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*General Secretary and
Secretary to the Board of Directors*
TELEFÓNICA, S.A.

TELEFÓNICA, S.A. as provided in article 82 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Telefónica, S.A. announces that its subsidiary Telefonica Brasil, S.A. has been granted a national block of 2x10 MHz, in the 700 MHz band spectrum auction, called by the National Telecommunications Agency (Anatel), for the minimum amount reserved to that block, equivalent to 1,927,964,770 Brazilian Reals (approximately 619 million euros).

With this acquisition, Telefónica Brasil, S.A. reaches its goal of ensuring the necessary spectrum for the medium and long term expansion of the 4G service and to meet the growing demand for mobile access to high speed Internet.

Telefónica Brasil, S.A. leads the 4G market in Brazil, with a market share of 39.1%, according to latest figures released by Anatel, and 4G coverage in 99 Brazilian municipalities.

Madrid, September 30, 2014.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -