the title as the BCP of retail sales, for which the copy is actually sold. If the price is not listed in the above-stated locations, the BCP is considered to be the price listed in the publisher's report of circulations. ABC ČR has the responsibility to regularly verify the price by which the copies are actually sold by controlled purchases of magazines and newspapers. If the BCP listed in the report varies from the BCP found during the controlled purchase, the BCP is considered to be the one found during controlled purchases, for at least two separate controlled purchases.

It is acceptable that one title of the same issue has more than one BCP. The lowest BCP of the same issue must be at least 51 % of the highest BCP. Each BCP satisfying the stated conditions is the valid BCP in terms of all provisions of this methodology.

2.14. Titles sold at various basic cover prices

The circulation of titles sold as the same issue for various BCPs i.e. as the result of a change in form or content or enhancement by a packaged gift (hereinafter as edition) can be reported by the publisher to ABC ČR as various titles or as one title. Differentiation of individual editions into various titles is obligatory for the publisher, if the edition also varies in advertising or editorial content, this rule does not apply to dailies. If the publisher decides to report these titles as one, then he/she is obliged to send ABC ČR one copy of each title to check for conformity of advertising and editorial content.

2.15. Titles issued under the same name as the audited title

Titles issued under the same name as the audited title but with a different duration period (such as specials), are excluded from the circulations of the appropriate title and can only be audited as an independent title.

2.16. Overall circulations - premium service

Overall circulations are the sums of appropriate circulations of individually priced differentiated titles. These circulations are audited and published based on the contract of premium services.

2.17. Digital edition of the printed copy (DE1, DE2) – standard / premium service

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 or available to users using various mobile devices. It is possible to count on one version (mobile phone, internet, tablet, reader etc.) only one form / application. A requirement for auditing digital editions of newspapers and magazines is the existence of a printed copy audited by ABC ČR.

The requirement relating to the authenticity of the form and subject of the digital edition does not apply to inserted advertising supplements. Copies of the printed publication must be provided to ABC ČR upon request.

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. Editorial and advertising content may include digital enhancements or can be adjusted in order to take advantage of the given media (such as links to other website, videos etc.).

If the authors of the editorial sections do not agree with the electronic publications, those parts can be excluded. If the authors of the advertising sections do not agree with the electronic or print publications, these parts can be excluded. The publisher must then be able to submit a written disapproval by the authors for electronic or print 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.

It is possible to report digital edition into two separate items. It is compulsory to report the item Digital edition sold at minimally 51 % of the basic cover price of the printed copy (DE1), which is part of Paid circulation (see point 2.2.). The other item is Digital edition sold at minimally 35 to 50,99 % of the basic cover price of the printed copy (DE2), which is part of Total distribution at lower rate (see point 2.10.). The item DE2 is a premium service and the publisher has to sign a contract with ABC ČR on the provision of premium services at first.

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 either to minimally 51 % of the BCP of the printed copy (the item DE1 – part of Paid circulation) or to minimally 35 to 50,99 % of the BCP of the printed copy (the item DE2 – part of Total distribution at lower rate). 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 or using various readers, mobile applications etc. 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.i) of this methodology.

b) digital sales via an on-line intermediary / on-line sales – The final consumers must pay either minimally 51 % of the BCP of the printed copy (the item DE1 – part of Paid circulation) or minimally 35 to 50,99 % of the BCP of the printed copy (the item DE2 – part of Total distribution at lower rate) 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.j) 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.

Before publishing and auditing of digital edition of printed copy the publisher has to send an appropriate link to the location of the digital edition of the title on the internet or on other mobile device. In the event of failure to send the link, the unavailability of the link or failure to sign a contract on the provision of premium services for auditing the item DE2, 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.

3. CIRCULATION REPORT

3.1. Report

According to this methodology, each publishing company that is part of the circulation audit is required to provide accurate and complete reports of circulations within the appointed deadlines.

3.2. Report form

Circulation reports of audited titles are executed on forms provided by ABC ČR along with instructions on its fulfillment.

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.

Monthlies and titles with a longer duration period generally issued by the 15th day of the given month are included into the given month, monthlies and titles with a longer duration period generally issued after the 15th of the month are included into the following month.

3.2.1. For dailies and other periodicals the following items are required to be reported: 2.1. Press Run, 2.2. Paid circulation, 2.4. Subscription, 2.5. Retail sales, 2.6. Other paid forms of circulations, 2.17. Digital edition sold at minimally 51 % of the BCP (DE1), 2.12. Paid circulations sold abroad (in the structure 2.4. and 2.5.) and 2.13. Basic cover price. By concluding a contract on providing premium services, the publishing company can apply for the audit of other items: 2.3. Total distributed circulations, 2.8. Other distribution, 2.9. Controlled distribution, 2.17. Digital edition sold at minimally 35 to 50,99 % of the BCP (DE2) and 2.10. Total distribution at a lower rate.

3.2.2. For supplements the publisher is required to report items 2.1. Press Run, 2.7. Circulation of supplements inserted into newspapers and magazines and name of the bearing title or edition.

The name of the edition in which the supplement is inserted is listed for supplements inserted into parts of the circulation of the bearing title. For supplements inserted into more titles, the total inserted circulation is listed in overviews as the sum of press runs of the bearing titles. A list of bearing titles is listed in the note.

3.2.3. Partial subscriptions shall be included into the daily average of dailies so that the number of taken daily copies in a week is divided by the total number of issues per week.

3.2.4. 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.

3.3. Deadline – dailies, supplements and other periodicals

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.).

3.4. Report of distributors

Reports on retail sales of the audited title will be regularly provided not only by the publishing company but also by distributors to ABC ČR.

If differences occur in retail sale reports between the reported data by the publisher and data provided by the distributor, the costs associated with proving the accuracy of circulations will be funded by the publisher.

3.5. Deadline – titles with a longer period of duration

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.

3.6. Non-submission of report

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.”.

3.7. Submitting an incomplete report

If ABC ČR receives a report where all substantial data listed in 3.2.1. and 3.2.2. 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.”.

3.8. Changes

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.

3.9. Limited circulation

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.

4. PUBLISHING REPORTS

From the reports submitted by the publishing company the following items will be compulsorily published in the overviews of circulation data for dailies and other periodicals: 2.1. Press Run, 2.2. Paid circulations, 2.4. Subscription, 2.5. Retail sales, 2.6. Other paid forms of circulations, 2.17. Digital edition sold at minimally 51 % of the BCP (DE1), 2.12. Paid circulations sold abroad (in the structure 2.4. and 2.5.) and 2.13. Basic cover price; for supplement items 2.1. Press Run, 2.7. Circulation of supplements inserted into newspapers and magazines and name of bearing title or edition. By concluding a contract on the rendition of premium services, the publishing company acquires the right to publish one or more items pertaining to: 2.3. Total distributed circulations, 2.8. Other distribution, 2.9. Controlled distribution, 2.17. Digital edition sold at minimally 35 to 50,99 % of the BCP (DE2) and 2.10. Total distribution at a lower rate.

4.1. Dailies

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 it is issued regularly during the week.

Standard issue – is circulation of not extended edition (without supplements) differentiated in price from extended edition (with supplements).

Extended issue – is extended circulation (with supplements), which is sold at a different price (usually higher) than standard issue.

Average daily circulation – is the arithmetic average of circulations of given days in the week for the full month. It is calculated for individual days of the week (Monday to Sunday).

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

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

The calculations of the average press run, paid circulation, total distributed circulation, subscription, retail sales, other paid forms of circulations, circulation of supplements inserted into newspapers and magazines, other distribution, controlled distribution, total distribution at a lower rate, both types of digital edition (DE1 and DE2) and paid circulations sold abroad are performed according to this formula.

Daily average – is the arithmetic average of the averaged circulations of dailies of given days in the week.

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

The calculations of the average press run, total distributed circulation, subscription, retail sales, other paid forms of circulations, circulation of supplements inserted into newspapers and magazines, other distribution, controlled distribution, total distribution at a lower rate, both types of digital edition (DE1 and DE2) and paid circulations sold abroad are performed according to this formula.

Daily average of paid circulation is the sum of the daily average of subscriptions, daily average of retail sales, daily average of other paid forms of circulations and daily average of digital edition sold at minimally 51 % of the BCP (DE1) ($\phi \text{PC} = \phi \text{S} + \phi \text{RS} + \phi \text{OS} + \phi \text{DE1}$).

4.2. Supplements

Supplements will be published in alphabetical order as an arithmetic average of printed and inserted circulations in the monitored month.

4.3. Weeklies and Bi-weeklies

Weeklies and bi-weeklies will be published in alphabetical order as an arithmetic average of circulations of individual editions in the monitored month.

4.4. Monthlies and magazines with a longer duration period

Monthlies will be published in alphabetical order as a circulation of the given edition in the monitored month.

Magazines with a longer duration period will be published only in months, where according to point 3.2.4. and 3.5. the publishing company is required to send a report.

Monthlies issued as a double-issue are not published and the following note is listed instead “Issued as a double-issue.“.

4.5. B2B and B2C magazines

Data on B2B and B2C magazines will be published in a separate table in the same extend as dailies and other periodical press. Classification into the B2B or B2C group is decided by the ABC ČR manager upon proposal from the publisher.

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. CIRCULATION AUDIT

5.1. ABC ČR responsibilities during audit

ABC ČR consistently follows this methodology during the circulation audit. It is expected that the publishing company will have already reported the number of copies and is prepared to undergo a circulation 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 6.1. to 6.5 shall be the responsibility of the publisher or distributor. Retail sales shall be conducted 1 x per year at the publishing company and 1 x per year at the retail sales distributor. Auditing other circulations shall be conducted 2 x per year at the publishing company. The audit is conducted on the commercial premises of the publishing company, the distributor or press office. The place of audit can be specified by mutual agreement amongst the publishing company, distributor 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. The audited month when auditing at the publishing company is stated by the methodology committee with a draw during the presence of the majority of committee members. The audited month at the distributor is stated by the ABC ČR manager. If there are considerable deviations of circulations from average circulations, 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 or distributor. The date and time can later be specified upon agreement of the publisher, the distributor and the ABC ČR manager.

5.4. Postponing the audit date

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 Czech Republic'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 circulation 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 circulation 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 circulation 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 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 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 circulation reports, whenever he/she questions the authenticity of the circulations stated in the report. A preliminary audit is also conducted by an ABC ČR manager for the collection of data that cannot be done retroactively for accounting documentation and in particular for personal checks of distribution, press run and news-vendors. During a preliminary check, records listed in point 6.2. 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. Initial audit

For newly adopted titles, an audit must be done following all methodology regulations valid at the time that it is conducted prior to publishing regular data. Based on the initial audit, the ABC ČR manager will decide whether the provided accounting records are sufficient for regular audits. Upon the submission of the application form, ABC ČR will conduct 4-5 controlled purchases in various segments of the distribution network. If the publishing company utilizes the distribution network that is not available to other publishers or is not regularly used by other publishers, they must provide such supporting documents to ABC ČR so that these controlled purchases can be executed in this network. Shortcomings in bookkeeping must be removed by the publishing company prior to signing the contract and prior to entering the periodical regular audits. ABC ČR charges a price corresponding to the pricelist of one audit period for the initial audit.

5.9. 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.

5.10. 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 5.9. and 5.10. must have a justification for the proposal of an exceptional audit and upon agreement with the ABC ČR manager as well as the anticipated price of audit.

5.11. 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.

5.12. Certificate of circulations and Final report

Upon the completion of the initial audit, the ABC ČR manager compiles a report that he/she sends as information to the publishing company with a conclusion whether the publishing company satisfied or did not satisfy the methodology requirements for the initial audit.

In conclusion to a proper audit, the ABC ČR employee will compile a certificate of circulations indicating even eventual deviations between the declared and the actual detected number of copies. Deviations exceeding 1 % from the reported data must be documented in the certificate of circulations with reference to the accounting record numbers. ABC ČR will forward a copy of the certificate of circulations 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 (distributor) has properly managed accounts in accordance to the Act on accounting. All internal orders, money transfers etc., essential for audits, pertaining to production and

distribution of publishing company products must be submitted in its original copies. During an audit by an ABC ČR employee, acquired data is compared to the circulation report submitted during the auditing period by the publishing company. The difference between the acquired and reported values must not exceed 1 %. If the difference between the data published based on the report and the data discovered during audit exceeds 1 % for any audited items, ABC ČR will conduct additional audit (see the point 5.6.).

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) Press run – invoices issued by the press office, proof of payment invoices, press office contracts, orders and delivery notes verifying the press runs of titles. If the press office is part of the publishing company and does not act as an independent unit, the publishing company must submit equally important records of internal evidence that can be supplemented by other records of accounting evidence upon request.

During initial audit, the ABC ČR employee conducts a personal check of press run in the press office. The publishing company must provide access into the handling area of the press office at the ABC ČR's request.

b) Subscription – if the subscriber's clan is lead by a dealer, 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 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.

c) Retail sales – invoices issued to distributors (customers) including credit notes, documents proving the settlement of these invoices, sales receipts with a stated title and number or date of issue and a list of sale points, where the title is supplied.

d) Other paid forms of circulations – invoices issued to customers, documents proving the settlement of these invoices and possibly documents mentioned in point 6.2.c).

e) Circulations of supplements inserted into newspapers and magazines – invoices issued to customers (inserting supplements into bearing titles) and documents proving their settlement. If the publishing company is simultaneously the publishing company

of the supplement, the publishing company must submit equivalent documents of internal records and bookkeeping to be checked.

f) Other distribution - for circulations sold at a price less than 51 % of the basic cover price, the publishing company must submit invoices issued to distributors (customers) and documents proving the settlement of these invoices, sales receipts with a stated title and number or date of issue and a list of sale points, where the title is supplied.

- For circulations distributed for free, the publishing company must submit documents proving direct costs associated with delivery.

g) Controlled distribution – a list of recipients for each title, records certifying their consent with the delivery of titles and documents proving direct expenses associated with the delivery.

h) Returned copies – are documented by reports on returned copies from the distributors. The quoted returned copies must correspond to credit notes deducting revenue from copy sales.

i) 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 2.17. 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. The publisher's income for subscriptions from final consumers, collected by intermediary, can be reduced by the fee for intermediation of subscription of given title. The publisher must submit a contract between publisher and intermediary of subscription upon request.

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

j) 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 and the distributors are audited in such a manner that revenue from paid circulation sales is 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 versions

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

6.5. Proving accounting records of the distributor

The same documents that are stated in 6.1., 6.2., 6.3. and 6.4. are audited at the distributor with an exception to the records verifying production. ABC ČR has the right to monitor accounting documents setting out accounting operations between the distributor and the issuing points.

7. REQUIREMENTS FOR INCLUSION INTO THE ABC ČR SYSTEM

7. 1. Inclusion into the ABC ČR system

Each publishing company that will express their approval to the methodology and its practical application during the initial audit of ABC ČR may be included by:

- submitting an application form for press run and paid circulation audit, in the ABC ČR system,
- completing the initial audit,
- signing a contract with ABC ČR on the provision of services, where the publishing company will be bound to provide press run and paid circulation data that are specified by this methodology,
- submitting verifiable data on average press run and paid circulation for the past six months,
- contractually ensuring that all distributors used for the distribution of retail sales, must send regular reports on retail sales of the audited title directly to ABC ČR,
- consenting and contractually ensuring the implementation of auditing retail sales 1 x per year for all distributors used for retail sales distribution,
- sending an appropriate link of digital edition of printed version in the case of publishing and auditing of digital edition,
- 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. Prices for auditing average press run, subscription, retail sales and other paid forms of circulations are stated according to the quantity of individual circulations and duration period. Prices for premium services are derived from the standard service prices.

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 through 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, shall examine and propose changes in methodology and puts the methodology to the approval to the ABC ČR General Assembly.

Methodology valid since 1. 7. 2011 was approved by the ABC ČR General Assembly on 8. 6. 2011.

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