



Český telekomunikační úřad
Czech Telecommunication Office

Sokolovská 219, Praha 9
Post Box 02, 225 02 Praha 025, Czech Republic

Annex 3

To the Invitation to Tender for Granting of the Rights to Use Radio Frequencies to Provide
Electronic Communications Networks
in the 700 MHz and 3440–3600 MHz Frequency Bands

Auction Rules

Content

1	INTRODUCTION	2
2	AUCTION	3
2.1	GENERAL INFORMATION	3
2.2	FORM OF THE AUCTION	3
2.3	AUCTION PLAN.....	4
3	OBJECTIVE OF THE AUCTION.....	5
4	AUCTION PHASE	6
4.1	ELECTRONIC AUCTION SYSTEM (EAS).....	6
4.2	CTU'S RIGHT TO SUSPEND OR REPEAT AN AUCTION ROUND OR AUCTION PHASE.....	8
4.3	COURSE OF THE AUCTION PHASE	9
4.3.1	<i>Bid Submission by the Auction Participant</i>	<i>9</i>
4.3.2	<i>First Auction Round</i>	<i>10</i>
4.3.3	<i>Subsequent Auction Rounds</i>	<i>11</i>
4.3.4	<i>Final Auction Round</i>	<i>12</i>
4.4	RULES OF THE AUCTION AND OPTIONS AVAILABLE TO THE AUCTION PARTICIPANTS.....	12
4.4.1	<i>Code of Conduct.....</i>	<i>12</i>
4.4.2	<i>Rules of Activity During the Auction Phase</i>	<i>12</i>
4.4.3	<i>Highest Bid Holder.....</i>	<i>13</i>
4.4.4	<i>Minimum Scope of the Bid.....</i>	<i>14</i>
4.4.5	<i>Abstention and Time-Out.....</i>	<i>14</i>
4.4.6	<i>Withdrawal of the Highest Bid.....</i>	<i>15</i>
4.4.7	<i>Rules for Submitting Bids for Auction Block A1</i>	<i>16</i>
4.4.8	<i>Rules of the Spectral Limit for Auction Blocks in Category A.....</i>	<i>16</i>
4.4.9	<i>Rules of the Spectral Limit for Auction Blocks in Category B.....</i>	<i>16</i>
4.4.10	<i>Identification of Auction Winners and Closing of the Auction Phase.....</i>	<i>17</i>
4.5	INFORMATION PROVIDED BY EAS DURING THE AUCTION PHASE.....	17
5	FREQUENCY DISTRIBUTION	19
6	EXCLUSION OF AN APPLICANT DURING THE AUCTION.....	20
7	CLOSING OF THE AUCTION.....	21

1 INTRODUCTION

This Auction Rules constitutes annex to the Invitation to Tender as well as specifies the rules of the Auction set in chapter 10 of the Invitation to Tender.

2 AUCTION

2.1 General Information

The Auction is held in two phases – the Auction Phase and the Distribution of Frequencies Phase. Only Applicants who fulfilled qualification according to chapter 9 of the Invitation to Tender, may participate in the Auction.

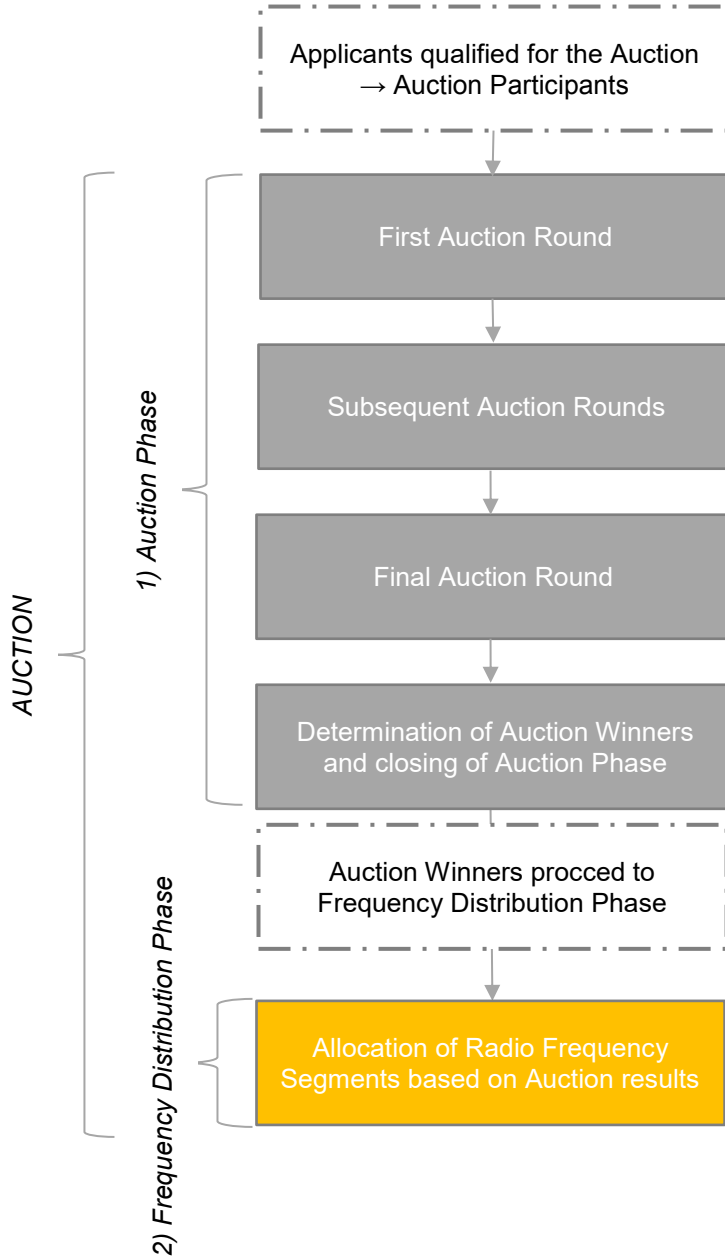
2.2 Form of the Auction

The form of the Auction used in the Auction phase is simultaneous multiple round auction (SMRA) organized as upward and open auction. Auction Participant may change their auction strategy during the Auction Phase.

The auction principles according to the above are:

- Simultaneous auction – all Auction Blocks are offered simultaneously in the Auction Phase;
- Multiple round auction – the Auction Phase is held in consecutive Auction Rounds in which the Auction Participants place their Bids on selected Auction Blocks. Auction Phase ends with a final Auction Round according to terms and conditions set in these Auction Rules;
- Upward auction – during the Auction Phase the Auction Participants increase the offered price for Auction Block in relation to previous Highest Bid;
- Open auction – after assessment of each Auction Round all Auction Participants get access to information on the occupancy and Highest Bid of all Auction Blocks, however, the identity of Auction Participants remains classified for the entire Auction Phase;
- Change in auction strategy – the Auction Participant can change structure and range of their Bid during the Auction Phase, including the option to withdraw the Highest Bid according to the Auction Rules.

2.3 Auction Plan



3 OBJECTIVE OF THE AUCTION

Auction Block Category	Frequency Band	Frequencies [MHz]	Auction Blocks	Spectral Limit	Minimum Price [CZK million/Auction Block]	Activity Points [points per Auction Block]	Minimum Scope of Bid
A1	700 MHz paired spectrum	723-733 / 778-788	1 specific block 2x10 MHz	2x10 MHz <i>Will be increased to 2x20 MHz for Incumbent and New Operators in the second Auction Round in case of fulfilment of condition set in chapter 4.4.7 of the Auction Rules</i>	1 330	20	Not defined
A2		703-723 / 758-778	4 abstract blocks 2x5 MHz	740	10		
B	3 400 – 3 600 MHz unpaired spectrum	3440 - 3600	8 abstract blocks 20 MHz	60 MHz for Incumbent Operators 100 MHz for New Operators in total with radio frequencies held in 3600–3800 MHz frequency band <i>Will be increased to 80 MHz for Incumbent Operators and to 120 MHz for New Operators in the second Auction Round in case of fulfilment of condition set in chapter 4.4.8 of the Auction Rules</i>	140	1	40 MHz in total with radio frequencies held in 3600–3800 MHz frequency band

4 AUCTION PHASE

4.1 Electronic Auction System (EAS)

The Electronic Auction System (EAS) is operated by CTU for the purpose of ensuring that the Auction Phase proceeds in the proper way. EAS is operated on secured servers of EAS provider and will be accessible over the Internet with a high level of access security.

EAS will allow the Auction Participants to submit only Bids that comply with the Auction Rules. In addition to the possibility to submit Bids in the individual Auction Rounds, EAS interface will provide the Auction Participants with information on the process of the Auction Phase in the scope defined in chapter 4.5 of the Auction Rules.

Only those Auction Participants, who have received login information from CTU and created a pair of digital keys in EAS interface without having to log in, may log in EAS. The login information will be provided by CTU only to the Applicants who have properly qualified in accordance with chapter 9 of the Invitation to Tender and have received an Auction participation certificate. Each pair of keys (private key + public key) will be created by each Auction Participant on a computer and in a browser which they intend to use for accessing EAS; the private part will be subsequently automatically stored in a secure storage of the browser; the public parts of all the keys created shall be delivered to CTU by the Auction Participant. The Auction Participant is responsible for securing their login information including the private key and the assigned password to prevent misuse. For security reasons, EAS will only be accessible from the Czech Republic. Before the initiation of the Auction Phase, all Auction Participants shall provide 10 IP addresses from which they will be able to access EAS. EAS will not be accessible from any other IP addresses. The Participant is obliged to notify CTU without undue delay in case of any breach of security of the login information or the password.

An Auction Participant may only log into EAS from one computer at one time. In the event of any unforeseen technical problems or Internet connection outage, the Auction Participant will automatically be disconnected from EAS and will then be able to log in from another computer on which the necessary certificate has been installed. In such cases, CTU may suspend the Auction Round at the Auction Participant's request. The instances of unforeseeable situations are specified more fully in chapter 4.2 of the Auction Rules. No data is saved on the Auction Participant's computer during the Auction Round; all changes are recorded directly in EAS.

CTU is not liable for any technical problems or Internet connection problems on the part of the Auction Participant which prevent the Auction Participant from connecting to EAS. Auction Participants should have an Internet connection which is sufficiently secure and fast (download speed of at least 128kbit/s), and there should be a standby computer in place, to be used in case of any technical problems. CTU recommends ensuring that the computers through which the Auction Participant will access EAS are not used for any other purpose during the Auction and that no other software which is not needed to access EAS is simultaneously used on such computers.

All Auction Participants will be entirely anonymous in EAS and all communication during the Auction Phase will also be entirely anonymous. To this end, Auction Participants will be provided with code names and passwords before the start of the Auction Phase, which will be used for communication during the Auction Phase. The identity of the Auction Participants will

only be disclosed after the end of the final Auction Round according to chapter 4.3.4 of the Auction Rules. Technical assets of EAS provider will be secured against attack and disclosure of the identity of the Auction Participant by means of adequate hardware and software on the part of EAS, by secured connection between the web browser of the Auction Participant and the system server EAS using an encrypted network protocol and by EAS-controlled mandatory minimum level of login information security, i.e., minimum complexity of the user password.

EAS and its individual processes will be set up in such a way so as to eliminate any risk of an inadvertent mistake of the Auction Participant, e.g., a double click.

A user interface will be available to Auction Participants within EAS and will provide Auction Participants with all forms required to submit Bids, the specified amount of information on the Auction process as defined in chapter 4.5 of the Auction Rules, and access to other notification from CTU to the Auction Participants during the Auction. The interface also includes a clock synchronized with the auction server which displays time information, for example time remaining to the end of the time limit of the Auction Round, the exact time when the Auction Participant submitted their Bid, etc. The current information on Eligibility, number of abstention rights, mandatory activity, and the Spectral Limit is displayed to the Auction Participant only before the start of the Auction Round, in the Auction Round before submitting the Bid, and after the evaluation of the Auction Round.

All rules laid down in the Auction Rules as being required to carry out the Auction Phase, in particular the rules for submitting Bids, adherence to the Spectral Limits and the Minimum Scope of the Bid, calculation of Activity within the Auction Round and Eligibility points available, identifying the Highest Bid Holder, rules for determining the final Auction Round, etc., are implemented in EAS and automatically applied and/or checked during the Auction Phase. When determining the Highest Bid Holder if two or more Bids are submitted at the same time, the deterministic algorithm implemented in EAS will be used according to chapter 4.4.3 of the Auction Rules; this deterministic algorithm will create one (or more, if necessary) pseudo-random 128-bit binary number for each Auction Round based on the input data provided by CTU and by the Auction Participants and with the use of other deterministic data (e.g., the serial number of the round, etc.). Each Auction Participant may enter one data input before the start of the Auction Phase for the subsequent calculation of the pseudo-random numbers. The process of calculation of the pseudo-random numbers is implemented in EAS. The format of the data input will be communicated by CTU to the Auction Participants within the training session. The procedure according to chapter 4.4.3 of the Auction Rules will guarantee that the determination of the Highest Bid Holder cannot be directly influenced by the individual Auction Participants, and this procedure will also allow for retrospective verification of the determination of the Highest Bid Holder.

EAS includes a one-way messaging system that allows CTU to send messages to the Auction Participants throughout the Auction Phase. CTU expects this manner of communication between CTU and the Auction Participants to be the primary channel of communication during the Auction Phase. Messages will be deemed delivered to the Auction Participant at such time as they are published in EAS user interface. The Auction Participant is obliged to get acquainted with these messages throughout the Auction Phase.

A telephone number will be available to Auction Participants to call half an hour before the Auction and during the Auction if they need to contact CTU. EAS technical support will also be

provided over this telephone number. At the same time, the Auction Participant must be available during these time intervals at anonymized contact telephone numbers that have been provided to CTU within the Auction Phase.

Within an EAS training and a pilot Auction, the Auction Participants will be able to familiarize themselves with the EAS environment, EAS functions, and with the processes associated with the execution of the Auction Phase, including the process of anonymization and the process of reporting problems and incidents during the Auction Phase. In addition, an EAS user manual will be available to the Auction Participants, provided to them during the training session. This user manual will include information which should be reviewed by the Auction Participant before the start of the Auction Phase. It includes, but is not limited to, the requirements for hardware and software equipment, login instructions, and description of the interface and use of EAS. System requirements together with a list of the operating systems supported and recommended and the software required to access EAS (in particular web browser, etc.) will be specified in the EAS user manual.

EAS as a whole as well as its components, subsystems and databases, including the graphic design of the Internet application and its structure constitute works under copyright protection. All ownership rights to these works are exercised by the EAS provider.

In connection with the use of EAS, the Auction Participants are not allowed to use any software, scripts or similar mechanisms and measures which could disrupt the functions of EAS or disrupt the activity of EAS in any way and which could unreasonably overload EAS servers and EAS infrastructure.

4.2 CTU's Right to Suspend or Repeat an Auction Round or Auction Phase

If it is necessary to check consistency of the Auction Phase process with the terms and conditions of the Invitation to Tender or other relevant circumstances and in the case of any unforeseeable circumstances which may have substantial impact on the process of the Auction Phase, CTU may temporarily suspend an Auction Round or suspend or terminate the entire Auction Phase.

Following the suspension of a single Auction Round, CTU may:

- renew the Auction Round in the same form as it was suspended, finish the time limit for the submission of Bids, complete and evaluate the Auction Round, and continue with the Auction Phase, or
- declare the Auction Round invalid and repeat such Auction Round which has not been evaluated.

Following the suspension of an Auction Phase, CTU may:

- renew the Auction Phase and continue with the next Auction Round following after the last completed Auction Round after which the Auction Phase was suspended, or
- declare the last non-completed Auction Round invalid, repeat that Auction Round which has not been evaluated, and continue with the renewed Auction Phase, or
- declare the entire Auction Phase invalid and start the entire Auction Phase over again.

Unforeseeable circumstances instigating these actions of CTU may include, without limitation, technical problems on the part of the EAS provider which may have negative impact on CTU or the Auction Participants, exclusion of the Applicant from further participation in the Tender pursuant to Section 21(6) of the Act, or major and wide-spread failures of the Internet connection.

The Auction Participants will be informed about the actions of CTU according to this section via EAS and, in case of suspension of an Auction Phase, also by notifying the Auction Participants' contact persons specified in the Application.

4.3 Course of the Auction Phase

4.3.1 Bid Submission by the Auction Participant

Auction Rounds take place on business days between 9:00 a.m. and 5:00 p.m. according to the fixed auction day schedule. The auction day schedule specifies the times for the submission of Bids for each Auction Participant. Once this time has expired, the Auction Round is closed by evaluating all Bids and determining the Highest Bid Holders in that Auction Round.

The time for submission of Bids in each Auction Round is restricted by a time limit. Unless CTU provides otherwise, Auction Rounds will start at the following fixed times: 9:00 a.m., 9:45 a.m., 10:30 a.m., 11:15 a.m., 2:00 p.m., 2:45 p.m., 3:30 p.m. and 4:15 p.m. The time for submission of Bids in an Auction Round is set at 20 minutes and the duration of the break before the initiation of the next Auction Round will be 25 minutes. In the first two days of the Auction Phase the schedule of the auction day is limited to four Auction Rounds a day: these Auction Rounds will start at the following fixed times: 9:00 a.m. (the pilot Auction Round will take place on the first day at this time), 10:30 a.m., 2:00 p.m. and 3:30 p.m. The time for submission of Bids in an Auction Round is set at 20 minutes and the duration of the break before the initiation of the next Auction Round will be 70 minutes. The duration of the Auction Rounds, duration of the break until the initiation of the next Auction Round, and the times of initiation of the Auction Rounds may change during the Auction Phase by CTU's decision. The Auction Participants will be informed about the changes to the schedule via EAS.

The time for submission of Bids within the Auction Round is reduced in the event that all Auction Participants placed a Bid within the Auction Round or actively exercised the abstention option. All Auction Participants with Eligibility exceeding zero will be informed via EAS about an early termination of the Auction Round.

The Auction Participants who connect to EAS during an Auction Round before the expiration of the time for submission of Bids will receive a form for submission of Bids. The amount of information contained in the form for submission of Bids is defined in chapter 4.5 of the Auction Rules.

Bids are only accepted during an Auction Round before the expiration of the time for submission of Bids. The time at which a Bid is received, recorded by EAS, is the decisive time for submission of Bids rather than the time at which the Bid is sent from the Auction Participant's computer. The Auction Participants should be aware that there is a certain time lag between the submission of the data and the receipt thereof by EAS. CTU therefore recommends that the Auction Participants submit their Bids in sufficient time before the expiration of the time for submission of Bids within each Auction Round in order to avoid possible delays caused by transmission.

An Auction Participant submits a Bid within an Auction Round:

- a) implicitly for Auction Blocks for which the Auction Participant was the Highest Bid Holder at the beginning of the relevant Auction Round, unless in these Auction Blocks the highest Bid was withdrawn within the Auction Round according to chapter 4.4.6 of the Auction Rules;
- b) by active selection of the Auction Blocks for which the Auction Participant was not the Highest Bid Holder at the beginning of the Auction Round.

Unless the Auction Participant actively confirms a Bid in a given Auction Round before the expiration of the time for submission of Bids in that Auction Round, it will be assumed that the Auction Participant has automatically submitted a Bid for the Auction Blocks for which they were the Highest Bid Holder at the beginning of the relevant Auction Round or, as the case may be, an empty bid if they were not the Highest Bid Holder in any Auction Block.

Should such automatic Bid mean a loss of Eligibility for the Auction Participant to participate in the next Auction Round according to chapter 4.4.2 of the Auction Rules, it will be assumed that the Auction Participant submitted a Bid for Auction Blocks in which they were the Highest Bid Holder at the beginning of the respective Auction Round, and an abstention according to chapter 4.4.5 of the Auction Rules if the Auction Participant still has abstention options. If the Auction Participant no longer has an option of abstention it will be assumed that the Auction Participant automatically submitted a Bid for Auction Blocks in which they were the Highest Bid Holder at the beginning of the respective Auction Round, irrespective of the loss of Eligibility for the next Auction Round.

Should such automatic Bid be inconsistent with the rule of Minimum Scope of the Bid according to chapter 4.4.4 of the Auction Rules, EAS will automatically submit a modified Bid in accordance with the procedure according to chapter 4.4.4 of the Auction Rules such that the Bid is consistent with the rules of the Auction laid down in the Auction Rules.

EAS will allow Auction Participants to submit actively only Bids that comply with the rules of the Auction laid down in the Auction Rules. If a submitted Bid is inconsistent with these rules, EAS will automatically generate a notification that the Bid was not accepted due to incorrect entry, and the Auction Participant will be able to amend their Bid such as to make it consistent with the rules of the Auction if the time limit of the Auction Round allows.

Each Auction Participant is entitled to submit one binding Bid within an Auction Round. Once a Bid is confirmed, the Auction Participant will no longer be able to withdraw or change it. Even an empty Bid shall be considered a binding Bid. According to the previous sentence, the Bid also includes active use of the Absence and Highest Bid Withdrawal. After the submission of the Bid, the Auction Participant will be notified by EAS that their Bid has been accepted.

Information on the Bids of other Auction Participants is not available during the Auction Round. The closing and evaluation of the Auction Round will take place in EAS upon CTU's instruction after the expiration of the time limit for submission of Bids within the Auction Round.

4.3.2 First Auction Round

The Auction Phase commences with the first Auction Round. The first Auction Round starts with simultaneous start of the Auction for all Auction Blocks in all Auction Block Categories at

the minimum price specified in chapter 6.3 of the Invitation to Tender for the Auction Blocks in each Auction Block Category.

The Auction Participants cannot use the option of abstention and Withdrawal of the Highest Bid in the first Auction Round. If the Activity of the Auction Participant in the first Auction Round is lower than the required minimum Activity for the first Auction Round according to chapter 4.4.2 of the Auction Rules, the Auction Participant's number of Eligibility points for the next Auction Round will be reduced using a procedure laid down in chapter 4.4.2 of the Auction Rules.

If the Auction Participant fails to submit actively a Bid in the first Auction Round or if they submit an empty Bid, their number of Eligibility points will be reduced to zero and the Auction Participant will not be allowed to participate in the remaining parts of the Auction. The Auction Participant will also lose their access to EAS and the possibility to further participate in the Auction also if the Auction Phase is repeated in accordance with chapter 4.2 of the Auction Rules.

4.3.3 Subsequent Auction Rounds

The options for submitting Bids for individual Auction Blocks in the subsequent Auction Rounds are defined differently depending on whether or not there is a Highest Bid Holder for that Auction Blocks, and if there is none, the reason why.

- a) If there is a Highest Bid Holder for an Auction Block, the other Auction Participants who are interested in acquiring this Auction Block may submit a Bid in the amount of the bid price for the respective Auction Block and the respective Auction Round. The bid price is determined as the current Highest Bid for that Auction Block increased by 5% of the minimum price of the respective Auction Block for Auction Blocks in the 700 MHz frequency band or by 10% of the minimum price of the respective Auction Block for Auction Blocks in the 3 400–3 600 MHz frequency band.
- b) If the Highest Bid Holder is not determined because there has not been any Highest Bid Holder for the respective Auction Block the Auction Participants, who are interested in acquiring this Auction Block, may submit a Bid in the amount of the minimum price of the Auction Block.
- c) If the Highest Bid Holder is not determined as a result of the use of Withdrawal of the Highest Bid, the other Auction Participants who are interested in acquiring this Auction Block may submit a Bid in the amount of the price of the Withdrawn Highest Bid or, as the case may be, price determined according to chapter 4.4.6 of the Auction Rules.

In addition to the above-mentioned options for submitting a Bid, the Auction Participants also may use the option of Withdrawal of the Highest Bid according to chapter 4.4.6 of the Auction Rules for one or several blocks where they are the Highest Bid Holders. Eligibility points corresponding to the number of activity points for all Withdrawn Highest Bids may be used by the Auction Participant in the respective Auction Round for submitting a Bid for other Auction Blocks in accordance with the Activity rules defined in chapter 4.4.2 of the Auction Rules.

From the second Auction Round on, the Auction Participants may use the option of abstention according to chapter 4.4.5 of the Auction Rules. In the event that the option of abstention is used, the number of Eligibility points of the Auction Participant for the next Auction Round will not change. This will not affect the increase of Eligibility points using the procedure according to chapter 4.4.6 of the Auction Rules.

If the number of Eligibility points of the Auction Participant drops in any Auction Round to zero, the Auction Participant will no longer be able to participate in the remaining part of the Auction, except for the procedure according to chapter 4.4.6 of the Auction Rules associated with reduction of the price of the Auction Block and the related increase of Eligibility points.

4.3.4 Final Auction Round

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

- a) The Bids of the individual Auction Participants contain only the Auction Blocks in which these Auction Participants were the Highest Bid Holders at the beginning of the Auction Round;
- b) The option of abstention was not actively exercised;
- c) No Withdrawal of the Highest Bid occurred;
- d) The condition for an increase of spectral limit in the 700 MHz Band, as set in chapter 4.4.7 of the Auction Rules, was not fulfilled; and
- e) The condition for an increase of spectral limit in the 3440–3600 MHz MHz Band, as set in chapter 4.4.8 of the Auction Rules, was not fulfilled.

An Auction Round is also the final round when the conditions laid down in points (a), (c) and (d) of this chapter 4.3.4 of the Auction Rules are simultaneously met in two consecutive Auction Rounds, i.e., when all of the Auction Participants have only submitted a Bid in two consecutive Auction Rounds for the Auction Blocks for which they are the Highest Bid Holders and there was no increase of spectral limit according to chapters 4.4.7 or 4.4.8 of the Auction Rules. After the end of each Auction Round in which the conditions laid down in points (a), (c) and (d) are simultaneously met, CTU will inform via EAS all Auction Participants with Eligibility above zero about the possibility that in case this condition is met again in the next Auction Round, this Auction Round will also be the final Auction Round according to this chapter 4.3.4 of the Auction Rules.

In addition to the situations described above in this chapter 4.3.4 of the Auction Rules, CTU will also set the final Auction Round in a situation where only one last Auction Participant with Eligibility above zero remains in the Auction. In such case, CTU will inform all Auction Participants with Eligibility above zero accordingly after the end of the Auction Round preceding the final Auction Round.

After the end of the final Auction Round, all Auction Participants will receive the Notification of the Results of the Auction Phase according to chapter 4.4.910 of the Auction Rules.

4.4 Rules of the Auction and Options Available to the Auction Participants

4.4.1 Code of Conduct

The requirements for the conduct of the Applicants throughout the tender process are laid down in chapter 12 of the Invitation to Tender.

4.4.2 Rules of Activity During the Auction Phase

The Activity of Auction Participants during an Auction Phase is limited:

- a) by the number of Eligibility points which an Auction Participant has at their disposal for the relevant Auction Round;

- b) based on the Spectral Limits for individual frequency bands according to chapter 3 of the Auction Rules, chapter 4.4.7 of the Auction Rules and chapter 4.4.8 of the Auction Rules;
- c) by the rules of the Minimum Scope of the Bid with Auction Blocks of Category B according to chapter 4.4.4 of the Auction Rules.

Based on the number of Eligibility points, the Auction Participant may put together different combinations of individual Auction Blocks in their Bid, while respecting the following rules:

- all Auction Blocks are included in Auction Categories to which the relevant number of Activity points is assigned. The sum of Activity points of all selected Auction Blocks within the Bid may not exceed the number of Eligibility points the Auction Participant has at their disposal within the respective Auction Round;
- in the first Auction Round, Eligibility of the Auction Participant is based on the amount of the Security which the Auction Participant deposited within the qualification phase according to chapter 6.3 of the Invitation to Tender and chapter 9.3 of the Invitation to Tender. Eligibility is not increased any further within the individual Auction Rounds, except for the procedure according to chapter 4.4.6 of the Auction Rules;
- the number of Eligibility points in the following Auction Rounds is based on the Activity of the Auction Participant in the last finalized Auction Round or, as the case may be, using the procedure according to chapter 4.4.7 of the Auction Rules and/or chapter 4.4.8 of the Auction Rules.

The Activity of the Auction Participant in each Auction Round is calculated as follows:

- + total number of Activity points for all Auction Blocks for which the Auction Participant was not the Highest Bid Holder at the beginning of the respective Auction Round and for which the Auction Participant submitted a Bid within the Auction Round.
- + total number of Activity points for all Auction Blocks for which the Auction Participant was the Highest Bid Holder at the beginning of the respective Auction Round
- total number of Activity points for all Auction Blocks for which the Auction Participant was the Highest Bid Holder at the beginning of the Auction Round and in which Withdrawal of the Highest Bid occurred in the respective round.

= TOTAL NUMBER OF ACTIVITY POINTS IN THE AUCTION ROUND

Throughout the Auction Phase, there is a rule that preservation of the full number of Eligibility points the Auction Participant has at its disposal for the respective Auction Round is conditional upon achieving of Activity reaching 100% of Eligibility points.

The number of Eligibility points according to this chapter 4.4.2 will not be reduced if the abstention option was exercised within the respective Auction Round according to chapter 4.4.5 of the Auction Rules.

4.4.3 Highest Bid Holder

The Highest Bid Holder will be identified at the end of each Auction Round for each Auction Block on which a Bid has been submitted in that Auction Round. The Auction Participant that submits the Highest Bid for an Auction Block in the relevant Auction Round shall be the Highest Bid Holder.

If several Auction Participants concurrently submit the same Highest Bid for an Auction Block, the Highest Bid Holder will be determined by EAS using a selection process which cannot be directly influenced by the Auction Participants. The principle of selecting the Highest Bid Holder is based on the use of 128-bit binary numbers generated according to chapter 4.1 of the

Auction Rules. When Highest Bids are submitted concurrently by several Auction Participants, EAS system will clearly determine the order of all Highest Bids for the respective Auction Block according to the predetermined fixed serial numbers of the individual Auction Participants. For each concurrent submission of the Highest Bids, EAS will select from the binary chain, starting from the left, the relevant number of binary digits (1 bit when there are 2 Highest Bids, 2 bits for 3 to 4 Highest Bids, etc.) so as to make it possible to determine the Highest Bid Holder for the respective Auction Block.

When evaluating each Auction Round, this procedure will be applied separately to all concurrent submissions of the Highest Bids (repeatedly, if necessary), with the exception of Auction Blocks in category A2, until the Highest Bid Holders are clearly determined for all Auction Blocks for which concurrent Highest Bids were submitted. In the event of concurrent submissions of the Highest Bids for Auction Blocks in category A2, the Auction Participant who submitted a Bid for both Auction Blocks in category A2 will be determined preferentially as the Highest Bid Holder for both Auction Blocks. In the event that there are concurrent submissions of the Highest Bids jointly for both Auction Blocks in category A2 by two or more Auction Participants, one joint Highest Bid Holder for both Auction Blocks A2 will be determined using the procedure according to the previous paragraph.

4.4.4 Minimum Scope of the Bid

Except for submission of a Bid using the option of abstention according to chapter 4.4.5 of the Auction Rules, when submitting a Bid including Auction Blocks in Auction Block Categories B, the Auction Participants may not submit Bids containing a smaller amount of radio frequencies in these Auction Block Categories B than as specified in chapter 3 of the Auction Rules as the Minimum Scope of the Bid. To avoid any doubts, the Minimum Scope of the Bid in an Auction is calculated in a sum with the radio frequencies held by the Auction Participant in the 3600–3800 MHz frequency band. The Minimum Scope of the Bid specified for Auction Category B implies the minimum number of Auction Blocks in these Auction Block Categories which must be included in the Bid which contains these Auction Block Categories. This rule will be implemented within the Auction Phase such that EAS will not allow the Auction Participant to submit a Bid that does not respect the rule of the minimum scope of the Bid for Auction Block Category B.

Should a situation occur, when using the procedure according to chapter 4.3.1 of the Auction Rules where the conditions for automatic submission of Bids of the Auction Participant are regulated, where the automatic Bid is inconsistent with the rules of the minimum scope of the Bid and, at the same time, the Auction Participant cannot exercise any abstention according to chapter 4.4.5 of the Auction Rules, EAS will automatically withdraw the Highest Bid according to chapter 4.4.6 of the Auction Rules for Auction Blocks which do not comply with the rule of the minimum scope of the Bid. The number of options for Withdrawal of the Highest Bid will be reduced by one. Withdrawal of the Highest Bid will be executed also in a situation where the Auction Participant has already used up the options for Withdrawal of the Highest Bid according to chapter 4.4.6 of the Auction Rules. This is without prejudice to the obligations following from the exercise of the option for Withdrawal of the Highest Bid.

4.4.5 Abstention and Time-Out

Each Auction Participant may exercise its option to abstain when submitting Bids in no more than three Auction Rounds. The option to abstain may not be exercised in the first Auction Round. Abstention allows the Auction Participant to prevent the loss of Eligibility points that it

could otherwise lose due to the application of the Activity rules defined in chapter 4.4.2 of the Auction Rules to a Bid submitted in an individual Auction Round, and/or submit a Bid which does not take into account the minimum scope of a bid according to chapter 4.4.4 of the Auction Rules.

Abstention may be used as follows:

- actively by means of a choice in EAS when submitting the Bid;
- passively, if the Auction Participant fails to submit a Bid within the time limit for the submission of Bids within the Auction Round, resulting in loss of Eligibility for the next Auction Round due to the application of the Activity rules, and/or Withdrawal of the Highest Bid for the part of the Auction Blocks which do not comply with the rule of the minimum scope of the Bid.

Abstention within an Auction Round does not result in loss of Eligibility or automatic Withdrawal of the Highest Bid.

Passive abstention does not prevent the closing of the Auction Phase according to chapter 4.3.4 of the Auction Rules.

Each Auction Participant may request the so-called time-out during the Auction Phase. The remaining part of the auction day schedule will be cancelled based on the Auction Participant's request for a time-out and the next Auction Round will automatically be scheduled at 9:00 a.m. on the next business day or at the first-time window for the Auction Round according to the valid schedule. The Auction Phase will then continue in accordance with the valid auction day schedule. Each Auction Participant may use the time-out option only once during the Auction Phase. All Auction Participants are informed about time-outs via EAS.

Only an Auction Participant whose Eligibility is higher than zero may use abstention and time-out.

4.4.6 Withdrawal of the Highest Bid

From the second Auction Round on, the Auction Participants have the option to withdraw the Highest Bid for one or more Auction Blocks in which they are the Highest Bid Holders at the beginning of the Auction Round. Each Auction Participant may use the option for Withdrawal of the Highest Bid in no more than two Auction Rounds irrespective of the number of Auction Blocks for which this option was exercised within the respective Auction Round. Withdrawal of the Highest Bid is possible by all Auction Blocks which are part of this auction.

The Auction Participant who will exercise the option for Withdrawal of the Highest Bid may use in the same Auction Round the corresponding Eligibility points to submit a Bid for other Auction Blocks according to the Activity rules defined in chapter 4.4.2 of the Auction Rules. If the Highest Bid Holder from the beginning of the Auction Round uses the option of Withdrawal of the Highest Bid within the Auction Round and, at the same time, no Bid is submitted within the respective Auction Round for this Auction Block by any other Auction Participant, the Highest Bid Holder will not be determined at the end of the Auction Round for this Auction Block. The bid price of this Auction Block for the next Auction Round will equal the price of the Withdrawn Highest Bid for this Auction Block.

If the Highest Bid Holder is not determined in the Auction Round following the Auction Round in which the Withdrawal of the Highest Bid occurred, CTU may reduce the bid price of this Auction Block for the next (or subsequent) Auction Round by 5% or 10% of the minimum price of this Auction Block using the percentage corresponding to minimum price increase defined

for the relevant band. CTU may repeat this procedure also in subsequent Auction Rounds up to the point where the minimum price of the Auction Block is reached by the last decrease of the bid price.

In each Auction Round in which CTU reduces the price of the Auction Block using this procedure, all Auction Participants (including the Auction Participants with zero Eligibility who submitted a Bid in the first Auction Round), except for the Auction Participant who performed the respective Withdrawal of the Highest Bid, will have their number of Eligibility points increased by the value corresponding to the value of Activity points of the Auction Block(s) for which CTU reduced the bid price. The number of Eligibility points of any Auction Participant, however, must not exceed Eligibility points the Auction Participant had at the start of the Auction Phase or, as appropriate, the increased number of Eligibility points based on the procedure according to chapter 4.4.7 of the Auction Rules or chapter 4.4.8 of the Auction Rules. The Auction Participants whose Eligibility points are increased using this procedure and who have no option of abstention and/or Withdrawal of the Highest Bid left, will have their number of abstentions and/or Withdrawal of the Highest Bid increased to one starting from the next Auction Round.

If the Winning Bid for the Auction Block in which a Withdrawal of the Highest Bid occurred is lower than the price of any Withdrawn Highest Bid for the respective Auction Block submitted within the entire Auction Phase, the Auction Participant who exercised the Withdrawal of the Highest Bid will be obliged to pay the difference between the price of each such Withdrawn Highest Bid and the price of the Winning Bid. If the Auction Block at the end of the Auction Phase remains unallocated, the amount of the Difference which the Auction Participant is obliged to pay will equal the full price of its Withdrawn Highest Bid. The Auction Participant will have this obligation as a result of each Withdrawal of the Highest Bid separately, including where the same Auction Participant exercises more than one Withdrawal of the Highest Bid for the respective Auction Block.

4.4.7 Rules of the Spectral Limit for Auction Blocks in Category A

The initial Spectral Limit for the 700 MHz frequency band, i.e., Auction Blocks in category A, is specified in chapter 3 of the Auction Rules as 2×10 MHz for all Auction Participants.

If a situation occurs that during the Auction, the total sum of Activity points by Auction Blocks in category A is lower than 60 Activity points, the Spectral Limit for Auction Blocks in category A will be increased to 2×20 MHz starting from the next Auction Round.

At the same time, the total number of Eligibility points will be increased by 20 points for all Auction Participants whose Eligibility is higher than zero and whose activity by Auction Blocks in category A equals to their Spectral Limit. The amount of the Security according to chapter 9.3 of the Invitation to Tender will remain unchanged.

The information on the change of the Spectral Limit and the increase of the number of Eligibility points will be provided to all Auction Participants with Eligibility higher than zero via EAS.

4.4.8 Rules of the Spectral Limit for Auction Blocks in Category B

The initial Spectral Limit for the 3440–3600 MHz frequency band, i.e., Auction Blocks in category B, is specified in chapter 3 of the Auction Rules as a common spectral limit for both parts of the 3440–3800 MHz frequency band. It means that the Spectral Limit will include also the current block allocation of the Auction Participant in the 3600–3800 MHz frequency band. The initial Spectral Limit for this frequency band is specified as 60 MHz for the Incumbent Operators and as 100 MHz for the New Operators.

If a situation occurs that during the Auction the total activity of all Auction Participants by the Auction Blocks in category B is lower than 8 points and, at the same time, the total Eligibility of all Auction Participants is lower than 68 points (the sum of all active points for all Auction Blocks offered in the Auction), the Spectral Limit for Auction Blocs in category B will be increased by 20 MHz for all Auction Participants starting from the next Auction Round. At the same time, the total number of Eligibility points will be increased by 1 point for all Auction Participants whose Eligibility is higher than zero and whose activity by Auction Blocks in category B equals to their Spectral Limit. The amount of the Security according to chapter 9.3 of the Invitation to Tender will remain unchanged.

The information on the change of the Spectral Limit and the increase of the number of Eligibility points will be provided to all Auction Participants with Eligibility higher than zero via EAS.

4.4.9 Identification of Auction Winners and Closing of the Auction Phase

The Auction Participant who is the Highest Bid Holder for an Auction Block after the final Auction Round according to the terms and conditions of the Auction Rules will become the Auction Winner for the respective Auction Block.

All Auction Participants will receive a written notice from CTU about the closing and results of the Auction Phase. The notice will contain the following information:

- a) Identification of the Applicants who are the Auction Winners, list of the Auction Blocks acquired by them where the Auction Blocks are offered as concrete Auction Blocks in the Auction Phase, and the number of the Auction Blocks acquired by them in each Auction Category where the Auction Blocks are offered as abstract Auction Blocks in the Auction Phase;
- b) Prices of the Winning Bids for all the Auction Blocks sold in the Auction and the sum of all prices of the Winning Bids for the Auction Blocks which the Applicant has acquired in the Auction Phase;
- c) List of the Auction Blocks which were not allocated in the Auction Phase;
- d) List of the Applicants who are not Auction Winners for any of the Auction Blocks;
- e) Difference in the prices of the Withdrawn Highest Bids and the prices of the Winning Bids which each Auction Participant is obliged to pay as a result of application of the rules of Withdrawal of the Highest Bid according to chapter 4.4.6 of the Auction Rules.

4.5 Information Provided by EAS During the Auction Phase

Throughout the Auction Phase, the Auction Participant will have access to the following information on the process of the Auction Phase:

- Evaluation of all Auction Rounds completed according to this chapter 4.5;
- All messages sent to this participant via EAS;
- Estimated time of initiation of the next Auction Round.

During the active Auction Round, the Auction Participant will be informed about the time remaining to the end of the limit for submission of Bids. In the form for submission of a Bid, the Auction Participant with Eligibility above zero will have access to the following information:

- List of Auction Blocks with information on the bid price options for the respective Auction Round and on the Highest Bid Holder stating whether the Highest Bid Holder is this particular Auction Participant or another Auction Participant without disclosing the identity of the Highest Bid Holder, or whether the Auction Block is without a Highest Bid Holder;

- The current number of its Eligibility points for the respective Auction Round;
- The number of Activity points of the Bid;
- Information on the amount of its minimum Activity for the respective Auction Round;
- The number of its abstention options that can still be used;
- The number of its options of Withdrawal of the Highest Bid that can still be used;
- The bid prices for individual Auction Blocks and the total price of the Bid being prepared by it within the respective Auction Round;
- Information on mistakes (non-compliance with the Auction Rules) preventing submission of a Bid in its current form.

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

Following the evaluation of each Auction Round, the Auction Participant will have access to a report containing the following information on the process and results of the Auction Round:

- Overview of the Bid submitted by the Auction Participant in the Auction Round;
- Overview of all Auction Blocks for which the Auction Participant currently holds the Highest Bid and the prices of these Auction Blocks;
- Overview of the Auction Blocks for which the Auction Participant submitted a Bid within the Auction Round in which it did not become the Highest Bid Holder;
- The number of Eligibility points of the Auction Participant at the beginning and at the end of the Auction Round;
- The number of abstention options of the Auction Participant at the beginning and at the end of the Auction Round;
- The number of options of Withdrawal of the Highest Bid of the Auction Participant at the beginning and at the end of the Auction Round;
- Overview of all Auction Blocks with information on the Highest Bid Holder (with information whether the Highest Bid Holder is this particular Auction Participant or another Auction Participant without disclosing the identity of the Highest Bid Holder, or whether the Auction Block is without a Highest Bid Holder), the current price of the Auction Block (the Highest Bid and, as the case may be, minimum price), and the total number of Activity points of all Auction Participants achieved for the respective Auction Block in the Auction Round;
- The total number of Activity points of all Auction Participants achieved in the Auction Round (one aggregate value for all Auction Participants);
- The total number of Eligibility points of all Auction Participants after a completed Auction Round valid for the next Auction Round (one aggregate value for all Auction Participants).

In the event of reduction of the price of the Auction Block according to chapter 4.4.6 of the Auction Rules, all Auction Participants will be informed via the Auction Participants' contact persons specified in the Application and by a message via EAS about the new price of the Auction Block for the next Auction Round in which the price was reduced, about the increase of their own Eligibility points if increased in connection with this, and about the total number of Eligibility points of all Auction Participants for the next Auction Round.

An Auction Participant who does not submit a Bid in the first Auction Round or, as the case may be, who is excluded from the Auction according to chapter 6 of the Auction Rules will be

entirely prevented from accessing EAS, including access to all of the above-mentioned information.

5 FREQUENCY DISTRIBUTION

The Auction Winners of particular Auction Blocks will be allocated frequency segments defined in chapter 6 of the Invitation to Tender. To ensure maximum effectiveness of the distribution of the remaining frequencies, CTU allows the possibility that the Auction Winners who have acquired abstract Auction Blocks agree on allocation of the abstract Auction Blocks to the individual concrete segments of radio frequencies defined within the scope of the Tender in chapter 6 of the Invitation to Tender.

The distribution of radio frequency segments in the individual frequency bands, however, must consider the rule of integrity of frequency allocations, if such rule is objectively possible in the frequency band in question. The continuity of the spectrum allocated to each Allocation Holder in the respective frequency band should be maintained as much as objectively possible.

The procedure of distributing frequency segments which is based on the principle of openness, transparency and non-discrimination will be conducted according to the following rules:

- 1) The Auction Winners who have acquired abstract Auction Blocks will be provided the opportunity to agree on the distribution of radio spectrum segments which are the subject of the Tender or on the distribution of the radio spectrum segments which are the subject of the Tender within one frequency band among themselves within a time limit of 14 days following the closing of the Auction Phase. Such an agreement must be made by all Auction Winners who have acquired abstract Auction Blocks in the respective frequency band freely and solely with the aim of effectively distributing radio frequency segments. CTU must be presented, based on these negotiations within the above-mentioned time limit, the agreement on the distribution of all frequency segments offered in this Tender (except for specific blocks and, if applicable, except for segments corresponding to the scope of abstract Auction Blocks which none of the Auction Participants acquired in the Auction Phase), separately for all frequency bands, confirmed in writing by all Auction Winners;
- 2) CTU will accept agreements among all Auction Winners of abstract Auction Blocks or agreements among all Auction Winners of abstract Auction Blocks in individual frequency bands, provided that it is clear that the proposed distribution of frequencies is not in contradiction to the principle of integrity defined in the second paragraph of this chapter 5 of the Auction Rules;
- 3) If an agreement among all holders of abstract Auction Blocks on the distribution of radio frequency segments is not submitted to CTU within the time limit laid down in the first paragraph for any frequency band, the frequency segments in the band not covered by the agreement will be distributed as follows:
 - a) The frequencies in the 700 MHz frequency band will be distributed as follows:
 - First, a specific continuous frequency segment will be assigned to the Auction Winner who has acquired a specific Auction Block of category A1. For the sake of preserving integrity of the block, the other acquired frequencies which the Auction

Winner has acquired within this Tender in the 700 MHz band will eventually be added to this block;

- Subsequently, the order of all remaining frequency segments will be decided by a lot determining the order of the individual Auction Winners in the 700 MHz band or, as the case may be, placement of the unsold frequencies. Unification of the block allocations of the Allocation Holder will be respected.

b) The frequencies in the 3400–3600 MHz frequency band will be distributed as follows:

- First, the abstract Auction Blocks which are not held by any Auction Participant will be assigned. These frequency segments will be placed at the beginning of the frequency band to the 3400–3440 frequency block;
- Subsequently, the remaining frequency segments will be assigned to individual Auction Winners. The order of placement of these frequency segments will be determined again a lot.

6 EXCLUSION OF AN APPLICANT DURING THE AUCTION

An Applicant may be excluded from further participation in the Tender during the Auction according to the terms and conditions laid down in chapter 9 and in chapter 12 of the Invitation to Tender.

If this Auction Participant is excluded during an Auction Phase, CTU may – at its discretion – either continue with the Auction Phase without the excluded Applicant or decide to repeat the Auction Phase according to chapter 4.2 of the Auction Rules. If CTU decides to continue in the Auction Phase and the Auction Participant is also the Highest Bid Holder for any of the Auction Blocks in the last completed Auction Round, automatic Withdrawal of the Highest Bid will occur in these Auction Blocks regardless of whether or not the Auction Participant has used up all their options of Withdrawal of the Highest Bid, and the process in the next Auction Round is similar to a situation where the Withdrawal of the Highest Bid occurs according to the procedure defined in chapter 4.4.6 of the Auction Rules.

If the exclusion occurs during the Frequency Distribution, CTU will decide on the next steps, and it may – at its discretion – either order continuation of the Frequency Distribution without the excluded Applicant, or decide to repeat the Auction Phase in accordance with chapter 4.2 of the Auction Rules, in particular in a situation where such excluded Applicant is the Auction Winner, or even decide to cancel the Tender in accordance with chapter 13 of the Invitation to Tender.

If CTU decides to repeat the Auction Phase in accordance with chapter 4.2 of the Auction Rules, the excluded Auction Participant is always prevented from participating in such repeated Auction Phase.

7 CLOSING OF THE AUCTION

CTU will inform all Applicants about the closing of the Auction and about the distribution of radio frequencies acquired in the Auction to the Auction Winners by posting a notice of closing of the Auction on CTU's website. CTU will also deliver this notice to all Applicants.

This notice will include the following information:

- a) Identification of the winning Applicants;
- b) Identification of the radio spectrum segments acquired by individual Applicants within the different frequency bands (Auction Categories);
- c) The prices of all radio spectrum frequency segments allocated within this Tender;
- d) A list of the radio spectrum frequency segments that were not allocated;
- e) A list of the Applicants who were not successful in bidding for radio frequencies.