



Č e s k ý t e l e k o m u n i k a č n í ú ř a d

se sídlem Sokolovská 219, Praha 9

poštovní přihrádka 02, 225 02 Praha 025

Annex 4

to Invitation to Tender for the Award of the Rights to Use Radio Frequencies
for Providing a Public Communications Network in the 800 MHz, 1800 MHz
and 2600 MHz Bands

Auction Rules

Contents

1	INTRODUCTION.....	3
2	AUCTION.....	3
2.1	GENERAL INFORMATION	3
2.2	AUCTION FORMAT	3
2.3	AUCTION SCHEME	4
3	SUBJECT MATTER OF THE AUCTION	5
4	AUCTION PHASE	5
4.1	ELECTRONIC AUCTION SYSTEM (EAS).....	5
4.2	FORCE MAJEURE	7
4.3	THE COURSE OF THE AUCTION PHASE	7
4.4	THE RULES OF THE AUCTION AND THE POSSIBILITIES AVAILABLE TO AUCTION PARTICIPANTS	10
4.5	INFORMATION TO BE PROVIDED BY THE EAS DURING THE AUCTION PHASE	15
5	DISTRIBUTION OF FREQUENCIES	17
6	EXCLUSION OF AN APPLICANT DURING THE AUCTION	18
7	CLOSING THE AUCTION	18

1 Introduction

These Auction Rules are an Annex to the Invitation to Tender. It specifies the details of the rules of the Auction set out in Chapter 7 of the ITT.

2 Auction

2.1 General Information

The auction is divided into 2 phases, including the Auction Phase and Frequency Distribution phase. The auction can only be attended by Applicants who have fulfilled the qualification requirements indicated in Chapter 6 of the ITT.

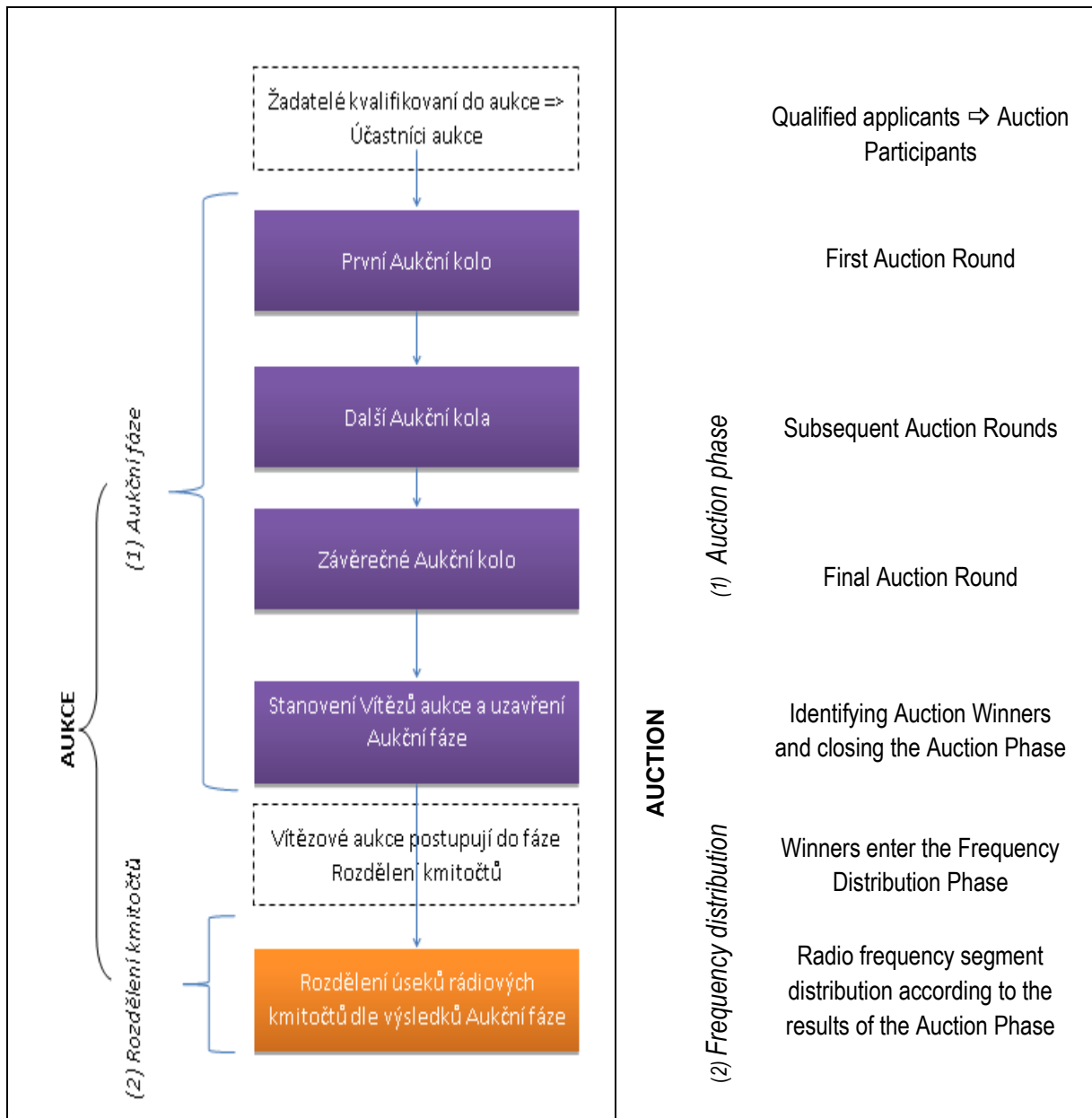
2.2 Auction Format

The Auction format to be used in the Auction Phase is a simultaneous multiple round Auction (SMRA), organised as an ascending open Auction. The Auction Participant can change his auction strategy during the Auction Phase.

In the preceding paragraph, the following auction principles should be understood as follows:

- simultaneous – all the Auction Lots are offered simultaneously in the Auction Phase;
- multiple-round Auction – the Auction Phase is organised as a system of successive Auction Rounds, in which the Auction Participants place their Bids for selected Auction Lots. The Auction Phase ends in a final Auction round according to the conditions set up in the Auction Rules;
- ascending Auction – the Auction Participants increase the Bid price of the Auction Lot during the Auction Phase, compared to the previous Highest Bid;
- open Auction – information about Auction Lot occupancy and the Highest Bid in respect of all Auction Lots is available to All Auction Participants after evaluation of each Auction Round, but the identity of the Auction Participant remains undisclosed throughout the Auction Phase;
- auction strategy change – the Auction Participant can change the structure or extent of his Bid, including the possibility to withdraw the Highest Bid under the limiting conditions set up in the Auction Rules.

2.3 Auction scheme



3 Subject Matter of the Auction

Auction Lot Category	Frequency range	Frequencies [MHz]	Auction Lots	Spectrum limit	Minimum Bid range	Minimum price [CZK million/lot]	Activity points [points/lot]
A1	800 MHz paired spectrum	791-796 / 832-837	1 real lot 2×5 MHz	2×22,5 MHz in aggregate with the radio frequencies held in the 900 MHz band	Not determined	1,000	10
A2		796-811 / 837-852	3 abstract lots 2×5 MHz			1,100	10
A3		811-821 / 852-862	1 real lot 2×10 MHz			2,200	20
B1	1800 MHz paired spectrum	1842.3-1857.9/ 1747.3-1762.9 & 1805.1-1805.3/ 1710.1-1710.3	1 real lot 2×15,8 MHz	2×23 MHz in aggregate with the radio frequencies held in the 1800 MHz band	Not determined	500	5
B2		1805-1880 / 1710-1785 (unallocated part)	9 abstract lots 2×1 MHz			30	1
C	2600 MHz paired spectrum	2620-2670 / 2500-2570	14 abstract lots 2×5 MHz	2×20 MHz	2×10 MHz	80	1
D	2600 MHz unpaired spectrum	2570-2620	9 abstract lots 5 MHz	Not determined	15 MHz	40	0,5

4 Auction Phase

4.1 Electronic Auction System (EAS)

Proper course of the Auction Phase will be provided by the Electronic Auction System (EAS), operated by the Office for this purpose. The EAS is operated on the EAS provider's secured servers and will be accessible via the Internet with a high level of access security.

The EAS will enable Auction Participants to submit only Bids that comply with the ITT and the Auction Rules. In addition to the possibility to put in Bids in the individual Auction Rounds, the EAS interface will provide Auction Participants with information about the course of the Auction Phase to the extent defined in Section 4.5 of the Auction Rules.

Only those Auction Participants can log on the EAS who have received access data, a digital certificate, and a password from the Office. The Office will provide these access data only to the Applicants who have duly qualified in accordance with the provisions of Chapter 6 of the ITT and have received an Auction participation certificate. The digital certificate must be installed on the computer from which the Auction Participant connects to the EAS. The Auction Participant is responsible for the security (protection against abuse) of his logon data and the allocated Lot password. For security reasons, the EAS will only be accessible from the territory of the Czech Republic. Before the commencement of the Auction Phase, all Auction Participants must notify 10 IP addresses, from which they will be able to access the EAS. The EAS will not be accessible from any other IP addresses. The Participant must inform the Office about any case of breach of the protection of the access data or the password.

An Auction Participant can log on the EAS from only one computer at a time. In the event of any unforeseen technical problems or internet connection outage, the Auction Participant will be automatically disconnected from the EAS and the Auction Participant will then be able to log on from another computer containing the necessary certificate. In such cases, the Office

may suspend the Auction Round on the Auction Participant's request. Cases of unforeseen technical problems are specified in more detail in Section 4.2 of the Auction Rules. No data are saved on the Auction Participant's computer during the Auction Round: all changes are recorded directly in the EAS.

The Office bears no liability for any technical problems or internet connection problems on the Auction Participant's side that hinder the Auction Participant from connecting to the Electronic Auction System. The Auction Participants' internet connection should be well-secured and fast enough (download speed of at least 128kbit/s) and there should be a standby computer to be used if there is any technical problem. The Office recommends to ensure that the computers via which the Auction Participant accesses the EAS are not used for any other purpose during the Auction and that no other software, which is not necessary for access to the EAS, is simultaneously used on such computers.

All Auction Participants will act as absolutely anonymous parties in the EAS. Their identity will be disclosed only after the end of the Auction Phase. Security of the EAS operator's facilities against attack and against disclosure of the Auction Participants' identity will be provided by adequate HW and SW means on the side of the EAS, by secured connection between the Auction Participant's web browser and the EAS system server (protected by a coded network protocol) and by a system-controlled mandatory minimum level of logon data security.

The EAS and its individual processes will be preset so as to be able, to the maximum possible extent, to eliminate any risk of inadvertent error (e.g. double click) on the Auction Participants' side.

User interface will be available to the Auction Participants within the EAS. It will provide the Auction Participants with all blank forms necessary for the submission of the Bids, as well as the range of information about the course of the Auction as defined in Section 4.5 of the Auction Rules, and access to the Office's other notices for the Auction Participants during the Auction. The interface also includes a clock synchronised with the Auction server to indicate the time information such as the time remaining to the end of the limit of the Auction Round, the exact time when the Auction Participant put in his Bid etc.

All the rules (contained in the Auction Rules) necessary for carrying out the Auction Phase – including but not limited to, the rules for putting in the Bids, for compliance with the Spectral Limits, for the Minimum Bid Range, for the Minimum Required Portfolio, for calculating the Activity points and Eligibility points, for identifying the Highest Bid Holder, for the determination of the final Auction Round etc. – are implemented in the EAS and are automatically applied and/or checked during the course of the Auction Phase.

The EAS contains a one-way message sending system, which will be used by the Office to send messages to Auction Participants during entire course of the Auction Phase. The Office expects this way of communication between itself and the Auction Participants to be the primary communication channel during the Auction Phase. The messages will be considered as delivered to the Auction Participant, once they are made public in the EAS user interface. During the course of the Auction and half an hour before the Auction, a telephone number will be available to the Auction Participants to call if they need to contact the Office. EAS technical support will also be provided at this telephone number.

During EAS training and the test Auction, the Auction Participants will be able to familiarise with the EAS and the functions of the EAS.

An EAS user manual will also be available to the Participants. It will be handed over to them during the training. It contains the information to be learned by the Auction Participants before the commencement of the Auction Phase, including, in particular, the requirements for HW and SW facilities, logon instructions and a description of the interface and of the use of the EAS. The system requirements and the list of the supported and recommended OSs and the required SW necessary for access to the EAS (including, but not limited to, the web browser, JAVA application versions etc.) will be specified in the EAS user manual.

The EAS as a whole, as well as its parts, subsystems and databases, including the graphics of the internet application and structure, are covered by copyright protection. All the ownership rights related to them are exercised by the EAS provider.

In connection with the use of the EAS, the Auction Participants are not allowed to use any software, scripts or other similar mechanisms and actions that can affect the functions of the EAS or cause any other adverse impact on the operation of the EAS and which could overload the servers and the EAS infrastructure.

4.2 Force majeure

In the case of unpredictable events that affect significantly the course of the Auction Phase, the Office may suspend or stop an Auction Round or the entire Auction Phase. Once an Auction Round or the Auction Phase is suspended or stopped, the Office may:

- resume the Auction Phase or an Auction Round at the point where it was suspended;
- declare the Auction Phase or an Auction Round invalid; or
- start the Auction Phase anew from its beginning.

In such a case, the Office assumes that the Auction Phase will be resumed in a period as short as possible. Examples of the unpredictable events to be addressed as described above include, without being limited to, technical problems on the side of the EAS provider, which may have an adverse impact on the Office or the Auction Participants, exclusion of an Applicant from further participation in the Tender under Section 21(6) of the Act, or serious and wide internet access connection failures.

The Auction Participants will be notified about the Office's actions through the EAS and by informing the Auction Participants' contact persons indicated in the Application.

4.3 The Course of the Auction Phase

4.3.1 Bid Submission by Auction Participants

Auction rounds take place on working days between 9.00 h and 17.00 h according to the defined time scale.

There is a time limit on the length of the individual Auction Rounds. Unless otherwise provided by the Office, the Auction Rounds will start at the following fixed times: 9:00, 9:45, 10:30, 11:15, 14:00, 14:45, 15:30, and 16:15, the length of each Auction Round being 20 minutes and the break (interval) between the Auction Rounds being 25 minutes. The lengths of the Auction Rounds, the length of the interval between the Auction Rounds and the Auction Round start

times may vary upon the Office's decision during the Auction. The Auction Participants will be informed about any change via the EAS.

An Auction Round will be terminated in the EAS before the time limit when the Bids of all Auction Participants have been submitted in the Auction Round or the Auction Participants actively used the possibility of abstention. All Auction Participants will be informed about the termination of the Auction Round via the EAS.

Auction Participants, who connect to the EAS during the auction, will receive a blank form for the submission of Bids. The range of information contained in the Bid submission form is defined in Section 4.5.

Bids are accepted only during the course of an Auction Round. The Bid receipt time recorded by the EAS rather than the time of sending the Bid from the Auction Participant's computer is the decisive time for the submission of Bids. Auction Participants should be aware that there is a certain time lag between the sending of the data and the receipt thereof by the EAS system. The Office therefore recommends the Auction Participants to put in their Bids in sufficient time before the end of the Auction Round to avoid possible delays caused by transmission. In addition, the Bid submission time is taken into account in the evaluation of the Auction Round and identification of the Highest Bid in the case of two Bids for one Auction Lot, whereby the earlier time of submission of the Bid is decisive.

A binding Bid may also be submitted in a passive manner. When the time limit of an Auction Round expires the EAS, instead of the Auction Participant, submits the Bid automatically, doing so within the extent of the Auction Lots for which the Auction Participant is the Highest Bid Holder on the basis of the results of the preceding Auction Round. If such a Bid would lead to the loss of Eligibility in the next Auction Round, or to failure to meet the Minimum Bid Extent requirement or the Minimum Required Portfolio requirement, the EAS will automatically submit abstention in accordance with Section 4.4.5 of the Auction Rules, provided that the Auction Participant still has any abstention option.

Information about other Auction Participants' Bids is not accessible during the Auction Round. The evaluation of the Auction Round will be carried out in the EAS upon the Office' instruction after the Auction Round is ended.

Once an Auction Participant submits his Bid, the Bid is stored in the EAS and becomes binding. Once confirmed, the Bid cannot be taken back or changed by the Auction Participant. The Auction Participant will be notified by the EAS of the acceptance of his Bid, including the time of acceptance.

The EAS will allow Auction Participants to submit only such Bids as are in compliance with the rules of the Auction set out in the ITT and in these Auction Rules. If a Bid is submitted in contravention of these rules, the EAS will automatically generate an alert that the Bid is not accepted because of incorrect entry. The Auction Participant, if not prevented to do so by the time limit of the Auction Round, will be able to amend his Bid to ensure that it is in compliance with the rules of the Auction.

4.3.2 The First Auction Round

The First Auction Round starts with the concurrent commencement of the Auction for all Auction Lots in all Auction Lot Categories at the minimum price specified in Chapter 4.2 of the

ITT for the Auction Lots in each Auction Lot Category. In the first Auction Round, an Auction Participant can submit a Bid at an Auction Lot price chosen from the following 4 price levels:

- minimum price of the Auction Lot;
- minimum price of the Auction Lot increased by 5%;
- minimum price of the Auction Lot increased by 10%;
- minimum price of the Auction Lot increased by 20%;

In the first Auction Round, the Auction Participants have no opportunity to use the possibilities of abstention and Highest Bid Withdrawal. If the Participant's Activity in the first Auction Round is lower than his minimum Activity level for the first Auction Round according to Section **Error! Reference source not found.** of the Auction Rules, the number of his Eligibility points for the next Auction Round will be reduced as described in Section **Error! Reference source not found.** of the Auction Rules.

If the Auction Participant does not submit any Bid in the first Auction Round, his Eligibility points will be reduced to nil and the Auction Participant will lose the possibility to take part in the next Auction Round and is automatically excluded from the Auction (except the possibility of returning his Eligibility as described in Section **Error! Reference source not found.** of the Auction Rules).

4.3.3 Subsequent Auction Rounds

The options of submitting Bids for the individual Auction Lots in the subsequent Auction Rounds are defined in different ways, depending on whether there is, or is not, a Highest Bid Holder for the Auction Lot; and if there is none, then why.

- A. If there is a Highest Bid Holder for the Auction Lot, then the Auction Participants who are interested in acquiring the given Auction Lot may submit only a Bid with a higher price for that Auction Lot. The pricing options are limited to the following three price levels:
 - the Highest Bid plus 5% of the minimum price of the Auction Lot;
 - the Highest Bid plus 10% of the minimum price of the Auction Lot;
 - the Highest Bid plus 20% of the minimum price of the Auction Lot.
- B. If the Highest Bid Holder is not identified because the given Auction Lot was not contained in any Bid of any of the Auction Participants, the Auction Participants will be able to include that Auction Lot in their Bids at the following four price levels:
 - the minimum price of the Auction Lot;
 - the minimum price of the Auction Lot plus 5%;
 - the minimum price of the Auction Lot plus 10%;
 - the minimum price of the Auction Lot plus 20%.
- C. If the Highest Bid Holder is not identified because the option of Highest Bid Withdrawal has been applied, the Auction Participants will be able to include that Auction Lot in their Bids at the following four price levels:
 - the price of the withdrawn Highest Bid (or the price set as per Section **Error! Reference source not found.** of the Auction Rules);
 - the price of the withdrawn Highest Bid (or the price set as per Section **Error! Reference source not found.** of the Auction Rules) plus 5% of the minimum price of the Auction Lot;

- the price of the withdrawn Highest Bid (or the price set as per Section **Error! Reference source not found.** of the Auction Rules) plus 10% of the minimum price of the Auction Lot;
- the price of the withdrawn Highest Bid (or the price set as per Section **Error! Reference source not found.** of the Auction Rules) plus 20% of the minimum price of the Auction Lot.

In addition to the above possibilities of submitting a Bid, the Auction Participants may also use the possibility of Highest Bid Withdrawal for one or more Lots in respect of which they are the Highest Bid Holders. The Eligibility points corresponding to the number of Activity points for all withdrawn Highest Bids can be used by the Auction Participant in the given Auction Round to submit Bids for other Auction Lots in accordance with the Activity rules specified in Section **Error! Reference source not found.** of the Auction Rules.

In the subsequent Auction Rounds, the Auction Participants can use the abstention option. If they do so, the number of the Auction Participant's Eligibility points is not reduced for the next round.

If the number of an Auction Participant's Eligibility points decreases to nil in any Auction Round, the Auction Participant is unable to take part in the next Auction Round and in the further auction process.

4.3.4 The Final Auction Round

An Auction Round becomes the final Auction Round if the following conditions are concurrently met:

- a) No new Bid has been submitted for any of the Auction Lots, a new Bid being understood, for the purposes of this Section, to mean a Bid for an Auction Lot held by another Auction Participant, or Bid for an Auction Lot having no Highest Bid Holder;
- b) The given Auction Round is the fourth or later Auction Round;
- c) The abstention option has not been actively used.

The final round also occurs when, in two consecutive Auction Rounds, conditions (a) and (b), referred to in the first paragraph of this Section **Error! Reference source not found.** are simultaneously met, i.e. when none of the Auction Participants with Eligibility higher than 0 has submitted any new Bid in two consecutive Auction Rounds and when the given Auction Round is the fourth or later Auction Round. After the end of each Auction Round in which conditions (a) and (b) are simultaneously met, the Office will inform all Auction Participants via the EAS that if this happens again in the following Auction Round the Auction will be closed.

Besides the situations described above in this this Section **Error! Reference source not found.**, the Office will also determine a final Auction Round in the case where one last Auction Participant with Eligibility above 0 remains in the Auction. In such a case the Office will inform all Auction Participants to that effect after the end of the round preceding the final round.

After the end of the final Auction Round, the Office will deliver its Notification of the Results of the Auction Phase to all Auction Participants via the EAS in accordance with Section 4.4.7 of the Auction Rules.

4.4 The Rules of the Auction and the Possibilities Available to Auction Participants

4.4.1 Rules of Conduct

The conditions for Applicants' conduct during the Tender are specified in Chapter 9 of the ITT.

4.4.2 Activity Rules

The activity of Auction Participants during the Auction Phase is limited:

- a. by the number of Eligibility points available to the Auction Participant for the given Auction Round;
- b. by setting aside Auction Lot A3, which is not available to existing current operators;
- c. by Spectrum Caps for each band under Section 0 of the ITT;
- d. by the minimum Bid rules within Auction Categories C and D under Section 4.4.4 of the Auction Rules;
- e. by the rules of the Minimum Required Portfolio, contained in Section 4.4.7 of the Auction Rules.

The Auction Participant can set up various combinations of Auction Lots on the basis of the number of Eligibility points in accordance with the following rules:

- All Auction Lots are included in the Auction Categories to which a relevant number of Activity points is allocated. The sum of the Activity points of all selected Auction Lots within one combination cannot be higher than the number of the Eligibility points available to the Auction Participant in the given Auction Round;
- In the first round, the Eligibility of the Auction Participant is based on the amount of the Warranty deposited during the Qualification Phase in accordance with Chapter **Error! Reference source not found.** of the ITT. The Office set the minimum number of Eligibility points at 10 and the maximum number of Eligibility points at 50. Eligibility is not further increased within the individual rounds (except as described in Section **Error! Reference source not found.** of the Auction Rules);
- In the subsequent Auction Rounds, the number of Eligibility points is based on the Activity of the Auction Participant in the last closed Auction Round.

The Auction Participant's activity in an Auction Round is calculated as follows:

- + total number of Activity points for all Auction Lots for which the Auction Participant submitted a Bid in the given Auction Round
- + total number of Activity points for all Auction Lots for which the Auction Participant was the Highest Bid Holder at the onset of the Auction Round
- total number of Activity points for all Auction Lots for which the Auction Participant was the Highest Bid Holder at the onset of the Auction Round and for which the Auction Participant submitted a new (higher) Bid in the given Round
- total number of Activity points for all Auction Lots for which the Auction Participant was the Highest Bid Holder at the onset of the Auction Round and which the Auction Participant waved (used the possibility of Highest Bid Withdrawal).

= TOTAL NUMBER OF ACTIVITY POINTS IN THE AUCTION ROUND

In the event that the Auction Participant's Activity in the given Round is smaller than the number of Eligibility points for the given Round, the number of Eligibility points for the next Auction Round is reduced to the level of the number of activity points in the given Auction Round.

This rule will be modified during the course of the first three Auction Rounds. In these Rounds, the following minimum Activity level will be determined, at which the Auction Participant keeps the full number of Eligibility Points for the next Auction Round:

- 1st Round: 50% of Eligibility points
- 2nd Round: 60% of Eligibility points
- 3rd Round: 80% of Eligibility points

The minimum Activity level that must be maintained by the Auction Participant in order to keep his Eligibility will be calculated as the percentage proportion of the Auction Participant's Eligibility points, rounded down to whole units.

If the number of Activity points in an Auction Round reaches the required level of Eligibility points for the given Auction Round, the Auction Participant keeps the number of Eligibility points also for the subsequent Auction Round. For example, if an Auction Participant having 10 Eligibility points in the 1st Auction Round shows in the 1st Auction Round an Activity at the level of only 50% of his Eligibility points (investing only 5 Activity points), he will keep the number of Eligibility points also for the 2nd Auction Round.

If the Auction Participant fails in these rounds to maintain even the reduced minimum Activity level, his number of Eligibility points will be reduced in proportion to the number of minimum Activity points. If the calculated value of the proportionally reduced number of Eligibility points under this paragraph is not an integer, then this calculated value will be rounded up; however, the resultant value should never exceed the initial value of Eligibility points. For example, if our model Auction Participant having 10 Eligibility points applies only 4 Activity points in the first round, his number of Eligibility points for the next Round would be reduced to 8 (Number of Eligibility points for the 2nd Auction Round = (4 points of real Activity in the 1st Auction Round / 5 points of minimum Activity in the 1st Auction Round) * 10 Eligibility points for the 1st Auction Round).

The number of Eligibility points is not reduced if the abstention option is utilised in accordance with Section 4.4.5 of the Auction Rules.

4.4.3 Highest Bid Holder

At the end of each Auction Round, the Highest Bid Holder will be identified for each Auction Lot. To be a Highest Bid Holder, an Auction Participant must make the Highest Bid for a given Lot in the given Auction Round.

If the same Highest Bid for an Auction Lot in the Auction Round is submitted concurrently by two or more Auction Participants, the Auction Participant that submitted his Bid earlier will become the Highest Bid Holder. The Auction Participants concerned will be informed about the concurrent submission of the same Highest Bid through the EAS. These Auction Participants will also be informed whether they became the Highest Bid Holders for that Auction Lot.

4.4.4 The Minimum Bid Range

When submitting a Bid comprising Auction Lots in Auction Lot Categories C and D, Auction Participants are not allowed to submit Bids for a smaller number of radio frequencies in these Auction Lot Categories C and D than prescribed as the minimum Bid range in Section 3 of the Auction Rules. The minimum Bid range determined for Auction Categories C and D underlies

the minimum number of Auction Lots in these Auction Lot Categories to be comprised in the Bid, which also relates to these Auction Lot Categories.

This rule will be implemented during the Auction Phase so that the EAS will not allow Auction Participants to put in any Bid that does not respect the rule of minimum Bid range for Auction Lot Categories C and D. If an Auction Participant's passive Bid does not meet the Minimum Bid Range condition and the Auction Participant has no abstention option left to apply, the EAS automatically applies the Highest Bid Withdrawal for those Auction Lots that do not comply with the minimum Bid range rule. The number of the Highest Bid Withdrawal options will be reduced by one unit (the Highest Bid Withdrawal will take place even in the case that the Auction Participant has already exhausted his Highest Bid Withdrawal options under Section **Error! Reference source not found.** of the Auction Rules. This is without prejudice to the obligations resulting from the application of the Highest Bid Withdrawal).

Failure to meet the minimum Bid range rule does not hinder the termination of the Auction Phase according to Section 0 of the Auction Rules, nor does it hinder the allocation of radio frequencies within a smaller range than required by the minimum Bid range rule.

4.4.5 Abstention

Each Auction Participant can apply his abstention option in no more than four Auction Rounds. The abstention option cannot be applied in the first Round of the Auction. Using the abstention option, the Auction Participant can prevent the loss of his Eligibility points he could otherwise lose due to the application of the Activity rules defined in Section **Error! Reference source not found.**

Abstention can be used in the following ways:

- actively, by choosing to do so through the EAS, with no other activity in the Auction Round;
- actively, by choosing to do so through the EAS, with a Bid submitted by the Auction Participant in the given Auction Round, which, if not used, would lead to the loss of Eligibility in the next Auction Round;
- passively, with no activity of the Auction Participant within the time limit for the Auction round (submitting a passive Bid according to Section 4.3.1 of the Auction Rules), which would lead to the loss of Eligibility.

If the abstention option is used in the Auction round, Eligibility is not lost.

The application of passive abstention does not hinder the termination of the Auction Phase according to Section 0

The abstention option may only be used by an Auction Participant whose number of Eligibility points is greater than 0.

4.4.6 Highest Bid Withdrawal

From the second Round on, the Auction Participants may withdraw the Highest Bid for one or more Auction Lots for which they are the Highest Bid Holders from the preceding Auction Round. Each Auction Participant may use the Highest Bid Withdrawal option in no more than two Auction Rounds, irrespective of the number of Auction Lots on which this option was used within the given Auction Round.

An Auction Participant who makes use of the Highest Bid Withdrawal option can use, in the same Auction Round, a corresponding number of Eligibility points to submit a Bid for other Lots in accordance with the Activity rules defined in Section **Error! Reference source not found.** of the Auction Rules. If, in an Auction Round, the Highest Bid Holder makes use of the Highest Bid Withdrawal option from the preceding Auction Round and if no Bid is submitted for the given Auction Lot by any other Auction Participant, then the Highest Bid Holder will not be identified for the given Auction Lot. The price of this Auction Lot for the next Auction Round will be equal to the price of this Auction Lot with the Highest Bid Withdrawal.

If no Bid is submitted for the given Auction Lot in the Auction Round following the Auction Round in which the Highest Bid Withdrawal option was applied, the Office may reduce the price of this Auction Lot in the next or later Rounds by 10% of the minimum price of the Auction Lot. The Office may do so again in the subsequent Auction Rounds until the minimum price of the Auction Lot is reached, following the last reduction of the Auction Lot price, which may be smaller than 10% of the minimum price of the Auction Lot.

In each Auction Round where the Office has reduced the Auction Lot price in this manner the amount of Eligibility points will be increased for all Auction Participants with a non-zero Eligibility and with the exclusion of the Auction Participant that applied the Highest Bid Withdrawal option, the increase being by a number corresponding to the amount of Activity points of the Auction Lot(s) for which the Office reduced the price. However, in none of the Auction Participants the amount of Eligibility points may be higher than the Eligibility points the Auction Participant had at the start of the Auction Phase. This is without prejudice to the number of abstentions and the Highest Bid Withdrawals.

If the Winning Bid for an Auction Lot, with which the Highest Bid Withdrawal option has been applied, is smaller than the price of the withdrawn Highest Bid, then the Auction Participant who has applied the Highest Bid Withdrawal option must pay the balance between the price of the withdrawn Highest Bid and the price of the Winning Bid. If an Auction Lot remains unallocated at the end of the Auction Phase, the balance to be paid by the Auction Participant will be equal to the whole price of the withdrawn Highest Bid. This obligation arises for the Auction Participant from each Highest Bid Withdrawal separately, which is so even in the case where the same Auction Participant applies two Highest Bid Withdrawals for one Auction Lot.

An Auction Participant must respect his Minimum Required Portfolio under Section 4.4.7 of the Auction Rules and therefore he is not allowed to withdraw the Highest Bid if this could reduce his Bid in the given Auction Round below this Minimum Required Portfolio.

4.4.7 Minimum Required Portfolio

Each Auction Participant's Application must contain a statement of the minimum range of frequencies he wishes to win in the Tender. This Minimum Required Portfolio, defined by the Auction Participant in his Application under the conditions specified in Chapter 6.2.2., Item f) of the ITT, is binding throughout the tender. Compliance with the Minimum Required Portfolio during the Auction Phase is monitored by the EAS.

If an Auction Participant's Bid within the Auction Phase decreases below the Minimum Required Portfolio, the Auction Participant will cease to be the Highest Bid Holder for all Auction Lots and loses all his Eligibility points, thus losing the possibility to take part in the next round and the rest of the Auction. The Auction Lots that become available in this manner are

offered in the next Auction Round under the same conditions as the Auction Lots for which Highest Bid Withdrawal option was applied.

Action based on this Section 4.4.7 is without prejudice to the termination of the Auction Phase under Section 0 of the Auction Rules.

4.4.8 Identification of Auction Winners and the Termination of the Auction Phase

The Auction Participant, who is the Highest Bid Holder for an Auction Lot after the final Auction Round in the Auction Phase, becomes the Auction Winner for the given Auction Lot.

Notification of Auction results will be delivered by the Office to all Auction Participants. The Notification must contain the following information:

- a) identification of the Applicants that have become Auction Winners, an enumeration of the Auction Lots won by them, which are offered as real (concrete) Auction Lots, and an enumeration of the Auction Lots won by them in the individual Auction Categories, which are offered as abstract Auction Lots in the Auction Phase;
- b) prices of the Winning Bids for all the Auction Lots sold at the Auction and the sum of all Winning Bid prices for the Auction Lots won by the Auction Participant in the Auction Phase;
- c) enumeration of the Auction Lots that remained unallocated in the Auction Phase;
- d) enumeration of the Auction Participants that failed to become Auction Winners in any of the Auction Lots;
- e) the balance between the price of the withdrawn Highest Bid and the price of the Winning Bid the Auction Participant has to pay due to his Highest Bid Withdrawals.

4.5 Information to be Provided by the EAS during the Auction Phase

During the entire course of the Auction, the following information will be available to each of the Auction Participants about their Bids and about the course of the Auction Phase:

- overview of all Bids submitted by the Auction Participant in each Auction Round;
- overview of all Auction Lots for which the Auction Participant currently holds the Highest Bid, and the prices for these Auction Lots;
- overview of the Auction Lots for which the Auction Participant submitted a binding Bid in the last closed Round and for which he is not the Highest Bid Holder, and the amount he offered;
- overview of all Auction Lots offered in the Auction Phase, together with the following information:
 - i. occupied/unoccupied Lot – information whether the given Auction Participant or any other of the Auction Participants holds the Highest Bid on the given Lot, without disclosing the identity of any other Highest Bid Holder;
 - ii. the amount of the Highest Bid price for the Lot, or the minimum price for the Lot, if there is no Highest Bid Holder for the given Lot;
 - iii. current number of the given Auction Participant's Eligibility points;
 - iv. current number of the given Auction Participant's abstention options;

- v. current number of the given Auction Participant's Highest Bid Withdrawal options;
- expected commencement time and maximum length of the next Auction Round.

During each Auction Round, each Auction Participant will be informed about the time left before the expiry of the current Auction Round's time limit. In the Bid submission form, the following information will be available to the Auction Participant:

- enumeration of the Auction Lots with information about the bid pricing options for the given Auction Round and about the Highest Bid Holder (without disclosing the Highest Bid Holder's identity);
- current number of his Eligibility points for the given Auction Round;
- number of Activity points calculated from his Bid in the given Auction Round;
- information about his minimum activity for the given Auction Round;
- the range of the abstention options available to him;
- the range of the Highest Bid Withdrawal options available to him;
- the Bid amount options for each Auction Lot and the over-all level of his Bid in the given Auction Round;
- information about errors (in breach of the Auction Rules) for which he cannot submit his Bid in its current form.

A detailed description of the form will be available in the EAS User Manual.

The following information about the course and results of the Auction Round will be published after evaluation of each Auction Round:

- overview of all Auction Lots with information about the Highest Bid Holder (without disclosing the Highest Bid Holder's identity) and the current price of the Auction Lot (Highest Bid and/or Minimum Price);
- total number of all Auction Participants' Activity points, as used in the Auction Round;
- total number of all Auction Participants' Eligibility points after an evaluated Auction Round, in effect for the next Auction Round;
- in the case of a reduction of the price of an Auction Lot in accordance with Section **Error! Reference source not found.** of the Auction Rules: information about the new Auction Lot price for the next Auction Round, for which the price was reduced, and information about the increase in the Auction Participant's Eligibility points if such an increase occurred in this connection.

5 Distribution of Frequencies

To ensure that the frequencies are distributed as effectively as possible, the Office admits that Auction Winners may agree on allocating abstract Auction Lots to individual real segments of radio frequencies defined within the subject matter of the Tender in Chapter 4 of the ITT.

However, the distribution of radio frequencies within each frequency band must respect the rule of the frequency allocation coherence. This will ensure that the continuity of the spectrum allocated to the individual Allocation Holders in the given frequency band, as well as the continuity of the 'free' frequencies that have not been distributed in the Auction, is maintained to the maximum extent.

The frequency distribution procedure, based in the principles of openness, transparency and non-discrimination, will take place in accordance with the following rules:

1. Auction winners will be given the opportunity within 1 month following the closing of the Auction Phase to agree among themselves on the distribution of all radio spectrum segments that are subject to the tender. The Office expects that on the basis of the Auction Winners' agreement a proposal, confirmed by all Auction Winners and showing the distribution of all the frequency segments offered in the Tender, will be submitted to the Office – separately for each frequency band;
2. Should the Auction Winners fail to agree on the allocation of frequency segments within all frequency bands, the Office will accept Auction Winners' agreements in separate individual bands (including the division of the paired and non-paired parts of the 2600 MHz band), provided that it is clear that the proposed distribution is not in contravention of the principles defined in this Section **Error! Reference source not found.**;
3. In the remaining cases, the frequency segments will be distributed as follows:
 - a) Respecting the principle of maintaining the continuity of individual Allocation Holders' frequency blocks, the Office will first distribute the frequency segments within the 800 MHz and 1800 MHz bands of the abstract Auction Lots won by the Auction Winners who at the same time gained, in the Tender, real Auction Lots in the same frequency band, or the Winners of the Auction for abstract Lots in the 1800 MHz band who are already holders of frequencies in the same 1800 MHz band; the Office will allocate to the Auction Winners only those frequency segments that directly adjoin the above real frequency blocks, doing so on condition that such continuous blocks gained in this manner in the given frequency band by one Auction winner do not disturb the continuity of the blocks of another Auction Winner:
 - In the 800 MHz band, adjacent frequency segments will be allocated to the Auction winners of real Lots A1 and A3, provided that these Winners gained other abstract Lots in Auction Category A2;
 - In the 1800 MHz band, the B2.2-B2.3 frequency segments will first be allocated, provided that Telefónica Czech Republic, a.s. wins at least one abstract Lot in Auction Category B2. Frequency segments B2.6-B2.9 will then be allocated, provided that Vodafone Czech Republic a.s. wins at least one abstract Lot in Auction Category B2; and if the conditions of the continuity of frequency blocks were fully complied with, then it would be possible also to allocate the B2.4-B2.5

frequency segments to T-Mobile Czech Republic a.s. and/or Telefónica Czech Republic, a.s. and to allocate the B2.1 frequency segment to Telefónica Czech Republic, a.s. or to the B1 Lot Auction Winner.

- b) In the event that any of the Auction Winners wins two Lots in Auction Category A2 while the A2.2-A2.3 frequency segments remain unoccupied after the allocation of frequency segments in accordance with a) above, the A2.2-A2.3 frequency segments will be allocated to such an Auction Winner.
- c) The remaining frequencies will be distributed by ballot, determining the ranking of the Auction Winners in each auction spectrum Category. The still unoccupied frequency segments will be allocated to them according to the order determined by the radio frequency segment identifiers defined in Chapter 4 of the ITT for the individual Auction Spectrum Categories.

6 Exclusion of an Applicant during the Auction

During the Auction, an Applicant may be excluded from further participation in the Tender under the conditions specified in Section 6 and in Chapter 9 of the ITT.

If this Auction Participant is the Highest Bid Holder for any of the Auction Lots in the last closed Auction Round, the Highest Bid for such an Auction Lot is automatically withdrawn and the procedure used in the subsequent Auction Round will be similar, as if a Highest Bid Withdrawal is carried out as defined in Section **Error! Reference source not found.** of the Auction Rules.

If exclusion occurs during Frequency Distribution, the Office will decide on how to proceed further. If an Applicant excluded in this way is an Auction Winner of a significant number of Auction Lots, the Office may decide to repeat the Auction Phase or even to cancel the ITT.

7 Closing the Auction

The Office will inform all Applicants about the closing of the Auction and about the distribution of radio frequencies among the Auction Winners based on the Auction. The information will be in the form of Auction termination notice on the Office's web site. This notice will also be delivered to all Applicants.

The Auction termination notice will contain the following information:

- a) Identification of the winning Applicants;
- b) Identification of the radio spectrum segments won by each Applicant (Auction Winner) within each band (Auction Category);
- c) The prices of all the obtained radio spectrum frequency segments allocated on the basis of the Tender;
- d) Enumeration of the radio spectrum frequency segments that were not allocated;
- e) Enumeration of the Auction Participants who were not successful in competing for Auction Lots in the Auction.