

TERRA NETWORKS SA
Form 425
July 15, 2005

This communication is filed pursuant to Rule 425
under the Securities Act of 1933, as amended

Filer: Telefonica, S.A.
Issuer: Telefonica, S.A.
Subject of the offer: Terra Networks, S.A.
Commission File Number: 333-123162

This document is incorporated by reference in the prospectus filed by Telefonica, S.A. pursuant to Rule 424(b)(3) in connection with the merger of Terra Networks, S.A. with and into Telefonica, S.A., file number 333-123162.

TELEFONICA, S.A.

ANTONIO J. ALONSO UREBA

Director, General Secretary

and Secretary to the Board of Directors

TELEFONICA, S.A.

Further to the Significant Event released on July 11th, 2005, Telefonica, S.A. and Terra Networks, S.A., as provided in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), hereby report the following

SIGNIFICANT EVENT

1.- Last day of trading for Terra Networks shares and ADSs.

As indicated by the Significant Event registered on July 11th 2005, it is expected that the Deed of the Merger by Absorption of Terra Networks, S.A. (Terra Networks) by Telefonica, S.A. (Telefonica) will be recorded with the Commercial Registry of Madrid tomorrow, July 16th, 2005, and accordingly today, Friday, July 15th, 2005, will be the last day of trading for shares of Terra Networks on the Spanish stock exchanges and of Terra Networks American Depositary Shares on the Nasdaq National Market in the United States.

2.- Expected exchange date for Terra Networks shares and ADSs.

In accordance with the above, it is expected that on Monday, July 18, 2005, holders of Terra Networks shares that are beneficiaries of the exchange will receive the Telefonica shares delivered in the exchange, after the execution by IBERCLEAR of the settlements that are customary in these types of transactions. Furthermore, as far as US securities markets are concerned, it is also expected that beginning on Monday, July 18, 2005, holders of Terra Networks ADSs that are beneficiaries of the exchange will receive the Telefonica ADSs delivered in the exchange.

3.- Acquisition Price of the odd-lots in Terra Networks shares or ADSs.

According to the procedure agreed by Telefonica and Terra Networks in order to facilitate the exchange by Terra Networks shareholders who hold of a number of Terra Networks shares that is not a multiple of nine (9), we hereby inform that the acquisition price of the odd-lots, determined based on the arithmetic mean of the average weighted trading prices of Terra Networks shares on the Automated Quotation System [*Sistema de Interconexion Bursatil*] (Continuous Market) for the last three trading sessions for Terra Networks stock (July 13th, 14th and 15th, 2005), as stated in the resolution passed by the respective General Shareholders' Meetings, is 3.03 euros per share.

Regarding the exchange of ADSs, fractional entitlements to Telefonica ADSs will be aggregated and the corresponding Telefonica ADSs will be sold on the New York Stock Exchange on or about July 22, 2005. Proceeds of the sale of such Telefonica ADSs will be delivered to the surrendering holders of Terra Networks ADSs beginning on or about July 28, 2005.

Madrid, July 15th, 2005