



ANTONIO J. ALONSO UREBA
Director, General Secretary
and Secretary to the Board of Directors
TELEFÓNICA, S.A.

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

SIGNIFICANT EVENT

The Executive Committee of Telefónica S.A., in its meeting held February 9th 2005, agreed to propose to Terra Networks S.A. the starting of negotiations leading potentially to merge both companies. The proposal under the terms of the negotiation fixes an exchange ratio of 2 shares of Telefónica S.A. of 1 Euro nominal value each for 9 shares of Terra Networks S.A. of 2 Euro nominal value each.

Madrid, February, 14th, 2005

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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