

Auction announced in the subject of rights of use of frequency related to the provision of mobile telecommunications service in the 900 MHz band



Budapest, 25th November, 2011

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Annex 1 – Technical annex

Annex 2 – Order and conditions for submitting bidding sheets

This document is the auction documentation of the auction (hereinafter: Auction) for the rights of use of frequency related to mobile telecommunications services provided in the 900 MHz band (hereinafter: Documentation) published by the National Media and Infocommunications Authority, Hungary (1015 Budapest, Ostrom u. 23-25., hereinafter: Contracting Authority) on 4 August 2011 on the Contracting Authority's website (hereinafter: Auction Notice) announced pursuant to the conditions set out in Act 100 of 2003 on Electronic Communications (hereinafter: Electronic Communications Act) and in NMHH Decree 4/2011 (X. 6.) on the rules of auction or tender for obtaining rights of use of frequency (hereinafter: Decree on the rules of auction or tender), specifying the detailed rules of the Auction and of application.

The auction procedure shall be conducted pursuant to the Electronic Communications Act, the rules of Act 140 of 2004 on the General Rules of Administrative Proceedings and Services (hereinafter: Administrative Proceedings Act) governing public administrative procedures and the Decree on the rules of auction or tender, and in line with the conditions set out herein. The Documentation specifying the detailed rules of the Auction and application shall be applied in issues arising from the auction procedure.

I. FUNDAMENTAL PROVISIONS

1.1. Definitions

The terms used herein shall be construed as follows; all other definitions shall be determined by the relevant legislative provisions.

"start of the auction procedure"	The day of publication of the Notice by the Contracting Authority on its website
"Frequency block"	The frequency bands defined in this Documentation that can be obtained by the participant
"incumbent mobile operator"	Electronic communications operator operating a mobile telephone network and providing retail mobile telephone services on the territory of the Republic of Hungary at the time of publication of the Notice
"Minister"	Minister of National Development
"day"	calendar day
"new licensee"	New company entering the market having acquired rights arising from the current auction procedure, other than the incumbent mobile operator
"non-incumbent mobile operator"	Person or organisation applying for and/or participating in the current auction procedure, other than the incumbent mobile operator defined in item c) above

1.2. Contact and notifications

The applicant shall provide the name and personal identification data of the person with full powers of representation (hereinafter: representative) in the auction procedure when applying (hereinafter: Application) for the Auction, and shall submit the document certifying the power of representation, as well as the name, personal identification data and contact details (telephone number, fax number, email, mailing address in Hungary or agent for service of process as per Act CXL of 2004 on the General Rules of Administrative Proceedings and Services (hereinafter: Administrative Proceedings Act)) of the contact person (hereinafter: contact person) as per this Section.

Applicants/participants may request forms of electronic liaison on the basis of the relevant rules of Administrative Proceedings Act and Act 60 of 2009 on Electronic Public Services.

Any information shared with the person appointed as contact person shall qualify as legally effective notification of the applicant/participant and all of the joint applicants in case of Joint Application as per Section 3.10. The Contracting Authority shall liaise with the contact person via mail and/or fax, as per the following.

The Contracting Authority shall deliver all forms and documents related to the auction procedure to the mailing address in Hungary provided for the contact person or to the agent for service of process as per the Administrative Proceedings Act. The Contracting Authority shall treat all authority decisions made in the course of the procedure as official documents, pursuant to the rules set out in the Administrative Proceedings Act.

The Contracting Authority shall communicate with the contact person via fax when the applicant/participant provides a fax number in the protocol when acquiring the hardcopy form of the Documentation as per Section 2.5 or in the Application, or provides such number at any time during the auction procedure, and expressly consents to the use of such number for liaison purposes in a relevant statement. When the applicant/participant has consented to liaison via fax, any document sent to the fax number provided — with the exception of authority decisions — shall qualify as legally effective delivery to the applicant/participant and all joint applicants/participants applying within the consortium in case of Joint Applications from the moment of confirmation of successful delivery.

The Contracting Authority may also simultaneously send the documents dispatched via mail and/or telefax in email for the sake of more efficient and faster liaison, with unchanged content, if the applicant/participant has provided an email address and has consented to the use of such address for liaison purposes. Any communication via email is void of legal effect, and in case of any discrepancies, the communication sent via postal mail or telefax shall have legal effect.

Any changes in the identity or data of the contact person shall be reported to the Contracting Authority in writing within three days in a duly signed original statement, sent in one copy via mail or delivery services. The Contracting Authority shall only take into account the changes in the identity or data of the contact person following the receipt of the original copy of the statement satisfying the criteria defined in this Section.

All statements, documentations and other documents related to the auction procedure shall be delivered to the Contracting Authority's official address or fax number in writing, via mail, personal delivery or fax, except when provided otherwise by this Documentation or any amendments thereto, or when the Contracting Authority — stemming from the action or nature of the document — defines a compulsory delivery method.

Any documents sent to the Contracting Authority in any phase of the auction procedure can be deemed effectively delivered only when the Contracting Authority has received the

original copy of such document. For the sake of faster processing of statements and documents and in order to improve the efficiency of the auction procedure statements, documents and other forms may also be sent via email simultaneously to delivery by post, with such notification by email having no legal effect; in case of any discrepancies the contents of notification sent by mail shall prevail.

Any document delivered to the Contracting Authority as set out in this Section shall only be considered adequate in the auction procedure — unless otherwise specified by the Documentation — when it fully satisfies all requirements with regard to form and content defined in this Documentation and when the signature of one of the following persons appears on the document:

- the contact person of the applicant/participant;
- the person(s) authorised to sign on behalf of the applicant/participant or the persons duly authorised by the him/her/them or
- In case of Joint Application as per Section 3.10, the representative defined by the consortium agreement or the person duly authorised by him/her.

Contact details of the Contracting Authority:

Nemzeti Média- és Hírközlési Hatóság (National Media and Infocommunications Authority, Hungary)
Központi Ügyfelfogadó Iroda (Central Customer Service Office)
Address: 1133 Budapest, Visegrádi u. 106.
Telephone: (+36 1) 468 0673 Fax:
(+36 1) 4680680
e-mail: info@nmhh.hu

Section 4.2.1 sets out the special rules governing liaising in the course of electronic bidding.

1.3. Planned agenda for the auction procedure

The Contracting Authority plans to conduct this auction procedure along the following schedule. The dates are only indicative in the Documentation.

- 1) Publication of the Notice and the Documentation: 4 August 2011
- 2) Consultation: 27 September 2011
- 3) Application deadline: 8 December 2011
- 4) Opening of Applications: 9 December 2011
- 5) Registration: 2 January 2012
- 6) Bidding phase
 - First round
Frequency block "A" - first round: 5 January 2012 - 12 January 2012.*
 - Second round:
Frequency block "A" - second round: From the business day that the unsuccessful first round is announced - until 12 January 2012*
 - b) Establishment of the order of bids made for frequency blocks "B" and "C":
From the business day following the successful closure of the first round

Megjegyzés [C1]: csillagra

* The Contracting Authority may conclude the round before this closing date. Conclusion prior to the final date shall not qualify as amendment of the Documentation.

or the establishment of the result of the second round as per Point a) - until 13 January 2012*

- 7) Block location selection phase: The tenth day following closure of the bidding segment - 23 January 2012 in case of the planned closing date
- 8) Decision concluding the Auction: The tenth day following block selection - 31 January 2012 in case of the planned closing date

II. SUMMARY

2.1. Purpose of the Auction

2.1.1. The priority purpose of the National Media and Infocommunications Authority, Hungary (hereinafter: Authority) is the long-term improvement of consumer welfare.

2.1.2. To achieve this purpose one of the aims of the Auction is to foster competition on the market for mobile services.

- The entry of new market participants capable of and willing to building new own infrastructure through the acquisition of the rights of use for the announced frequency blocks serves this very objective.
- In the absence of such actors, competition can also be increased when an incumbent mobile operator already present on the market acquires a consecutive duplex frequency block of at least 5 MHz, as the utilisation of such a frequency block and the fulfilment of the undertaken broadband (other than GSM) service access coverage obligation could immediately expand the range and scope of its broadband services; furthermore, the operator would be under the obligation to expand its service access coverage with the conditions set out in the Documentation, spurring its competitors into making further investments.

2.1.3. The Auction also contributes to achieving the priority purpose of this procedure by promoting the construction of efficient networks, thus serving the reduction of market prices.

- Utilisation of the frequency blocks forming the subject of the Auction, and providing services based on them can allow more-cost effective network coverage for the provision of broadband services in less densely populated areas currently without coverage.
- The announced set of frequencies could contribute to optimising the current 900 MHz GSM networks.

2.1.4. The purpose of the Authority is to achieve efficient spectrum management. To that end, it allows the usage of scarce spectrum assets based on the abovementioned competition criteria by actors that are capable of generating and achieving the greatest value to society through the usage of the frequency blocks forming the subject of the Auction.

The Auction, as the method of sales, selects the actors attributing the greatest value to the frequency. However, as the majority of the value created by the new licensee is translated towards consumers through the effects of increasing competition (and is not included in the frequency assessment of the new entrant). Two groups of competition assessment criteria shall be distinguished: one for new licensees, the other for existing licensees. The Auction, as the method of sales, thus ensures efficient spectrum management within distinct groups.

2.1.5. Finally, another purpose of the Auction is also to achieve state revenue with spectrum assets under the flag of responsible management of national assets. The adequate auctioning method is also capable of ensuring state revenues, over and above defining and enforcing initial minimum criteria for state objectives independent of revenue.

2.2. Subject of the Auction

The subject of the frequency auction related to mobile telecommunications services is the acquisition of rights of use for the frequency blocks in the 900 MHz band and, in the event that a non-incumbent mobile operator acquires rights for frequency block "A", for the rights of use of the frequency blocks in the 1800 MHz and 2100 MHz bands.

Description of the frequency blocks forming the subject of this Auction:

2.2.1. One EGSM-band duplex frequency block of 5 MHz in the 880.1-885.1/925.1930.1 MHz band (hereinafter: frequency block "A");

and optionally for the new licensee at the fixed price defined in the Documentation in the event of its winning bid:

three duplex frequency blocks of 5 MHz each in the 1725.1-1740.1/1820.11835.1 MHz band (hereinafter referred to collectively as: frequency block "D"); three UMTS-band duplex frequency blocks of 5 MHz each in the 1965/1980/2155-2170 MHz band (hereinafter referred to collectively as: frequency block "E"), as follows;

frequency blocks "D"

Frequency block "D1": 1735.1 -1740.1 / 1830.1 -1835.1 MHz

Frequency block "D2": 1730.1-1735.1 / 1825.1-1830.1 MHz

Frequency block "D3": 1725.1-1730.1 / 1820.1-1825.1 MHz

frequency blocks "E":

Frequency block "E1": 1975-1980 / 2165-2170 MHz

Frequency block "E2": 1970-1975 / 2160-2165 MHz

Frequency block "E3": 1965-1970 / 2155-2,160 MHz;

2.2.2. one EGSM duplex frequency block (hereinafter: frequency block "C") of 0.8 MHz, and four EGSM duplex frequency blocks of 1 MHz (hereinafter each 1 MHz blocks shall be referred collectively to as: frequency block "B") in the 885.1-889.9/930.1-934.9 MHz band;

2.2.3. one PGSM band duplex frequency block of 1 MHz in the 913.9—914.9/958.9— 959.9 MHz band (hereinafter: frequency block "B").

The exact location of frequency blocks "A", "B", and "C" within the 900 MHz band, the position and limits of frequency blocks shall be defined as the outcome of the Auction.

Among the frequency blocks forming the subject of this Auction, a participant can acquire rights of use for a duplex frequency range with a maximum total bandwidth of 7.8 MHz within the 900 MHz frequency band (hereinafter: spectrum maximum).

Only non-incumbent mobile operators fulfilling the conditions set out in this Auction Notice may participate and submit a bidding sheet in the first round as per Section 4.2.1.

The winner of the first round can acquire rights of use for purchasing duplex frequency blocks "D" and "E" either in their entirety or partially at the price defined in the Documentation, in the following manner: frequency block "D1" or frequency blocks "D1" and "D2" jointly, or the entire frequency block "D", and/or frequency block "E1" or frequency blocks "E1" and "E2" jointly, or the entire frequency block "E".

2.3. Usability of the frequency obtained in the Auction

The winners of the Auction are granted exclusive rights in respect of the frequency blocks specified under Section 2.2 to initiate a procedure with the Authority for the issuance of authority licences required for the usage of the frequency blocks thereby acquired.

A legal person, business organisation with no legal personality, other registered organisation or sole entrepreneur/sole proprietorship — fulfilling all statutory conditions — may install and operate GSM, UMTS, LTE, and WiMAX networks for the provision of public mobile telecommunications services based on the frequency usage licences, in line with the following.

Winners of the Auction are entitled to sell and resell the frequency block in the context of secondary trading, with the restriction defined under Section 5.5. The detailed description and the rules of usage of the frequency blocks forming the subject of the Auction are specified in this Documentation, in particular the requirements set out in Annex 1, and in the legislation governing frequency usage (in particular Government Decree 346/2004 (XII. 22.) on the establishment of the national allocation of frequency bands and NMHH Decree 7/2011 (X. 7.) on the establishment of the rules relating to the usage of frequency bands.

The obligation to build networks and launch services only applies to new licensees. Annex 1 contains the detailed rules of coverage, service launching and network construction obligations applying to new licensees.

The new licensee shall put all frequency bands acquired for the service into use. The extent of usage shall be defined by traffic and network planning needs. The launch date of the service by the new licensee shall be considered as the service launch date indicated in the compulsory report to be submitted prior to the provision of the electronic communications service, pursuant to Section 76 of the Electronic Communications Act, provided that the Authority does not deny the registration of the licensee. When the new licensee fails to define the exact date of launch of service in its report as per Section 76 of the Electronic Communications Act, the date indicated in the notification as per Section 77 (2) of the Electronic Communications Act shall be considered as the service start date. The service can be launched contingent to the licensee fulfilling all the conditions defined in the rules governing electronic communications services and in this Documentation for the provision of electronic communications services at the time indicated in the report or the notification (i.e. the service can be lawfully provided and lawfully used by subscribers). When the incumbent mobile operator acquires rights for frequency block "A", the broadband (other than GSM) service access coverage obligation defined in Annex 1 shall apply.

The Authority shall be entitled to verify compliance with this condition, as well as with the contents of the report in the context of an authority surveillance procedure.

The period of the rights of use for all obtained/purchased frequency blocks is uniformly fifteen (15) years starting with the date of acquisition of the frequency right. Additional rules on the utilisation of frequency blocks are set out in this Documentation and the substantive resolution concluding this auction.

2.4. Publication of the Notice

The Notice shall be published by the Contracting Authority in the Official Gazette published as a supplement to the Hungarian Official Journal, and electronically on its website. The publication date shall be the date of publication on the website of the Contracting Authority.

2.5. Acquiring the Documentation

The Documentation can be obtained in printed form from the date of publication of the Notice until the application deadline, following the transfer of the Documentation fee to the Contracting Authority at the Contracting Authority [National Media and Infocommunications Authority, Hungary Központi Ügyfélfogadó Iroda, 1133 Budapest, Visegrádi u. 106., between 9:00 am and 2:00 pm Monday through Thursday, and between 9:00 am and 12:00 pm on Fridays]. The Documentation fee shall be transferred to the Contracting Authority's account number 10032000-00300939-00000017 held at the Hungarian State Treasury, specifying "auction Documentation fee for the 900 MHz frequency band".

The Documentation fee is HUF 25 000, that is Twenty-Five Thousand Hungarian Forints.

Proof of the irrevocable transfer shall be presented by the party intending to acquire the Documentation.

The Contracting Authority shall draw up a protocol on the hand-over of the Documentation.

The protocol may not be deemed as registration for the Auction (hereinafter: registration) as per Section 3.21.

The Documentation can be downloaded from the Contracting Authority's website in electronic form free of charge, but acquiring the Documentation in this form (downloading) does not in and of itself grant eligibility for participating as applicant in the auction procedure, or for participating in the consultation.

2.6. Formulation of questions, consultation

The Contracting Authority shall hold a consultation on 27 September 2011 at 10:00 am, at the Event and Training Centre of the National Media and Infocommunications Authority, Hungary (1027 Budapest, F6 u. 80.). Persons or organisations, or their appointed representatives — up to four (4) persons representing each party — that have acquired the Documentation in the manner set out in section 2.5 herein and in the Notice are entitled to take part in the consultation. The information provided at the consultation primarily pertains to the parameters, the usage and circumstances of usage of the set of frequencies to be auctioned, and the activities that can be carried out using the frequency.

The Contracting Authority shall provide the opportunity for the formulation of questions regarding the content of the Documentation prior to application, and for the formulation of written questions by participants following registration.

Prior to the application deadline, those entitled to do so may submit their questions in writing at any of the 1133 Budapest, Visegrádi u. 106. or 1376 Budapest, Pf. 997. postal addresses, or via fax at (+36-1) 468 0680 by the date set out under Section 8 (4) of Decree 4/2011 (X. 6.) at the latest.

2.7. Modification of the auction notice documents

The Contracting Authority may amend the Notice and the Documentation pursuant to the rules set out in NMHH Decree 4/2011 (X. 6.).

2.8. The minimum price of frequency blocks "A", "B" and "C" and the (fixed) price of frequency blocks "D" and "E".

2.8.1. The minimum price of frequency blocks "A", "B" and "C":

	MINIMUM PRICE
Frequency block "A" - first round	HUF 4,000,000,000
Frequency block "A" - second round	HUF 4,000,000,000
Frequency block "B"	HUF 700,000,000/item
Frequency block "C"	HUF 560,000,000

2.8.2. The fixed price of frequency blocks "D" and "E" that may be purchased optionally in the event of a winning bid by a non-incumbent mobile operator in first round:

	FIXED PRICE
Frequency block "D1"	HUF 1,000,000,000
Frequency block "D1" + "D2"	HUF 2,000,000,000
Frequency block "D1" + "D2" + "D3"	HUF 3,000,000,000
Frequency block "E1"	HUF 1,000,000,000
Frequency block "E1" + "E2"	HUF 2,000,000,000
Frequency block "E1" + "E2" + "E3"	HUF 3,000,000,000

Prices are exclusive of value added tax.

2.9. Suitability criteria, conditions of participation and conflict of interest

2.9.1. The following registered business organisations, other registered organisations, sole entrepreneurs, sole proprietorships or natural persons may take part in the auction procedure, either individually or as part of a consortium as per Section 3.10:

- a) those with no overdue frequency fee payment obligations towards the Contracting Authority (the Contracting Authority shall verify outstanding frequency fee payment obligations based on its own records; applicants are not required to provide a certificate thereof);
- b) those that do not have customs duty or social security contribution payment debt overdue for more than 60 days or did not fail to fulfil their tax payment obligation registered by the central tax authority or other obligation of payment to a dedicated state fund, except when the creditor gave its written consent to payment of the debt at a later date;
- (c) those that are not under a procedure of bankruptcy, liquidation or voluntary dissolution;
- (d) those that have obtained the Documentation in a manner set out in the Notice and under section 2.5 herein, and have paid the participation fee;
- (e) those complying with the conditions defined in this Documentation and other conditions set out in the legislation on the rules of frequency band usage defined for the set of frequencies.

2.9.2. Only persons that comply with the following conflict of interest rules may participate in the auction procedure, individually, as part of a consortium or as a member within a consortium (in case of a consortium, members shall comply with conflict of interest rules individually, in other words, each consortium member shall be assessed individually from the perspective of conflict of interest):

- a) Natural or legal persons, business organisation with no legal personality, other registered organisations or sole entrepreneurs/sole proprietorships holding a controlling stake in each other.

A controlling share is:

- a direct and indirect stake in a company, the total of which provides control in excess of twenty-five percent of the company's assets or voting rights; direct and indirect stakes of close relatives as per Article 685 b) of the Civil Code shall be combined;

- any situation which makes a controlling influence in the company possible on the basis of a contract, the deed of foundation (bylaws) or preferred stock, through the appointment (removal) of the decision-making or supervisory bodies or in any other way.
- b) Natural or legal persons, business organisations with no legal personality as well as other registered organisations or sole entrepreneurs/sole proprietorships the ownership background of which cannot be established or whose majority owner or controlling entity under Act 57 of 1996 on the Prohibition of Unfair and Restrictive Market Practices (hereinafter: Competition Act) is a controlled foreign company as per Act 81 of 1996 on Corporate Tax and Dividend Tax may not participate in the Auction, with there, however, being no requirement from the perspective of this Auction for the ultimate beneficial owner to be a resident company, or for the company to generate the majority of its revenues domestically.
- (c) Natural persons and legal entities, business organisations no legal personality, other registered organisations, sole entrepreneurs or sole proprietorships with controlling stakes in each other or in an incumbent mobile service provider may not participate simultaneously in the Auction, neither individually nor as part of a consortium.
- A controlling relationship shall mean, pursuant to Sections 23 (2) and (3) of the Competition Act, that an undertaking or several undertakings jointly:

- has the ownership of the interests or shares of another undertaking entitling them to exercise majority voting rights, or are holders of more than fifty per cent of the voting rights; or
- are entitled to appoint, elect or recall the majority of the executive officials of another undertaking; or
- are entitled by contract to exercise decisive influence on the decisions of another undertaking; or
- acquire the ability on a factual basis to exercise decisive influence on the decisions of another undertaking.

Control is also exercised by one undertaking over another undertaking (or organisation) which is controlled, solely or together with it, by a third party under its control or is jointly controlled by third parties under its control.

2.9.3. An incumbent mobile operator, whether on its own or as part of a consortium, may take part in this Auction only upon undertaking the obligation in a separate written statement, irrevocable and unconditional, of providing domestic roaming services to the new licensee having acquired rights for frequency block "A" in order to decrease its competitive disadvantage, in the event that the licensee requests such services, the conditions of which are set out under Section 5.4, and upon agreeing, in a separate written statement, to comply with the conditions of access coverage for the broadband service other than GSM as specified in Annex no. 1 to this Documentation.

2.9.4. Participants may only take part in this auction procedure when they undertake the obligation in a separate written statement, irrevocable and unconditional, to consider the stipulations of Section 5.11 on the reshuffling of the 900 MHz band binding in the event of their winning bid.

2.9.5. Non-incumbent mobile operators may only take part in this auction procedure when they undertake, in a separate written statement, irrevocable and unconditional, the obligation to fulfil the service launching, network construction, coverage and other conditions set out under Annex 1 hereto in the event of their winning bid based on the first round.

2.9.6. Non-Hungarian applicants may only participate in this auction procedure when, in their statement, they undertake an irrevocable and unconditional obligation to establish, in the

event of a winning bid, a business organisation with legal personality or an organisation, branch office or agency without legal personality in its exclusive ownership and headquartered in Hungary within ten (10) days of the binding, substantive resolution concluding the auction procedure and to transfer the rights of use of frequency acquired in this auction procedure within fifteen (15) days of the binding, substantive resolution concluding the auction procedure to such company taking into consideration the provisions set out in this Documentation, the Decree on the rules of auction or tender and Decree 6/2004 (IV. 13.) of the Ministry of Informatics and Communications on certain administrative procedures of civil frequency management or to a resident business organisation, association or alliance that is in its exclusive ownership (hereinafter: controlled entity) at the time of submission of the Application, in a certifiable manner. The applicant may only transfer rights of use of frequency to a controlled entity that complies with all of the subject-related and conflict of interest conditions, and the conditions set out under Section 3.16.1 defined for individual (not consortium member) applicants herein and in the relevant legislation. The applicant shall issue an irrevocable and unconditional declaration on compliance with the above conditions in the context of Application. Transfer of rights to the controlled entity as per Point ca) or to the consortium member or business organisation established by the consortium members as per Point cb) shall not qualify as reselling, transfer or secondary trading as per the Electronic Communications Act, the applicable legislation or Section 5.5 of the Documentation. The participant having been declared the winner of the Auction is required to take all steps necessary in order to ensure that the controlled entity complies with the provisions of the decision closing the auction procedure and of authority license(s) and resolution(s) issued in connection thereto. In its unconditional and irrevocable statement of commitment as specified herein, a non-Hungarian applicant shall also acknowledge, for the event that it is selected as the winner, being jointly and severally liable for all obligations arising from the awarded rights of use of frequency including the obligations of its subcontractors on behalf of the controlled entity under administrative and public administration procedural law even in the case that the decision closing the auction procedure or the authority licenses and resolutions issued in connection fail to specify the winning participant or the controlled entity separately for each individual obligation. Should the provisions of the decision closing the auction procedure and of the authority license(s) and resolution(s) issued in connection are violated the Authority may decide by applying the legal consequences set forth in the Electronic Communications Act, whether to have the controlled entity, the winning participant or both subjected to its sanctions. The winning participant and the controlled entity shall be jointly and severally liable for all and any actions thereby imposed.

2.9.7. No modifications, changes or legal succession in the person of the applicant/participant shall be allowed during the auction procedure.

2.9.8 No incumbent mobile operator, undertaking (non-incumbent mobile operator) with any direct or indirect relationship of ownership or control, or any other contractual or other actual affiliation giving it actual influence in any form over decisions with an undertaking wielding a controlling influence or exercising control over the incumbent mobile operator, or an undertaking the founder of which is the same as one of the undertakings having established the incumbent mobile operator may take part — individually or as part of a consortium — in the first round.

2.10. Method, place and time of submission of applications for the auction

In order to apply for the auction, all documents necessary pursuant to the Decree on the rules of auction or tender and the Documentation shall be submitted by the applicant having

paid the participation fee and having acquired and purchased the Documentation in the manner defined in the Notice.

All statements, deeds, certificates specified under Sections 2.9 and 3.12 (and under Section 3.10 in case of Joint Applications) shall be appended to the Application, as well as all compulsory elements set out in the Documentation and in the Decree on the rules of auction or tender, in the required format and number of copies. Applications of applicants can be submitted at the address of the Contracting Authority, taking into account the requirements with regard to form and content specified in the Documentation:

Nemzeti Média- és Hírközlési Hatóság (National Media and Infocommunications Authority, Hungary)

Központi Ügyfelfogadó Iroda (Central Customer Service Office)

Address: 1133 Budapest, Visegrádi u. 106. between 9:00 am and 2:00 pm on 8 December 2011.

When receiving an Application, the Contracting Authority shall inscribe the exact time and date of receipt on the sealed packages, simultaneously issuing an acknowledgement of receipt. Applicants may submit any additional necessary documents separately before the expiry of the application deadline, in keeping with the formal requirements set out under Section 3.11 of the Documentation. The Contracting Authority shall also inscribe the exact time and date of receipt on such subsequently submitted documents issuing an acknowledgement of receipt. One applicant may only submit one Application. When an applicant submits several Applications the Contracting Authority shall only consider the Application submitted at the latest date as the only submitted Application.

III. RULES OF PROCEDURE

3.1. Fundamental principles of the auction procedure

The Contracting Authority shall proceed in line with the effective legislation — in particular the stipulations set out in the Electronic Communications Act, the Administrative Proceedings Act, the Decree on the rules of auction or tender —, and

with this Documentation, taking into consideration the criteria of objectiveness, transparency, non-discrimination and proportionality. In order to fulfil the fundamental principles and the objectives defined in the Electronic Communications Act, the Administrative Proceedings Act, the Decree on the rules of auction or tender the Contracting Authority shall proceed in line with the requirement of equal treatment.

The Contracting Authority shall also take into account the criterion of cost-effectiveness conducting the auction procedure in a manner that allows its fastest conclusion respecting the statutory deadlines and yielding a result. Applicants/participants shall proceed in line with the principles of good faith and fairness in the auction procedure, and shall cooperate with the Contracting Authority for the sake of the fast and successful closure of the procedure. Applicants/participants shall not conduct themselves in a manner aimed at deceiving the Contracting Authority, shall not issue statements (including the Application) in the course of the auction procedure that contain false (incorrect, erroneous) facts and shall not conceal any data substantial from the perspective of the Auction in any of their statements (including the Application). Applicants/participants shall be liable for the adequacy, valid grounds, timeliness, credibility and truthfulness of the contents of their statements (including the Application) issued in the context of the auction procedure. In the event of the violation of the requirements pertaining to documents and statements defined under this Section, the Contracting Authority may apply the legal consequences set out under Section 3.9.

3.2. Language of the procedure

The official language of the auction procedure shall be Hungarian. The Auction and all communication between the applicants/participants and the Contracting Authority pertaining to the Auction shall be conducted in Hungarian. If the applicant submits a document in a language other than Hungarian, it shall append the certified Hungarian translation thereof. In the event of dispute, the Hungarian version shall prevail.

Any documents made available by the Contracting Authority in a foreign language shall only serve informative purposes.

3.3. Hierarchy of the auction documents

The auction notice includes the Notice published on the auction procedure, this Documentation specifying the detailed conditions and provisions of the auction (along with its technical annexes) and any amendments to the Documentation or the Notice.

In the event of any discrepancy between the documents forming part of the auction notice, the prevailing order among the documents shall be the following: amendments to the Documentation, this Documentation, amendments to the Notice and the Notice.

3.4. Protection of trade secrets

During the auction procedure — in particular when allowing the inspection of the documents, the announcement of the decision and its publication — the Contracting Authority shall ensure the protection of the secrets and personal data defined under Section 172 n) of the Administrative Proceedings Act protected on a statutory basis.

Applicants/participants may request the restriction of document inspection rights specifying the data in question (e.g. the documents of the Application or other data or document delivered to the Contracting Authority) on the grounds of the protection of its business and other legitimate interests.

Any data, document, information or notification delivered to the Contracting Authority by the applicant/participant in the context of the auction procedure shall only be deemed as a trade secret when qualified as such by the applicant/participant in line with the relevant legislation. The data defined under Article 81(3) of the Civil Code and the bid amounts, which the Contracting Authority may make public and announce to participants defined herein to the extent required by the auction procedure and for ensuring compliance with legislative requirements, shall not qualify as trade secrets. The resolution on the merits concluding the auction procedure and any annexes can be revealed or published by the Contracting Authority to the extent set out in the effective legislation — with special regard to legislation regulating the issuance and revelation of data of public interest and for reasons of public interest. Qualification by the applicant/participant as a trade secret shall not restrict the Contracting Authority from fulfilling its public disclosure obligation pursuant to the relevant legislation, while providing adequate guarantees for the protection of data lawfully qualified as a trade secret.

The Contracting Authority reserves the right to publish information from the Applications for the auction procedure submitted by applicants as per this Documentation to the extent and to the group required for carrying out the Auction among the other applicants/participants taking part in the procedure, in keeping with the principles of necessity, proportionality, transparency, objectiveness and non-discrimination and keeping the personal data of applicants/participants private.

Applicants/participants acknowledge that the Contracting Authority shall treat the entirety of the Application submitted by them, the annexes and amendments, the portions submitted in the context of rectifying deficiencies and the written questions submitted to the Contracting Authority in compliance with the Electronic Communications Act — in particular Sections 27-33 thereof —, and with the other relevant legislation governing the handling of data. Accordingly, the Contracting Authority, the Contracting Authority's officers, employees, authorised parties, experts and organisations and persons acting on their behalf, as well as other persons or bodies authorised based on legislation may gain knowledge of data, information and documents classified as trade secrets without the separate consent of the applicant/participant, in keeping with the rules governing the protection of trade secrets.

The Contracting Authority, the Contracting Authority's officers, employees, authorised parties, experts and organisations and persons acting on their behalf, as well as applicants/participants shall preserve trade secrets and ensure that no unauthorised persons gain access to them. Data, information and documents qualifying as trade secrets or not qualifying as such pursuant to Article 81 (3) of the Civil Code shall only be used or made available to third parties by the Contracting Authority, the Contracting Authority's officers, employees, authorised parties, experts and organisations and persons acting on their behalf, as well as applicants/participants for the for the fulfilment of their obligations related to the preparation of the Application to the Auction, to the assessment of Applications and those defined in legislation, with due heed to the rules on the regularity of the Auction set out under this Section, and Sections 3.6 and 3.8.

Applicants/participants shall inform their employees, colleagues, authorised parties, fulfilment partners and all other cooperating entities involved in the Auction on the confidential nature and scope of the data, information and documents qualified as trade secrets and shall oblige them to fulfil their obligation regarding the preservation of trade secrets. Applicants/participants shall be held liable for the conduct of their cooperating entities as if they were their own.

Upon the Contracting Authority's separate request, the applicant/participant shall clearly specify the data among the data qualified as trade secret the revelation or publication of which would entail disproportionate damage to the applicant's/participant's business interests, providing justification thereof.

3.5. Copyrights

Applicants/participants hereby acknowledge that the Contracting Authority shall acquire non-exclusive rights of use free of charge for the entire duration of the copyright period, for the complete Application submitted — including the information contained therein — whether in its entirety or in parts, as well as any other material, submission or question submitted in written or electronic form to the Contracting Authority in the context of this Auction (hereinafter, in this Section as: other submissions). This right — taking into consideration the rules on the protection of trade secrets and pertaining to data of public interest — extends to the usage of the Applications and other submissions submitted by the applicant/participant related to this auction procedure, in particular their printed copy or electronic reproduction and their usage in the work material prepared by the Contracting Authority on the Auction (including revision and publication). The Contracting Authority shall be entitled to exercise such rights in an unrestricted manner via the intermediary of its authorised parties or experts, the bodies or persons acting on the behalf thereof, and the persons or bodies authorised on the basis of legislation.

3.6. The applicant's and participant's responsibility regarding the Auction

In the course of the Application the applicant - this also includes consortium members in the case of a consortium application - shall issue a statement stating its acknowledgement of the content of the Documentation and the Notice as binding. The applicant shall be responsible for the examination and interpretation of the Documentation including the technical conditions and specifications appended in the annex, the forms and statements. The applicant/participant shall acknowledge the risks that its failure to fulfil the requirements with regards to form and content defined in the relevant legislation or the Documentation may result in the Contracting Authority denying its registration or deleting its entry thereof. The applicant shall be responsible for assessing the domestic electronic telecommunications market and the legislative environment governing electronic telecommunication activities and any related risks. The Contracting Authority assumes no responsibility for any disadvantage affecting the applicant/participant in connection with its failure to adequately assess the domestic electronic telecommunications market and the legislative environment governing electronic telecommunication activities during or following the Auction.

The applicant/participant shall bear all costs of preparing and submitting the Application. Reimbursement of the participation fee may only be possible in the cases defined in the Decree on the rules of auction or tender; the applicant/participant shall in all other cases not reclaim its costs related to the Auction from the Contracting Authority, its authorised party, cooperating entity or any other public administrative body or authority on any grounds irrespective of the Auction's outcome.

Applicants/participants shall refrain from any conduct that may influence the outcome of the Auction in any form, unfairly influence the decision of another applicant/participant, thus, in particular, from any form of collusion and from making any — in particular public (press, electronic media, online websites or forums) — declarations, statements, or implications that apply to (a) the value of the rights of use of frequency that can be acquired; (b) the conditions of participation in the Auction or the contents of the Application; (c) the conduct of applicants/participants vis-a-vis new market entrants; (d) business plans based on the acquired rights. When the above conduct is perpetrated by another person or organisation other than the applicant/participant the Contracting Authority shall consider the extent of responsibility held by the affected applicant/participant for the statement of conduct and may conduct an investigation and request data to this effect. In the event of any doubt regarding the regularity of the Auction, the Contracting Authority may seek the opinion of the Hungarian Competition Authority (hereinafter: Competition Authority), primarily to assess the restricting effect of such conduct on competition and to evaluate the social damage caused. The above shall in no way restrict the Competition Authority's right to conduct competition surveillance procedures pursuant to relevant legislation, irrespective of the contents of this Documentation.

When (a) it is established that the rights of use of frequency at issue was acquired based on an unlawful agreement as per Section 11 of the Competition Act (cartel agreement), or (b) it is effectively established following conclusion of the Auction that the participant had concluded a cartel agreement that also impacted its participation in this Auction, the Contracting Authority may, following assessment of the circumstances of the case, revoke the rights of use of frequency affected by the cartel agreement.

3.7. Auction Committee

The Contracting Authority shall appoint a committee for conducting the Auction and performing the other tasks defined in the Decree on the rules of auction or tender (hereinafter: Auction Committee) pursuant to the conditions defined therein, until the expiry of the application deadline. The Auction Committee shall operate until the

entry into force of the decision concluding the auction procedure.

The Auction Committee's role, composition and operation shall be governed by the rules of the Decree on the rules of auction or tender.

3.8. Supervision of compliance with the conditions of the auction

The applicant/participant shall comply with the conditions or participation set out in this Documentation and the relevant legislation during the entire term of the auction procedure from the submission of its Application until the entry into force of the decision concluding the auction procedure.

The Contracting Authority shall continuously monitor compliance with the requirements set out in the Documentation and the Notice (including the rules governing the conditions of participation and the regularity of the Auction). When the Contracting Authority establishes that an applicant/participant is in violation of those set out in the Documentation, the Notice or the Decree on the rules of auction or tender, it shall decide as per Section 3.9 on the legal consequences to be applied.

If the applicant/participant fails to comply with any of the conditions of participation or the conflict of interest rules for any reason during the auction procedure, it shall immediately notify the Contracting Authority thereof.

3.9. Legal consequences applicable in the event of infringing conduct by the applicant/participant

The applicant/participant shall comply with the rules of procedure and provisions on order of procedure set out in the Documentation and in legislation, in particular in the Decree on the rules of auction or tender (hereinafter, in this Section, as: procedural law obligations).

If the Contracting Authority detects a breach of obligations under procedural law, it may levy a procedural fine as defined under Section 38 of the Electronic Communications Act against the breaching party, and in the event of non-payment of such fine, may enforce the procedural security either fully or in part.

Enforcement of the procedure related security shall not affect the Contracting Authority's right to apply other legal consequences.

The applicant/participant withdrawing its Application, rescinding from its intention to participate in the auction procedure during the term of the auction procedure, withdrawing its bid made in the bidding phase as per Section 4.2 or its purchase offer for frequency blocks "D" and "E", makes a bid for frequency block "A" during electronic bidding as per Section 4.2.1 exceeding the performance bond as per Section 3.15 or participating in collusive behaviour as per Section 3.6 shall in particular qualify as violation of procedural law obligations.

If in the course of this auction procedure

- a) a court judgment which has the force of res judicata has established — or such judgment is not excluded by the lack of substantiation — the applicant's /participant's criminal conduct, or
- b) an authority decision which has the force of res judicata has established that the applicant's /participant has misled the Contracting Authority and such conduct has affected the outcome of the procedure, or
- c) it has been established that the applicant/participant failed to comply for any reason at any time during the auction period with any of the participation (personal) or conflict of interest conditions, and has failed to immediately notify the Contracting Authority thereof, or

d) the participant withdrew, partially or in full, its Application following registration as per Section 3.21,
the Contracting Authority shall be entitled to apply the legal consequences of substantive invalidity.

If the breach of obligations under procedural law entails, in addition to the legal consequences defined under this Section, a fine or liability under administrative or criminal law, or an indemnification liability set out under public administration substantive legislation, the legal consequences applied pursuant to the Documentation or the provisions of the Decree on the rules of auction or tender shall not exempt from other legal consequences stemming from the applicant/participant's behaviour.

3.10. Joint Application (consortium)

In the event of Joint Application, the stipulations set out in the Documentation shall apply with the following deviations.

Several applicants may submit an Application jointly (Joint Application). In the event of Joint Application, only one member of the consortium is required to purchase the Documentation. When an applicant submits an Application as a sole, individual applicant, it may not submit a subsequent Application as a member of a consortium. Following Joint Application, consortium members may not validly submit Applications or other Joint Applications.

Joint Applications shall be invalid when a consortium agreement duly signed by the joint applicants, valid and effective on the day of submission of the Application, fulfilling the following conditions, is not appended even after a prospective rectification of deficiencies:

- a) it contains the specification of the form of the applicants' Joint Application; and
- b) it contains the specification of the method of signature of the Application; and
- c) it contains the consortium members' unanimous statement of intent according to which the members undertake an irrevocable and unconditional obligation to establish, in the event of a winning bid
- d) an organisation as defined under Section 2.9.6. in the exclusive ownership of consortium members and headquartered in Hungary within ten (10) days of the binding, substantive resolution concluding the auction procedure and to transfer the rights of use of frequency acquired in this auction procedure within fifteen (15) days of the binding, substantive resolution concluding the auction procedure to such company, taking into consideration the provisions set out in this Documentation, the Decree on the rules of auction or tender and Decree 6/2004(IV. 13.); and
- e) in the consortium agreement, consortium members shall appoint a consortium member to which the consortium shall transfer the rights of use of frequency acquired in this auction procedure within fifteen (15) days of the binding, substantive resolution concluding the auction procedure until — if the establishment of an organisation fulfilling the conditions set out under Section 2.9.6 hereto falls within the scope of concentration of companies subject to authorisation set out in Chapter IV of the Competition Act or Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) [1] (hereinafter: EC Merger Regulation) — the Hungarian Competition Authority or the Commission issues a substantive decision in the matter;
- d) it contains the extent of participation in the business entity to be established, and the related rights;
- e) it contains the rights and obligations of consortium members;

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- f) it identifies the consortium member authorised to represent, with
 - such representative authorised to represent, with no restrictions, all jointly applying members vis-a-vis the Contracting Authority in the auction procedure, and
 - in the issuance of legal statements made, either on a compulsory or discretionary basis, by the Contracting Authority to the applicant/participant, or from the applicant/participant to the Contracting Authority in any further procedures related thereto,
 - the representative shall also be otherwise entitled to communicate with the Contracting Authority;
- g) it contains a statement issued by each consortium member establishing that the consortium and consortium members shall be liable together and separately for compliance with the stipulations of the Documentation and relevant legislation from the perspective of public administrative authority procedures;
- h) consortium members shall hold joint and several liability for the submission and the enforcement of the procedure related security by the Contracting Authority, and
- i) the applicability or enforceability of the agreement shall not depend on any suspension (implementation) and termination conditions.

The validity and effect of Joint Applications may not depend on the approval of any third party or the Contracting Authority as from the date of Application.

Joint Applications shall be invalid when the Application does not include all the statements and documents specified under this Point within the deadline for rectifying deficiencies set out under Section 3.23.

In the case specified under Point cb), the applying consortium shall submit an irrevocable and unconditional declaration signed by each member of the consortium in the context of the Application, stating that in the event of winning the Auction procedure, the consortium shall — if the conditions set out under Section 24 of the Competition Act or the EC Merger Regulation apply — initiate the Hungarian Competition Authority's authorisation or the Commission's concentration supervision procedure within 30 days of the binding, substantive resolution concluding the auction procedure, and the consortium member appointed as per Point cb) shall transfer the rights of use of frequency obtained to the organisation established by the consortium members within 15 days of the entry into force of the Hungarian Competition Authority's substantive decision or the Commission's decision. Transfer of rights to the controlled entity as per Point ca) or to the consortium member or business organisation established by the consortium members as per Point cb) shall not qualify as reselling, transfer or secondary trading as per the Electronic Communications Act, the applicable legislation or Section 5.5 of the Documentation.

In case of Joint Applications, each member of the consortium shall fulfil the conditions set out under Sections 2.9.1., 2.9.2. and 2.9.8., or under Section 3.16.1, as applicable. The applying consortium members shall jointly fulfil the conditions set out under Sections 3.16.2. and 2.9.3.2.9.7., and each consortium member shall comply with the conditions set out under section 3.16.2 herein (these may be fulfilled separately by each consortium member; however, none of these conditions may be fulfilled jointly by multiple consortium members). In the event of the violation of the procedural obligation set out under Section 3.9, the Contracting Authority may choose to apply legal consequences to all members or to selected members of the consortium.

When the joint applicants submitting a Joint Application become the winners of the Auction in this auction procedure, the Contracting Authority shall define the detailed (pre)conditions for putting the set of frequencies into use in its substantive resolution concluding the procedure as per the Decree on the rules of auction or tender

3.11. Formal requirements for the Application

Folders, packages, documents, declarations and CDs may be submitted formatted to the Applicant's corporate image, displaying its name.

a) The Application

- shall be submitted in two (2) printed copies — one (1) original counterpart and one copy —, furthermore
- in one (1) electronic copy — exclusively in MS Word, MS Excel and/or PDF form files on a CD,

in two clearly separate dossiers.

In the event of any discrepancy between the counterparts of the Application, the original printed copy shall prevail.

b) The cover sheet of the original copy shall bear a clear inscription of the word "ORIGINAL", while the duplicate shall bear a "DUPLICATE" inscription.

c) In the event that an Application comprises several separate parts, it should be clearly indicated as to whether these sections form part of the original or duplicate copy.

d) When submitting, the Application shall be sealed. The number of documentation specified under Point a) shall be packaged together. The packaging shall ensure the following:

- the external surface of the packaging including the elements listed under Point e);
- the specific counterparts of the Application remaining together;
- the unopened state of each package following sealing is clearly visible, with the sealing being intact;
- one bidding sheet each, pursuant to Annex 2 and the performance security for the bid(s), each in a sealed envelope that can be opened separately, pursuant to Point f) and Annex 2 shall be included in the Application.

e) The packaging of the Application shall bear the following data and inscriptions:

- name and address of the Contracting Authority;
- the following inscriptions:
 - "APPLICATION — for the auction procedure for the acquisition of the rights of use of frequency in the 900 MHz band";
 - "Do not open before the deadline"

The packaging shall not bear any other inscription than those outlined above. Any other inscription shall entail the establishment of the Application as invalid.

f) The bidding sheets and the related performance certificates shall be appended as an annex to the Application in a separate sealed envelope per bidding sheet (along with the performance certificate). The text specified in Annex 2 shall clearly be indicated on the external surface of such envelopes, which shall also be numbered. When the Applicant requests the inclusion of the performance security as per Section 3.15, a sealed envelope with the inscription "Statement on the inclusion of the performance security" as per Section 3.15 b) shall also be submitted as an annex to the Application. Bidding sheets, the performance security, and the inclusion statement — is submitted by

the applicant — shall be submitted on a separate CD marked "Bid", alongside the CD defined under Section 3.11. a).

- g) The pages of the Application shall be bound or otherwise attached in an indivisible manner.
- h) Each page of the Application shall be consecutively numbered and signed by the applicant's representative.
- i) Documents and certificates pertaining to applicants shall be included in distinct individual blocks in the Application.
- j) The Application shall not contain any inserts, deletions or over-written segments, except when the applicant carries out any corrections. In this case, corrections shall be clearly indicated and the signature of the applicant's representative affixed to them.

The Application shall be prepared in Hungarian. Section 3.2 of the Documentation sets out the rules governing translation.

3.12. Documents to be submitted for Application

In order to apply for the Auction, Applicants shall submit the following deeds in one (1) original copy and one (1) duplicate, in accordance with the formal requirements set out under section 3.11 above.

- a) In the course of the Application, the applicant shall issue a statement on its clear intent to participate, also stating its acknowledgement - for each consortium members and the consortium as a whole, in the case of a Joint Application - of the contents of the Decree on the rules of auction or tender, the Documentation and the Notice as binding.
- b) Any of the following documents suitable for identification of the applicant.
 - certificate of incorporation or certificate issued by a competent foreign authority not longer than 30 days earlier showing the fact and date of registration, the amount of capital registered, the names of the company's owners and the names of the persons authorised to sign on behalf of the company;
 - in the case of other organisations, a resolution on the registration and an articles of association consolidated with later amendments not older than 30 days or a copy certified by a notary or other establishment document;
 - in case of natural persons, the authority deed suitable for identification of the applying natural person;
 - in case of sole entrepreneurs/sole companies, the articles of association and the or a copy of the order of incorporation certified by a notary public.
- c) The documents certifying the ownership composition and the documents needed for verification of the undertakings which hold a controlling share in the applicant's undertaking, the undertakings in which the applicant holds a controlling share, and a statement on the absence of any conflict of interest as per Section 2.9.2. The applicant shall append a statement of completeness in which the applicant assumes liability for all the documents and information made available for certification of controlling shares.

- d) A document showing the names and personal identification data of the persons authorised for full representation of the applicant in the auction procedure and the document certifying the representation right — when such cannot be obtained from certified public records —, as well as the indication of the contact person as per Section 1.2.
- e) Documents certifying the purchase of the Documentation and the settlement, payment via bank transfer of the participation fee.
- f) The certificates and statements specified under Section 2.9.1. b)-c) on economic suitability (the certificate of the legally competent tax authority in case of non-resident applicants): a) negative tax certificate or reference to the database of taxpayers with no public debt, b) certificate on the absence of any bankruptcy, liquidation or winding-up proceedings against, or any procedures aimed at the discontinuation of the activity of the applicant.
- g) The procedure related security as per Section 3.13.
- h) The documents listed under Section 3.10 in case of Joint Application.
- i) in case of the application of incumbent mobile operators, a clear statement on the assumption of obligation stating that it shall provide domestic roaming services to the new licensee — when it makes a request for such services —, acknowledging the conditions set out under Section 5.4 as binding upon up, as well as a commitment to be submitted as per section 2.9.3 and in accordance with Annex no.1, with regards to fulfilling the conditions of access coverage for broadband services (other than GSM), in order to decrease its competitive disadvantage.
- j) A clear statement on the assumption of obligation stating that it acknowledges the stipulations of Section 5.11 pertaining to the reshuffling of the 900 MHz band in the event of its winning bid as binding upon it.
- k) The bidding sheet(s) as per Annex 2 to the Documentation and the performance security as per Section 3.15 of the Documentation.
- l) In case of non-incumbent mobile operators, a statement as per Annex 1 on the undertaking to fulfil the coverage, service launching, network construction and other conditions, and the documents certifying professional and technical suitability as per Section 3.16.
- m) Applicants wishing to participate in the first round shall submit all documents corroborating compliance with the conflict of interest rules set out under Section 2.9.8., also appending the statement of completeness in which it undertakes responsibility for having submitted all the documents and information at its disposal required for the Contracting Authority to establish the elements specified under Section 2.9.8.
- n) Furthermore, all documents and statements that are compulsory pursuant to the provisions of the Documentation and the Decree on the rules of auction or tender or that confirm any of the circumstances requiring certification

3.13. Procedural security

The applicant shall submit, as part of its Application, a security of HUF 100,000,000 that is One Hundred Million Hungarian Forints issued in favour of the Contracting Authority in line with the relevant provision of the Decree on the rules of auction or tender and this Section for guaranteeing the performance of its obligations defined in this Documentation, irrevocable or only revocable subject to the Contracting Authority's authorisation.

The full amount of the procedural security may be enforced, or fully or proportionately drawn immediately when the applicant/participant breaches any of the rules and procedural law obligations set out under section 3.9 of this Documentation and fails to pay the procedural fine levied against it by the Contracting Authority on time. The issuer of the procedural security undertakes to notify the Contracting Authority of any changes in the data included in the security in writing within two (2) business days of the occurrence of such change.

In the event of full or partial enforcement of the procedure related security, the issuer of the security shall transfer the amount drawn by the Contracting Authority within three (3) business days to the Contracting Authority via bank transfer. In the event of full or partial enforcement of the procedure related security, the participant shall renew the procedure related security with the original conditions set out under this Section and submit the renewed procedure related security to the Authority within five (5) days.

The security shall remain valid for a period of at least 60 days following the planned date of the decision concluding this auction procedure.

Section 19 of the Decree on the rules of auction or tender shall govern the procedure related security in all other respects, and Section 3.15 of this Documentation shall govern the form and required substantive elements of the security.

3.14. The participation fee and terms of payment

Applicants to the auction procedure shall pay, via an irrevocable transfer, a participation fee of HUF 40,000,000, that is Forty Million Hungarian Forints + VAT to the Contracting Authority's account number 10032000-00300939-00000017 held at the Hungarian State Treasury, specifying "Auction participation fee for the 900 MHz frequency band" in the transfer's comment section.

When the auction procedure fails in its entirety (for all frequency blocks) the Contracting Authority shall reimburse the participation fees paid, except when the reason for the failure can be attributed to the applicants.

3.15. Performance security

The applicant shall submit, as part of its Application, a bank guarantee as security amounting to or exceeding the highest offered prices (bids) defined on the bidding sheets for the frequency block up to the spectrum maximum, issued in favour of the Contracting Authority in line with the relevant provision of the Decree on the rules of auction or tender and this Section (hereinafter: security), irrevocable or only revocable subject to the Contracting Authority's authorisation. The applicant may provide a performance security in two ways.

- a) It may submit a performance security in each envelope, equal to or exceeding the amount of the submitted bid.
- b) It may provide a performance security according to the inclusion of the performance securities related to each one of its bids. The applicant may request, in its statement submitted at the time of its application, for the Contracting Authority to include the amount of the performance security — whether in a sealed or open envelope — submitted along with non-winning bids in the amount of the subsequently assessed performance security, in the opening order of the envelopes containing the bidding sheets. The applicant shall specify in the

statement (without stating the amount of the performance security) the envelope(s) that contain the performance security to be included in the event of further bids. The statement shall be submitted in a sealed envelope, bearing the inscription "Statement on the inclusion of the performance security."

When a non-incumbent mobile provider applicant seeks to acquire rights of use of frequency for frequency blocks "D" and/or "E" as per Annex 2 and Sections 2.2 and 2.8, it shall submit a performance security equivalent to the fixed price of frequency blocks "D" and "E", alongside the performance security equivalent to its bid made for frequency blocks "A" and/or "B" and/or "C", which it wishes to purchase in the event of its winning bid at the price defined by the Contracting Authority.

If the applicant submits a bidding sheet for the first round of frequency block "A", the performance security shall be issued for an amount at least equal to or greater than the bid submitted by it in the bidding phase as per Section 4.2.1. If the participant submits a bid in the bidding phase as per Section 4.2.1 exceeding the performance security, it shall constitute a breach of procedural obligations as per Section 3.9. The performance security may not be supplemented, nor a new, higher performance security submitted during or after the bidding phase as per Section 4.2.1, and no rectification of the performance security is allowed as per Section 3.23.

When a two-round bidding procedure as per Section 4.2.2. is conducted for frequency block "A", participants in the second round shall supplement the performance security up to the amount of the second bid, or submit a new performance security equivalent to the full amount of the repeated bid simultaneously to the submission thereof. When the participant submits a performance security equivalent to the full amount of the new higher bid, the Contracting Authority shall release the previous performance security and shall notify the issuer and the participant thereof.

Bank guarantees that comply with the following criteria can be accepted as security:

- a) the guarantee is an original bank guarantee in which the issuing credit institution undertakes an obligation to unconditionally perform the guarantee — in line with the rules governing bank turnover, but within three banking days at most — based on the Contracting Authority's request,
- b) the guarantee states the Contracting Authority as the sole beneficiary of a request for payment,
- c) the guarantee is irrevocable or can only be revoked with authorisation of the Contracting Authority.

Bank guarantees provided by a non-resident credit institution may only be accepted if a resident credit institution has provided an additional guarantee on it, and a certified Hungarian translation thereof has been appended.

Bank guarantees cannot be accepted if extraordinary measures as per Section 157 of Act CXII of 1996 on Credit Institutions and Financial Enterprises have been instigated against the resident credit institution providing the bank guarantee or the additional guarantee.

The bank guarantee shall include

- a) the name and bank account number of the credit institution providing it;
- b) in case of a non-resident credit institution, the name and bank account number of the credit institution providing the additional guarantee;
- c) the name, address, current account number and tax number of the principle;
- d) the amount of the guarantee, expressed in numbers and written as text;
- e) the start and end date of the guarantee's validity period;
- f) an irrevocable obligation according to which the issuer of the security shall disburse the amount drawn down by the Contracting Authority within three (3)

banking days via domestic wire transfer to the Contracting Authority in the event of the full or partial enforcement of the security.

The security shall remain valid for a period of at least 60 days following the planned date of the decision concluding this auction procedure.

The issuer of the procedure undertakes to notify the Contracting Authority of any changes in the data included in the security in writing within two (2) business days of the occurrence of such change.

In the event of full or partial enforcement, the issuer of the security shall transfer the amount drawn by the Contracting Authority within three (3) business days to the Contracting Authority via bank transfer.

The full or proportional amount of the security may be immediately drawn in the winner of the auction procedure fails or only partially performs its obligation to pay the full auction price.

Section 18 of the Decree on the rules of auction or tender shall govern the security in all other respects.

3.16. Requirements underpinning the professional competence and reasonableness of the Application for applicants in the first round

3.16.1. In case of application as a consortium, every member, and the applicant in case of non-consortium applications shall submit the following certificates and statements:

- a certificate issued by the National Tax and Customs Administration confirming that the applicant has no overdue public dues in Hungary (including the telecommunications special tax);
- a statement confirming that the applicant is not under any competition supervisory procedure in the competition council phase in the subject of the prohibition of agreements aimed at restricting economic competition, the prohibition of abuse of a dominant market position or of concentrations between undertakings;
- a statement confirming that the applicant did not and does not have outstanding market surveillance fee payment obligations in 2011 due in 2011 or from an earlier date towards the Contracting Authority not paid by the deadline specified on the invoice (paid late or unpaid), and that no other undertaking in a legal relationship based on direct or indirect ownership, a controlling share or influence with the participant has or had such outstanding payment obligation, and that no other undertaking of which the founder is the same entity as the founder of the participant has or had such payment obligation (the Contracting Authority shall verify outstanding market surveillance fee payment obligations based on its own records; applicants are not required to provide a certificate thereof)
- evidence that no incumbent mobile operator possesses a controlling influence in or exercises control over the undertaking - or any member of the consortium in the case of a Joint Application - intent on participating in the first round of the Auction.

3.16.2. Statements and proof of compliance with the following shall be submitted by a member of the consortium (individual conditions may be fulfilled by consortium members separately, however no single condition may be fulfilled only jointly by multiple members), or the applicant:

- a certificate issued by the competent electronic communications regulatory authority with jurisdiction over the service provided by the applicant(s), by which

to confirm having at least five years of experience in electronic communications services;

- a statement confirming that they operate their own customer service in the communications sector and serve at least two million customers in the retail segment of communications;
- a statement confirming that they have the capability to install broadband data transmission technology and operate a broadband data transmission network.

The Contracting Authority shall examine compliance with the conditions set out under this Section, and the contents of the submitted documents and statements in the context of a prequalification procedure as per Section 3.20.1.

3.17. Opening the auction Applications

Date of opening of Applications: 9 December 2011 at 10:00 am

Location: Nemzeti Média és Hírközlési Hatóság

(National Media and Infocommunications Authority, Hungary)

1133 Budapest, Visegrádi u. 106., meeting room

Applications shall be opened in the presence of a notary. The representatives of applicants may also be present at the opening (with a maximum of four (4) persons per applicant). The Contracting Authority shall draw up a protocol on the opening of Applications, and shall provide a copy of the protocol to every applicant.

Every package and envelope shall be opened at the opening of Applications, except the envelopes holding the bidding sheets and the performance securities and the statements on the inclusion of performance securities.

3.18. Examination and validity of Applications

The Contracting Authority shall examine whether the Application complies with the formal and substantive requirements for validity.

The Contracting Authority shall examine within 15 days of the expiry of the deadline whether the Application complies with the personal (participation) and formal requirements for validity set out in Section 9 of the Decree on the rules of auction or tender and herein (hereinafter jointly as: formal requirements for validity). When examining validity, the Contracting Authority shall examine the Application from a formal aspect, verifying whether it contains the documents and statements listed under Sections 3.10., 3.11 and 3.12, and whether based on the documents submitted, the Applicant complies with the subject-related, participation, conflict of interest conditions and requirements set out in the Decree on the rules of auction or tender and herein.

Moreover, when examining validity, the Contracting Authority shall examine the documents to be submitted in the auction procedure from the aspect of content, checking whether these fulfil the pertaining conditions set out in the Decree on the rules of auction or tender and in the Documentation (substantive requirements for validity).

. The Contracting Authority shall also examine, in the bidding phase of the Auction as defined under section 4.2 herein and simultaneously with the opening of the Application, the envelope holding the bidding sheet - completed as per Annex no 2 and submissible as per items 3.11 d) and f) herein -, the performance security, and the statements on the inclusion of performance securities as per section 3.15.

3.19. Formal invalidity

Applications shall furthermore be formally invalid when

- a) they are not submitted at the deadline, place, in the form and manner defined in the Documentation,
- b) the participation fee was not paid,
- c) they do not fulfil the formal requirements defined in the Documentation, or
- d) they do not contain, or do not adequately contain the following data of the applicant:
 - name,
 - registered office,
 - company registration number or registration number,
 - contact details (telephone number and email address),
 - the name and contact details (telephone number and email address) of its leading officers and representatives, and specimen signature certified by a notary public or specimen signature countersigned by an attorney or,
- e) the applicant failed to submit all documents and statements required by the Documentation and the Decree on the rules of auction or tender.

In case those set out under items c) through e) prevail - with the exception of the contents of the envelope containing the bidding sheet, the performance security and the statement on the inclusion of the performance security as per section 3.15 -, deficiencies shall be rectified as per section 3.23 herein.

The Application shall furthermore be formally invalid if the Applicant fails to comply for any reason at any time during the auction period with any of the participation (personal), conflict of interest conditions and subject-related conditions. Personal, participation, conflict of interest conditions and subject-related deficiencies cannot be remedied.

In the event that the Application remains invalid — even after said rectification is deemed necessary and, based on the Documentation, possible —, the Contracting Authority shall deny the registration of the applicant by means of an order..

If the Contracting Authority perceives such grounds for formal invalidity only following registration and the Application remains invalid after rectification -permissible under the Documentation in specific circumstances -, the Contracting Authority shall not establish formal invalidity in a separate order, declaring the Application's invalidity in a substantive resolution concluding the procedure.

3.20. Invalidity of content

When assessing the content of the Application, the Contracting Authority shall assess and examine the Application as a whole and in its individual parts, while also examining the reasonableness of documents and statements according to section 3.16..

The Contracting Authority shall assess the Applications with regards to content, in particular whether the mandatory commitments to be made in relation to the Application are in line with pertaining considerations set out in the Documentation, the terms or limitations set by applicants contradict the provisions of the Documentation, the bidding sheets and performance securities have been submitted in accordance with the content requirements stipulated in the Documentation and in the Decree on the rules of auction or tender.

After registration, should the Contracting Authority become aware of substantive invalidity and the Application remains inadequate the Contracting Authority shall not establish invalidity in a separate order, declaring the Application's invalidity in a substantive resolution concluding the procedure.

3.21. Registration of participants

Pursuant to Section 12 (2) of the Decree on the rules of auction or tender, the Contracting Authority shall record the applicant having submitted a formally valid Application as a participant in the register.

The Contracting Authority shall notify registered applicants of their registration, and shall publish the list of applicants registered as participants on its website.

3.23. Rectification of deficiencies, call to eliminate grounds for invalidity

When the applicant/participant does not fulfil the conditions necessary for the validity of its Application and/or has not submitted all requisite documents as annexes to its Application as per the Documentation and the Decree on the rules of auction or tender, the Contracting Authority shall, unless otherwise specified in the Documentation, call on the applicant/participant to rectify such deficiencies within a deadline of five (5) days.

Rectification by the applicant/participant shall be allowed for one deficiency on one occasion in the course of the procedure.

Rectification when examining the envelopes containing the bidding sheets and performance bonds, or the statements submitted based on Section 3.15. shall not be allowed.

When the applicant/participant rectifies the deficiency and supplements missing items within the deadline specified in the call, the Application shall be considered as having been originally correct and complete. The deadline defined for performance shall lose effect; after expiry of the deadline, no request for certification may be submitted.

When the applicant/participant fails to perform the call or performs inadequately, the Contracting Authority shall proceed according to Sections 3.19.-3.20.

When rectifying deficiencies, the applicant/participant shall take into account that the Application's content may not be modified.

IV. ORDER FOR IMPLEMENTING THE AUCTION PHASE

4.1. Implementation and phases of the Auction

The Contracting Authority shall conduct the Auction between the 60th and 150th day following the publication of the Notice in line with the provisions of the Decree on the rules of auction or tender. The deadline may be extended by the Contracting Authority by thirty (30) days.

The Auction shall comprise two main phases as outlined below:

a) Bidding phase

The group of participants admitted to the phase of selecting the block location are determined, the final bids submitted by applicants are defined, and the order of priority is determined among the participants admitted to the phase of selecting the block location based on which block location selection takes place based on the bidding phase.

b) Selecting the block location

In this phase, the participants eligible for participation in selecting the block location choose the exact location of the frequency blocks obtained within the frequency range defined pursuant to the subject of the Auction, in the order of the winning bids.

4.2. The bidding phase of the Auction

Bids for frequency blocks "A", "B" and "C" and the requirements for frequency blocks "D" and "E" in case of non-incumbent mobile operators shall be stated by applicants in the context of the Application in line with Section 2.2 and Annex 2. The compulsory elements with regard to the content of bidding sheets and the detailed completion and submission requirements are defined in Annex 2.

The starting date of the bidding phase shall be the day when the Contracting Authority launches the first round among the rounds defined in Sections 4.2.1., 4.2.2. or 4.2.3.

Bids shall be evaluated in three steps: The Contracting Authority — in the presence of the Auction Committee — shall open the envelopes — containing the bidding sheets and the performance security — in the order established as per Sections 4.2.1.-4.2.3. The Contracting Authority shall open envelopes that otherwise would not be necessary according to the order of bidding only if the submitter of the specific envelope expressly requested, the opening of the envelope- in a statement submitted as per Section 3.15 in the application- in order to include the performance security contained.

Should an applicant submit an envelope containing a bidding sheet that it is not entitled to submit, pursuant to Sections 4.2.1 through 4.2.3 and Annex no. 2, , the Contracting Authority shall refrain from opening the envelope and the bid shall be ignored.

4.2.1. Assessment of the bidding sheets submitted in the first round for frequency block "A"

The envelopes submitted by non-incumbent mobile operators containing the bidding sheets for block "A" shall first be opened (marked frequency block "A" — first round), which incumbent mobile operators may not submit. In the event that only a single participant submits a valid bid, the Contracting Authority shall pronounce the participant in question as winner for the Auction for frequency block "A".

If two or more participants submit valid bidding sheets complying with the Documentation for frequency block "A" in the first round, the Contracting Authority shall call on all bidders in writing — sent to the mailing address in Hungary or the agent for service of process as per Section 1.2 — to place another bid, indicating the amount of the highest bid in the call for the subsequent bid, without naming the specific bidder.

Repeated bids shall be submitted using the electronic bidding equipment using the specialised software. Electronic bidding shall take place using the connection and software provided by the service provider (hereinafter: Service Provider) commissioned by the Contracting Authority. This Documentation contains the general information regarding bidding. The Contracting Authority shall hand over detailed data to applicants in the context of the training courses specified in the Documentation.

Following the opening of Applications, during the period preceding registration, the Contracting Authority, with the participation of the Service Provider, shall provide all the features of the software environment to be used to all participants — taking part in the first round of frequency block "A" —, and shall provide training to the appointed contact persons on the use of the software at the address in Hungary indicated in the declarations submitted in the Application, at an agreed date. For the sake of the successful implementation of electronic bidding, the applicants shall receive separate information on the details of bidding, the type of bidding, the invitation to the bidding system, the announcement of bidding, the implementation of bidding, and the preparation of participant reports.

The use of the specialised software and the related training and support shall be free

of charge for applicants/participants in the context of this auction procedure.

The Contracting Authority shall carry out electronic bidding using the following software provided by the Service Provider:

Company name:	Electool Hungary Kft.
Office:	1139 Budapest, Váci út 91.
E-mail:	aukcio@electool.com
Telephone (Help-desk):	+36-20-539-99-00
Fax:	+36-1-239-98-96

Telephone and electronic support will be available for participants invited to the auction before and during bidding at the above contact channels.

Use of the electronic bidding system is supported in the following software environments:

- Operating system: Windows 95/98/ME/NT/2000/XP/Vista/GNU/Linux
- Internet browser: Microsoft Internet Explorer 5.5, 6.0 and 7.0 or newer versions, or Mozilla Firefox 1.5, 2.0 or newer versions

Further information on the features of the IT system used for electronic bidding can be found at <http://www.electool.com/hu/megoldasok/elektronikus-arlejt.es.html>

The user guide contains information on the additional functions of the system; the guide is available and can be downloaded in the system, and shall also be provided at the training.

The participant shall be solely responsible for ensuring all the required technical conditions (uninterrupted Internet connection, backup solutions, and employees operating the bidding software). No complaints, petitions or requests for certification may be lodged in the event of connection interruptions or local IT system/hardware malfunctions occurring on the participant's side.

4.2.1.1. Carrying out electronic bidding

The Contracting Authority shall carry out bidding rounds on consecutive business days. The bidding rounds shall be opened and closed at the following times on the given business day:

	Opening of bidding phase	Closure of bidding phase
1)	8:00	8:30
2)	9:00	9:30
3)	10:00	10:30
4)	11:00	11:30
5)	13:00	13:30
6)	14:00	14:30
7)	15:00	15:30
8)	16:00	16:30

The deadline provided for submitting bids, i.e. the closing date for the given bidding round shall lose effect; no certification request may be submitted if the deadline is missed.

The closure of bidding rounds cannot be postponed or extended.

The above dates specified for electronic bidding are theoretical dates; the Contracting Authority may close the bidding procedure on any day, in any bidding round if the conditions therefor are fulfilled.

a) Rules for submitting bids in the bidding rounds, invalidity of bids

A bidding (bid submission) round of 30 minutes shall open in the course of the electronic bidding procedure at the times indicated in the table above.

Only one valid bid may be submitted by a participant in each bidding round.

In each round, a bid exceeding the bid submitted in the previous round by at least the minimum price increment shall be submitted. Amount of minimum price increments: HUF 200 000 000 (two hundred million forints).

Bids submitted shall be a positive integer multiple of 10 000 (ten thousand).

The compliance of the bid amount (the minimum price increment and being divisible by HUF 10 000) is verified by the software and the Service Provider, and bids not exceeding the bid submitted in the previous round by at least the minimum price increment, that is, bids not exceeding the opening bid of the given round will be blocked, and amounts that are not multiples of 10 000 will not be accepted. There is no upper limit on the bid amount, so the bid submitted by a participant in a bidding round may exceed the opening amount of the given round by any amount.

Equal bids are not permitted in the course of electronic bidding. If a bid has already been submitted by a participant within a specific bidding round, the other participants cannot submit a bid of the same amount. Bids that would create a tie are not accepted by the system, which issues a warning to participants. If identical bids are submitted, participants are allowed to submit new bids until the closure of the bidding round.

b) Initiating a new bidding round

Following the conclusion of each bidding round, but before the opening of the following round, the Contracting Authority shall send an invitation (notice) through the software to all participants entitled to participate in the following round, stating the amount of the opening bid, without revealing the identity of the participant having submitted the bid.

Only participants submitting a bid exceeding the previous round's highest bid by at least HUF 200 000 000, and an amount that is a multiple of 10 000, i.e. a valid bid, shall be entitled to take part in the bidding round (i.e. the Contracting Authority shall only send an invitation (notice) through the software to such participants).

If a participant fails to submit a new valid bid in a given bidding round, it shall be excluded from the subsequent bidding rounds and may no longer take part in the bidding procedure; its highest bid submitted up to that point shall be considered as its final bid by the Contracting Authority.

The Contracting Authority shall launch new bidding rounds until one single participant submits a valid bid exceeding the previous round's highest bid by at least HUF 200 000 000 in a given bidding round.

The Contracting Authority shall pronounce the participant having submitted the highest bid in the last bidding round as the winner of frequency block "A" in its substantive resolution concluding the auction procedure. If no bid is submitted in the last bidding round, the Contracting Authority shall pronounce the participant having submitted the highest bid in the previous bidding round as the winner of frequency block "A" in its substantive resolution concluding the auction procedure.

4.2.2. Assessment of the bidding sheets submitted in the second round for frequency block "A"

When there is no applicant for the first round or when no winner is announced in the first round for frequency block "A" for other reasons, the envelopes containing the second round bidding sheets for block "A" shall first be opened (marked frequency block "A" — second round), which non-incumbent mobile operators may not submit. In the event that only a single applicant submits a valid bid, the Contracting Authority shall pronounce the applicant in question as winner for the Auction for frequency block "A". When two or more applicants submit bidding sheets for frequency block "A" in the second round, the Contracting Authority shall call on the two highest bidders in writing to place another bid, indicating the amount of the highest bid in the call for the subsequent bid, without naming the specific bidder. Participants shall have five days from the receipt of the Contracting Authority's call to make their next bid. The deadline defined for placing a new bid shall lose effect; after expiry of the deadline, no request for certification may be submitted. When a participant fails to make a new bid upon the Contracting Authority's call, or when it makes a lower bid than in the first round, the Contracting Authority shall consider the participant's first bid as final. The Contracting Authority shall pronounce the participant with the highest bid as the winner of the auction procedure for block "A".

4.2.3. Assessment of the bidding sheets submitted for frequency blocks "B" and "C"

Then, Contracting Authority shall open the envelopes containing the bids submitted during application for frequency blocks "B" and "C" (marked frequency blocks "B" and "C" — in case of a winning bid for frequency block "A", frequency blocks "B" and "C" — in case of a non-winning bid for frequency block "A"), and arrange the bids submitted for frequency block "B", and for frequency block "C", taking into account the result of the first and second rounds. In this round, the Contracting Authority shall only take into account and assess the bidding sheet contained in the envelope marked frequency blocks "B" and "C" — in case of a winning bid for frequency block "A" of the winner of frequency block "A", while in case of all other participants (incumbent mobile operator), it shall take into account and assess the bidding sheet contained in the envelope marked frequency blocks "B" and "C" — in case of a non-winning bid for frequency block "A". The Contracting Authority shall arrange the bids submitted for frequency block "B" starting from the highest value in a decreasing order. Participants having submitted the five highest bids for the number of frequency blocks "B" equivalent to the frequency blocks "B" put up for auction, and participants having submitted the five highest bids for frequency blocks "C" shall be authorised to take part in the phase of selecting the block location.

4.2.4. Rules of procedure to be applied in case of equal bids submitted in the second round of frequency block "A" and for frequency blocks "B" and "C"

In case of equal bids, the provisions set out under Sections 4.2.2.-4.2.3. shall be applied with the derogations defined under Sections 4.2.4.1.-4.2.4.2.

4.2.4.1. Equal bids in the second round in case of frequency block "A"

a) when following the opening of envelopes containing the bidding sheets — and the performance securities — submitted for the second round during application the Contracting Authority establishes that two or more equal highest bids for frequency block "A" have been submitted, it shall call on all highest bidders to repeat their (second round) bid. Participants shall have five days from the receipt of the Contracting Authority's call to make their next bid. The deadline defined for placing a new bid shall lose effect; after expiry of the deadline, no

request for certification may be submitted. In this case, the second highest bidder shall not participate in the second round of bidding.

b) when following the opening of envelopes containing the bidding sheets — and the performance securities — submitted for the second round during application the Contracting Authority establishes that one highest bid, and two or more equal second highest bids for frequency block "A" have been submitted, it shall call on the highest bidder and all second highest bidders to repeat their (second round) bid. Participants shall have five days from the receipt of the Contracting Authority's call to make their next bid.

c) In the event that following the opening of envelopes containing the repeated bids — and performance securities — submitted in the second round the Contracting Authority establishes that two or more equal highest bids have been submitted, it shall not call on the highest bidders to repeat their bid, and shall not hold any further rounds of bidding, but it shall pronounce the participant with the highest combined bid (sum of the first and second round bids) as the winner.

d) When the order of bids cannot be established even based on Point c), the Contracting Authority shall establish the winner of frequency block "A" by publicly drawing lots in the presence of a notary.

4.2.4.2. Equal bids in case of frequency blocks "B" and "C"

In case of equal bids submitted for frequency blocks "B" and frequency blocks "C", the Contracting Authority shall establish the order of the bids, and thus the participation rights in the block selection phase, in the following manner:

a) The Contracting Authority shall place the bid of the bidder having submitted more valid bids overall for frequency blocks "B" and "C" assessed in the bidding phase. When establishing the number of bids, the Contracting Authority shall consider all bids submitted for frequency blocks "B" and frequency blocks "C" as equivalent, considering them one sole bid.

b) When the order of bids cannot be determined based on Point a), the Contracting Authority shall rank the bid of the winner of frequency block "A" first.

c) In the event that order of bids cannot be determined by ranking them first pursuant to Point b), the Contracting Authority shall rank the bid submitted by the participant on the basis of the highest number of rights it would acquire for participation in the phase of selecting the block location in respect of frequency blocks "B" and "C"

d) When the Contracting Authority cannot establish the order of bids even based on Point c), the Contracting Authority shall establish rights for participation in the phase of selecting the block location by publicly drawing lots from the equal bidders in the presence of a notary.

4.2.5. Closing the bidding phase

Following the closure of the bidding phase, the Contracting Authority shall dispatch unopened envelopes containing bidding sheets and performance securities within five (5) days to the respective participants to the mailing address in Hungary or the agent the service of process specified under Section 1.2.

Following the closure of the entire bidding phase, the Contracting Authority shall notify the participant(s) in the bidding phase of the outcome of the bidding phase for each frequency

block forming the subject of this auction procedure at least five days prior to the block selection phase, and shall call upon the winner(s) for participation in the phase of selecting the block location, indicating the place and time. This order shall not qualify as the substantive resolution concluding the auction procedure.

Legal remedy may only be sought against such order in the appeal lodged against the substantive resolution concluding the auction procedure.

4.3. Selecting the block location

The representative(s) of the winner(s) of frequency blocks "B" and "C" shall be invited to participate in the phase of selecting the block location.

When establishing the order of selecting the block location, the Contracting Authority shall — for the sake of comparability and compliance with the principle of proportionality — take into account bids submitted for frequency block "C" applying a multiplier of 1.25, placing the amount thus obtained in the order of selecting the block location for frequency blocks "B" and "C".

The appointed representative of the Contracting Authority (hereinafter: presiding member) shall, in the presence of the members of the Auction Committee, call on the representative(s) of the winner(s) in the order of the bids to select the frequency block(s) chosen by them from among the available frequency blocks. Participants shall have fifteen (15) minutes to select the location of each individual frequency block. After each selection, the presiding member shall read out loud the list of the remaining available frequency blocks.

Participants entitled to selection may only choose the location of frequency blocks "B" and "C" besides the frequency blocks already marked or chosen.

The first participant to choose thus has three options:

- 1) in the adjacency of the assigned frequency block "A",
- 2) in the lower adjacency of PGSM bands already assigned,
- 3) at the top of the PGSM band when choosing the location of frequency block "B".

4.4. Declaring the Auction successful, determining the winner(s)

In its decision closing the auction procedure, the Contracting Authority shall pronounce the Auction as successful when a winner was determined for at least one frequency block.

Pursuant to the rules set out in the Decree on the rules of auction or tender, the Electronic Communications Act and the Administrative Proceedings Act, the Contracting Authority shall determine a winner for each frequency block based on the joint outcome of the bidding and the phase of selecting the block location set out under Section 4.2.-4.3.

Only participants that continuously complied with the conditions of participation set out in the Documentation and in the Decree on the rules of auction or tender from the moment of the registration may be pronounced winners.

Appeals against the decision pronouncing the outcome of the Auction shall be governed by the Electronic Communications Act and the Administrative Proceedings Act.

In its decision concluding the auction procedure, the Contracting Authority shall dispose of the conditions of usage of the set of frequencies in line with the Documentation and the Application(s) of the winner(s), in particular of the deadline for launching the procedure for issuing frequency assignment, the conditions of the service launching, network construction

and coverage obligation of the winner of the first round, the deadline for launching the service, and in the event that an incumbent mobile operator acquired rights for frequency block "A", of service access coverage and of other conditions set out in the Documentation.

When a participant is found in breach of the provisions of the Contracting Authority's resolution, the latter shall be entitled to apply sanctions as specified in the Electronic Communications Act, having particular regard to the imposition of a penalty fee and, in case of repeated and grave violations of law (such as the failure to comply with the obligations on service launch, coverage and network installation), to the revocation of the rights of use of frequency.

The acquisition of the rights of use of frequency shall grant the winner of the auction exclusive rights to initiate a procedure with the Authority for the issuance of authority licences required for the usage of the frequency blocks acquired by it, within the deadline defined under Section 5.3, from the entry into force of the substantive resolution closing the auction procedure

The day of acquisition of the rights of use shall be day the total auction price is credited to the account specified under Section 5.1 in the manner defined therein.

The condition for the issuance of the authority permits required for using the frequency is the payment of the total auction price is credited to the account specified under Section 5.1 in the manner defined therein.

In the event that pursuant to Section 3.10, a procedure by the Hungarian Competition Authority or the Commission becomes necessary based on the concentration of undertakings specified in Chapter IV of the Competition Act or the EC Merger Regulation, and the Commission pronounces the merger incompatible with the single market, or the Hungarian Competition Authority rejects the application for authorisation of concentration, the Contracting Authority shall amend its substantive resolution concluding the auction procedure on the grounds of substantive law in a manner that no winner shall be announced for frequency blocks "A", "D" and "E", and, pursuant to Section 5.7, in the same decision, a new winner shall be announced for frequency blocks "B" and "C", or no winner announced for the individual frequency blocks "B" and "C".

4.5. Declaring the Auction unsuccessful

When the invalidity of all of the submitted Applications is established at any time during the auction procedure, the Contracting Authority shall pronounce the Auction as unsuccessful in a resolution as per Section 21 of the Decree on the rules of auction or tender.

Appeals against the decision pronouncing the Auction as unsuccessful may be lodged pursuant to the Electronic Communications Act and the Administrative Proceedings Act.

4.6. Termination of the Auction

The Contracting Authority shall terminate the procedure in the events specified under Section 20 (1) of the Decree on the rules of auction or tender.

4.7. Outcome of the Auction and publication

The Contracting Authority shall immediately notify all the participants of the procedure of its decision as per Sections 4.4 and 4.5, and shall also publish it on its website.

V. OBLIGATIONS DERIVED FROM THE ACQUISITION OF RIGHTS OF USE OF FREQUENCY

The Contracting Authority shall oversee full compliance with and performance of the stipulations set out in the substantive resolution closing the auction procedure in the context of an authority surveillance procedure.

5.1. Terms of payment of the total auction price

The winner of this auction procedure shall pay the total auction price as per the following.

The winning participant shall pay the full auction price, equal to its winning bid, for each frequency block acquired to the Contracting Authority's bank account within fifteen (15) days of entry into force of the resolution on the rights of use of frequency. The winning participant shall transfer the full auction price amount inclusive of value added tax calculated on the basis of the effective taxation law to the Contracting Authority's account number 10032000-00300939-00000017 held at the Hungarian State Treasury, specifying "auction price for block " " in the 900 MHz frequency band".

In the event of late payment, the Contracting Authority shall be entitled to charge a late payment interest as per the Civil Code, and to satisfy its claim from the performance security submitted as per Section 3.15, and to apply the legal consequences set out under Section 3.9.

5.2. Frequency assignment, radio licence, distribution of equipment

Having acquired the rights of use of frequency, winners shall procure the following authority licences for the utilisation of the acquired frequency bands, pursuant to the Electronic Communications Act and Decree 6/2004 (IV. 13.) on certain administrative procedures of civil frequency management:

- a) a frequency assignment resolution for the installation of GSM, IMT/UMTS, WiMAX or LTE mobile telecommunications systems for the frequency band defined in the resolution containing the rights of use of frequency, for the period of usage, and
- b) a framework radio licence for the base stations to be commissioned, containing the general conditions for network operation, without the specific parameters of the stations.

The winner of the Auction shall submit a request for a frequency assignment resolution pursuant to the Documentation, the Electronic Communications Act and Decree 6/2004 (IV. 13.) to the Contracting Authority within 30 days of the entry into force of the substantive resolution closing the auction procedure. The condition for the issuance of the authority permits required for using the frequency is the payment of the total auction price is credited to the account specified under Section 5.1 in the manner defined therein

When a consortium submitting a Joint Application or a non-resident participant emerges as the winner of the Auction, the request for the issuance of the licences required for frequency usage shall be submitted by the business organisation established pursuant to Section 3.10 in case of consortium members, and pursuant to Section 2.9.6. in case of non-residents.

The winner of the Auction shall apply for the framework radio licence based on frequency assignment, at the time of commissioning of the network's first station at the latest. Individual radio licences are not required for the commissioning of stations, but detailed data shall be provided on each station to the Authority in electronic form, in the format defined by the Authority (<http://www.nmhh.hu/index.php?id=hir&cid=14826&mid=4751&lang=hu>). The Authority shall register the stations, with their pertaining installation and broadcasting parameters in line with the framework radio licence, and shall deny registration in case of non-conforming parameters, notifying the affected party in a resolution. The Authority shall be entitled to verify compliance with the licence in the context of an authority surveillance procedure.

Stations may be put into service based on plans, with the installation and broadcasting parameters defined in the course of planning. Plans do not have to be presented or submitted to the Authority, but the detailed plans of either operating or formerly operating stations shall be made available to the Authority within five days in signed printed form upon its request.

In the event that the winning participant (including the winning consortium) fails to fulfil its obligation related to the issuance of the authority licences required for the usage of the acquired frequency — defined herein —, the Contracting Authority shall modify its substantive resolution concluding the auction procedure on the basis of substantive law, declaring the winning participant's Application invalid. The rules of appeal against such decision are set out in the Electronic Communications Act and the Administrative Proceedings Act.

The following regulation applies to the market introduction and utilisation of mobile telecommunication equipment:

- base station and forwarding equipment shall be reported to the Authority for registration;
- end-user terminal equipment shall not be reported to the Authority, as the frequency band of GSM, IMT/UMTS, WiMAX or LTE systems is harmonised.

5.3. Conflict of interest rules governing new licensees following frequency assignment

None of the ownership concentrations outlines under Section 2.9.2. of this Documentation may exist between the new licensee and the incumbent mobile operator until the date of 31 December 2014, according to the following:

- a) The winner of the Auction for the frequency block shall not — unless otherwise specified by legislation — under any legal title, neither directly nor indirectly — in particular by means of legal succession (spin-off/merger) — its rights of use of frequency or the rights of use of frequency derived thereon to incumbent mobile operators or any of their subsidiaries in which they hold a controlling share.
- b) The winner of the Auction for the frequency block shall not relinquish, neither directly nor indirectly, the usage or other rights of disposal over the mobile telecommunications network operated using the frequencies affected by the rights of use of frequency to incumbent mobile operators or any of their subsidiaries in which they hold a controlling share.
- c) The winner of the Auction for the frequency block shall not provide electronic communications services (besides wholesale voice call termination services), neither directly nor indirectly, to incumbent mobile operators or any of their subsidiaries in which they hold a controlling share, when such provision entails the transfer of a substantial part of data transmission capacity available on the network.

5.4. Factors mitigating the competitive disadvantage of the new licensee

Mobile operators already present on the market and registered as a mobile operator in the Contracting Authority's register on the launch date of the auction procedure within the legislative framework may apply contingent upon the issuance of a separate, unconditional and irrevocable written statement to provide domestic roaming services (hereinafter referred to as: roaming), ensuring the use of the incumbent mobile operator's existing network infrastructure to the subscribers of the new licensee acquiring rights for frequency block "A" in order to decrease the latter's competitive disadvantage, in the event that the licensee requests such services, concluding a roaming agreement based on the following terms and conditions.

The new licensee shall send its initiation to conclude an agreement to the incumbent mobile operator, defining the type and quantity of the services it wishes to use. The incumbent mobile operator shall make a technically and economically justified contractual offer within fifteen (15) days of the receipt of the new licensee's initiation for conclusion of an agreement defining the main technical conditions and service fee of the requested services. The incumbent mobile operator shall use the direct costs of providing such service and any related costs incurred as the basis for setting roaming service fees. These may include material and material-type, wage and wage-type costs, or costs related to tangible fixed assets. The incumbent mobile operator shall draw up its offer for the roaming agreement in compliance with the principle of equal treatment, in an objective and transparent manner taking into account technology-neutrality and economies of scale, also taking into account the fundamental pricing principles of similar services provided by the incumbent mobile operator to third parties.

The incumbent mobile operator may only reject the new licensee's request for the use of roaming services on the basis of objective technical criteria, when the provision of such services jeopardises the safety of operation or the unity of its network.

When the new licensee submits a request, the Authority shall be entitled to verify, in the context of an authority surveillance procedure pertaining to the verification of compliance with the contents of the Documentation and the substantive resolution concluding this auction procedure, whether the incumbent mobile operator rejected the new licensee's request for roaming services in line with this Section, and whether the terms and conditions of the offer for the roaming agreement formulated by the incumbent mobile operator comply with the requirements set out under this Section. In the event of a request submitted by the new licensee, when a roaming agreement is not concluded within 45 (forty five) days of receipt of the new licensee's request by the incumbent mobile operator due to lack of agreement, the Authority shall be entitled to establish and draw up the content of the roaming agreement defining the fees, terms and conditions between the parties in line with the above principles based on the rules of the legal dispute resolution procedure defined in the Electronic Communications Act.

When the Authority establishes that the incumbent mobile operator has failed to satisfy the conditions and obligations set out under this Section and undertaken in its pertaining declaration, it shall be entitled to levy a penalty pursuant to the Electronic Communications Act.

In the context of its obligation to provide the above roaming service, the incumbent mobile operator shall conclude the roaming agreement initiated by the new licensee with a term extending until at least 31 December 2014. If the new licensee deems that the roaming service provided by the incumbent mobile operator is indispensable beyond the above date, and the original agreement expires by 31 December 2014, the new licensee may initiate the extension of the agreement term (temporal scope), with unchanged content, by submitting a

contract amendment proposal by 30 September 2014. The operator under the obligation may not refuse negotiations on the extension of the term of the agreement, with unchanged content.

When the Authority perceives any competition-restricting obstacle to the provision of roaming services or gains knowledge of any other circumstance determining from the perspective of market competition, it shall immediately investigate on the necessity of launching an extraordinary market analysis procedure as per Section 57 of the Electronic Communications Act. When, as the outcome of the procedure, an operator possessing significant market power is identified, the Authority may formulate further proportionate obligations warranted by the competition-restricting obstacle or other significant circumstance determining from the perspective of market competition, regulated under Chapter 1212 of the Electronic Communications Act.

Besides the above, pursuant to Section 90 of the Electronic Communications Act, operators holding title or the rights of use of electronic communications structures may be compelled to negotiate a contract for the sharing of facilities or property (including physical collocation) when it is required by an operator that is deprived of access to viable alternatives because of the need to protect the environment, public health, public security or to meet town and country planning objectives. Following implementation of Article 12 (3) of Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services, the Authority may also impose a facility sharing obligation in case of failure to fulfil the conditions set out under Section 90 of the Electronic Communications Act in the event that the duplication of infrastructure is economically non-viable or physically impossible.

New licensees shall be subject to a discounted frequency fee payment obligation pursuant to NMHH Decree 1/2011 (III. 31.) of the President of the National Media and Electronic Communications Authority.

5.5. Conditions for the secondary trading of the rights of use

The rights of use of frequency that can be acquired in the context of this auction procedure may be transferred or resold pursuant to the provisions of Government Decree 346/2004 (XII. 22.) and Decree of the Minister of Informatics and Communications 35/2004 (XII. 28.) with the following restrictions. Shall qualify as transfer from the perspective of this restriction all sales, in-kind contribution and the establishment of any legal relationship that entails the actual transfer of the right of disposal related to the rights of use of frequency to a third party other than the new licensee, or any equivalent situation.

In the event that the new licensee fails to obtain the rights for frequency block "A", it may not transfer its rights of use of frequency pertaining to frequency blocks "A", "D" and "E", nor may relinquish the utilisation thereof, either free of charge or for consideration, until 31 December 2014.

Frequency block "A" may only be transferred as a whole — even following 31 December 2014 —, its usage may only be transferred by the licensee, either free of charge or for consideration, in respect of the entire frequency block "A", in line with the relevant legislative provisions and of this Documentation.

Frequency blocks "D" and "E" may only be transferred or leased out following 31 December 2014 in 5 MHz blocks specified under Section 2.2 ("D1"- "D3", "E1"- "E3").

Frequency blocks "B" and "C" may be resold or leased out individually.

5.6. Period of the acquirable rights of use

The period of the rights of use of frequency shall uniformly be fifteen (15) years from the date of acquisition of the right for each frequency block forming the subject of this Auction, which term may not be extended.

5.7. Amendment of the resolution pertaining to the rights of use

a) The Contracting Authority shall be entitled to amend its resolution on the rights of use of frequency, in particular the band limits of the frequency bands forming the object of the rights of use of frequency, the size and configuration of the block formed within the frequency band, and shall be entitled to review, withdraw or amend the conditions of band usage, taking into account Section 84 (8) of the Electronic Communications Act, providing timely notification, without significant prejudice to the winning participant's interests, with due heed to the effective legislative requirements and to the obligations, both international and those stemming from Hungary's membership in the European Union, solely in particularly warranted cases for the sake of efficient band usage, for any of the following reasons:

- a situation has emerged on the Hungarian electronic communications market that impedes broader access affecting a wide range of consumers and fostering the development of information society, the appearance and development of technologies or services allowing greater choice and/or more accessible and higher standard opportunities at a competitive price, that cannot be resolved among rational conditions without applying the above measures;
- with regard to provisions applying to spectrum regulation stemming from international obligations applicable on the basis of Hungarian law; or
- with regard to primary or secondary sources of European Union law governing implemented spectrum regulation.

b) In the event of the consortium being announced the winner, if the Competition Authority rejects the application for the authorisation of concentration of companies submitted on a compulsory basis as per Section 3.10. cb), or if the Commission pronounces the merger incompatible with the single market, or if the competition supervisory procedure reveals that the merger created without authorisation and otherwise subject to authorisation as per Section 24 of the Competition Act would not have been granted authorisation, the Contracting Authority shall amend its substantive resolution concluding the auction procedure (hereinafter referred to in this section as: substantive resolution) on the grounds of substantive law (hereinafter referred to in this section as: Amending decision) following the entry into force of the pertaining decision, in a manner that no winner shall be announced for frequency blocks "A", "D" and "E", and the new winner shall be announced for frequency blocks "B" and "C" previously acquired by the consortium in the Amending decision, or announce that no winner is established for individual frequency blocks "B" and "C" in the course of this auction procedure, as per the following:

in the event of the amendment of the substantive decision on the grounds of substantive law, the Contracting Authority shall repay the entire auction price to the consortium previously pronounced as the winner in the substantive decision. The consortium or any of its members shall not make any claims vis-à-vis the Contracting Authority, and shall not reclaim costs or investments related to the Auction procedure or the Amending decision from the Contracting Authority, its authorised party, cooperating entity or any other public administrative body or authority on any

grounds. If the Hungarian Competition Authority denies the authorisation of concentration or if the Commission does not grant authorisation, it shall not constitute a violation of the procedural rules set out in the Documentation.

If the amendment of the Contracting Authority's substantive decision becomes necessary on the grounds of substantive law set out herein, prior to making the Amending decision, the Contracting Authority shall request the incumbent operators to issue declarations in the order of submission of the final bids for frequency blocks "B" and "C" (repeating the declaration procedure set out herein for each frequency block "B" and "C") on whether the Contracting Authority transfers the revoked rights of use of frequency for frequency blocks "B" and "C" established in the substantive decision to the incumbent operators with the conditions set out in the Documentation, the relevant legislation and authority decisions. The Contracting Authority shall first call on the incumbent operator having submitted the highest bid for frequency block "B" to make a declaration regarding a frequency block "B". If the participant undertakes, in its irrevocable and unconditional declaration, to fulfil all the conditions defined herein, in the relevant legislation and in the Contracting Authority's decisions in relation to incumbent operators, the Contracting Authority shall establish the participant as the winner in its Amending decision. If the declaration is deficient in terms of content, or the participant fails to issue the declaration by the specified deadline, the Contracting Authority issue a call for rectification to the participant as per Section 3.23.

In the event that the participant issues a negative declaration regarding the transfer of rights, or the declaration remains substantively deficient — even after rectification —, or the participant fails to issue a declaration, the Contracting Authority shall call on the incumbent operator having submitted the second highest bid for frequency block "B" — if any — to issue a declaration, and repeat this process as many times as there are participating incumbent operators and they do not request the transfer of the rights of use of frequency of the frequency block at issue.

Following this procedure, the Contracting Authority shall call on the incumbent operator having submitted the highest bid for the additional frequency blocks "B" and "C" to make a declaration regarding a frequency block "B".

If there are no more participating incumbent operators having submitted a valid application, or every participating incumbent operator has issued a negative or substantively deficient declaration even following rectification regarding the transfer of rights for a specific frequency block, or no participating incumbent operator is willing to issue a declaration, the Contracting Authority shall not announce a winner for the frequency block.

Following the entry into force of the new decision, the winner shall pay the full auction price offered by it to the Contracting Authority's bank account under the conditions specified in Section 5.1, and shall submit the application for obtaining the authorisation specified under Section 5.2 by the deadlines defined therein.

The band reconfiguration rules defined under Section 5.11 shall not be applied following the issuance of the new decision.

The term of the frequency usage right shall be fifteen (15) years from the date of acquisition of the right.

5.8. Cooperation in qualified periods and in the interest of national defence

Entities having obtained rights of use of frequency shall comply with the provisions set out in the Electronic Communications Act and other legislation regarding qualified periods and

cooperation with state organisations in the interest of national defence. The usage of certain frequency bands may be restricted during qualified periods.

5.9. Cooperation for purposes of confidential information collection

Entities having obtained rights of use of frequency shall comply with the relevant provisions set out in Act 125 of 1995 on National Security Services and in Government Decree 180/2004 (V. 26.) on the rules of cooperation between the organisations performing electronic communications tasks and the organisations authorised to collect confidential information and obtain confidential data.

5.10. Data disclosure

Entities having obtained rights of use of frequency shall disclose the data necessary for performing the tasks within the competence of the Authority and defined in relevant legislation to the Authority in the manner and with the conditions defined in legislation, even if such data qualifies as a trade secret. The Authority shall handle the data disclosed by the entity having obtained rights of use of frequency confidentially and in line with data protection rules, upon the entity's request. Data disclosure to the Authority shall be free of charge. Entities having obtained rights of use of frequency shall comply with the data handling rules defined in legislation.

5.11. Band reshuffling

Based on the implementation of Directive 2009/114/EC of the European Parliament and of the Council of 16 September 2009 and on the legislative provisions formulated on the basis of Commission Decision 2009/766/EC of 16 October 2009 on the harmonisation of the 900 MHz and 1800 MHz frequency bands for terrestrial systems capable of providing pan-European electronic communications services in the Community and Commission Implementing Decision 2011/251/EU of 18 April 2011 amending Decision 2009/766/EC, the opportunity to use technologies other than GSM (UMTS, LTE, WiMAX) in the 900 MHz band, in other words the implementation of nationwide large cellular 3G/4G coverage has emerged.

The current spectrum usage of the 900 MHz band (8 MHz blocks) only allows the usage of technologies other than GSM using the so-called "sandwich principle", referring to the formation of a broadband channel (fitted with a protective band) "cut" from the inside of the GSM block. The sale of the frequency block forming the subject of this auction procedure and the acquisition of the pertaining rights, however, grants the opportunity for the utilisation of and service provision within the entire 900 MHz band (880-915/925-960 MHz) for the entities obtaining rights of use of frequency, even when using technologies other than GSM.

Modification of the conditions for the usage of the 900 MHz band in line with the legislative provisions aimed at achieving maximum harmony with the requirements of effective spectrum usage — and in line with the foreseeable needs of the winner of the auction blocks — calls for the reshuffling of the entire 900 MHz band (redistribution), which may be carried out following conclusion of the auction procedure, once the outcome has been announced.

The method of band reshuffling implementing the legislative requirements and objectives of effective frequency usage, fostering the spread of new services and technologies and promotion of market competition preferred by the Authority shall be voluntary negotiation agreement between operators.

Applicants shall accept the obligation to conclude, for the sake of compliance with the principle of efficient spectrum usage, a negotiated agreement in the subject of the reshuffling

of the entire 900 MHz band within two months following conclusion of the auction procedure, complying with the relevant legislative provisions and implementing the criteria of efficient spectrum usage, or shall strive to achieve such agreement with other operators holding rights of use of frequency for the 900 MHz band as binding upon them in the event that they emerge as winners of the auction procedure.

The Authority shall not refuse to play the role of moderator and coordinator in the 900 MHz band reshuffling negotiations when requested by affected licensees.

Applicants shall acknowledge and accept that band reshuffling shall entail the amendment of the frequency assignments and radio licenses issued on the basis of this auction procedure and currently valid and effective in the 900 MHz band, and may call for the amendment of concession contracts.

In the event of agreements on band reshuffling, the licensees shall amend their concession contracts in line with the mutual agreement with the Minister and the reshuffling, and shall submit a licence modification request in line with the reshuffling agreement to the Authority within ten (10) days. When amendment of the concession contract is necessary, the licence modification request shall be submitted to the Authority ten (10) days following contract amendment.

When no mutual agreement is concluded between the stakeholders, the Authority shall be entitled to amend licences pursuant to the provisions of the Electronic Communications Act and Decree 6/2004 (IV. 13.).

NMHH Decree 7/2011 (X. 7.) and other regulations pertaining to electronic communications define the other rules governing the reshuffling of the further frequency blocks sold in the context of this auction procedure.

5.12. Returning the rights of use

Pursuant to the Electronic Communications Act and Section 22 (3) of Decree 6/2004 (IV. 13.), the Authority shall revoke its resolution on the rights of use of frequency obtained in the context of the auction procedure upon the request of the operator holding the rights of use of frequency, simultaneously notifying the Minister thereof. When the participant issues a request for the withdrawal of the rights of use of frequency obtained in the context of this auction procedure as outlined above, the amount paid by the participant for the rights of use of frequency (in particular the total auction price) shall not be reimbursed.

**Annex No. 1 to the Auction concerning the 900 MHz band
Technical Annex Regulating the issues of frequency and
identifier management**

1.1 Bands to be sold

The frequency blocks to be sold under the scope of the auction have been selected as follows:

in the 900 MHz band

- one 5 MHz duplex frequency block
- five 1 MHz duplex frequency blocks
- one 0.8 MHz duplex frequency block

in the 1800 MHz band

- three 5 MHz duplex frequency blocks

in the 2100 MHz band

- three 5 MHz duplex frequency blocks

Frequency band denomination		Frequency block denomination	Frequency block edges	Frequency block width	
900 MHz	EGSM	1. block "A"	880.1-885.1/925.1-930.1 MHz	duplex	5 MHz
		2. block "C"	885.1-889.9/930.1-934.9 MHz		0.8 MHz
		3.- 6. blocks „B"		duplex	1 MHz
	PGSM	7. block "B"	913.9-914.9/958.9-959.9 MHz	duplex	1 MHz
1800 MHz		8.- 10. blocks "D"	1725.1 —1730.1 /1820.1 —1825.1	duplex	5 MHz
			1730.1—1735.1/1825.1—1830.1 MHz		5 MHz
			1735.1—1740.1/1830.1—1835.1 MHz		5 MHz
2100 MHz		- 13. blocks "E"	1965—1970 MHz/2155—2160 MHz	duplex	5 MHz
			1970—1975 MHz/2160—2165 MHz		5 MHz
			1975—1980 MHz/2165—2170 MHz		5 MHz

In the Table above, numbers for blocks 2 through 6 listed in column 3 do not represent the order of blocks within the given frequency band.

1.2 Essential requirements for frequency use

In case of duplex frequency blocks, mobile-to-base (uplink) frequencies are located in the upper and base-to-mobile (downlink) frequencies in the lower frequency block. TDD systems shall not operate in duplex blocks.

1.2.1 900 MHz band

- 1.2.1.1 Guard bands: 880-880.1/925-925.1 MHz
914.9-915/959.9-960 MHz

Guard bands are to remain unused.

- 1.2.1.2 Operating frequency bands: 880.1-889.9/925.1 -934.9 MHz
913.9-914.9/958.9-959.9 MHz

- 1.2.1.3 Definition of transmit frequencies:

- a) transmit frequencies of mobile stations: $F_a(n) = 880.1 - B/2 + n \cdot B$ [MHz]
- b) transmit frequencies of base stations: $F_f(n) = F_a(n) + 45$ [MHz]

where

- B channel spacing [MHz]
- n channel number, with $n = 1, 2, 3, \dots$
 within a licensee's frequency block, use of a channel spacing lower than that specified in Section 1.2.1.5 herein is permitted; however, value for "n" near the block edges must be selected in a way that the channel belonging to the centre frequency falls entirely within the licensee's frequency block even with the nominal channel spacing as per Section 1.2.1.5 and the separation between channel edges as defined in Section 1.3, unless otherwise agreed by licensees of adjacent frequency blocks. The agreement may not entail the use of guard bands specified in Section 1.2.1.1 herein.

1.2.1.4 Duplex spacing: 45 MHz

1.2.1.5 Nominal channel spacing:

- a) for GSM systems: 200 kHz,
- b) for UMTS and WiMAX systems: 5 MHz,
- c) for LTE systems: 1.4 MHz, 3 MHz, 5 MHz, 10 MHz, 15 MHz or 20 MHz.

1.2.2 1800 MHz band

1.2.2.1 Operating frequency bands: 1725.1-1740.1/1820.1-1835.1 MHz

1.2.2.2 Definition of transmit frequencies:

- a) transmit frequencies of mobile stations: $F_a(n) = 1710.1 - B/2 + n \cdot B$ [MHz]
- b) transmit frequencies of base stations: $F_f(n) = F_a(n) + 95$ [MHz]

where

- B channel spacing [MHz]
- n channel number, with $n = 1, 2, 3, \dots$
 within a licensee's frequency block, use of a channel spacing lower than that specified in Section 1.2.2.4 herein is permitted; however, value for "n" near the block edges must be selected in a way that the channel belonging to the centre frequency falls entirely within the licensee's frequency block even with the nominal channel spacing as per Section 1.2.2.4 and the separation between channel edges as defined in Section 1.3 unless otherwise agreed by licensees of adjacent frequency blocks.

1.2.2.3 Duplex spacing: 95 MHz

1.2.2.4 Nominal channel spacing:

- a) for GSM systems: 200 kHz
- b) for UMTS and WiMAX systems: 5 MHz
- c) for LTE systems: 1.4 MHz, 3 MHz, 5 MHz, 10 MHz, 15 MHz or 20 MHz.

1.2.3 2100 MHz band

For systems using IMT/UMTS FDD technology:

1.2.3.1 Definition of transmit frequencies:

- a) Nominal frequency band for the transmission of mobile stations: 1965-1980 MHz
- b) Nominal frequency band for the transmission of base stations: 2155-2170 MHz

1.2.3.2 Duplex spacing: 190 MHz

1.2.3.3 Nominal channel spacing: 5 MHz

- a) channel raster is 200 kHz and the channel centre frequencies may be an integer multiple of 200 kHz starting from 2155 MHz; nevertheless a minimum

- distance of 2.5 MHz between centre frequency and band edge shall be ensured,
- b) within a licensee's frequency band, a channel spacing of less than 5 MHz is permitted - with the exception of cases stipulated under subsection a) above - taking into account the option for frequency assignment at every 200 kHz as per Annex 1 to Decision ECC/DEC/(06)01.

1.3 Coordination and separation between channel edges in the frequency bands 880-915/925-960 MHz and 1710-1785/1805-1880 MHz frequency bands

Regulation of the separation between channel edges is based upon the amended Commission Decision 2009/766/EC.

- 1.3.1 In case of two adjacent-frequency networks using GSM technology, licensees of the two adjacent frequency blocks are subject to a consultation obligation concerning the use of edge channels of the frequency blocks to be assigned.
- 1.3.2 Before refarming, in the case of the 880.1-885.1/925.1-930.1 MHz band, the frequency band required for channel edge separation must be established by the licensee of the adjacent band, within its own frequency block and in accordance with the table featured in Subsection 1.3.3 a) herein. Following refarming, at the edge of any continuous frequency block of 2 * 5 MHz or greater, held by the pre-refarming licensee of the 880.1-885.1/925.1-930.1 MHz band and falling within the 880.1-889.7/925.1-934.7 MHz range, the frequency band required for channel edge separation must be established by the licensee of the adjacent frequency block, in accordance with the table featured in Subsection 1.3.3 a) herein. Following refarming, at the edge of any continuous frequency block of 2 * 5 MHz or greater, held by the pre-refarming licensee of the 880.1885.1/925.1 -930.1 MHz band and falling outside the 880.1-889.7/925.1-934.7 MHz range, the frequency band required for channel edge separation must be established by the licensee having the mentioned continuous frequency block, in accordance with the table featured in Subsection 1.3.3 a) herein.
- 1.3.3 With the exception of cases listed under Subsection 1.3.2 and depending upon the actual technology utilised, the channel edges of networks ("A" and "B") of adjacent frequencies are to be separated in accordance with the following:

a) Channel edge separation:

network "A"					
GSM	UMTS	LTE	WiMAX		
0 kHz	200 kHz *	200 kHz *	200 kHz *	GSM	network "B"
	0 kHz	0 kHz	0 kHz	UMTS	
		0 kHz	0 kHz	LTE	
			0 kHz	WiMAX	

* Lowering the value of channel edge separation is subject to mutual agreement by the licensees affected.

- b) As for adjacent frequency networks of two licensees applying different technology categories, when utilising the edge channels of adjacent frequency blocks to be assigned, the frequency band required for channel edge separation as per Subsection 1.3.3 a) herein must be established in the frequency block of the Category 2 licensee rated as per Subsection 1.3.4, **unless otherwise agreed by the licensees using the said adjacent frequency blocks.**
- c) As for the adjacent frequency networks of technology Category 2 licensees as per Subsection 1.3.4, when using the edge channels of frequency blocks to be assigned, the channel edge separation is 0 kHz.

- 1.3.4 Categorization of technologies:
Category 1: GSM
Category 2: UMTS, LTE and WiMAX.
- 1.3.5 When defining the frequency band required for channel edge separation, the channel spacing specified under Subsection 1.2.2.4 must be applied both to the 900 and 1800 MHz frequency bands, unless otherwise agreed by the licensees using adjacent frequency blocks.
- 1.3.6 In order to mitigate and prevent harmful interference, in addition to the provisions of Section 1.3 and its Subsections, the affected licensees are under the obligation to consult, with each party required to mutually modify the characteristics of stations regardless of whichever installed the stations first.

1.4 How (interference generated by) radiolocation service operating in the band above 2700 MHz impacts the 2100 MHz band

In Hungary, there are currently five fixed radiolocation stations operating with carrier frequency above 2700 MHz that are expected to remain in use for several years to come. These radiolocation stations type PRV-17 are set for specific aeronautical events and operate on an ad-hoc basis (uptime of 3 to 5 percent).

An inquiry into the spurious emission of radar stations in the 2100 MHz band reveals that, when designing and installing elements of the IMT-2000/UMTS network infrastructure, the impact of said radar stations must be taken into account in their proximity.

Data for emission sources to be considered during the design and implementation of the IMT-2000/UMTS system (source names and geographic coordinates) are contained in table 1.4 a, whereas emission parameters (possible spurious power levels and antenna height of emission sources) are listed in table 1.4 b.

Table 1.4 a

Location	Geographic Coordinates		Station Type
	North	East	
Kup	47°15'08"	17°28'04"	PRV -17
Juta	46°23'37"	17°44'09"	PRV -17
Debrecen	47°29'25"	21°37'36"	PRV -17
Bekescsaba	46°41'06"	21°00'44"	PRV -17
Medina	46°28'18"	18°37'08"	PRV -17

Table 1.4 b

Radar Station	Frequency Band	Maximum EIRP
PRV-17 (antenna height: 10 m)	2110-2170 MHz	40-57 dBm/MHz

1.5 Service launch and coverage requirements, and assessment of coverage

1.5.1 Requirements for new licensees on service launch and coverage

- 1.5.1.1 Requirements specified for service launch and coverage are applicable exclusively to the *new licensee*.
- 1.5.1.2 Service launch and coverage are to be implemented according to the following schedule:

- a) service launch - upon having completed the installation of base stations operating in the tendered frequency band - is to be implemented in Budapest no later than 31 December 2012, with a minimum coverage area bound by:
 - *Robert Karoly korut - Hungaria korut - Konyves Kalman korut - Lagymanyosi bridge - Dombovari ut - Sarbogardi ut - Karolina ut - Villanyi ut - Budaorsi ut - Alkotas utca - Krisztina korut - Vermezo ut - Margit korut - Arpad Fejedelem utja - Arpad bridge;*
- b) with the installation of base stations operating in the tendered frequency band, service coverage is to be ensured, by no later than 31 December 2014, across the following areas:
 - within the municipal boundaries of all communities with a minimum population of 30,000, by ensuring coverage;
 - the new licensee may choose whether to comply with this obligation by ensuring coverage, instead of one or more communities with a minimum population of 30,000, for a larger number of smaller communities representing at least the same number of residents overall;
 - along all national motorways, dual carriageways and primary roads, by ensuring coverage.

A minimum of 50 % of base stations specified herein — ensuring an output performance of at least 10 Watts — (e.g. BTS, NodeB, eNodeB until the output point of the radio frame) are to be established as own investments by 31 December 2014.

Moreover, the controlling units and core network of the base stations shall also be established as own investments.

The transmission paths between system elements do not have to be established as own investments.

1.5.1.3 For purposes of the service, an area may be considered under coverage provided the signal level made available by base stations - measured at an altitude of 2 m above sea level and with an antenna gain of 0 dB -reaches the following minimum:

- a) -80 dBm throughout Budapest and across the municipal boundaries of communities as per Subsection 1.5.1.2 b) herein, applicable to the channel spacing of the technology used;
- b) -90 dBm for motorways, carriageways and primary roads running outside the municipal boundaries of communities (incl. Budapest) listed under Subsection 1.5.1.2 b), applicable to the channel spacing of the technology used.

1.5.1.4 Coverage requirements may be fulfilled by the installation of base stations operating in one or more frequency bands.

1.5.2 Assessing compliance with requirements on service launch and coverage

1.5.2.1 Throughout areas affected by service launch and coverage, the Authority will be conducting location registration tests on an arbitrary basis, measuring signal strength and assessing whether prescribed levels are being met.

1.5.2.2 Requirements on service launch and coverage are to be considered fulfilled if:

- a) in Budapest, the measured signal level remains above the minimum value as per Subsection 1.5.1.3 a) throughout 90 % of each individual route listed in the following two points below, as well as along 90 % of the entire ring road:
 - Vaci ut, Rakoczi ut, Kerepesi ut, Ulloi ut, Soroksari ut, Hegyalja ut, Attila ut and the lower embankments of Buda and Pest, within the area marked out by the route (ring road) specified in Subsection 1.5.1.2 a);

- along the entire length of Robert Karoly korut, Hungaria korut, Konyves Kalman korut, Lagymanyosi bridge, Dombovari ut, Sarbogardi ut, Karolina ut, Villanyi ut, Budaorsi ut, Alkotas utca, Krisztina korut, Vermezo ut, Margit korut, Arpad Fejedelem utja and Arpad bridge.

- b) outside Budapest and up to the municipal boundaries of communities as per Subsection 1.5.1.2 b), the measured signal level remains above the minimum value as per Subsection 1.5.1.3 a) throughout 70 % of all paved roads.
- c) on all national motorways, carriageways and primary roads - running outside the municipal boundaries of communities, including Budapest, listed under Subsection 1.5.1.2 b) - the measured signal level remains above the minimum value as per Subsection 1.5.1.3 a) throughout 70 % of each individual road.

1.5.2.3 The Authority shall enter all measurements and pertaining statistical calculations in a protocol.

1.5.3 Requirements on service access for incumbent mobile operators

The incumbent mobile operator having been awarded with frequency block "A" is required to ensure access to broadband services other than GSM with a minimum theoretical coverage (taking into account the restrictions set out in international coordination agreements) of 90 % of the country within the first year and 95 % in the second year, on which it shall make an announcement and provide reliable evidence as appropriate. The announcement and information pertaining to service access shall be posted on the Authority's website. Compliance with requirements stipulated herein may be assessed by the Authority as part of a market surveillance procedure.

1.6 Use of radio frequencies in national border zones

As for the use of radio frequencies in national border zones, only stations meeting prevailing relevant conditions set forth in international coordination documents may be permitted.

Future agreements and their subsequent amendments may supplement or override regulations specified in Section 1.6 and its Subsections.

The Authority shall post extracts of these agreements on its website (<http://www.nmhh.hu/dokumentum.php?cid=27644>) while also notifying the auction winners and/or their legal successors. If necessary and upon the applicants' written request, the Authority shall make available all relevant agreements, written in English, as PDF files.

Subject to a so-called operator agreement approved by the Authorities of neighbouring countries, frequency use other than those specified in the following Subsections may also be permitted. Under an operator agreement, frequencies falling into shared frequency bands may be used by operators from neighbouring countries differently from what is stipulated in agreements concluded by their respective Authorities. The following Subsections feature lists of agreements based upon preferential frequency or preferential code use.

1.6.1 900 MHz band

1.6.1.1 GSM technology

- a) This table contains the preferential frequency agreements to be taken into account when planning the use of frequencies along the border zones of Hungary, in view of amendments and clarifications listed below.

Frequency range	Agreements/Minutes/Final Protocols	Enacted with the following neighbouring countries						
		SLO	AUT	SVN	CRO	SRB	ROM	UKR
880-889,9/ 925-934.9 MHz	1) Minutes of the E-GSM co-ordination meeting, Bratislava, 11-12 December 2001	X	X					
	2) Minutes of the AUT-HUN-CRO-SVN meeting Vienna, 4-5 February 2002		X	X				
	3) Technical Agreement between AUT-HUN-CRO-SVN on E-GSM, 24 July 2007			X	X			
	4.) Minutes of technical experts meeting of HUN-SLO-UKR, Kiev, 9-12 June 2009	X						X
	5) Technical Agreement between AUT-HUN-CRO-ROM-SRB-SLO-SVN-UKR Budapest, 28 October 2010	X	X	X	X	X	X	X
	6) E-GSM Technical Procedure between HUN-CRO-ROM-SRB-UKR, 21 January 2011				X	X	X	X
913,9-915/ 958.9-960 MHz	7) Protocol of the Bilateral Meeting of UKR-HUN on Communications and Broadcasting, Kiev, 21 -25 June 1999							X
	8) Technical Agreement between AUT-HUN-CRO-ROM-SRB-SLO-SVN-UKR Budapest, 28 October 2010	X	X	X	X	X	X	X

- b) As for the use of preferential channels (with the exception of block edge masks), the signal strength of serving base stations cannot exceed, at more than 50 % of the area and in 90 % of the time, 19 dBuV/m/200 kHz in the neighbouring country outside a 15-kilometre zone from the border line, when measured at a height of 3 metres above ground level.
- c) Regarding the use of non-preferential channels, the signal strength of serving base stations cannot exceed, at more than 50 % of the area and in 90 % of the time, 19 dBuV/m/200 kHz along the border line, when measured at a height of 3 metres above ground level.
- d) There is no uniform management of block edge masks, and they may be regulated differently in various international agreements in terms of their preferential or non-preferential use.
- e) Division of the 913.9-915/958.9-960 MHz band into preferential frequencies is only regulated in the Ukraine — see agreement 7 in the table of Subsection a) above. As

for other countries, frequencies falling within this band shall be considered non-preferential frequencies.

- f) Frequencies, both preferential and non-preferential, require no co-ordination.

1.6.1.2 UMTS technology

- a) When planning the use of frequencies along the border zones of Hungary, the provisions of the Budapest agreement of 28 October 2010, ECC Recommendation (08)02, as well as the amendments and clarifications listed below shall be taken into consideration.

- b) If uncoordinated

In an uncoordinated case, it is not necessary to assess what technology is being utilised in the territory of a neighbouring country. The signal strength of serving base stations cannot exceed 33 dBuV/m/5 MHz along the border line, when it is measured at a height of 3 metres above ground level.

- c) If coordinated

Subject to a minimum carrier separation of 2.8 MHz between a centre frequency of a UMTS channel and the centre frequencies of GSM channels used in the other country, operators of two neighbouring countries may conclude so-called operator agreements if they seek to utilise UMTS technology in their respective frequency blocks or in parts thereof. When using preferential codes or if channel centre frequencies are not harmonised, the signal strength of base stations serving in the 925-960 MHz band cannot exceed

- 59 dBuV/m/5 MHz along the border line of the two neighbouring countries, when measured at a height of 3 metres above ground level, 31 dBuV/m/5 MHz within the neighbouring country in a 6-kilometre zone from the border line, when measured at a height of 3 metres above ground level.
- 31 dBuV/m/5 MHz along the border line of the two neighbouring countries, when measured at a height of 3 metres above ground level,

When using non-preferential codes and harmonised channel centre frequencies, the signal strength of base stations serving in the 925-960 MHz band cannot exceed

- d) In order to avoid harmful interference, as well as to adjust and verify the emission parameters of base stations accordingly, the following procedure shall be applied:
- when defining attenuation for radio waves, if the maximum distance between base station and border is 2 km, the outdoor propagation model shall be used,
 - if, within the first Fresnel zone, there is no obstruction between the base station transmitter and the 3-metre receiver antenna placed on the border line, the outdoor propagation model shall be used irrespective of the distance between base station and the border,
 - if, despite the above, harmful interference still persists, the emission parameters of base stations shall be adjusted with meterings and by adhering to the values specified for interference signal strength.
- e) Frequencies need not be coordinated.

1.6.1.3 LTE and WiMAX technologies

- a) If uncoordinated

In an uncoordinated case, it is not necessary to assess what technology is being utilised in the territory of a neighbouring country.

The signal strength of serving base stations cannot exceed 33 dBµV/m/5 MHz along the border line, when it is measured at a height of 3 metres above ground level. If the actual system utilises a nominal channel spacing (B, in MHz) other than 5 MHz, the threshold value for signal strength shall be defined with the following relation:

$$33 + 10 \cdot \lg(B/5) \quad (\text{dB}\mu\text{V/m})$$

If multiple radio stations are to be used at a given location, calculations for compound interference shall be required.

- b) For purposes of avoiding harmful interference and verifying base station emission parameters, the procedure specified in Subsection 1.6.1.2 d) shall be applied.

1.6.2 1800 MHz band

1.6.2.1 GSM technology

- a) This table contains the preferential frequency agreements to be taken into account when planning the use of frequencies along the border zones of Hungary, in view of amendments and clarifications listed below.

Frequency range	Agreements/Minutes/Final Protocols	Enacted with the following neighbouring countries						
		SLO	AUT	SVN	CRO	SRB	ROM	UKR
17101785/1805-1,880 MHz 17101739.9/1805-1834.9 MHz (channels 512 through 660)	Protocol of the meeting between AUT-CZE-HUN-CRO-SLO-SVN, Vienna, 26-30 September 1994	X	X	X	X			
	Protocol of the ROU-SLO-UKR-HUN meeting, Budapest, 18-22 October 1999	X					X	X
	Protocol of the HUN-ROM-YUG meeting, Szeged, 13-16 November 2000						X	
	Protocol of the HUN-CRO-YUG meeting, Pecs, 19-21 March 2003					X	X	
	Amendment to the AUT-CZE-HUN-CRO-SLO-SVN agreement of 1994, 3 August 2004				X			
	Technical Agreement between AUT-HUN-CRO-ROM-SRB-SLO-SVN-UKR Budapest, 28 October 2010	X	X	X	X	X	X	X

- b) As for the use of preferential channels (with the exception of block edge masks), the signal strength of serving base stations cannot exceed, at more than 50 % of the area and in 90 % of the time, 25 dBuV/m/200 kHz in the neighbouring country outside a 15-kilometre zone from the border line, when measured at a height of 3 metres above ground level.
- c) Regarding the use of non-preferential channels, the signal strength of serving base stations cannot exceed, at more than 50 % of the area and in 90 % of the

time, 25 dB μ V/m/200 kHz along the border line, when measured at a height of 3 metres above ground level.

- d) There is no uniform management of block edge masks, and they may be regulated differently in various international agreements in terms of their preferential or non-preferential use.
- e) Frequencies, both preferential and non-preferential, require no co-ordination.

1.6.2.2 UMTS technology

- a) When planning the use of frequencies along the border zones of Hungary, the provisions of the Budapest agreement of 28 October 2010, ECC Recommendation (08)02, as well as the amendments and clarifications listed below shall be taken into consideration.
- b) Uncoordinated case
In an uncoordinated case, it is not necessary to assess what technology is being utilised in the territory of a neighbouring country. The signal strength of serving base stations cannot exceed 39 dB μ V/m/5 MHz along the border line, when it is measured at a height of 3 metres above ground level.
- c) If coordinated
Subject to a minimum carrier separation of 2.8 MHz between a centre frequency of a UMTS channel and the centre frequencies of GSM channels used in the other country, operators of two neighbouring countries may conclude so-called operator agreements if they seek to utilise UMTS technology in their respective frequency blocks or in parts thereof. When using preferential codes or if channel centre frequencies are not harmonised, the signal strength of base stations serving in the 1805-1,880 MHz band cannot exceed:
 - 65 dB μ V/m/5 MHz along the border line of the two neighbouring
 - countries, when measured at a height of 3 metres above ground level, •
 - 37 dB μ V/m/5 MHz within the neighbouring country in a 6-kilometre
 - zone from the border line, when it is measured at a height of 3 metres
 - above ground level.When using non-preferential codes and harmonised channel centre frequencies, the signal strength of base stations serving in the 1805–1,880 MHz band cannot exceed:
 - 37 dB μ V/m/5 MHz along the border line of the two neighbouring
 - countries, when measured at a height of 3 metres above ground level,
- b) For purposes of avoiding harmful interference and verifying base station emission parameters, the procedure specified in Subsection 1.6.1.2 d) shall be applied. e) Frequencies need not be coordinated.

1.6.2.3 LTE and WiMAX technologies

- a) If uncoordinated
In an uncoordinated case, it is not necessary to assess what technology is being utilised in the territory of a neighbouring country.
The signal strength of serving base stations cannot exceed 39 dB μ V/m/5 MHz along the border line, when it is measured at a height of 3 metres above ground level.
If the actual system utilises a nominal channel spacing (B, in MHz) other than 5 MHz, the threshold value for signal strength shall be defined with the following relation:
$$39 + 10 \cdot \lg (B/5) \text{ (dB}\mu\text{V/m)}$$
If multiple radio stations are to be used at a given location, calculations for compound interference shall be required.

b) For purposes of avoiding harmful interference and verifying base station emission parameters, the procedure specified in Subsection 1.6.1.2 d) shall be applied.

1.6.3 2,100 MHz band

a) This table contains the agreements to be taken into account when planning the use of frequencies along the border zones of Hungary, in view of amendments and clarifications listed below.

Frequency range	Agreements/Minutes/Final Protocols	Enacted with the following neighbouring countries						
		SLO	AUT	SVN	CRO	SRB	ROM	UKR
2100 MHz	Minutes of the AUT-HUN-CRO-SVN meeting Vienna, 4-5 February 2002		X	X	X			
	Minutes of the AUT-CZE-D-HUN-POL-SLO-SVN-UKR meeting, Bratislava, 3-5 September 2002	X						X
	Protocol of the ROM-HUN meeting, Budapest, 31 August -3 September 2004						X	

b) In the 2110-2170 MHz band, the signal strength of base stations using preferential codes or not working via the CDMA IMT-2000 interface cannot exceed:

- 37 dBuV/m/5 MHz within the neighbouring country in a 6-kilometre zone from the border line, at more than 50 % of the area and in 90 % of the time, when measured at a height of 3 metres above ground level.

In the same 2110-2170 MHz band, the signal strength of base stations using non-preferential coding cannot exceed:

- 37 dBuV/m/5 MHz along the border line of the neighbouring country at more than 50 % of the area and in 90 % of the time, when measured at a height of 3 metres above ground level.

c) Frequencies need not be coordinated.

1.7 Coordination between GSM-R and mobile telephone networks

In accordance with the relevant ECC 162 Report, prior to the deployment of their respective stations, operators of the 876-880/921-925 MHz (GSM-R) band and those of upper adjacent bands are subject to a consultation obligation.

In the event that the operator of a given network only becomes known at a later date, thus causing a postponed deployment of its stations as well, a follow-up consultation shall take place, at which the installation and emission characteristics of stations shall be amended in accordance with the pertaining agreement concluded subsequently. The operator of mobile telephone network must take all necessary measures in order to avoid or minimise interference to GSM-R networks along and in the proximity of railroad lines. To this end, the operator of mobile

telephone network shall take steps including, in particular, the limitation of radiated power, the application of filters and separation distances, as well as the careful selection of antenna characteristics, the direction of emission and frequency reuse.

1.8 Frequency Fees

A frequency fee shall be collected on the frequency band awarded in the auction and specified in the frequency license, in accordance with Decree 1/2011 (III. 31.) of the President of the National Media and Infocommunications Authority.

1.9 Use of Identifiers

Identifiers may be put into service by the new operator in accordance with Government Decree 164/2005 (VIII. 16.) on the national allocation plan of electronic communications network identifiers, under the terms and conditions stipulated therein and subject to assignment license. Should the conditions stipulated under item 1.2.2 of Annex 1 to Government Decree 184/2005 (IX. 13.) on the order of management regarding the identifiers of electronic communications networks prevail, the Authority shall make available a sub-range of one of the reserved service or network identifiers (SHS) for mobile subscriber numbers (MSISDN) required for the provision of the mobile telephone service. For the use of identifiers thereby assigned, a fee stipulated in Decree No. 11/2005 (IX. 28.) IHM on the tariffs charged for reservation and use of identifiers needed for electronic communications services shall be paid.

1.10 Effective legislation pertaining to the use of identifiers

Government Decree 164/2005 (VIII. 16.) on the national allocation plan of electronic communications network identifiers
Government Decree 184/2005 (VIII. 13.) on the order of management regarding the identifiers of electronic communications networks
Decree No. 11/2005 (IX. 28.) IHM on the tariffs charged for reservation and use of identifiers needed for electronic communications services
Government Decree 46/2004 (III. 18.) on the rules of number portability
Decree No. 55/2007 (V. 31.) GKM on the number portability central reference database

Annex No. 2

Order and conditions of bidding sheet submission in relation to the 900 MHz Auction

1. Rules for the submission of bidding sheets

Every applicant shall submit, in a sealed envelope together with the bidding sheet, a performance security corresponding to or exceeding the bid amount offered on the bidding sheet or state its set-off in line with the requirements set out under section 3.15 of the Documentation.

1.1. Requirements pertaining to incumbent mobile operators

The incumbent mobile operator may submit a bidding sheet in three (3) envelopes, along with the performance security:

It may submit a bid for the second round

- a) for frequency block "A",
- b) for frequency blocks "B" and "C" for the case of a winning bid for frequency block "A",
- and
- b) for frequency blocks "B" and "C" for the case of a non-winning bid for frequency block "A".

The envelope shall bear the following inscription corresponding to the bidding sheet that it contains:

- a) Frequency block "A" - second round
- b) Frequency blocks "B" and "C" - in case of a winning bid for frequency block "A"
- b) Frequency blocks "B" and "C" - in case of a non-winning bid for frequency block "A"

Incumbent mobile operators may not submit bidding sheets for the first round and may not apply for frequency blocks "D" and "E".

If the applicant does not wish to make a bid for each of frequency blocks "B" and "C" it shall clearly state this fact by plainly crossing out the lines of the bidding sheet pertaining to the frequency blocks concerned.

1.2. Requirements pertaining to non-incumbent mobile operators

Non-incumbent mobile operators may submit a bidding sheet in two (2) envelopes, along with the performance bond:

They may submit a sheet

- a) for the first round, for which it shall submit a sheet pertaining to frequency blocks "D" and "E" and the corresponding performance bond together in a sealed envelope and
- b) for frequency blocks "B" and "C" in case of a winning bid in the first round.

If the applicant does not wish to make a bid, or does not wish to make a bid for each of frequency blocks "D" and "E" it shall clearly state this fact by plainly crossing out the lines of the bidding sheet pertaining to the frequency blocks concerned.

The envelope shall bear the following inscription corresponding to the bidding sheet that it contains:

- a) Frequency block "A" - first round
- b) Frequency blocks "B" and "C" in case of a winning bid for frequency block "A"

If the applicant does not wish to make a bid for each of frequency blocks "B" and "C" it shall clearly state this fact by plainly crossing out the lines of the bidding sheet pertaining to the frequency blocks concerned.

2. Rules for completing the bidding sheets

Every bidding sheet shall include the applicant's name, the signature of its representative and the date of completion of the bidding sheet.

The bid amount shall be an integer multiple of 10,000 (ten thousand).

2.1 The bidding sheet submitted in the envelope marked as —Frequency block —A|| – first round|| shall include the following table:

Bidding sheet 1	Bid
(Frequency block "A", first round)	 HUF + VAT

The bidding sheet shall be deemed valid if it states an amount equal to or greater than the minimum price announced in the auction.

Participants submitting their bidding sheets for the first round shall also submit a sheet indicating their intent to apply for frequency blocks "D" and "E" including the following table stating their itemised application for each frequency block.

	Frequency block "D"	Price
D1	1735.1-1740.1 / 1730.1-1835.1 MHz	 HUF + VAT
D2	1730.1-1740.1 / 1825.1-1835.1 MHz	 HUF + VAT
D3	1725.1-1740.1 / 1820.1-1835.1 MHz	 HUF + VAT
	Frequency block "E"	PRICE
E1	1975-1980 / 2165-2170 MHz	HUF + VAT
E2	1970-1980 / 2160-2170 MHz	HUF + VAT
E3	1965-1980 / 2155-2170 MHz	HUF + VAT

If the applicant does not wish to purchase every frequency block it shall clearly state this fact by crossing out the lines corresponding to the unwanted frequency blocks.

If the applicant does not wish to acquire any of frequency blocks "D" or "E", it shall indicate this by clearly crossing out the entire sheet.

2.2. The bidding sheet submitted in the envelope marked as "Frequency block "A" -second round" shall include the following table:

Bidding sheet 2	Bid
(Frequency block "A", second round)	HUF + VAT

The bidding sheet shall be deemed valid if it states an amount equal to or greater than the minimum price announced in the auction.

In the event that a second round of bidding is carried out as per Section 4.2.2 the participant shall also make its second-round bid by completing the bidding sheet specified under this Section.

2.3. The bidding sheet submitted in the envelope marked as "Frequency blocks "B", "C" - for the case of a winning bid for frequency block "A"" shall include the following table:

Bidding sheet 2 (In case of a winning bid for frequency block "A")	Frequency block "B"	Bid
	1.	 HUF + VAT
	2.	 HUF + VAT
		Bid
	Frequency block "C"	 HUF + VAT

The bidding sheet shall be deemed valid if it states an amount equal to or greater than the minimum price announced in the auction for at least one frequency block "B".

2.4. The bidding sheet submitted in the envelope marked as "Frequency blocks "B", "C" - for the case of a non-winning bid for frequency block "A"" shall include the following table:

Bidding sheet 3 (In case of a non- winning bid for frequency block "A")	Frequency block "B"	Bid
	1.	 HUF + VAT
	2.	 HUF + VAT
	3.	 HUF + VAT
	4.	 HUF + VAT
	5.	 HUF + VAT
		Bid
	Frequency block "C"	 HUF + VAT

The bidding sheet shall be deemed valid if it states an amount equal to or greater than the minimum price announced in the auction for at least two frequency blocks "B" and "C".