

TELECOMMUNICATIONS CO OF CHILE
Form 6-K
November 14, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
November 14, 2003**

Commission File Number: 001-10579

COMPANIA DE TELECOMUNICACIONES DE CHILE S.A.

(Exact name of registrant as specified in its charter)

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

Telecommunications Company of Chile, S.A.

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COMPañIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

REPORT ON THE FINANCIAL STATEMENTS

for the nine month periods ended

September 30, 2002 and 2003

(CONSOLIDATED)

(Translation of financial statements originally issued in Spanish)

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COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

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ThCh\$: Thousands of Chilean pesos

UF: The Unidad de Fomento, or UF, is an inflation-indexed peso denominated monetary unit in Chile. The daily UF rate is fixed in advance based on the change in the Chilean Consumer Price Index of the previous month

ThUS\$: Thousands of US dollars

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Chairman and Members of the Board of Directors of Compañía de Telecomunicaciones de Chile S.A.

1. We have reviewed the accompanying interim consolidated balance sheets of Compañía de Telecomunicaciones de Chile S.A. and subsidiaries as of September 30, 2003 and 2002 and the related interim consolidated statements of income and cash flows for the nine-month periods then ended. These interim consolidated financial statements (including the related notes) are the responsibility of the management of the Company. The accompanying Management's Discussion and Analysis of the Consolidated Financial Statements is not an integral part of these financial statements, and, therefore, this report does not cover this item.
2. We conducted our reviews in accordance with auditing standards generally established in Chile for a review of interim financial information. A review of interim financial information consists principally of applying analytical procedures to the financial statements and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.
3. Our report dated October 24, 2003 on the interim consolidated financial statements as of September 30, 2002, was qualified for the put and call option contract on the investment in Sonda S.A., as Compañía de Telecomunicaciones de Chile S.A. and its subsidiary were in process of evaluating whether the projected earnings of Sonda S.A. would allow the complete recovery of the goodwill which had arisen on this investment. As is discussed in Note 2 d) 7), on July 29, 2003, Inversiones Santa Isabel Limitada communicated its decision to exercise the early call option, an operation which was completed on August 26, 2003, as a result of which our present report on the accompanying 2002 interim financial statements differs from our previously issued report.
4. Based on our review of the interim consolidated financial statements at September 30, 2003 and 2002, we are not aware of any material modifications that should be made to them for them to be in conformity with accounting principles generally accepted in Chile.

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

/s/ DELOITTE & TOUCHE

October 22, 2003

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SEPTEMBER 30, 2002 AND 2003****(Restated for general price-level changes and expressed in thousands of constant Chilean Pesos as of September 30, 2003)**

ASSETS	Notes	2002 ThCh\$	2003 ThCh\$
CURRENT ASSETS			
Cash and bank		15,499,066	11,065,712
Time deposits			
Marketable securities (net)		52,446,233	268,863
Trade accounts receivable, net of allowance for doubtful accounts			
of ThCh\$ 72,491,954 and ThCh\$ 89,097,817, respectively	(4)	89,950,371	47,483,444
Notes receivable, net of allowance for doubtful notes	(5)	204,284,331	214,593,001
of ThCh\$ 8,341,742 and ThCh\$ 6,933,253, respectively	(5)	5,610,309	5,960,648
Miscellaneous accounts receivable	(5)	25,832,519	11,404,984
Notes and accounts receivable from related companies	(6a)	19,628,052	18,201,485
Inventories (net)		16,769,648	19,704,226
Recoverable taxes		16,668,254	21,604,519
Prepaid expenses		9,768,638	8,747,891
Deferred taxes	(7b)	26,565,304	21,155,049
Other current assets	(8)	79,539,046	35,424,445
TOTAL CURRENT ASSETS		562,561,771	415,614,267
PROPERTY, PLANT AND EQUIPMENT			
Land	(9)	27,539,330	27,694,719
Constructions and infrastructure works		185,582,533	186,799,365
Machinery and equipment		3,282,492,915	3,439,859,750
Other property, plant and equipment		403,388,080	381,777,356
Technical revaluation		9,242,348	9,242,473
Accumulated depreciation (less)		1,934,282,559	2,180,120,508
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		1,973,962,647	1,865,253,155
OTHER NON-CURRENT ASSETS			
Investment in related companies	(10)	39,896,023	10,467,888
Investment in other companies		3,862	3,862
Goodwill	(11a)	185,456,179	161,320,334
Long-term debtors	(5)	52,035,175	30,572,407
Intangibles	(12)	30,878,720	36,111,578
Accumulated amortization (less)	(12)	2,278,546	4,029,581
Others	(13)	17,805,990	9,957,408
TOTAL OTHER ASSETS		323,797,403	244,403,896
TOTAL ASSETS		2,860,321,821	2,525,271,318

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements

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SEPTEMBER 30, 2002 AND 2003****(Restated for general price-level changes and expressed in thousands of constant Chilean Pesos as of September 30, 2003)**

LIABILITIES	Notes	2002 ThCh\$	2003 ThCh\$
CURRENT LIABILITIES			
Short-term obligations with banks and financial institutions	(14)	18,361,468	19,179,704
Short-term portion of long-term obligations with banks and financial institutions	(14)	43,101,678	56,278,285
Obligations with the public (Promissory notes)	(16a)	□	9,950,159
Obligations with the public (Bonds payable)	(16b)	26,404,718	109,847,734
Long-term obligations maturing within a year		485,920	445,284
Dividends payable		200,322	167,675
Trade accounts payable	(33)	131,299,966	131,225,405
Notes payable		87,086	227,226
Other creditors		5,581,526	42,837,408
Notes and accounts payable to related companies	(6b)	11,636,420	19,698,765
Accruals	(17)	25,987,135	9,485,826
Withholdings taxes		13,200,152	9,224,829
Unearned income		2,391,052	7,705,410
Other current liabilities		1,991,074	2,791,897
TOTAL CURRENT LIABILITIES		280,728,517	419,065,607
LONG-TERM LIABILITIES			
Obligations with banks and financial institutions	(15)	616,329,289	371,255,246
Bonds payable	(16b)	565,808,796	338,429,064
Notes and accounts payable to related companies	(6b)	25,763,829	22,687,508
Miscellaneous accounts payable		5,686,346	9,021,941
Accruals	(17)	22,810,785	19,106,007
Deferred taxes	(7b)	28,831,336	46,786,562
Other liabilities		10,270,971	4,674,289
TOTAL LONG-TERM LIABILITIES		1,275,501,352	811,960,617
MINORITY INTEREST	(19)	1,216,445	1,261,258
SHAREHOLDERS' EQUITY			
Paid-in capital	(20)	735,741,104	850,980,476
Reserve □ equity indexation		9,564,638	10,211,766
Share premium		115,886,504	0
Other reserves		744,278	59,027
Retained earnings		440,938,983	431,732,567
Accumulated earnings		456,881,572	422,223,259
Net income for the period		(15,942,589)	9,509,308
TOTAL SHAREHOLDERS' EQUITY		1,302,875,507	1,292,983,836

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,860,321,821	2,525,271,318
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The accompanying notes 1 to 33 are an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2003
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of September 30, 2003)

		2002	2003
		ThCh\$	ThCh\$
OPERATING RESULTS:			
Operating revenues		655,236,368	605,313,097
Operating costs (less)		453,673,387	411,715,396
Gross profit	(21a)	201,562,981	193,597,701
Administrative and selling expenses (less)		99,460,444	105,437,172
OPERATING RESULTS		102,102,537	88,160,529
NON-OPERATING RESULTS:			
Financial income		10,661,996	5,946,609
Net income from investments in related companies	(10)	943,088	1,055,334
Other non-operating income	(21b)	12,418,413	11,368,316
Loss from investments in related companies (less)	(10)	473,957	416,366
Amortization of goodwill (less)	(11a)	21,070,577	20,228,782
Financial expenses (less)		64,022,445	49,381,590
Other non-operating expenses (less)	(21c)	30,085,010	7,114,740
Price-level restatement	(22)	(3,399,290)	(408,208)
Exchange differences	(23)	(3,725,219)	1,356,986
NON-OPERATING LOSS, NET		(98,753,001)	(57,822,441)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST		3,349,536	30,338,088
Income taxes	(7c)	(18,544,776)	(20,725,018)
CONSOLIDATED INCOME		(15,195,240)	9,613,070
Minority interest	(19)	(747,349)	(103,762)
Amortization of negative goodwill	(11b)	□	□
NET INCOME FOR THE PERIOD		(15,942,589)	9,509,308

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2003
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of September 30, 2003)

	2002 ThCh\$	2003 ThCh\$
NET CASH FLOWS FROM OPERATING ACTIVITIES	235,881,867	199,754,626
Net income for the period	(15,942,589)	9,509,308
Result on sales of assets:	(7,658,655)	(3,851,627)
Loss on sales of property, plant and equipment	313,857	(328,218)
Gain on sales of investments	(7,972,512)	(3,590,114)
Loss on sales of investments	□	66,705
Debits (credits) to income that do not represent cash flows:	290,464,257	243,670,417
Depreciation for the period	200,232,537	200,524,628
Amortization of intangibles	667,314	1,368,919
Provisions and write offs	18,247,456	24,755,771
Net income from investments in related companies	(943,088)	(1,055,334)
Loss from investments in related companies	473,957	416,366
Amortization of goodwill	21,070,577	20,228,782
Price-level restatement	3,399,290	408,208
Exchange differences	3,725,219	(1,356,986)
Other credits to income that do not represent cash flows	(18,459,853)	(6,119,090)
Other debits to income that do not represent cash flows	62,050,848	4,499,153
Changes in operating assets		
Decrease	10,094,176	(12,417,073)
Trade accounts receivable	(13,049,127)	(16,961,895)
Inventories	9,232,526	(5,124,358)
Other assets	13,910,777	9,669,180
Changes in operating liabilities Increase (decrease)	(41,822,671)	