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Telecommunications Company of Chile, S.A.

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[LOGO]

Item 1.

News Release

I. FOR IMMEDIATE RELEASE

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TELEFONICA CTC CHILE ANNOUNCES THE EXERCISE OF SANTA ISABEL'S ANTICIPATORY CALL OPTION TO BUY TELEFONICA CTC CHILE'S 35% OWNERSHIP IN SONDA

(Santiago, Chile - August 1, 2003) Compania de Telecomunicaciones de Chile S.A. (NYSE: CTC) ("Telefonica CTC Chile" or the "Company") announced today that on July 31, 2003, the Board of Directors acknowledged receiving notice from Inversiones Santa Isabel Limitada ("Santa Isabel") that Santa Isabel will exercise of its anticipatory call option to buy 35% of Sonda Shares. These shares represent the total stake of Telefonica CTC Chile in Sonda (its former information system subsidiary).

As previously communicated to the market on September 2002, the Company signed on September 26, 2002, a put and call option agreement with Santa Isabel for the 35% stake of Telefonica CTC Chile in Sonda, to be exercised in July 2005. Through this agreement, Santa Isabel also had the right to exercise an

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anticipatory call option between July 26 and July 31, 2003, at a price corresponding to book value as of June 30, 2003, plus a premium of UF 96,000 (approximately US\$2.3 million), with a minimum price of UF 1,983,185 (approximately US\$47.6 million), minus dividends received by Telefonica CTC Chile before the date of exercise of the option.

Though the minimum price is established in the put and call option agreement, the final price is subject to due diligence in order to validate the financial equity of Sonda. As a result of this transaction, Telefonica CTC Chile will register a net charge of approximately Ch\$6,000 million (approximately US\$ 8.5 million) in its financial statements of third quarter 2003.

Upon exercise of the option, the share purchase agreement shall be executed no later than 30 days of the date of exercise of the option.

Compania 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 Compania de Telecomunicaciones de Chile S.A.'s expectations for its performance for the year 2002. 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 Compania de Telecomunicaciones de Chile S.A. and its subsidiaries. Certain factors which could cause the actual results of Compania 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 Compania de Telecomunicaciones de Chile S.A.'s control.

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: August 4, 2003

TELECOMMUNICATIONS COMPANY OF CHILE

By /s/ Julio Covarrubias F.

Name: Julio Covarrubias F.

