

**COMMUNICATION OF RELEVANT FACT****TERRA NETWORKS, S.A.**

TERRA NETWORKS, S.A., a Telefónica, S.A. subsidiary, pursuant to the provisions of article 82 of the Spanish Stock Market Act, hereby communicates the following

**RELEVANT FACT**

Pursuant our Relevant Fact communication dated on August 2<sup>nd</sup>, 2004, we inform that on October 5<sup>th</sup>, 2004, TERRA NETWORKS, S.A. (hereinafter, TERRA) and the Korean company DAUM COMMUNICATIONS Corp. have executed the stock purchase agreement by which the former sells to the latter the entire stock of LYCOS, Inc., a TERRA subsidiary, once the administrative authorisations that might be necessary, and in particular, the approval by the US authorities for the Defence of Competition have been obtained.

Madrid, October 6<sup>th</sup>, 2004