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## Annex 4

to Call for offers for the purpose of awarding the rights to use radio frequencies to ensure a public communication network in the 1800 MHz and 2600 MHz bands

# Auction Regulations

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# 1 INTRODUCTION

These Auction Regulations are an annex to the Call for Offers and further specify the rules of the Auction laid down in section 9 of the Call for Offers.

## 2 THE AUCTION

### 2.1 General information

The Auction is divided into two stages – the Auction Stage and the Distribution of Frequencies Stage. Only Applicants that comply with the qualifications specified in section 8 of the Call for Offers may participate in the Auction.

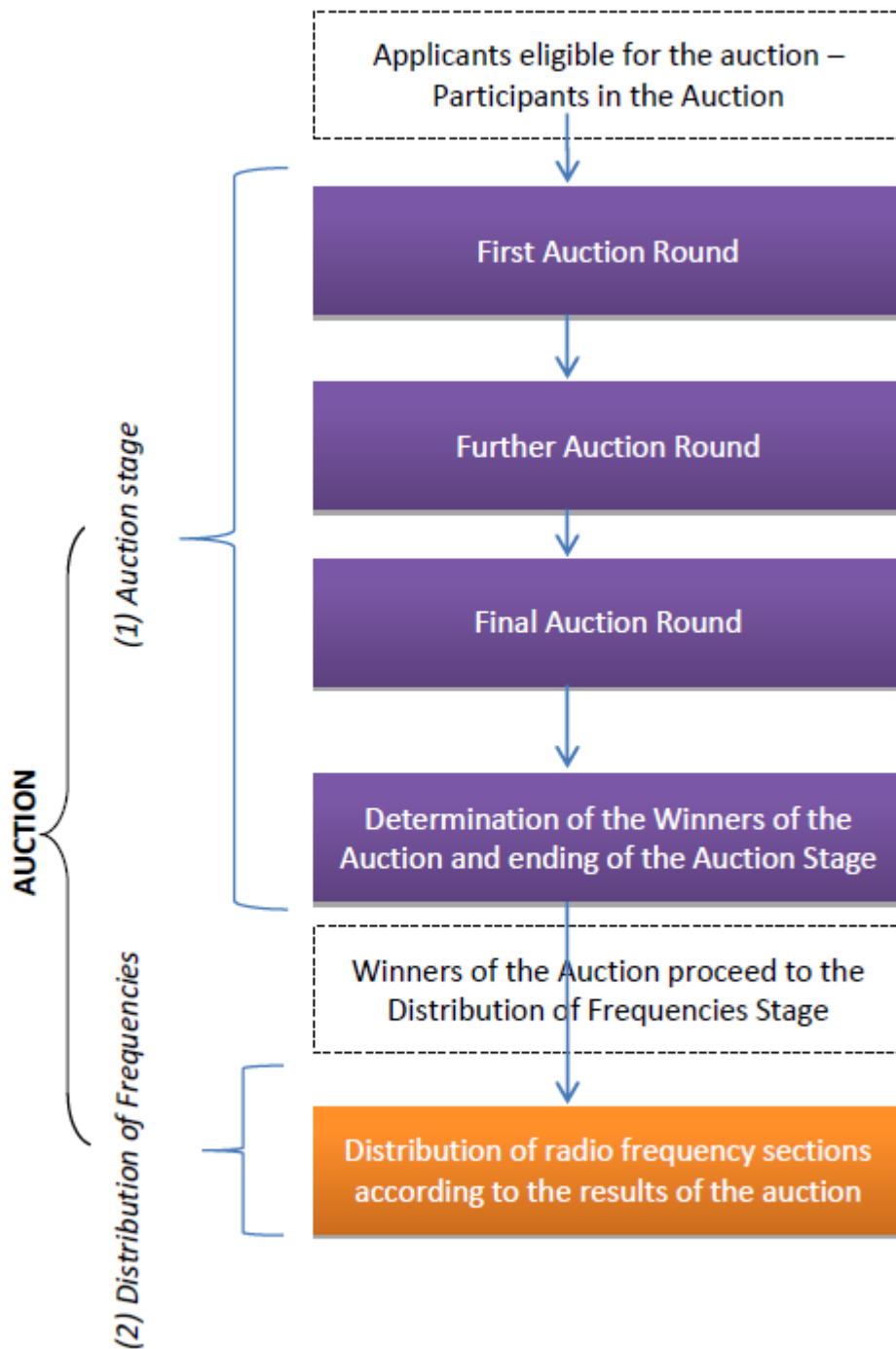
### 2.2 Auction format

The Auction format that is to be used during the Auction Stage is a simultaneous multiple round ascending auction (SMRA), which is organised as an ascending and open auction. A Participant in the Auction may change its auction strategy during the Auction Stage.

The individual auction principles according to the preceding paragraph are understood as follows:

- simultaneous auction – all Auction Blocks are offered at the Auction Stage at the same time;
- multiple round auction – the Auction Stage is undertaken using a system of consecutive Auction Rounds, in which Participants in the Auction place their Offers for selected Auction Blocks; the Auction Stage is completed with a final Auction Round under the terms and conditions laid down in the Auction Regulations;
- ascending Auction – during the Auction Stage, Participants in the Auction increase the price they offer for an Auction Block on the previous Highest Offer;
- open auction – information about the involvement level and Highest Offer in relation to all Auction Blocks is available to all Participants in the Auction after the evaluation of each Auction Round; nonetheless, the identity of the Participants in the Auction is not disclosed during the entire Auction Stage;
- change of auction strategy – a Participant in the Auction may change the structure or content of its Offer during the Auction Stage and has the opportunity to Withdraw the Highest Offer under the terms and conditions laid down in the Auction Regulations.

## 2.3 Diagram of the Auction



### 3 THE SUBJECT OF THE AUCTION

Auction Block Category	Frequency band	Frequencies [MHz]	Auction Blocks	Spectral limit	Minimum price [millions of CZK per block]	Activity points [points per 1 block]
A	1800 MHz paired spectrum	1805.1–1805.3/ 1710.1–1710.3 & 1842.3–1845.0/ 1747.3–1750.0	2 abstract blocks 2×2.9 MHz	2×30 MHz in aggregate with the radio frequency allocation in the 1800 MHz band already held by the Applicant	75.0	10
B		1855.0–1857.9/ 1760.0–1762.9				
C	2600 MHz paired spectrum	2660-2670 / 2560-2570	1 specific block 2×10 MHz	Not determined	138.0	20
D	2600 MHz unpaired spectrum	2570-2620	2 abstract blocks 25 MHz	Not determined	93.0	10

### 4 THE AUCTION STAGE

#### 4.1 Electronic Auction System (EAS)

The due course of the Auction Stage will be ensured through the Electronic Auction System (EAS) operated by the Office for these purposes. The EAS is operated on the secure servers of the EAS supplier and will be available via the Internet with a high level of access security.

The EAS allows Participants in the Auction to submit only those Offers that are compliant with the Call for Offers and the Auction Regulations. In addition to the opportunity to submit Offers in individual Auction Rounds, EAS interface provides Participants in the Auction information on the progress of the Auction Stage to the extent defined in section 4.5 of the Auction Regulations.

Only those Participants in the Auction that have received access data and a digital certificate from the Office may sign into the EAS. This access data will only be provided by the Office to those Applicants that have duly qualified in accordance with section 8 of the Call for Offers and that have received confirmation of participation in the Auction. The digital certificate must be installed on the computer from which the Participant in the Auction connects to the EAS. A Participant in the Auction is responsible for securing its log-in data and allocated password against misuse. For security reasons, the EAS will only be accessible from the Czech Republic. All Participants in the Auction will provide 10 IP addresses from which they will be able to access the EAS and will do so before the start of the Auction Stage. Access to the EAS from other IP addresses will not be permitted. The Participant is obliged to inform the Office without delay of any breach of the protection of log-in data or password.

A Participant in the Auction may only log into the EAS from one computer at the one time. A Participant in the Auction will be automatically disconnected from the EAS in the case of sudden technical problems or the failure of Internet connection and the Participant in the Auction will have the opportunity to connect from another computer on which the required certificate has been installed. The Office may in such cases interrupt an Auction Round at the request of a Participant in the Auction. Cases of unforeseeable situations are specified further

in section 4.2 of the Auction Regulations. No data is stored on the computer of the Participant in the Auction during an Auction Round; all changes are recorded in the EAS itself.

The Office is not liable for technical problems or problems with Internet connection on the part of a Participant in the Auction which prevent it from connecting to the EAS. Participants in the Auction should have a sufficiently secured and fast Internet connection (a minimum download speed of 128 kbit per second) and a back-up computer for the eventuality of technical faults. The Office recommends that the computers through which a Participant in the Auction accesses the EAS are not used for any other purposes during the Auction and that no other software that is not essential for access to the EAS should be used simultaneously.

All Participants in the Auction will feature entirely anonymously in the EAS and all communication during the Auction Stage will also be anonymous. For these purposes, Participants in the Auction will be informed of their code names and passwords for communication that are to be used during the Auction Stage before the actual commencement of the Auction Stage. Participants in the Auction will only be named after the final Auction Round according to section 4.3.4 of the Auction Regulations. The technical means of the operator of the EAS will be secured against attack and disclosure of the identity of the Participants in the Auction using the corresponding HW and SW means on the EAS side, through secure connection between the web browser of the Participants in the Auction and the system server of the EAS by way of encrypted network protocol and by way of the system-controlled compulsory minimum level of security of log-in data.

The EAS and its individual processes will be set such as to eliminate to the maximum possible extent the risk of unintentional errors by a Participant in the Auction; for example, in the form of double-clicking.

User interface which provides all forms required for a Participant in the Auction to submit Offers will be available to all Participants in the Auction in the EAS, as will information about the progress of the Auction defined in section 4.5 of the Auction Regulations and access to other notification of the Office for Participants in the Auction during the Auction. Interface also features a clock that is synchronised with the auction server and that shows information about time; for example, the time remaining to the end of the time limit of the Auction Round, the exact time at which a Participant in the Auction submits its Offer, etc.

All rules of the Auction Regulations required for the implementation of the Auction Stage, in particular the rules for submitting Offers, adhering to Spectral Limits, the calculation of Activity within an Auction Round and the available Eligibility points, determination of the Highest Bidder, the rules for determining the final Auction Round etc., are implemented in the EAS and automatically carried out and/or checked in the EAS during the Auction Stage. For the purposes of determining the Highest Bidder in the case that two or more Offers concur, a deterministic algorithm implemented in the EAS will be used according to section 4.4.3 of the Auction Regulations that will, based on the input data provided by the Office and the Participants in the Auction and other deterministic data (for example the order number of the Round etc.), create for each Auction Round one (or more if required) pseudo-random 128-bit binary number. Each of the Participants in the Auction will have the chance before the commencement of the Auction Stage to enter one piece of input information for the subsequent calculation of pseudo-random numbers. This entire process is carried out in the EAS. The Office will inform Participants in the Auction of the format of input data at training.

The procedure according to section 4.4.3 of the Auction Regulations guarantees that the determination of the Highest Bidder cannot be directly influenced by individual Participants in the Auction; at the same time, this procedure enables the retrospective verifiability of the determination of the Highest Bidder.

The EAS contains a system of one-way sending of messages that allows the Office to send messages to Participants in the Auction throughout the Auction Stage. The Office assumes that this will be the primary method of communication between the Office and Participants in the Auction during the Auction Stage. Messages shall be considered to have been delivered to a Participant in the Auction at such time as they are published in the user interface of the EAS. A telephone number will also be available to Participants in the Auction during the Auction and half an hour before it commences in the event that they need to contact the Office. Technical support for the EAS will also be provided on this number.

Participants in the Auction will have the opportunity during training and a trial auction to acquaint themselves with the environment and functions of the EAS and with the processes associated with the implementation of the Auction Stage, including the process of making Participants anonymous and the process of reporting problems and incidents during the Auction Stage. Participants in the Auction will also have available to them an EAS user manual, which will be presented to them during training. This user manual will contain information that the Participant in the Auction should acquaint itself with before the commencement of the Auction Stage. It primarily involves hardware and software requirements, log-in instructions and a description of interface and the use of the EAS. System requirements and a list of supported and recommended operating systems and required software needed for accessing the EAS (in particular web browser, version of JAVA application etc.) will be specified in the EAS user manual.

The EAS as a whole and its parts, subsystems, databases, including graphic appearance of the Internet application and its structure, are under copyright that is entirely owned by the supplier of the EAS.

Participants in the Auction are not authorised to use software, scripts or similar mechanisms and measures in connection with the use of the EAS which could disrupt the function of the EAS or disrupt the activity of the EAS in some other way and which could unreasonably load the servers and infrastructures of the EAS.

## **4.2 Vis major**

If there is the need to check compliance with the terms and conditions of the Call for Offers or other important circumstances during the Auction Stage and in the case of unforeseeable circumstances that could have a significant impact on the development of the Auction Stage, the Office may temporarily interrupt the Auction Round or temporarily or entirely discontinue the entire Auction Stage.

The Office may act as follows following the interruption of an individual Auction Round:

- re-start the Auction Round in the form in which it was interrupted, complete the time limit for submitting Offers, complete and evaluate the Auction Round and continue the Auction Stage, or;

- declare the Auction Round to be void and repeat the as-yet unevaluated Auction Round.

The Office may act as follows following the discontinuation of the Auction Stage:

- re-start the Auction Stage and continue with the next Auction Round following the last completed Auction Round, after which the Auction Stage was discontinued, or;
- declare the last, as-yet uncompleted Auction Round to be void, repeat such an as-yet unevaluated Auction Round and continue with the re-started Auction Stage, or;
- declare the entire Auction Stage to be void and commence the entire Auction Stage from the beginning.

Unforeseeable circumstances that cause the Office to proceed in this way include, *inter alia*, technical problems with the supplier of the EAS that could have a negative impact on the Office or the Participants in the Auction, the elimination of Applicants from further participation in the Tender according to Section 21(6) of the Act or serious blanket failures of Internet connection.

Participants in the Auction will be informed of the procedure of the Office according to this provision through the EAS and, in the event that the Auction Stage is discontinued, by way of notification to the contact persons of the Participants in the Auction determined in the Application.

### **4.3 The course of the Auction Stage**

#### **4.3.1 The submission of Offers by a Participant in the Auction**

Auction Rounds take place on work days from 9:00 to 17:00 according to the rigidly set time schedule of the auction day. The time schedule of the auction day determines the times for submitting Offers by individual Participants in the Auction. The Auction Round is completed after this time has passed with an evaluation of all Offers and the determination of the Highest Bidder in that particular Auction Round.

The time for submitting Offers in individual Auction Rounds is restricted by a time limit. Unless the Office determines otherwise, Auction Rounds will commence at the following fixed times: 9:00, 9:45, 10:30, 11:15, 14:00, 14:45, 15:30 and 16:15, whereby the time for submitting Offers in an Auction Round is set at 20 minutes and the break until the commencement of the next Auction Round will last 25 minutes. The time schedule of an auction day on the first two days of the Auction Stage will be limited to four Auction Rounds a day, in that these Auction Rounds will start at the following fixed times: 9:00, 10:30, 14:00 and 15:30, whereby the time for submitting Offers in an Auction Round is set at 20 minutes and the break until the commencement of the next Auction Round will last 70 minutes.. The length of Auction Rounds, the length of the break until the start of the next Auction Round and the times of the start of Auction Rounds might change during the Auction Stage at the decision of the Office. The Participants in the Auction will be informed of changes to the time schedule through the EAS.

The time for submitting Offers within an Auction Round is reduced in the case that all Participants in the Auction have made an Offer in the Auction Round or have actively used the option of non-participation. All Participants in the Auction are informed of the early ending of an Auction Round through the EAS.



A form in which to submit Offers will be available to Participants in the Auction that connect to the EAS during an Auction Round before the expiration of the time for submitting Offers. The scope of the information contained in the form for submitting Offers is laid down in section 4.5 of the Auction Regulations.

Offers are only accepted during an Auction Round before the passing of the time for submitting Offers. The decisive time limit for submitting Offers is the time of accepting an Offer recorded by the EAS and not the time at which the Offer is sent from the computer of the Participant in the Auction. Participants in the Auction should count on a certain time delay between sending data and its receipt by the EAS. The Office therefore recommends that Participants in the Auction submit their Offers sufficiently in advance of the expiration of the time for submitting Offers within individual Auction Rounds such as to avoid any delay caused by their transferral.

A Participant in the Auction submits an Offer in an Auction Round:

- a) automatically for the Auction Blocks for which it is the Highest Bidder at the beginning of the relevant Auction Round, unless it Withdraws the Highest Offer for these Auction Blocks within the Auction Round according to section 4.4.5 of the Auction Regulations;
- b) with an active choice for the Auction Blocks for which the Participant in the Auction is not the Highest Bidder at the beginning of the Auction Round.

If a Participant in the Auction does not actively confirm an Offer in a certain Auction Round before the passing of the time for the submission of Offers in an Auction Round, it is considered that the Participant in the Auction has automatically submitted an Offer for the Auction Blocks for which it was the Highest Bidder at the beginning of the relevant Auction Round. If such an Offer would mean the loss of Eligibility of the Participant in the Auction for the subsequent Auction Round according to section 4.4.2 of the Auction Regulations, the EAS automatically submits non-participation according to section 4.4.4 of the Auction Regulations if the Participant in the Auction still has the option of non-participation.

The EAS allows Participants in the Auction to submit only such Offers that comply with the rules of the Auction laid down in the Auction Regulations. If an Offer is submitted that does not comply with these rules, the EAS automatically generates notification of the rejection of the Offer in consequence of erroneous submission and the Participant in the Auction will have the opportunity to change its Offer such that it complies with the rules of the Auction, unless it is prevented from doing so by the time limit of the Auction Round.

Each Participant in the Auction may submit one binding Offer within an Auction Round. The Participant in the Auction may not retract or change its Offer once this Offer has been confirmed. After submitting an Offer, the Participant in the Auction will be informed by the EAS that its Offer has been accepted.

Information about the Offers of other Participants in the Auction is not available during an Auction Round. The ending and evaluation of an Auction Round takes place in the EAS at the instruction of the Office after the passing of the time for submitting Offers within an Auction Round.

#### **4.3.2 The first Auction Round**

The Auction Stage commences with the first Auction Round. The first Auction Round commences with the simultaneous commencement of the Auction for all Auction Blocks in all

Auction Block Categories for the minimum price laid down in section 4.2 of the Call for Offers for the Auction Blocks in individual Auction Block Categories.

Participants in the Auction may not use the option of non-participation or Withdrawal of the Highest Offer in the first Auction Round. If the Activity of a Participant in the first Auction Round is lower than the minimum required Activity for the first Auction Round according to section 4.4.2 of the Auction Regulations, the number of Eligibility points of that Participant for the subsequent Auction Round will be reduced according to the procedure laid down in section 4.4.2 of the Auction Regulations.

If the Participant in the Auction fails to submit an Offer in the first Auction Round, the number of its Eligibility points will be reduced to zero and the Participant in the Auction will completely lose the opportunity to participate in the Auction any further. Such Participant will also lose access to the EAS.

#### **4.3.3 Subsequent Auction Rounds**

The possibilities for submitting an Offer in individual Auction Blocks in subsequent Auction Rounds are defined differently according to whether there is a Highest Bidder for a particular Auction Block or not and if not, the reason why.

- A. If there is a Highest Bidder for an Auction Block, the other Participants in the Auction that are interested in obtaining this Auction Block may submit an Offer amounting to the present Highest Offer for this Auction Block raised by 5 % of the minimum price of the Auction Block.
- B. If no Highest Bidder is determined due to the fact that none currently exists for the relevant Auction Block, the other Participants in the Auction that are interested in obtaining this Auction Block may submit an Offer amounting to the minimum price of the Auction Block.
- C. If no Highest Bidder is determined as a result of use of the Withdrawal of the Highest Bid, the other Participants in the Auction that are interested in obtaining this Auction Block may submit an Offer amounting to size of the price of the Withdrawn Highest Offer or the price laid down according to section 4.4.5 of the Auction Regulations.

In addition to the above-mentioned possibilities for submitting Offers, Participants in the Auction also have the option of simultaneously using the opportunity to Withdraw the Highest Offer according to section 4.4.5 of the Auction Regulations for one or more Blocks for which they are the Highest Bidder. A Participant in the Auction has the opportunity to use Eligibility points that correspond to the number of Activity points for all Withdrawn Highest Offers in the relevant Auction Round to submit an Offer for different Auction Blocks in accordance with the rules of Activity defined in section 4.4.2 of the Auction Regulations.

Participants in the Auction may use the option of non-participation according to section 4.4.4 of the Auction Regulations from the second Auction Round onwards. If using the option of non-participation, the number of Eligibility points of the Participant in the Auction for the subsequent Auction Round does not change. This does not affect an increase in the number of Eligibility points using the procedure laid down in section 4.4.5 of the Auction Regulations.

If a Participant in the Auction's Eligibility points fall to zero during an Auction Round, the Participant in the Auction will lose the opportunity to participate in the Auction any further with exception of the procedure specified in section 4.4.5 in connection with the reduction of the price of an Auction Block and the related Eligibility points increase.

#### **4.3.4 The final Auction Round**

The final Round of the Auction Stage is determined as such a Round in which the following conditions are simultaneously satisfied:

- a) the Offers of the individual Participants in the Auction contain only the Auction Blocks for which these Participants in the Auction are the Highest Bidders at the beginning of the Auction Round;
- b) it is an Auction Round in which the required Minimum Activity according to section 4.4.2 of the Auction Regulations stands at a level of 100 % of the Eligibility points;
- c) there is no active use of non-participation;
- d) the right to Withdraw the Highest Offer was not used.

The final Round also takes place in the case in which the conditions laid down in (a) and (b) of the first paragraph of this section 4.3.4 of the Auction Regulations are satisfied in two consecutive Auction Rounds; i.e. at such time as all Participants in the Auction in two consecutive Auction Rounds only submit an Offer for the Auction Blocks for which they are the Highest Bidders and it is an Auction Round with the required Minimum Activity at a level of 100 % of Eligibility points. After the end of each Auction Round in which conditions (a) and (b) are simultaneously satisfied, the Office shall inform all Participants in the Auction through the EAS of the chance that the subsequent Auction Round will also be the final Auction Round according to this section 4.3.4 of the Auction Regulations if this condition is satisfied in the subsequent Auction Round.

Apart from the situations defined above in this section 4.3.4 of the Auction Regulations, the Office will also determine the final Auction Round in the case in which only one Participant in the Auction with Eligibility that exceeds zero remains in the Auction. In such case the Office will inform all Participants in the Auction following the end of the Auction Round preceding the final Auction Round.

Notification of the results of the Auction Stage according to section 4.4.6 of the Auction Regulations shall be delivered to all Participants in the Auction following the end of the final Auction Round.

#### **4.4 The rules of the Auction and the possibilities of the Participants in the Auction**

##### **4.4.1 Rules of conduct**

Section 9 of the Call for Offers lays down the terms and conditions of how Applicants must act during the Tender as a whole.

##### **4.4.2 The rules of Activity and auction cycles during the Auction Stage**

The Activity of a Participant in the Auction is limited within the Auction Stage:

- a. by the number of Eligibility points which the Participant in the Auction has at its disposal for the relevant Auction Round;
- b. based on the Spectral Limit set for the 1800 MHz band according to section 6.1 of the Call for Offers.

A Participant in the Auction has the possibility of setting different combinations of individual Auction Blocks in its Offer based on the number of Eligibility points, whilst respecting the following rules:

- all Auction Blocks are classified under Auction Categories to which the relevant number of Activity points are allocated; the sum of Activity points of all selected Auction Blocks within an Offer may not be higher than the number of Eligibility points which the Participant in the Auction has at its disposal in the relevant Auction Round;
- the Eligibility of a Participant in the Auction in the first Auction Round depends on the size of the Guarantee that it pays at the qualification stage according to section 6.3 of the Call for Offers. Eligibility is not increased any further within individual Auction Rounds, with the exception of the procedure according to section 4.4.5 of the Auction Regulations;
- the number of Eligibility points in subsequent Auction Rounds depends on the Activity of the Participant in the Auction in the last concluded Auction Round or is determined using the procedure set out in section 4.4.5 of the Auction Regulations.

The Activity of a Participant in the Auction in an individual Auction Round is calculated as follows:

- + total number of Activity points for all Auction Blocks for which the Participant in the Auction is not the Highest Bidder at the beginning of the relevant Auction Round for which the Participant in the Auction submits an Offer in the relevant Auction Round
- + total number of Activity points for all Auction Blocks for which the Participant in the Auction is the Highest Bidder at the beginning of the relevant Auction Round
- total number of Activity points for all Auction Blocks for which the Participant in the Auction was the Highest Bidder at the beginning of the relevant Auction Round and for which it Withdrew the Highest Offer during the relevant Round

**= TOTAL NUMBER OF ACTIVITY POINTS IN THE AUCTION ROUND**

The rule that the possibility of maintaining of the Participant's full number of Eligibility points at his disposal in each Auction Round is dependent on achieving or exceeding of the minimal required Activity level set for each individual Auction Round is valid during the whole Auction Stage.

The Auction Stage is divided into three auction cycles. For this purpose, an auction cycle is understood to be the part of the Auction Stage including the Auction Rounds in which the same percentage level of Minimum Activity is required for maintaining of the Participant's full number of Eligibility points. This rule is applied on currently held Eligibility points. The first Auction Round is at the same time the first Auction Round of the first auction cycle. The auction cycle ends in the Auction Round in which the Offers of individual Participants in the Auction contain only the Auction Blocks for which these Participants in the Auction are the Highest Bidders at the beginning of the Auction Round and there is no active use of non-participation in this Round. Participants are informed of the end of the auction cycle, and therefore of the increase of the minimum required level of Activity, in a report from the EAS.

The following percentage level of Minimum Activity is set out in the auction cycles:

- first auction cycle: 50 % of Eligibility points;
- second auction cycle: 70 % of Eligibility points;
- third auction cycle: 100 % of Eligibility points.

The value of minimal Activity of each Participant in the Auction in a given Auction Round will be calculated as a percentage share of the Minimum Activity set for the given auction cycle from the Eligibility points of the Participant in the Auction in the given Auction Round. In case that the calculated value of minimal Activity is not an integer, then the calculated value will be rounded down to the closest integer.

If the number of Activity points in an Auction Round reaches the required level of Minimum Activity for the relevant Auction Round, then the number of Eligibility points remains the same for the Participant in the Auction in the subsequent Auction Round. For example, if a Participant in the Auction that has 10 Eligibility points at its disposal for the first Auction Round of the first auction cycle only carries out Activity at a level of 50 % of its Eligibility points in this Auction Round, i.e. its total Activity in this Auction Round was equal to 5 Activity points, the number of its Eligibility points will be maintained for the second Auction Round.

If a Participant in the Auction fails to adhere to the Minimum Activity level in an Auction Round, the number of Eligibility points of that Participant in the Auction will be reduced for the next Auction Round. If this is the case in the first two auction cycles, then the Eligibility points of that participant are reduced proportionately to the Minimum Activity points according to the following formula:

$$\text{Eligibility for the next Auction Round} = \frac{\text{Activity in the Auction Round}}{\text{Minimum Activity in the Auction Round}} \times \text{Eligibility at the beginning of the Auction Round}$$

If the calculated value of the proportionately reduced number of Eligibility points according to the above formula is not a whole number, this calculated value will be rounded up to the closest integer. The resulting value may not, of course exceed the original value of the Eligibility points. For example, if our model Participant in the Auction, having 10 Eligibility points, only carried out 4 Activity points in the first Auction Round of the first auction cycle, the number of its Eligibility points for the subsequent round would be reduced to 8 based on the following calculation:

$$8 \text{ points of Eligibility for the second Auction Round} = \frac{4 \text{ points of Activity in the first Auction Round}}{5 \text{ points of Minimum Activity in the first Auction Round}} \times 10 \text{ points of Eligibility at the beginning of the first Auction Round}$$

If the Activity of a Participant in a given Auction Round of the third (final) auction cycle is lower than its total number of Eligibility points, then the Eligibility points of this Participant in the Auction for the next Auction Round are reduced to the level of its Activity in the given Auction Round.

The final Auction Round of the first and second auction cycle is determined as such a Round in which the Offers of the individual Participants in the Auction contain only the Auction Blocks for which these Participants in the Auction are the Highest Bidders at the beginning of the Auction Round and simultaneously there is no active use of non-participation in this Auction Round. The use of the right to Withdraw the Highest Offer does not affect the possibility of ending of an auction cycle. The first and the second auction cycle may be also ended by the Office's decision. The Auction Participants are informed about the ending of the first and second auction cycles and thereby the increase of the percentage level of Minimum Activity from the next Auction Round via an EAS report.

The final Auction Round according to section 4.3.4 of the Auction Regulation can occur only in an Auction Round with percentage level of minimal Activity set to 100% of Eligibility, i.e. only in the third (final) auction cycle.

The number of Eligibility points will not be reduced based on this section 4.4.2 of the Auction Regulations if non-participation according to section 4.4.4 of the Auction Regulations is applied in the relevant Auction Round.

#### **4.4.3 The Highest Bidder**

The Highest Bidder will be determined at the end of each Auction Round for each Auction Block for which an Offer is submitted within the relevant Auction Round. The Participant in the Auction that submits the Highest Offer for the Auction Block in the relevant Auction Round is the Highest Bidder.

In the case that a number of Participants in the Auction submit the same Highest Offer for an Auction Block, the EAS will determine the Highest Bidder based on a selection that is not directly influenced by the Participants in the Auction. The principle of selecting the Highest Bidder is based on the use of generated 128-bit binary numbers according to section 4.1 of the Auction Regulations. In the case of that a number of Participants in the Auction have the same Highest Offer, the EAS will unambiguously determine the order of all Highest Offers for the relevant Auction Block based on the fixed order number of the individual Participants in the Auction determined in advance. The relevant number of binary numbers is taken from the binary chain for each concurrence of Highest Offers (1 bit if 2 Highest Offers concur, 2 bits if three to four Highest Offers concur etc.) such that it is possible to determine the Highest Bidder for the relevant Auction Block. This procedure shall be applied to all concurrence of Highest Offers separately when evaluating each Auction Round (repeatedly, if required) until such time as the Highest Bidders are unambiguously determined for all Auction Blocks for which the Highest Offers concur.

#### **4.4.4 Non-participation and time-out**

Each of the Participants in the Auction has the opportunity not to participate in a maximum of four Auction Rounds. A Participant may not fail to participate in the first Auction Round. Non-participation allows a Participant in the Auction to avoid losing the Eligibility points which it could lose in consequence of the application of the rules of Activity defined in section 4.4.2 of the Auction Regulations for an Offer submitted in an individual Auction Round.

Non-participation may be used in the following ways:

- actively, by making a choice in the EAS when submitting an Offer;
- passively, if the Participant in the Auction does not submit an Offer within the time limit for submitting Offers in an Auction Round, in consequence of which it would lose Eligibility for the subsequent Auction Round as a result of the application of the rules of Activity.

There is no loss of Eligibility in the case of non-participation in an Auction Round.

The application of passive non-participation is not an obstacle to the completion of the Auction Stage according to section 4.3.4 of the Auction Regulations.

Each of the Participants in the Auction has the opportunity to request a “time-out” during the Auction Stage. An application made by a Participant in the Auction for a time-out will result in the discontinuation of the auction day underway, in that the next Auction Round is automatically set for the subsequent work day at 9 a.m. or the first time window for an Auction Round according to the valid time schedule. The Auction Stage will continue according to the valid time schedule of the auction day. Each Participant in the Auction may take a maximum of one time-out during the Auction Stage. All Participants in the Auction are informed of a time-out via the EAS.

Only a Participant in the Auction with non-zero Eligibility points may use the options of non-participation and time-out.

#### **4.4.5 Withdrawing the Highest Offer**

Participants in the Auction have the opportunity to withdraw the Highest Offer for one or more Auction Blocks for which they are the Highest Bidder at the beginning of the Auction Round; this they may do from the second Auction Round onwards. Each Participant in the Auction is authorised to use the opportunity to Withdraw the Highest Offer in a maximum of two Auction Rounds regardless of the number of Auction Blocks for which this possibility has been applied within the relevant Auction Round.

A Participant in the Auction that uses the opportunity to Withdraw the Highest Offer may use the corresponding number of Eligibility points for the submission of an Offer for other Auction Blocks according to the rules of Activity defined in section 4.4.2 of the Auction Regulations. In the case that the Highest Bidder at the beginning of the Auction Round uses the opportunity to Withdraw the Highest Offer and none of the other Participants in the Auction submit an Offer for this Auction Block in the relevant Auction Round, no Highest Bidder shall be determined for this Auction Block at the end of the Auction Round. The price of this Auction Block for the subsequent Auction Round will equal the price of this Auction Block when Withdrawing the Highest Offer.

If no Highest Bidder is determined in the Auction Round following the Auction Round in which there occurs the Withdrawal of the Highest Offer, the Office may reduce the price of this Auction Block for the subsequent (or a later) Auction Round by 10 % of the minimum price of this Auction Block. If such reduction of the price of an Auction Block decreases the price under its minimum price, the Office reduces the price of this Auction Block by 5 % of the minimum price of this Auction Block. The Office may repeat this procedure in subsequent Auction Rounds until such time as the final reduction of the price of an Auction Block means that the price reaches the minimum price of the Auction Block.

In each Auction Round in which the Office reduces the price of an Auction Block according to this procedure, all Participants in the Auction (including Participants with zero Eligibility that submitted an Offer in the first Auction Round), with the exception of the Participant in the Auction that undertook the relevant Withdrawal of the Highest Offer, will have their Eligibility points increased by a value corresponding to the value of the Activity points of the Auction Block (or Auction Blocks) for which the Office reduced the price. However, the number of Eligibility points for each Participant in the Auction may not exceed the number of Eligibility points that the Participant in the Auction had at the beginning of the Auction Stage. The number of non-participations and Withdrawals of the Highest Offer is not affected by this.

If the Winning Offer for an Auction Block for which there occurred the Withdrawal of the Highest Offer is lower than the price of any Withdrawn Highest Offer for the relevant Auction Block submitted during the entire Auction Stage, the Participant in the Auction that Withdrew the Highest Offer is obliged to pay the Difference between the price of each such Withdrawn Highest Offer and the price of the Winning Offer. If an Auction Block remains unallocated at the end of the Auction Stage, the size of the Difference that the Participant in the Auction is obliged to pay shall equal the entire price of its Withdrawn Highest Offer. A Participant in the Auction is obliged to act as such for each separate Withdrawal of the Highest Offer, even in the case that the same Participant in the Auction withdraws more than one Highest Offer for the relevant Auction Block.

#### **4.4.6 Determining the Winners of the Auction and ending the Auction Stage**

The Participant in the Auction that is the Highest Bidder for an Auction Block according to the terms and conditions of the Auction Regulations after the final round of the Auction Stage is the Winner of the Auction for the relevant Auction Block.

Notification of the ending and results of the Auction Stage that contains the following information shall be delivered to all Participants in the Auction in written form:

- a) the identification of the Applicants that are the Winners of the Auction, a list of the Auction Blocks they have won as offered in the Auction Stage as specific and the number of Auction Blocks they have obtained in individual Auction Categories that are offered at the Auction Stage as abstract;
- b) the prices of the Winning Offers of all auctioned Auction Blocks and the sum of all prices of the Winning Offers for the Auction Blocks that the Participant in the Auction has obtained at the Auction Stage;
- c) a list of the Auction Blocks that were not allocated at the Auction Stage;
- d) a list of the Participants in the Auction that are not the Winners of the Auction for any Auction Block;
- e) the Difference in the prices of Withdrawn Highest Offers and the prices of the Winning Offers that each Participant in the Auction is obliged to pay in consequence of the rules of Withdrawing the Highest Offer according to section 4.4.5 of the Auction Regulations.

#### **4.5 The information provided by the EAS during the Auction Stage**

A Participant in the Auction will have the following information at its disposal on the progress of the Auction Stage throughout the entire Auction Stage:

- an evaluation of all Auction Rounds carried out according to the final paragraph of this section 4.5 of the Auction Regulations;
- all reports delivered from the EAS to this Participant;
- the anticipated start time of the next Auction Round.

A Participant in the Auction will be informed of the time remaining until the end of the limit for the submission of Offers during an ongoing Auction Round. A Participant in the Auction with non-zero Eligibility will have the following information available in the form for submitting an Offer:

- a list of Auction Blocks, with information about the possibilities relating to the offer price for the relevant Auction Round and about the Highest Bidder (without revealing the identity of the Highest Bidder);
- the current number of its Eligibility points for the relevant Auction Round;
- the number of Activity points of the Offer;
- information about the size of its minimum Activity for the relevant Auction Round;
- the number of options for non-participation that it can use;
- the number of opportunities to Withdraw the Highest Offer that it can use;
- the offer prices for individual Auction Blocks and the total price of its prepared Offer in the relevant Auction Round;



- information about errors (conflict with the Auction Regulations) that do not allow an Offer to be submitted in its current form.

A detailed description of the form will be available in the EAS user manual.

The following information on the progress and results of the Auction Round will be made available to the Participant in a report after the evaluation of each Auction Round.

- an overview of the Offer that the Participant in the Auction submitted in the Auction Round;
- an overview of all the Auction Blocks for which the Participant in the Auction presently holds the Highest Offer and the prices of these Auction Blocks;
- an overview of the Auction Blocks for which the Participant in the Auction submitted an Offer in the Auction Round and did not become the Highest Bidder;
- the number of Eligibility points of the Participant in the Auction at the beginning and at the end of the Auction Round;
- the number of options for non-participation of the Participant in the Auction at the beginning and at the end of the Auction Round;
- the number of possibilities of Withdrawal of the Highest Offer of the Participant in the Auction at the beginning and at the end of the Auction Round;
- an overview of all Auction Blocks, with information about the Highest Bidders (without revealing the identity of the Highest Bidders), the current price of the Auction Block (Highest Offer or minimum price) and the total number of Activity points of all Participants in the Auction carried out in the relevant Auction Block in the Auction Round;
- the total number of Activity points of all Participants in the Auction carried out in the Auction Round;
- the total number of Eligibility points of all Participants in the Auction following the completed Auction Round valid for the subsequent Auction Round;
- information about the possible ending of the auction cycle and raising the required level of Minimum Activity for the subsequent Auction Round.

In the case of a reduction of the price of an Auction Block according to section 4.4.5 of the Auction Regulations, all Participants in the Auction will be informed about the new price of the Auction Block for the subsequent Auction Round for which the price was reduced and information about increase of their Eligibility points, if this took place in this regard, and about total Eligibility points of all Participants in the Auction for the subsequent Auction Round. This information will be sent to the contact persons of the Participants in the Auction specified in the Application and via an EAS message.

Participants in the Auction that fail to submit an Offer in the first Auction Round and Participants in the Auction eliminated during the Auction procedure on the grounds of section 6 of the Auction Regulations will completely lose access to the EAS including all of the above mentioned information.

## **5 THE DISTRIBUTION OF FREQUENCIES**

The frequency sections defined in section 6 of the Call for Offers will be allocated to the Winners of the Auction for specific Auction Blocks. To ensure the maximum effectiveness of distributing the remaining frequencies, the Office allows for the possibility of the Winners of the Auction that obtain abstract Auction Blocks agreeing on the allocation of abstract Auction

Blocks in relation to individual specific sections of the radio frequencies defined in the subject of the Tender in section 6 of the Call for Offers.

The distribution of sections of radio frequencies in individual frequency bands must, of course, take into consideration the rule of the integrity of frequency allocations if this rule is objectively possible in the relevant frequency band. The continuity of the spectrum allocated to individual Holders of allocations in the relevant frequency band should be maintained to the maximum objectively possible extent; this also applies to the continuity of free frequencies that are not allocated in the Tender.

The procedure for distributing frequency sections, which draws on the principle of openness, transparency and non-discrimination, will be undertaken according to the following rules:

1. The Winners of the Auction that obtained abstract Auction Blocks will be given the opportunity to agree among themselves on the distribution of the sections of the radio spectrum that are the subject of the Tender, or that are the subject of the Tender in one frequency band (paired and unpaired parts of the 2600 MHz band will be considered together), within a time limit of 1 month of the ending of the Auction Stage. Such an agreement must be reached by all Winners of the Auction that obtain abstract blocks in a given frequency band freely and only with the aim of purposefully distributing sections of radio frequencies. An agreement on the distribution of all radio frequencies offered in this Tender (with the exception of the specific blocks and/or sections that correspond to the extent of the abstract Auction Blocks that no Participant in the Auction obtained in the Auction Stage), individually for each frequency band, confirmed in writing by all Winners of the Auction, must be presented to the Office based on these negotiations within the time limit determined above.
2. The Office shall accept agreements of all Winners of the Auction of abstract Auction Blocks or abstract Auction Blocks in an individual frequency band (paired and unpaired parts of the 2600 MHz band will be considered together) if it is clear that the proposed distribution of frequencies does not violate the principle of integrity defined in the second paragraph of this section 5 of the Auction Regulations.
3. Should no agreement among all Holders of Abstract Blocks in any individual frequency band on the distribution of sections of radio frequencies be presented to the Office within the time limit specified in paragraph 1, the frequency sections in this band not covered by an agreement shall be distributed as follows:
  - a) in respect of the principle of maintaining the continuity of the frequency blocks of individual Holders of allocations, the Office will first distribute the frequency sections in the 1800 MHz band of those abstract Auction Blocks obtained by the Winners of the Auction that are simultaneously the Holders of frequencies in the 1800 MHz band; the Office will allocate to the Winners of the Auction only those frequency sections that directly continue on from their current allocations, and only on the condition that the continual blocks of one Winner of the Auction obtained in this way in the relevant frequency band do not prevent the continuity of a block of another Winner of the Auction:

- first to be allocation will be frequency section A-1, if T-Mobile Czech Republic a.s. obtains at least one block in Auction Category A, and frequency section A-2, if Vodafone Czech Republic a.s. obtains at least one block in Auction Category A;
  - if T-Mobile Czech Republic a.s. does not obtain even one block in Auction Category A, but O2 Czech Republic a.s. obtains at least one block in Auction Category A, frequency section A-1 will be allocated to O2 Czech Republic a.s.;
  - frequency section B-1 and, as the case may be, section B-2 will then be allocated to T-Mobile Czech Republic a.s. if that company also obtained frequency section A-1;
  - alternatively, frequency section B-1 and, as the case may be, section B-2 will then be allocated to O2 Czech Republic a.s. if that company also obtained frequency section A-1;
  - frequency section B-2 and, as the case may be, section B-1 will then be allocated to Vodafone Czech Republic a.s. if that company also obtained frequency section A-2;
- b) if only one of the frequency sections in categories A or B is allocated using the procedure specified in subparagraph a), the second of the Winners of the Auction in category A or B will be allocated the remaining frequency section. If such a Winner of the Auction in category A is also the Winner of the Auction in category B, it shall then be allocated the adjacent section or adjacent frequency sections in category B;
- c) The distribution of the other frequencies in the 1800 MHz band will be dealt with by drawing lots in order to determine the order of the Winners of the Auction for individual Auction Block Categories in the 1800 MHz band. Allocations of radio frequency sections for Auction Block Category A would be the first to be determined by drawing lots – if a Winner of the Auction determined by drawing lots in category A is simultaneously a Winner of the Auction in category B, it will also be allocated the adjacent section or adjacent frequency sections in category B. If none of the frequency sections in category B are allocated using this procedure, allocation will thereafter be decided by drawing lots;
- d) the Office will first distribute the frequency sections in the 2600 MHz band of those abstract Auction Blocks obtained by the Winners of the Auction that are simultaneously the Holders of frequencies in the 2600 MHz band and Winners of the Auction in category C; the Office will allocate to the Winners of the Auction only those frequency sections that directly continue on from their current allocations:
- first to be allocation will be frequency section D-2, if O2 Czech Republic a.s. obtains at least one block in Auction Category D;

- if a Participant in the Auction obtains at least one block in Auction Category D and the block in Auction Category C, frequency section D-1 will be allocated to this Participant in the Auction;
- e) The distribution of the other frequencies in the 2600 MHz band will be dealt with by drawing lots in order to determine the order of the Winners of the Auction for individual Auction Block Categories in the 2600 MHz band.
- f) In the case of other disputes, the drawing of lots will be decided according to the decision of the Office.

## **6 ELIMINATING AN APPLICANT DURING THE AUCTION**

An Applicant may be eliminated from further participation in the Tender during the Auction in accordance with the terms and conditions laid down in section 8 and section 12 of the Call for Offers.

If this Participant in the Auction is the Highest Bidder for an Auction Block during the last completed Auction Round, the Highest Offer will automatically be Withdrawn for this Auction Block and procedure in the next Auction Round will be the same as if the Highest Offer had been Withdrawn according to the procedure defined in section 4.4.5 of the Auction Regulations.

If such elimination occurs during the Distribution of Frequencies, the Office will decide on how to proceed thereafter, whereby if such an eliminated Applicant is the Winner of the Auction for a significant number of Auction Blocks, the Office may, at its own discretion, either continue in the Distribution of Frequencies without the participation of the eliminated Applicant or decide to repeat the Auction Stage or to cancel the Tender.

## **7 THE ENDING OF THE AUCTION**

The Office shall inform all Applicants of the ending of the Auction and of the distribution of radio frequencies to the Winners of the Auction by publishing notification of the ending of the Auction on the Office's website. The Office shall also deliver such notification to all Applicants.

This notification will comprise the following information:

- a) identification of the winning Applicants;
- b) identification of the sections of the radio spectrum that individual Applicants / Winners of the Auction obtained in individual bands (Auction Categories);
- c) the prices of all obtained frequency sections of the radio spectrum allocated based on this Tender;
- d) a list of the frequency sections of the radio spectrum that were not allocated;
- e) a list of the Participants in the Auction that bid for radio frequencies unsuccessfully;