

TELECOMMUNICATIONS CO OF CHILE
Form 6-K
July 29, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934**

July 29, 2003

Commission File Number: 001-10579

TELECOMMUNICATIONS COMPANY OF CHILE

(Translation of registrant's name into English)

**Avenida Providencia No. 111, Piso 22
Providencia,
Santiago,
Chile**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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Telecommunications Company of Chile, S.A.

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News Release

FOR IMMEDIATE RELEASE

**COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A.
ANNOUNCES RESULTS FOR THE SECOND QUARTER 2003 (2Q03)**

Highlights:

The Company recorded a profit of Ch\$958 million (US\$1.37 million) in 2Q03, compared to a loss of Ch\$958 million (US\$1.37 million) in 2Q02

EBITDA amounted to Ch\$92,905 million (US\$132.9 million) in 2Q03, compared to Ch\$98,917 million (US\$141.5 million) in 2Q02

EBITDA margin reached 46.4% in 2Q03, compared to 45.5% in 2Q02

(Santiago, Chile July 29, 2003) Compañía de Telecomunicaciones de Chile S.A. (NYSE: CTC) (Telefónica CTC Chile or the Company) announced today its financial results, submitted to an internal financial review of independent auditors, stated in Chilean GAAP (in constant Chilean pesos as of June 30, 2003) for the second quarter of 2003. U.S. dollar equivalent information is based on the Observed Exchange Rate (as defined by the Chilean Central Bank) for June 30, 2003, which was Ch\$699.12 = US\$1.00. This information will be made publicly available through the Chilean *Superintendencia de Valores y Seguros* (SVS) and the Securities and Exchange Commission of the United States of America (www.sec.gov), as well as at the Company s website, www.telefonictcchile.cl.

REVENUES Telefónica CTC Chile' s **revenues** decreased by 7.9% in 2Q03 as compared to 2Q02, amounting to Ch\$200,071 million (US\$286.2 million). It should be noted that 2Q02 figures include revenues from the subsidiary Sonda, which are no longer consolidated since the sale of a 25% stake in this subsidiary in September 2002. Excluding Sonda revenues in 2Q02, Telefónica CTC Chile s total consolidated revenues increased 1.7% in 2Q03 as compared to 2Q02. Regarding the Company's core businesses performance, long distance revenues and fixed telephony revenues showed a year-over-year decline, dropping 12% and 2.8%, respectively, in 2Q03

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compared to 2Q02. This decrease was offset by: (i) a 13.1% increase in revenues from mobile services, and (ii) a 1.1% increase in revenues from corporate customer communications services.

OPERATING COSTS AND EXPENSES

Operating costs and expenses decreased by 6.6% in 2Q03 to Ch\$172,842 million (US\$247.2 million), as compared to Ch\$185,125 million (US\$264.8 million) in 2Q02. However, excluding costs of Sonda in 2Q02, operating costs increased by 4.4% in 2Q03 from 2Q02.

Salary expenses decreased by 27.6% in 2Q03 as compared to 2Q02, to Ch\$16,578 million (US\$23.7 million), mainly due to savings generated by the corporate reorganization process implemented in October 2002. This decrease is also enhanced by the fact that Sonda employees are no longer included in Telefónica CTC's payroll, since the sale of 25% of the Company's stake in this subsidiary in September 2002. Excluding Sonda's effect, salary expenses decreased by 12.8% in 2Q03 from 2Q02.

Other operating costs and expenses decreased by 4.3% in 2Q03 as compared to 2Q02, to Ch\$58,686 million (US\$84 million). Excluding Sonda's costs in 2002, such costs increased by 8.7%, mainly as a result of higher costs of interconnection of mobile telephones, as well as higher expenses for uncollectables of the local business.

Administrative and selling expenses decreased by 6.7% to Ch\$31,902 million (US\$45.6 million). Excluding administrative and selling expenses associated with Sonda in 2Q02, administrative and selling expenses increased by 14.1% in 2Q03 from 2Q02, mainly as a result of higher sales commissions related to the mobile business, ADSL and corporate customers, as well as higher publicity expenses related to the marketing campaign implemented in 2003.

EBITDA

As a result of the above, **EBITDA**¹ in 2Q03 decreased by 6.1% to Ch\$92,905 million (US\$132.9 million), compared to Ch\$98,917 million (US\$141.5 million) recorded in 2Q02. Excluding the impact of Sonda in 2Q02, EBITDA decreased 3.1% in 2Q03 compared to 2Q02.

EBITDA margin² in 2Q03 was 46.4%, compared to 45.5% recorded in 2Q02. However, if Sonda's impact is excluded, EBITDA margin in 2Q02 would have been 48.7%.

DEPRECIATION

Depreciation expense decreased 1.5% to Ch\$65,676 million (US\$93.9 million) in 2Q03 as compared to the 2Q02. However, excluding depreciation expenses associated with Sonda in 2Q02, it increased by 1.8% in 2Q03 from 2Q02, mainly as a result of putting into operation new assets of the Company, related to mobile and data business.

¹ EBITDA = operating income + depreciation

² EBITDA margin = (operating income + depreciation) / total operating revenues.

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OPERATING INCOME **OPERATING INCOME** decreased by 15.5% to Ch\$27,229 million (US\$38.9 million) in 2Q03 as compared to Ch\$32,213 million (US\$46.1 million) recorded in 2Q02. The operating margin amounted to 13.6% in 2Q03 as compared to 14.8% in 2Q02. Excluding operating income associated with Sonda in 2Q02, consolidated operating income decreased by 13.1% in 2Q03 compared to 2Q02.

NON-OPERATING INCOME **NON-OPERATING INCOME (LOSS)**: Telefónica CTC Chile recorded a 31.3% decrease in its non-operating losses, which amounted to Ch\$18,809 million (US\$26.9 million) in 2Q03, as compared to a non-operating loss of Ch\$27,376 million (US\$39.2 million) in 2Q02. The lower non-operating loss in 2Q03 is primarily the result of:

(i) a 13.9% reduction in interest expenses in 2Q03 compared to 2Q02, as a result of a 15.2% reduction in average interest-bearing debt over the same period and the decrease in market interest rates. This was partly offset by the fact that as of January 2003, the Company no longer capitalizes interest expenses, due to the fact that there are no financings associated with current projects. Total interest-bearing debt was US\$1,399 million as of June 30, 2003;

(ii) lower losses in other non-operating income/expenses in 2Q03 by 57.1%, as a result of the gain of Ch\$2,030 million (US\$2.9 million) from the increase in market value of Terra Network shares in 2Q03 vs. a loss of Ch\$3,997 million (US\$5.7 million) in 2Q02.

The above was partially offset by (i) a 33% decrease in interest income due to lower local and international interest rates and lower available funds, which were applied to pay down the Company's interest-bearing debt; and (ii) a loss from monetary correction of Ch\$2,370 million in 2Q03, caused by the fact that the variation in the U.F. (1.05%), by which the financial debt is adjusted, was greater than the 0.68% variation in the IPC inflation index, by which assets are adjusted.

INCOME TAXES **INCOME TAXES** In 2Q03, Telefónica CTC Chile recorded a total income tax charge in the amount of Ch\$7,464 million (US\$10.7 million), composed of a Ch\$1,934 million (US\$2.7 million) current income tax and a Ch\$5,530 million (US\$7.9 million) charge for deferred taxes of the period as well as amortization of deferred taxes of previous periods. This is a 37.7% increase as compared to the Ch\$5,422 million (US\$7.8 million) tax charge registered in 2Q02, mainly due to higher deferred taxes of the period resulting from decreased accumulated tax losses.

NET RESULT The Company recorded a **net income** of Ch\$958 million (US\$1.37 million) in 2Q03 as compared to a net loss of Ch\$958 million (US\$1.37 million) recorded in 2Q02.

Net income per ADR in 2Q03 amounted to US\$0.006, compared to a loss per ADR of US\$0.006 recorded in 2Q02. Furthermore, net income per share in 2Q03 equaled Ch\$1 as compared to the loss of Ch\$1 in 2Q02.

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CAPEX **Capital expenditures** for Telefónica CTC Chile and its consolidated subsidiaries amounted to US\$55.2 million in 2Q03 compared to US\$39 million in 2Q02, reaching a total of US\$100 million for the six-month period ended June 2003, compared to US\$65.9 million in the same period of the previous year. Capital expenditures during the period were mainly focused on the deployment of the new GPS/GPRS mobile network.

CASH FLOW The **consolidated free cash flow from operations**³ in 2Q03 reached Ch\$37,358 million (US\$53.4 million) as compared to Ch\$51,288 million (US\$73.4 million) in 2Q02. The consolidated operating free cash flow decreased by 23.5% to Ch\$87,401 (US\$125 million) in the six-month period ended June 2003, as compared to Ch\$114,257 million (US\$163.4 million) in the same period of the previous year, mainly due to a 51.7% increase in capital expenditure in 1H03 as compared to 1H02.

NOTE: As of Sept. 2002, Sonda's revenues do not appear as part of Telefonica CTC Chile's total consolidated revenues

FIXED TELEPHONY Revenues from fixed telephony services include Primary Service, Access Charges and Interconnections and Directory Advertising. Fixed telephony revenues, which represented 46.3% of total operating revenues in 2Q03, decreased by 2.8% to Ch\$92,642 million (US\$132.5 million) as compared to 2Q02.

³ Consolidated free cash flow from operations= EBITDA - capital expenditures - net interest expense - taxes

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Lines per employee (excluding employees of Telefónica CTC Chile's subsidiaries), increased by 15% from 849 at June 30, 2002, to 975 at June 30, 2003, as a result of the corporate restructuring process that took place in October 2002, and despite the decrease in lines in service during the year.

Primary service revenues, which include the fixed monthly charge, variable charge, connections and other installations, value-added services and equipment marketing, among others, decreased by 2.2% to Ch\$86,968 million (US\$124.4 million) in 2Q03 as compared to 2Q02. This decrease is mainly attributable to a 2.8% decrease in fixed monthly charge and a 8.1% decrease in variable charge due to (i) an 1% additional tariff decrease applied in May 2002 and May 2003 to variable and fixed charges pursuant to the Tariff Decree; (ii) a 5.7% decrease in average lines in service in 2Q03 vs. 2Q02, which resulted from increased disconnections in 2Q03 associated to non-payment, and (iii) an increase in the proportion of traffic charged as fixed-Internet traffic, whose rates are lower than those of traffic rated as Measured Local Service (fixed-fixed calls). The above was however offset by (i) a 47.6% increase in other revenues from local telephony due to higher revenues from ADSL service and flat fees for Internet access; (ii) a 12.2% increase in revenues from value-added services (call waiting, call transfer, voice mail, conference call, among others), and (iii) a 91.1% increase in revenues from equipment marketing as of January, includes revenues from equipment sales to small and medium-sized enterprises. Prior to the Company's most recent business restructuring these revenues were included as corporate customer revenues.

Access charges and interconnections revenues include revenues from access charges generated by DLD and ILD carriers, as well as those paid by other telecommunications operators that use Telefónica CTC Chile's network; they also include other interconnection services apart from access charges, such as interconnection of networks and information services to carriers, among others. These revenues decreased by 12.6% in 2Q03 to Ch\$5,318 million (US\$7.6 million) as compared to 2Q02, mainly as a result of an 8.2% decrease of DLD access charges revenues and a 24.7% decrease in ILD access charges revenues, due to a 14.7% and 26.9% decrease in local and international interconnection traffic, respectively.

Revenues from **directory advertising**, generated by the Company's contract with Publiguías, increased by 24.9% in 2Q03 to Ch\$356 million (US\$0.51 million) as compared to 2Q02.

**LONG
DISTANCE**

*Improvement
in LD market
share*

Long distance revenues include revenues from domestic and international long distance traffic carried by 188 Telefónica Mundo and Globus 120, as well as revenues from the rental of the long distance network to other telecom operators. Total long distance revenues, which accounted for 8.1% of consolidated operating revenues in 2Q03, decreased by 12% as compared to 2Q02, to Ch\$16,174 million (US\$23.1 million). This quarterly decrease in revenues was mainly due to: (i) lower revenues from domestic long distance services (DLD) due to the 13.2% decrease in DLD traffic carried by 188 Telefónica Mundo and Globus in 2Q03 as compared to 2Q02, mainly as a result of the slow economic recovery and the substitution effect of

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mobile service, and in line with the DLD market traffic evolution, (ii) lower revenues from international long distance services (ILD) due to the fact that the 1.9% increase in outgoing ILD traffic was offset by a reduction of 14.4% in the average price of this service in 2Q03 vs. 2Q02 caused by higher competition, and (iii) lower revenues from the rental of the long distance network to other telecom operators due to lower prices and lower market traffic in general.

**MOBILE
COMMUNICATIONS**

*13.5% increase
in average
subscribers
from 2Q02*

Mobile communications revenues include revenues from outgoing cellular traffic and interconnection revenues from Calling Party Pays, as well as revenues from mobile equipment sales. Total revenues from mobile communications, which accounted for 28.4% of total operating revenues in 2Q03, amounted to Ch\$56,829 million (US\$81.3 million), an increase of 13.1% as compared to 2Q02. This increase is mainly as a result of a 13.5% increase in average cellular subscribers, partially offset by a decrease in the average monthly revenue per user (ARPU), due to an increase in the proportion of prepaid customers in Telefónica Móvil's subscriber base. Prepaid customers represented 76.9% of total average cellular subscribers in 2Q03, as compared to 75.3% in 2Q02. As of June 30, 2003, Telefónica Móvil had 1,944,393 customers.

**CORPORATE
CUSTOMER
COMMUNICATIONS**

*48.1% increase in
data services
revenues*

Corporate customer communications include revenues from (i) telecommunications equipment sales, which refers to voice equipment (fax, PABX, etc.); (ii) complementary telephone services, such as 600, 700, 800 numbers and digital communications; (iii) data services, including ATM, Frame Relay, data equipment and services related to the IP network, and (iv) dedicated links and others, including videoconference, Dated, E1 Links and VSAT, ISP Empresas' revenues, services such as housing and hosting and consulting services to corporate customers.

Revenues from corporate customer communications increased by 1.1% to Ch\$21,396 million (US\$30.6 million) in 2Q03 as compared to 2Q02. The contribution of corporate customer communications revenues to total operating revenues increased from 9.7% in 2Q02 to 10.7% in 2Q03. This increase was mainly related to (i) a 48.1% increase in data services revenues in 2Q03 as compared to 2Q02 due to increased connectivity services through the IP network (ADSL); and (ii) a 27.9% increase in complementary services to corporate customers. However, this was partly offset by decreased revenues in telecommunications equipment sales, and lower revenues of dedicated links and others due to continued migration from traditional networks to IP network services. ATM links decreased by 8.1% while data links through the IP network grew at a rate of 256% for dedicated IP network, and average customers decreased by 5.2% for switched IP network in 2Q03 as compared to 2Q02.

Additionally, as of January 2003, and according to the business restructuring of October 2002, revenues from equipment marketing, revenues from ISP and sales commissions of local telephony associated to small and medium-sized enterprises are now accounted for as part of the Consumer and Small Business Communications business area, under fixed telephony revenues. However, excluding income of Pymes in 2Q02, corporate customer communications revenues grows 19.9%

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**OTHER
BUSINESSES**

*Decrease of
revenues from
Other
Businesses
impacted by
the elimination
of Sonda's
revenues*

These revenues include public telephones, as well as revenues from interior installation and equipment marketing of the subsidiary CTC Equipos, among others. They represented 6.5% of total operating revenues in 2Q03. As of and including September 2002, the revenues of the information systems subsidiary Sonda are no longer included in this item.

Public telephone revenues decreased by 19.2% in 2Q03 to Ch\$ 2,516 million (US\$3.6 million) as compared to 2Q02, mainly as a result of lower average revenue per public telephone due to mobile traffic substitution.

Interior installation and equipment marketing revenues increased by 5.6% in 2Q03 to Ch\$7,417 million (US\$10.6 million) compared to 2Q02.

Other businesses revenues increased by 52.9% to Ch\$ 3,097 million (US\$ 4.4 million) in 2Q03, as compared to 2Q02, mainly due to a 102.9% increase in Teleemergencia revenues. These revenues include revenues from other subsidiaries such as Istel (employee health insurance), Teleemergencia and T-gestiona, among others.

| <i>Business Unit</i> | <i>EBITDA (Ch\$ mn)</i> | <i>EBITDA Margin</i> | <i>Contribution to Net Result (Ch\$mn)</i> |
|--|-----------------------------|--------------------------|--|
| <i>Fixed telephony</i> | 51,517 | 48.0% | (9,844) |
| <i>Long distance</i> | 9,367 | 40.9% | 6,653 |
| <i>Mobile</i> | 18,790 | 32.3% | 1,267 |
| <i>Corp. Communications (incl. Data)</i> | n.d. | n.d. | 1,020 |
| <i>Others</i> | n.d. | n.d. | 1,862 |
| <i>Consolidated</i> | 92,905 | 46.4% | 958 |

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CTC AGREED TO PARTICIPATE IN TENDER OFFER FOR TERRA NETWORKS SHARES

The Board of Directors of the Company's subsidiary Telefónica Mundo S.A. agreed to participate in the tender offer launched by Telefónica S.A. for Terra Networks' shares. In the event that in early August 2003, Telefónica S.A. declares the bid successful, Telefónica CTC Chile would sell 2,984,986 shares of Terra Networks S.A. at 5.25 euros per share. At March 31, 2003, those shares were accounted in the Company's Financial statements at 4.40 euros per share.

PAYMENT OF AN EXTRAORDINARY DIVIDEND AMOUNTING TO CH\$17.5 PER SHARE

This dividend will be paid to all shareholders of record as of July 24, 2003. The dividend will be paid in Chile on July 30, 2003, and will be paid to ADR holders by Citibank N.A. on August 1, 2003. The gross dividend will amount to Ch\$70.0 per ADR (equivalent to approximately US\$0.10 per ADR based on the observed exchange rate as of 6/30/03), and the net dividend payable, less withholding tax, will amount to Ch\$69.97 per ADR (equivalent to approximately US\$0.10 per ADR based on the observed exchange rate as of 6/30/03).

TELEFONICA CTC CHILE ISSUES A LOCAL COMMERCIAL PAPER

The Company placed on June 26, 2003, its first issue of commercial paper for Ch\$20,000 million with charge to the Ch\$35,000 credit line million registered in the Chilean Superintendencia de Valores y Seguros (SVS). The issue contemplated 2 series of Ch\$10,000 million each, with terms of 90 and 147 days and effective interest rates of 0.27% and 0.2974% respectively. The line and the instruments under it were classified by both Fitch Chile and Humphreys (Moody's) with their best short-term risk classification, i.e., F1+ and N1+, respectively.

TELEFONICA CTC CHILE REQUEST THE FORMATION OF A PANEL OF EXPERTS IN FIXED TELEPHONY TARIFF SETTING PROCESS

In accordance with the requirements of the tariff setting process, on April 30, 2003, Telefónica CTC Chile presented to the Undersecretary of Telecommunications (Subtel) its proposal for the technical-economic bases upon which tariffs for the 2004-2009 period will be

determined. On May 30, 2003, Subtel provided the Company with the text of a proposal of the technical-economic bases. Subsequently, the Company presented arguments against such text and, as provided for in the tariff setting process, requested the formation of a panel of experts (whose final opinion is not binding upon Subtel), which offered its opinion of such arguments on July 17, 2003. Until July 27, 2003,

Subtel must issue the final technical-economic bases, which will define the conditions that will govern the

Tariff Study, which is the document that sets the tariff structure and the tariff level for each regulated service.

The period for Telefónica CTC Chile to present its Tariff Study to the Ministries expires on November 5, 2003.

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**SIGNING OF PURCHASE AND SALE AGREEMENT FOR
ISTEL WITH ISAPRE CONSALUD**

As of July 23, 2003, Compañía de Telecomunicaciones de Chile S.A. signed a purchase and sale agreement with Isapre Consalud S.A. Group for a 100% stake of Compañía de Telecomunicaciones de Chile Isapre S.A. (Istel) for the equivalent amount in Chilean pesos of U.F 9,175, which is subject to the result of the due diligence process to be performed by the buying party. The definitive contract would be signed on September 1st, 2003.

**WE INVITE YOU TO VISIT TELEFONICA CTC CHILE S
INVESTOR RELATIONS**

**WEBSITE AT: [www.telefonicactcchile.cl/
investors/contenido.html](http://www.telefonicactcchile.cl/investors/contenido.html)**

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Compañía de Telecomunicaciones de Chile S.A., the first South American company to list shares on the New York Stock Exchange, is the largest telecommunications enterprise in Chile, providing local service, as well as domestic and international long distance services throughout the country. Additionally, the Company provides equipment marketing, data transmission, value-added services and information systems services and operates a nationwide cellular network.

This news release contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1996, including but not limited to Compañía de Telecomunicaciones de Chile S.A.'s expectations for its performance for the quarter. Forward looking statements may also be identified by words such as believes, expects, anticipates, projects, intends, should, seeks, estimates, future, or similar expressions. The forward-looking statements included in this news release are based on current expectations, but actual results may differ materially from anticipated future results due to various factors many of which are beyond the control of Compañía de Telecomunicaciones de Chile S.A. and its subsidiaries. Certain factors which could cause the actual results of Compañía de Telecomunicaciones de Chile S.A. and its subsidiaries to differ materially from the expected results include, among others, changes in Chile's regulatory framework, impact of increased competition and other factors beyond Compañía de Telecomunicaciones de Chile S.A.'s control.

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Item 2.**PHYSICAL STATISTICS**

| | I 2002 | II 2002 | III 2002 | IV 2002 | I 2003 | II 2003 |
|---|-----------|------------|-------------|------------|-----------|------------|
| Total lines in service at the end of period | 2,746,178 | 2,760,252 | 2,721,412 | 2,686,695 | 2,630,223 | 2,566,384 |
| Average number of lines in service (quarterly) | 2,734,366 | 2,752,418 | 2,740,296 | 2,701,752 | 2,655,948 | 2,594,404 |
| Number of lines installed (1) | 3,024,693 | 3,027,354 | 3,030,444 | 3,023,541 | 3,026,374 | 3,030,377 |
| Lines per 100 Inhabitants (2) | 17.5 | 17.6 | 17.3 | 17.1 | 17.4 | 17.0 |
| Public telephones in service at end of period | 37,740 | 36,759 | 36,251 | 35,674 | 35,396 | 35,366 |
| Effective minutes of local traffic measured by second (million) | 3,650 | 4,088 | 3,984 | 4,178 | 3,552 | 3,866 |
| Local calls MLS (millions) | 1,245 | 1,328 | 1,265 | 1,428 | 1,201 | 1,247 |
| DLD traffic of 188 Telefónica Mundo + Globus 120 (thousands of minutes) | 183,372 | 184,456 | 176,075 | 172,942 | 164,958 | 157,372 |
| Outgoing ILD traffic of 188 Telefónica Mundo +Globus 120 (thousands of minutes) | 15,218 | 16,071 | 17,404 | 17,395 | 16,146 | 16,293 |
| Access charge traffic (thousands of minutes) | 1,672,282 | 1,762,580 | 1,707,252 | 1,645,934 | 1,460,389 | 1,437,348 |
| Number of lines connected | 71,898 | 93,617 | 76,950 | 97,954 | 65,045 | 59,378 |
| Number of CTC's employees (end of period) (3) | 3,242 | 3,252 | 3,254 | 2,559 | 2,569 | 2,631 |
| Number of subsidiaries employees (end of period) (3) | 4,631 | 4,730 | 2,468 | 2,084 | 2,121 | 2,176 |
| Number of cellular subscribers (end of period) | 1,651,282 | 1,710,326 | 1,761,432 | 1,849,283 | 1,883,837 | 1,944,393 |

(1) Includes circuits and ISDN lines in order to indicate the real capacity of the network.

(2) 2002 Poll (15.1 million inhabs.) identified that estimated Chilean population by the INE, Statistic National Institute, (15.7 million inhabs.) was overestimated.

(3) As of March 2003 the criteria for calculation of the permanent personnel was modified by adding personnel with fixed term contracts. Year 2002 was modified accordingly.

ANNUAL VARIATION

| | I 2002 | II 2002 | III 2002 | IV 2002 | I 2003 | II 2003 |
|---|-----------|------------|-------------|------------|-----------|------------|
| Total lines in service at the end of period | 0.8% | 0.6% | -1.1% | -1.3% | -4.2% | -7.0% |
| Average number of lines in service (quarterly) | 0.8% | 0.6% | -0.2% | -1.9% | -2.9% | -5.7% |
| Numbers of lines installed | 0.6% | 0.2% | 0.5% | 0.1% | 0.1% | 0.1% |
| Lines per 100 Inhabitants | -0.6% | -0.6% | -2.3% | -1.5% | -0.6% | -3.4% |
| Public telephones in service at the end of period | 69.8% | 36.9% | 18.1% | 5.5% | -6.2% | -3.8% |
| Effective minutes of traffic measured by second (million) | -6.1% | -2.3% | -4.2% | 0.0% | -2.7% | -5.4% |
| Local calls MLS (millions) | -6.9% | -3.5% | -9.9% | -0.8% | -3.5% | -6.1% |
| DLD traffic of 188 Telefónica Mundo + Globus 120 (thousands of minutes) | -7.8% | -7.6% | -11.7% | -14.1% | -10.0% | -14.7% |
| Outgoing ILD traffic of 188 Telefónica Mundo +Globus 120 (thousands of minutes) | 7.5% | -1.3% | 7.9% | 6.9% | 6.1% | 1.4% |

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| | | | | | | |
|---|--------|-------|--------|--------|--------|--------|
| Access charge traffic (thousands of minutes) | -6.1% | -4.6% | -5.9% | -9.0% | -12.7% | -18.5% |
| Number of lines connected | -21.5% | -5.5% | 12.2% | 37.2% | -9.5% | -36.6% |
| Number of CTC s employees (end of period) | -29.9% | -0.9% | 6.6% | -21.2% | -20.8% | -19.1% |
| Number of subsidiaries' employees (end of period) | -2.3% | 4.5% | -49.8% | -54.8% | -54.2% | -54.0% |
| Number of cellular subscribers (end of period) | 27.5% | 20.8% | 19.0% | 17.8% | 14.1% | 13.7% |

[Back to Contents](#)**QUARTERLY CONSOLIDATED STATEMENTS OF INCOME (CHGAAP)**

(Ch\$ millions as of June 30, 2003)

| | JAN-JUN 2002 | IQ 2002 | IIQ 2002 | IIIQ 2002 | IVQ 2002 | JAN-JUN 2003 | IQ 2003 | IIQ 2003 | VARIATION | |
|---|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|---------------|---------------|
| | | | | | | | | | IIQ03/IIQ02 | 2003/2002 |
| OPERATING REVENUES | | | | | | | | | | |
| FIXED TELEPHONY | 188,077 | 92,798 | 95,279 | 97,212 | 100,131 | 186,651 | 94,009 | 92,642 | -2.8% | -0.8% |
| Primary Service | 175,090 | 86,182 | 88,908 | 88,523 | 93,389 | 174,214 | 87,246 | 86,968 | -2.2% | -0.5% |
| Telephone Line Serv.Fee (Fixed Monthly Charge) | 79,837 | 39,996 | 39,841 | 40,092 | 40,550 | 78,560 | 39,828 | 38,732 | -2.8% | -1.6% |
| Variable Charge | 76,140 | 36,629 | 39,511 | 40,498 | 41,530 | 72,360 | 36,045 | 36,315 | -8.1% | -5.0% |
| Connections and other installations | 3,743 | 1,992 | 1,751 | 1,650 | 1,644 | 2,996 | 1,616 | 1,380 | -21.2% | -20.0% |
| Value added services | 8,302 | 4,067 | 4,235 | 4,140 | 4,910 | 9,274 | 4,522 | 4,752 | 12.2% | 11.7% |
| Equipment Marketing | 2,809 | 1,614 | 1,195 | 720 | 1,493 | 4,538 | 2,254 | 2,284 | 91.1% | 61.6% |
| Other fixed telephony revenues | 4,259 | 1,884 | 2,375 | 1,423 | 3,262 | 6,486 | 2,981 | 3,505 | 47.6% | 52.3% |
| Access Charges and Interconnections | 11,837 | 5,751 | 6,086 | 5,908 | 5,776 | 11,115 | 5,797 | 5,318 | -12.6% | -6.1% |
| Domestic long distance | 4,617 | 2,257 | 2,360 | 2,433 | 2,490 | 4,492 | 2,325 | 2,167 | -8.2% | -2.7% |
| International long distance | 1,789 | 837 | 952 | 893 | 870 | 1,449 | 732 | 717 | -24.7% | -19.0% |
| Other interconnection services | 5,431 | 2,657 | 2,774 | 2,582 | 2,416 | 5,174 | 2,740 | 2,434 | -12.3% | -4.7% |
| Directory Advertising | 1,150 | 865 | 285 | 2,781 | 966 | 1,322 | 966 | 356 | 24.9% | 15.0% |
| LONG DISTANCE | 37,434 | 19,048 | 18,386 | 18,399 | 19,720 | 33,586 | 17,412 | 16,174 | -12.0% | -10.3% |
| Domestic Long Distance | 16,705 | 8,555 | 8,150 | 8,320 | 8,273 | 14,548 | 7,763 | 6,785 | -16.7% | -12.9% |
| International Service | 14,382 | 7,296 | 7,086 | 6,933 | 7,042 | 13,386 | 6,837 | 6,549 | -7.6% | -6.9% |
| Rental of LD Network | 6,347 | 3,197 | 3,150 | 3,146 | 4,405 | 5,652 | 2,812 | 2,840 | -9.8% | -11.0% |
| MOBILE COMMUNICATIONS | 99,875 | 49,610 | 50,265 | 51,892 | 57,441 | 112,077 | 55,248 | 56,829 | 13.1% | 12.2% |
| Outgoing Traffic | 57,963 | 27,771 | 30,192 | 30,933 | 33,328 | 67,562 | 32,526 | 35,036 | 16.0% | 16.6% |
| Interconnection under Calling Party Pays | 41,912 | 21,839 | 20,073 | 20,959 | 24,113 | 44,515 | 22,722 | 21,793 | 8.6% | 6.2% |
| CORPORATE CUSTOMER COMMUNICATIONS | 40,655 | 19,497 | 21,158 | 21,297 | 25,203 | 42,202 | 20,806 | 21,396 | 1.1% | 3.8% |
| Equipment | 10,795 | 5,078 | 5,717 | 5,868 | 8,108 | 7,903 | 3,817 | 4,086 | -28.5% | -26.8% |
| Complementary Services | 5,490 | 2,676 | 2,814 | 3,290 | 3,739 | 7,378 | 3,778 | 3,600 | 27.9% | 34.4% |
| Data services | 8,418 | 3,898 | 4,520 | 5,001 | 5,014 | 12,788 | 6,094 | 6,694 | 48.1% | 51.9% |
| Dedicated links and others | 15,952 | 7,845 | 8,107 | 7,138 | 8,342 | 14,133 | 7,117 | 7,016 | -13.5% | -11.4% |
| OTHER BUSINESSES | 69,051 | 36,801 | 32,250 | 33,549 | 12,710 | 25,793 | 12,763 | 13,030 | -59.6% | -62.6% |
| Public Telephones | 6,535 | 3,420 | 3,115 | 2,645 | 3,031 | 5,444 | 2,928 | 2,516 | -19.2% | -16.7% |
| Interior installation and equipment marketing | 14,246 | 7,220 | 7,026 | 6,788 | 7,520 | 14,859 | 7,442 | 7,417 | 5.6% | 4.3% |
| Information System Services (Sonda) | 44,016 | 23,932 | 20,084 | 19,020 | (29) | 0 | 0 | 0 | -100% | -100% |
| Other Operating Revenues | 4,254 | 2,229 | 2,025 | 5,096 | 2,188 | 5,490 | 2,393 | 3,097 | 52.9% | 29.1% |
| TOTAL OPERATING REVENUES | 435,092 | 217,754 | 217,338 | 222,349 | 215,205 | 400,309 | 200,238 | 200,071 | -7.9% | -8.0% |

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME (CHGAAP), continued

(Ch\$ millions as of June 30, 2003)

| | <u>JAN-JUN 2002</u> | <u>IQ 2002</u> | <u>IIQ 2002</u> | <u>IIIQ 2002</u> | <u>IVQ 2002</u> | <u>JAN-JUN 2003</u> | <u>IQ 2003</u> | <u>IIQ 2003</u> | <u>VARIATION IIQ03/IIQ02 2003/2002</u> | |
|---|-------------------------|--------------------|---------------------|----------------------|---------------------|-------------------------|--------------------|---------------------|--|---------------|
| OPERATING COSTS AND EXPENSES | | | | | | | | | | |
| Salaries | 44,506 | 21,621 | 22,885 | 21,843 | 14,092 | 29,611 | 13,033 | 16,578 | -27.6% | -33.5% |
| Depreciation | 132,791 | 66,087 | 66,704 | 66,062 | 65,053 | 131,023 | 65,347 | 65,676 | -1.5% | -1.3% |
| Other Operating Costs | 122,751 | 61,424 | 61,327 | 68,125 | 73,637 | 115,573 | 56,887 | 58,686 | -4.3% | -5.8% |
| Adm. & Selling Expenses | 68,599 | 34,390 | 34,209 | 30,764 | 32,487 | 63,775 | 31,873 | 31,902 | -6.7% | -7.0% |
| TOTAL OPERATING COSTS AND EXPENSES | 368,647 | 183,522 | 185,125 | 186,794 | 185,269 | 339,982 | 167,140 | 172,842 | -6.6% | -7.8% |
| OPERATING INCOME | 66,445 | 34,232 | 32,213 | 35,555 | 29,936 | 60,327 | 33,098 | 27,229 | -15.5% | -9.2% |
| EBITDA | 199,236 | 100,319 | 98,917 | 101,617 | 94,989 | 191,350 | 98,445 | 92,905 | -6.1% | -4.0% |
| Operating Margin | 15.3% | 15.7% | 14.8% | 16.0% | 13.9% | 15.1% | 16.5% | 13.6% | -1.2pp | -0.2pp |
| EBITDA Margin | 45.8% | 46.1% | 45.5% | 45.7% | 44.1% | 47.8% | 49.2% | 46.4% | 0.9pp | 2.0pp |
| Interest Income | 6,924 | 3,508 | 3,416 | 3,728 | 6,223 | 4,587 | 2,297 | 2,290 | -33.0% | -33.8% |
| Other Non-Operating Income | 3,666 | 2,144 | 1,522 | 8,740 | 961 | 6,756 | 1,802 | 4,954 | 225.5% | 84.3% |
| Revenues from Related Companies | (290) | 14 | (304) | 757 | 1,914 | 211 | 154 | 57 | -118.8% | -172.8% |
| Interest Expense | (40,103) | (20,041) | (20,062) | (23,856) | (18,409) | (34,602) | (17,335) | (17,267) | -13.9% | -13.7% |
| Amortization of Goodwill | (7,939) | (3,877) | (4,062) | (13,106) | (3,888) | (7,538) | (3,753) | (3,785) | -6.8% | -5.1% |
| Other Non-Operating Expenses | (9,736) | (3,466) | (6,270) | (20,319) | (8,242) | (4,496) | (1,807) | (2,689) | -57.1% | -53.8% |
| Monetary Correction | (5,716) | (4,100) | (1,616) | (1,404) | (1,930) | (316) | 2,054 | (2,370) | 46.7% | -94.5% |
| NON-OPERATING INCOME | (53,194) | (25,818) | (27,376) | (45,460) | (23,371) | (35,398) | (16,588) | (18,810) | -31.3% | -33.5% |
| INCOME BEFORE INCOME TAX | 13,251 | 8,414 | 4,837 | (9,905) | 6,565 | 24,929 | 16,510 | 8,419 | 74.1% | 88.1% |
| Income Tax | (11,250) | (5,828) | (5,422) | (7,278) | (8,483) | (16,700) | (9,236) | (7,464) | 37.7% | 48.4% |
| Minority Interest | (619) | (336) | (283) | (127) | (25) | (12) | (15) | 3 | -101.1% | -98.1% |
| Amortization of Negative Goodwill | 0 | 90 | (90) | 0 | 0 | 0 | 0 | 0 | | |
| NET INCOME | 1,382 | 2,340 | (958) | (17,310) | (1,943) | 8,217 | 7,259 | 958 | -200.0% | 494.6% |
| | | 655.90 | 688.05 | 748.73 | 718.61 | | 731.56 | 699.12 | | |

**Observed
exchange rate
(end of the
period)**

| | IQ 2002 | IIQ 2002 | IIIQ 2002 | IVQ 2002 | IQ 2003 | IIQ 2003 |
|--|--------------------|---------------------|----------------------|---------------------|--------------------|---------------------|
| Earnings per Common Share (Ch\$) | 2.4 | -1.0 | -18.1 | -2.0 | 7.6 | 1.0 |
| Earnings per ADR (US\$) | 0.01 | -0.01 | -0.10 | -0.01 | 0.04 | 0.01 |
| Weighted Average Number of Shares Fully Paid (millions) | 957.2 | 957.2 | 957.2 | 957.2 | 957.2 | 957.2 |

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CONSOLIDATED BALANCE SHEET (ChGAAP)
(Figures in thousands of CH\$ as of June 30, 2003)

| ASSETS | 2003 CH\$ | 2002 CH\$ | LIABILITIES | 2003 CH\$ | 2002 CH\$ |
|---------------------------------------|----------------------|----------------------|---|--------------------|----------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| Cash and banks | 10,367,787 | 14,327,092 | Banks and financial institutions - short-term | 9,299,134 | 35,449,162 |
| Time deposits | 267,769 | 13,702,092 | Banks and financial institutions - current maturities | 67,646,636 | 174,023,275 |
| Marketable securities | 42,445,214 | 73,410,187 | Commercial papers | 19,783,488 | 0 |
| Trade receivables | 205,479,313 | 247,720,677 | Debentures | 19,131,519 | 42,659,184 |
| Notes receivable | 5,183,879 | 8,026,817 | Current maturities of other long-term liabilities | 470,556 | 526,641 |
| Sundry debtors | 12,217,104 | 30,471,029 | Dividends payable | 149,388 | 211,723 |
| Due from related companies | 18,651,396 | 19,826,272 | Accounts payable | 128,318,227 | 163,088,446 |
| Inventories | 18,736,499 | 25,402,765 | Notes payable | 152,804 | 946,592 |
| Refundable taxes | 21,344,415 | 17,764,279 | Sundry creditors | 23,052,924 | 12,818,217 |
| Prepaid expenses | 9,238,237 | 10,003,086 | Due to related companies | 21,981,442 | 17,056,729 |
| Deferred taxes | 28,567,318 | 53,226,457 | Provisions | 6,596,666 | 10,580,875 |
| Other current assets | 33,189,776 | 140,390,872 | Withholdings | 10,706,026 | 12,831,592 |
| Total current assets | 405,688,707 | 654,271,625 | Unearned income | 7,623,096 | 3,437,165 |
| | | | Other current liabilities | 2,871,223 | 15,055,113 |
| FIXED ASSETS | | | Total current liabilities | 317,783,129 | 488,684,714 |
| Land | 27,667,278 | 29,808,243 | LONG-TERM LIABILITIES | | |
| Construction and infrastructure works | 186,258,179 | 199,963,526 | Banks and financial institutions | 394,723,547 | 471,338,842 |
| Machinery and equipment | 3,410,794,925 | 3,289,001,067 | Debentures | 471,662,234 | 581,719,906 |
| Other fixed assets | 378,476,278 | 441,968,496 | Due to related companies | 23,870,901 | 23,635,437 |
| Technical revaluation | 9,230,850 | 9,230,699 | Sundry creditors | 11,991,200 | 6,244,090 |
| Less: accumulated depreciation | 2,112,525,021 | 1,915,891,857 | Provisions | 18,604,264 | 22,503,166 |
| Fixed assets-net | 1,899,902,489 | 2,054,080,174 | Deferred Taxes | 50,452,594 | 50,430,886 |
| | | | Other long-term liabilities | 4,818,840 | 11,433,405 |
| OTHER ASSETS | | | Total long term liabilities | 976,123,580 | 1,167,305,732 |
| Investments in related companies | 41,427,201 | 14,180,094 | MINORITY INTEREST | | |
| Investments in other companies | 3,858 | 10,981 | | 1,168,755 | 37,914,091 |
| Goodwill | 173,843,984 | 203,735,723 | EQUITY | | |
| Less: Negative goodwill | | 72,893 | Paid-in capital | 736,468,120 | 740,128,498 |
| Long-term debtors | 40,676,550 | 44,591,914 | Reserve | 8,101,149 | 4,440,771 |
| Intangibles | 34,452,427 | 22,063,818 | Share premium | 115,771,992 | 115,771,992 |
| Amortization (less) | 3,529,689 | 1,945,416 | Other reserves | 1,641,917 | 1,624,605 |
| Other long-term assets | 11,366,283 | 22,772,021 | Retained earnings: | 446,773,168 | 457,817,638 |
| Total other assets | 298,240,614 | 305,336,242 | Prior years | 438,556,474 | 456,435,603 |
| | | | | 8,216,694 | 1,382,035 |

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(Losses) Income for the
period

Total equity

1,308,756,346

1,319,783,504

TOTAL ASSETS

2,603,831,810

3,013,688,041

TOTAL LIABILITIES AND EQUITY 2,603,831,810

3,013,688,041

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COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED AS OF JUNE 30, 2002 AND
2003

Figures in Thousands of Constant Ch\$ as of June 30, 2003

| | 2003 | 2002 |
|---|---------------------|---------------------|
| NET CASH PROVIDED BY USING IN OPERATING ACTIVITIES | 156,602,637 | 123,754,508 |
| Net income (Gain/Losses) | 8,216,694 | 1,382,035 |
| Result in sales of assets | 27,524 | (2,069,334) |
| Loss in sale of fixed assets | 27,524 | 321,226 |
| Gain in sales of investments (less) | | (1,804,959) |
| Loss in sales of investments | | (585,601) |
| Charges (credits) to income not affecting cash flows: | 152,216,988 | 166,159,963 |
| Depreciation | 132,790,967 | 133,504,719 |
| Intangibles amortization | 867,760 | 349,317 |
| Write-off and provisions | 15,403,361 | 10,812,812 |
| Equity earnings from related companies (less) | (484,467) | (117,025) |
| Equity losses from related companies | 273,636 | 407,242 |
| Amotization of goodwill | 7,537,560 | 7,939,279 |
| Price-level restatement (net) | 1,268,462 | 3,686,508 |
| Gain (loss) on foreign currency transactions | (952,503) | 2,029,441 |
| Other credits not affecting cash flows | (6,977,852) | (18,743,403) |
| Other charges not affecting cash flows | 2,490,064 | 26,291,073 |
| Decrease (increase) in current assets: | 6,137,999 | 7,540,358 |
| (Increase) Decrease in trade receivables | (15,924,712) | 3,872,317 |
| (Increase) Decrease in inventories | (6,398,969) | 7,824,601 |
| (Increase) Decrease in other current assets | 28,461,680 | (4,156,560) |
| Increase (decrease) in current liabilities: | (10,009,067) | (49,876,988) |
| Increase (decrease) in due to related companies, related with operating activities | (16,614,930) | (67,459,759) |
| Increase (decrease) in accrued interest payable | 1,489,131 | 1,626,055 |
| Increase (decrease) in income tax payable, net | 9,407,757 | 24,298,662 |
| Increase (decrease) in other accounts payable related with non operating result | (7,691,667) | (9,412,446) |
| Increase (decrease) in value-added tax, net, and other | 3,400,642 | 1,070,500 |
| Income (loss) of minority interest | 12,499 | 618,474 |

COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED AS OF JUNE 30, 2002 AND
2003

Figures in Thousands of Constant Ch\$ as of June 30, 2003

| | 2003 | 2002 |
|--|----------------------|---------------------|
| NET CASH PROVIDED BY FINANCING ACTIVITIES | (116,858,417) | (69,635,030) |
| Increase in bank borrowings | | 16,049,034 |

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| | | |
|--|---------------------|---------------------|
| Debentures | 19,776,009 | |
| Repayment of dividends (less) | | (1,277,971) |
| Repayment of loans (less) | (89,124,136) | (50,502,150) |
| Repayment of debentures (less) | (47,510,290) | (22,699,108) |
| Repayment of loans to related companies (less) | | (10,184,021) |
| Other disbursements (less) | | (1,020,814) |
| NET CASH USED IN INVESTING ACTIVITIES | (39,508,646) | (25,783,515) |
| Sale of fixed assets | | 547,336 |
| Sale of investments in related companies | | 27,155 |
| Sale of other investments | 49,700,127 | 10,822,938 |
| Other revenues from investments | 205 | 4,704,591 |
| Additions to fixed assets (less) | (72,547,698) | (34,710,937) |
| Payment of capitalized interests (less) | | (3,437,501) |
| Investments in related companies (less) | | (1,872,423) |
| Investments in financial instruments (less) | (14,902,176) | (647,402) |
| Other loans to related companies (less) | (1,759,104) | (1,217,272) |
| Other investment disbursements (less) | | |
| NET CASH FLOW FOR THE PERIOD | 235,574 | 28,335,963 |
| PRICE-LEVEL RESTATEMENT EFFECT ON CASH AND CASH EQUIVALENTS | (531,522) | (642,245) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (295,948) | 27,693,718 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 21,264,559 | 87,840,620 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 20,968,611 | 115,534,338 |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: July 29, 2003

TELECOMMUNICATIONS COMPANY OF CHILE

By /s/ Julio Covarrubias F.

Name: Julio Covarrubias F. Chief Financial Officer

Title:
