UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter ended September 30, 1998

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-19551

Atlantic Tele-Network, Inc.
(exact name of issuer as specified in its charter)

Delaware	47-072886
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

19 Estate Thomas/Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 777-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

As of September 30, 1998, the registrant had outstanding 4,900,700 shares of its common stock ($.01 par value).

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(Columnar Amounts in Thousands)

ASSETS	December 31, 1997	September 30, 1998 (Unaudited)
Current assets:		
Cash	$ 15,803	$ 28,897
Accounts receivable, net	38,077	31,952
Materials and supplies	3,536	3,855
Prepayments and other current assets	1,039	2,101
Total current assets	58,455	66,805
Fixed assets:		
Property, plant and equipment	39,042	48,651
Less accumulated depreciation	-	(3,513)
Net fixed assets	39,042	45,138
Uncollected surcharges	5,941	2,186
Investment in and advances to Bermuda Digital Communications Ltd.	-	4,017
Other assets	4,611	6,617
	$ 108,049	$ 124,763

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 10,382	$ 9,750
Accrued taxes	3,391	7,382
Advance payments and deposits	809	1,146
Other current liabilities	2,854	2,167
Current portion of long-term debt	3,298	3,401
Total current liabilities	20,734	23,846
Deferred income taxes	2,464	3,958
Long-term debt, excluding current portion	14,536	12,231
Minority interest	16,071	18,138
Contingencies and commitments (Note D)		
Stockholders' equity:		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized- none issued and outstanding		
Common stock, par value $.01 per share; 20,000,000 shares authorized; 4,909,000 shares issued and 4,900,700 outstanding	49	49
Treasury Stock	-	(67)
Paid-in capital	54,195	54,195
Retained earnings	-	12,413
Total stockholders' equity	54,244	66,590
	$ 108,049	$ 124,763

See notes to consolidated and combined condensed financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED CONDENSED
STATEMENTS OF OPERATIONS
(Columnar Amounts in Thousands, Except Per Share Data)

	(Unaudited) Three Months Ended September 30, 1997 Combined	(Unaudited) Three Months Ended September 30, 1998 Consolidated	(Unaudited) Nine Months Ended September 30, 1997 Combined	(Unaudited) Nine Months Ended September 30, 1998 Consolidated
Telephone Operations				
Revenues:				
International long-distance revenues	$ 35,860	$ 24,566	$ 92,977	$ 65,548
Local exchange service	738	2,378	2,123	7,012
Other revenues	198	364	598	852
Total revenues	36,796	27,308	95,698	73,412
Expenses:				
International long-distance expenses	17,957	9,833	56,550	31,108
Telephone operating expenses	5,465	5,833	16,348	16,123
General and administrative	1,486	1,670	4,845	4,134
Total expenses	24,908	17,336	77,743	51,365
Income from telephone operations	11,888	9,972	17,955	22,047
Other Operations				
Radio, data and paging sales and service revenues	-	690	-	690
Expenses of other operations	-	767	-	767
Income from other operations	-	(77)	-	(77)
Non-operating Revenues and Expenses:				
Interest expense	(925)	(547)	(2,916)	(1,694)
Interest income	673	471	1,974	1,079
Other income (expense)	-	(71)	-	3,763
Non-operating revenues and expenses, net	(252)	(147)	(942)	3,148
Income before income taxes and minority interest	11,636	9,748	17,013	25,118
Income taxes	5,167	4,445	7,558	10,977
Income before minority interest	6,469	5,303	9,455	14,141
Minority interest	(1,067)	(856)	(1,371)	(1,728)
Net income	$ 5,402	$ 4,447	$ 8,084	$ 12,413
Net income per share (Note B)		$ 0.91		$ 2.53
Weighted average shares outstanding		4,908		4,909

See notes to consolidated and combined condensed financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED AND COMBINED CONDENSED
STATEMENTS OF CASH FLOWS
(Columnar Amounts in Thousands)

	(Unaudited) Nine Months Ended September 30, 1997 Combined	(Unaudited) Nine Months Ended September 30, 1998 Consolidated
Net cash flows provided by operating activities	$ 12,320	$ 29,205
Cash flows from investing activities:		
Capital expenditures	(5,845)	(7,661)
Investment in Digicom S.A., net of cash received	-	(1,819)
Investment in Bermuda Digital Communications Ltd.	-	(1,000)
Net cash flows used in investing activities	(5,845)	(10,480)
Cash flows from financing activities:		
Repayment of long-term debt	(3,971)	(2,491)
Net change in advances to affiliates	(1,457)	(3,073)
Purchase of treasury stock	-	(67)
Net cash flows used in financing activities	(5,428)	(5,631)
Net increase in cash	1,047	13,094
Cash, Beginning of Period	8,182	15,803
Cash, End of Period	$ 9,229	$ 28,897
Supplemental cash flow information:		
Interest paid	$ 2,456	$ 1,285
Income taxes paid	$ 3,683	$ 4,357
Depreciation and amortization expense	$ 4,349	$ 3,043

See notes to consolidated and combined condensed financial statements.

Atlantic Tele-Network, Inc. and Subsidiaries

Notes to Consolidated and Combined Condensed Financial Statements
Three and Nine Months Ended September 30, 1997 and 1998

(Columnar Amounts in Thousands, Except Per Share Data)

A. SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The consolidated balance sheet of Atlantic Tele-Network, Inc. and subsidiaries (ATN or the Company) at December 31, 1997 has been taken from audited financial statements at that date. All other consolidated and combined condensed financial statements contained herein have been prepared by the Company and are unaudited. The consolidated and combined condensed financial statements should be read in conjunction with the consolidated and combined financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

The unaudited interim consolidated and combined condensed financial statements furnished herein reflect all adjustments which are, in the opinion of management, necessary to fairly present the financial results for the interim periods presented. The results for the three and nine months ended September 30, 1997 and 1998 are not necessarily indicative of the operating results for the full year not yet completed.

BASIS OF PRESENTATION

Effective December 30, 1997, Atlantic Tele-Network, Inc. split-off into two separate public companies (the Transaction). One, Emerging Communications, Inc. (ECI), contained all of the operations of the Company and its subsidiaries in the U.S. Virgin Islands. The other, ATN, continued the business and operations of the Company in Guyana, including ownership of its majority owned subsidiary, Guyana Telephone and Telegraph Company Limited (GT&T). The combined financial statements of ATN for the three and nine months ended September 30, 1997 included in this report are the separate financial statements relating to ATN's business and operations in Guyana, including its majority owned subsidiary GT&T, and ATN's activities as the parent company of all of its subsidiaries. ATN's investment in subsidiaries other than GT&T and operations of these other subsidiaries have been carved out of the combined financial statements. The combined financial statements of ATN present the results of operations and cash flows for the three and nine months ended September 30, 1997 as if the business, operations and activities included in the combined financial statements were conducted by a separate entity. All material intercompany transactions and balances have been eliminated.

The Transaction was accounted for as a non-pro rata split-off of ATN from the consolidated Company as it previously existed. Accordingly, ATN assets and liabilities at December 31, 1997 have been accounted for in accordance with Accounting Principles Board Opinion No. 29 entitled "Accounting for Nonmonetary Transactions" and Emerging Issues Task Force 96-4 entitled "Accounting for Reorganizations Involving a Non-Pro Rata Split-off of Certain Nonmonetary Assets to Owners" at values as determined by the market capitalization of ATN subsequent to the Transaction. The excess of original cost over such value has been allocated to reduce the values assigned to long-term assets, primarily property, plant and equipment and intangibles.

ACQUISITIONS

On June 2, 1998, the Company acquired a 75% interest in Digicom S.A., a Haitian corporation principally engaged in dispatch radio, wireless data network services and paging for $1.7 million in cash and a commitment to issue in the future 15,873 shares of ATN common stock. The acquisition is accounted for under the purchase method.

On July 17, 1998, the Company acquired a 30% equity interest, plus warrants which would enable the Company to increase its investment up to 40% under certain circumstances, in Bermuda Digital Communications Ltd. for $1.0 million in cash. The Company also provided a loan to Bermuda Digital Communications Ltd. of $3.0 million at Citibank prime plus 3%, which was 11.5% at September 30, 1998. This investment is accounted for under the equity method. Bermuda Digital Communications Ltd. is a Bermuda corporation, which when operational, will be the sole cellular and PCS competitor to Bermuda Telephone Company.

The Company has signed advisory fee contracts with both Digicom S.A and Bermuda Digital Communications Ltd. compensating it at 6% of gross revenues for management services provided, effective from the respective acquisition dates.

COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130 entitled "Reporting of Comprehensive Income". SFAS No. 130 establishes standards for the display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in equity during a period except those resulting from the issuance of shares of stock and distributions to stockholders. There were no material differences between net income and comprehensive income during the three and nine months ended September 30, 1997 and 1998.

B. PRO FORMA NET INCOME PER SHARE

Combined historical income per share for the three and nine months ended September 30, 1997 is not presented, as the information is not considered meaningful. Pro forma net income per share as if the Transaction had occurred January 1, 1997 is calculated as follows:

	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1997
Net income as reported	$ 5,402	$ 8,084
Reduction in depreciation	678	2,034
Elimination of interest income from subsidiary, net of interest expense on debt transferred to ECI	(429)	(1,287)
Tax effect	(159)	(478)
Pro forma net income	$ 5,492	$ 8,353
Pro forma shares outstanding	4,909	4,909
Pro forma net income per share	$ 1.12	$ 1.70

C. REGULATORY MATTERS

On December 31, 1997, GT&T applied to the Guyana Public Utilities Commission (PUC) for a significant increase in rates for local and outbound international long-distance service and was awarded an interim increase in rates effective February 1, 1998 which was a substantial increase over the rates in effect during 1997 and earlier years. Subsequently, on March 27, 1998, the PUC reduced the interim rate increase effective in part on April 1, 1998 and in part on May 1, 1998. The interim rates currently in effect are intended to remain in effect while the PUC holds hearings and reaches a decision on GT&T's application, although the PUC may increase or decrease these interim rates before reaching a decision on GT&T's permanent rates. On October 27, 1998, to reflect changed conditions since December 31, 1997, GT&T filed for an additional rate increase.

In October 1995, the Guyana Public Utilities Commission issued an order that rejected the request of GT&T for substantial increases in all telephone rates and temporarily reduced rates for outbound long-distance calls to certain countries. In January 1997, on an appeal by GT&T, the Guyana High Court voided the PUC's order in regard to rates and the rates were returned to the rates in existence in October 1995. The lost revenue was approximately $9.5 million for the period when the order was effective. GT&T initially instituted a surcharge effective May 1, 1997 to collect the lost revenue, but temporarily withdrew it when the Guyana Consumers Advisory Bureau (a non-governmental group in Guyana) instituted a suit to block it. The Consumer Advisory Bureau's suit is still pending. In September 1997, the Guyana High Court denied an order which the Consumer Advisory Bureau had sought to temporarily enjoin GT&T from putting into effect a surcharge to recover the approximately $9.5 million over a period of 18 months. GT&T put such surcharge into effect on October 1, 1997 pending an ultimate trial on the merits, and the Company recognized the approximately $9.5 million of lost revenues in the third quarter of 1997. On March 27, 1998, the PUC ordered GT&T to cease collecting this surcharge. GT&T applied to the Guyana High Court and on July 29, 1998, obtained a stay of the PUC's order pending determination of the Consumers Advisory Bureau's suit. This order is now on appeal by the Consumers Advisory Bureau. To date, the appellate court has declined to grant any interim stay of the High Court's order.

In January 1997, the PUC ordered GT&T to cease paying management fees to the Company and to recover from the Company approximately $25 million of such fees paid by GT&T to the Company since January 1991. GT&T has applied to the Guyana High Court to set aside the PUC's order and has obtained a stay of the PUC's order pending determination of that application, which is still pending.

At December 31, 1996, GT&T owed the Company approximately $23 million for advances made from time to time for the working capital and capital expenditure needs of GT&T. GT&T's indebtedness to the Company was evidenced by a series of promissory notes. In March 1997, the PUC voided substantially all of the promissory notes then outstanding for failure to comply with certain provisions of the PUC law. The PUC ordered that no further payments be made on any of the outstanding notes and that GT&T recover from the Company all amounts theretofore paid. The order also provided that the PUC would be willing to authorize the payment of any amounts properly proven to the satisfaction of the PUC to be due and payable from GT&T to the Company. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal. As of September 30, 1998, approximately $4 million of the advances made to GT&T were still outstanding to the Company.

In April 1997, the PUC applied to the Guyana High Court for orders prohibiting GT&T from paying any monies to the Company on account of intercompany debt, advisory fees or otherwise pending the determination of GT&T's applications concerning the January 1997 and March 1997 orders mentioned above. The PUC's application is still pending.

In October 1997, the PUC ordered GT&T to increase the number of telephone lines in service to a total of 69,278 lines by the end of 1998, 89,054 lines by the end of 1999 and 102,126 by the end of the year 2000, to allocate and connect an additional 9,331 telephone lines before the end of 1998 and to provide to subscribers who request them facilities for call diversion, call waiting, reminder call and three-way calling by the end of the year 1998. In issuing this order, the PUC did not hear evidence or make any findings on the cost of providing these lines and services, the adjustment in telephone rates which may be necessary to give GT&T a fair return on its investment or the ways and means of financing the requirements of the PUC's order. GT&T has filed a motion against the PUC's order in the Guyana High Court and has appealed the order on different grounds to the Guyana Court of Appeal. No stay currently exists against this order. GT&T intends to take such steps as seem appropriate after the level of the demand for telephone service can be assessed in light of GT&T's current temporary rates.

In July 1998, the PUC gave notice that it would hold a public hearing on August 25, 1998 in respect of the following matters: (i) "the validity of the grant of monopoly rights to any owner or provider of services in the public utility sector, having regard to the laws in force in Guyana at the relevant time;" and (ii) "whether the Commission has power to request the Government to issue a license to a new provider of services in the public utility sector, where the existing provider in that sector fails or refuses to meet reasonable demands for service in that public utility sector." While the PUC's notice did not name GT&T as the service provider in question, the Company believes that GT&T is the service provider which will be the subject of the hearing. This intended hearing has been stayed by an order issued by the Guyana High Court on an application by GT&T pending a hearing on the merits of GT&T's application.

On October 30, 1998, the U.S. Federal Trade Commission (FTC) issued for comments a proposed rule which would expand the definition of "pay-per-call" services to include audiotext services such as those which GT&T terminates in Guyana. The FTC previously received comments and conducted a workshop in 1997 in an earlier phase of this proceeding. If adopted in its present form the FTC's proposed rule would require that a caller must receive a short preamble at the beginning of the call advising the caller of the cost of the call and permitting the caller to terminate the call without charge if terminated immediately. Although GT&T has not completed its study of the ways and means of possibly complying with this requirement, it may be technically impossible for recipients of international audiotext traffic, such as GT&T, to separate audiotext traffic from other incoming international traffic and permit a free preamble for audiotext calls. The FTC's proposed rule would prohibit a local telephone company from disconnecting a subscriber's telephone service for failure to pay charges for an international audiotext call. This requirement currently applies to area code 900 domestic audiotext but not to international audiotext, and provides a collection advantage for international audiotext over domestic audiotext. The proposed rule would also include several requirements which, if adopted, could make it more difficult to bill and collect for international audiotext calls. If the proposed regulations are adopted, the provisions described above may have a significant adverse impact on international audiotext traffic from the United States to Guyana and other non-U.S. termination points.

D. CONTINGENCIES AND COMMITMENTS

The Company is subject to lawsuits and claims that arise in the normal course of business. The Company believes, except for the items discussed below for which the Company is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

Upon the acquisition of GT&T in January 1991, ATN entered into an agreement with the government of Guyana to expand significantly GT&T's existing facilities and telecommunications operations and to improve service within a three-year period pursuant to an expansion and service improvement plan (the Plan). The government agreed to permit rate increases in the event of currency devaluation within the year period, but GT&T was unable to get timely increases when the Guyana currency suffered a sharp decline in March 1991. The Plan was modified in certain respects and the date for completion of the Plan was extended to February 1995. In 1997, the government referred to the PUC the failure of GT&T to complete the Plan by February 1995. The PUC is currently holding hearings on this matter. If the PUC were to find that GT&T was not excused from fulfilling the terms of the Plan by February 1995, GT&T could be subject to monetary penalties, cancellation of the License, or other action by the PUC or the government which could have a material adverse affect on the Company's business and prospects. The Plan has now been substantially completed.

In May 1997, GT&T received a letter from the Commissioner of Inland Revenue indicating that GT&T's tax returns for 1992 through 1996 had been selected for an audit under the direct supervision of the Trade Minister with particular focus on the withholding tax on payments to international audiotext providers. In March and April 1997, the Guyanese Trade Minister publicly announced that he had appointed a task force to probe whether GT&T should pay withholding taxes on fees paid by GT&T to international audiotext providers. The Minister announced that if GT&T were found guilty of tax evasion it could owe as much as $40 million in back taxes. In July 1997, GT&T applied to the Guyana High Court for an order prohibiting this audit on the grounds that the decision of the Minister of Trade to set up this task force and to control and direct its investigation was beyond his authority, violated the provisions of the Guyanese Income Tax Act, interfered with the independence of the Commissioner of Inland Revenue and was done in bad faith. The court issued an order effectively staying the audit pending a determination by the court of the merits of GT&T's application.

In June 1997, GT&T received an assessment of approximately $3.9 million from the Commissioner of Inland Revenue for taxes for the current year based on the disallowance as a deduction for income tax purposes of five-sixths of the advisory fees payable by GT&T to the Company and for the timing of the taxation on certain surcharges to be billed by GT&T. The deductibility of these advisory fees and the deferral of these surcharges until they are actually billed had been upheld in a decision of the High Court in August 1995 pertaining to an earlier year. In July 1997, GT&T applied to the High Court for an order prohibiting the Commissioner of Inland Revenue from further proceeding with this assessment on the grounds that the assessment was arbitrary and unreasonable and capriciously contrary to the August 1995 decision of the Guyana High Court, and GT&T obtained an order of the High Court effectively prohibiting any action on the assessment pending the determination by the court of the merits of GT&T's application.

In November 1997, GT&T received assessments of approximately $14 million from the Commissioner of Inland Revenue for taxes for the years 1991 through 1996. It is GT&T's understanding that these assessments stem from the same audit commenced in May 1997 which the Guyana High Court stayed in its July 1997 order referred to above. Apparently because the audit was cut short as a result of the Court's July 1997 order, GT&T did not receive notice of and an opportunity to respond to the proposed assessments as is the customary practice in Guyana, and substantially all of the issues raised in the assessments appear to be based on mistaken facts. GT&T has applied to the Guyana High Court for an order prohibiting the Commissioner of Inland Revenue from enforcing the assessments on the grounds that the origin of the audit with the Minister of Trade and the failure to give GT&T notice of and opportunity to respond to the proposed assessments violated Guyana law. The Guyana High Court has issued an order effectively prohibiting any action on the assessments pending the determination by the Court of the merits of GT&T's application.

E. SUBSEQUENT EVENTS

On October 30, 1998, the Board of Directors of the Company adopted a stock option plan for the Company, reserved 250,000 shares of common stock of the Company for options granted under the plan and granted options covering 130,000 shares in aggregate to five executives of the Company. The adoption of the plan and the grant of the options are subject to approval by the stockholders of the Company on or before October 30, 1999.

Atlantic Tele-Network, Inc. and Subsidiaries

Management Discussion and Analysis of Financial Conditions and Results of Operations

Forward Looking Statements and Analysts' Reports

This report contains forward looking statements within the meaning of the federal securities laws, including statements concerning future rates, revenues, costs, capital expenditures, and financing needs and availability and statements of management's expectations and beliefs. Actual results could differ materially from these statements as a result of many factors, including future economic and political conditions in Guyana, the matters discussed in the Regulatory Considerations section of Management's Discussion and Analysis of Financial Condition and Results of Operations in this Report and matters discussed in the Company's Form 10K Annual Report for the fiscal year ended December 31, 1997.

Investors should also be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company's policy to disclose to them any material non-public information or other confidential information. Accordingly, shareholders should not assume that the Company agrees with any statement or report issued by an analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

Introduction

The Company's revenues and income from operations are derived principally from the operations of its telephone subsidiary, GT&T. GT&T derives substantially all of its revenues from international telephone services.

In June 1998, the Company acquired a 75% interest in Digicom S.A., a Haitian corporation principally engaged in dispatch radio, mobile telecommunications and paging for $1.7 million in cash and 15,873 shares of the Company's common stock. In July 1998, the Company acquired a 30% interest, with certain options to increase that interest to 40%, in Bermuda Digital Communications, Ltd., a Bermuda corporation which, when operational, will be the sole cellular and PCS competitor in Bermuda to the Bermuda Telephone Company for $1.0 million in cash. The Company also provided a loan to Bermuda Digital Communications, Ltd. of $3.0 million at Citibank prime plus 3%, which was 11.5% at September 30, 1998. The Company has signed advisory fee contracts with both Digicom S.A and Bermuda Digital Communications Ltd. compensating it at 6% of gross revenues for management services provided, effective from the respective acquisition dates. The assets, liabilities, and operations of Digicom and Bermuda Digital Communications, Ltd., individually and in the aggregate, are not currently material to the assets, liabilities, and operations of the Company on a consolidated basis.

The principal components of operating expenses for the Company are international long-distance expenses, telephone operating expenses, and general and administrative expenses. International long-distance expenses consist principally of charges from international carriers for outbound international calls from Guyana and payments to audiotext providers from whom GT&T derives international audiotext traffic. Telephone operating expenses consist of plant specific operations, plant non-specific operations (which includes depreciation and amortization), customer operations, corporate operations expenses of GT&T, and taxes other than income taxes. General and administrative expenses consist principally of parent company overheads.

For accounting purposes, the split-off transaction of the Company into two separate publicly held companies (the Company and the Emerging Communications, Inc.) has been treated as a non pro-rata split-off of the Company. In accordance with Accounting Principles Board Opinion No. 29 entitled "Accounting for Nonmonetary Transactions" and Emerging Issues Task Force 96-4 entitled "Accounting for Reorganizations Involving a Non-Pro Rata Split-off of Certain Nonmonetary Assets to Owners", the balance sheet of the Company at December 31, 1997 has been adjusted to values determined by the market capitalization of the Company immediately after the consummation of the transaction. This adjustment includes an approximately $60 million reduction in the Company's consolidated net fixed assets, and an approximately $45 million reduction in the Company's consolidated stockholder's equity. The adjustment reduced the carrying value on the Company's consolidated financial statements of its fixed assets significantly below their historical cost and replacement value. Therefore, depreciation expense after December 31, 1997 is not a reliable indicator of the Company's cost of replenishing its assets.

The financial statements for the three and nine months ended September 30, 1997 included in this report are the separate financial statements relating to Atlantic Tele-Network, Inc.'s business and operations in Guyana including its majority owned subsidiary, GT&T, and ATN's activities as the parent company of all of its subsidiaries during the first nine months of 1997. These financial statements do not reflect the valuation adjustment arising from the split-off transaction. Moreover, the statements of operations include interest income from indebtedness of subsidiaries which were transferred with such indebtedness to Emerging Communications, Inc. in the split-off transaction.

As a result of the decline in 1997 in GT&T's revenues and profits from audiotext traffic, GT&T filed on December 31, 1997 an application with the PUC seeking rates designed to generate approximately $26 million in additional revenues in 1998 for local and outbound international long-distance service. In January 1998, GT&T was awarded an interim increase effective February 1, 1998 designed by the PUC to generate the equivalent of approximately $18 million in additional annual revenues for GT&T. Subsequently, on March 27, 1998, the PUC modified the interim rate increase effective in part on April 1, 1998 and in part on May 1, 1998. As modified, the interim rates are designed to produce an annual increase in revenues of approximately $14 million over the rates in effect in 1997. The interim rates are intended to remain in effect while the PUC holds hearings and reaches a decision on GT&T's application for permanent rates, although the PUC may increase or decrease these interim rates before reaching a decision on GT&T's permanent rates. On October 27, 1998, to reflect changed conditions since December 31, 1997, GT&T filed an application for an additional rate increase with the PUC. This application seeks rates designed to generate an additional $6 million in annual revenues for GT&T over the rates applied for on December 31, 1997 or approximately $19 million in annual revenues in excess of the interim rate increase currently in effect. No assurance can be given as to what permanent rates the PUC will award GT&T or as to what changes the PUC may make in the current interim rates.

RESULTS OF OPERATIONS

Three and Nine Months ended September 30, 1997 and 1998

Net income for the third quarter of 1998 was $4.4 million, or $0.91 per share, on operating revenues of $27.3 million, and net income for the nine months ended September 30, 1998 was $12.4 million, or $2.53 per share, on revenues of $73.4 million. During the third quarter of 1998, GT&T recognized $4.5 million of revenues resulting from the settlement with a foreign telecommunications carrier of a claim for the interruption of international direct dial service to Guyana during 1995. In the first quarter of 1998, the Company recorded approximately $3.8 million in other non-operating income resulting from the settlement of a claim arising from the cancellation of an insurance policy. After exclusion of these one-time items, the Company's core operating revenues and earnings were $22.8 million and $2.4 million, or $0.50 per share for the third quarter of 1998 and $68.9 million and $8.1 million, or $1.66 per share for the nine months ended September 30, 1998.

The Company's revenues and pro forma net income for the third quarter of 1997 were $36.8 million and $5.5 million, or $1.12 per share, and the Company's revenues and pro forma net income for the nine months ended September 30, 1997 were $95.7 million and $8.4 million, or $1.70 per share. The 1997 results exclude the U.S Virgin Islands operations, which were split off into a separate company on December 30, 1997. Third quarter revenues for 1997 included the recognition of $9.5 million of outbound international long distance revenues at GT&T for the period from October 1995 to January 1997. These revenues resulted from the reversal by the Guyana High Court of a previous rate reduction order issued by the Guyana Public Utilities Commission. After exclusion of this one-time item, the Company's core operating revenues and pro forma net income were $27.3 million and $1.2 million, or $0.24 per share for the third quarter of 1997 and $86.2 million and $4.1 million, or $0.83 per share, for the nine months ended September 30, 1997.

Excluding the one-time items in 1998 and 1997 discussed above, core revenues for the third quarter of 1998 and the nine months ended September 30, 1998 decreased by $4.5 million or 16.4% and $17.3 million or 20.0%, respectively. These decreases were due primarily to the expected decline in audiotext revenues at GT&T. GT&T's volume of audiotext traffic fluctuated between 8 and 9 million minutes per month in the first three quarters of 1997. In the fourth quarter of 1997, the volume of audiotext traffic declined to approximately 6.6 million minutes per month. In the first, second and third quarters of 1998, audiotext traffic declined further to an average of approximately 5.3 million, 5.0 million and 4.5 million minutes per month, respectively. The reduction in traffic volume is estimated to account for substantially all of the decrease in core audiotext revenues for the three and nine months ended September 30, 1998. The Company expects that audiotext traffic volumes will continue to decline, although the Company is unable to predict future audiotext revenues and traffic volumes with any degree of certainty.

The decrease in audiotext revenues was partially offset by an increase in local exchange services, which were $2.4 million and $7.0 million for the three and nine months ended September 30, 1998 compared to $738,000 and $2.1 million for the corresponding periods in 1997. This represents an increase of $1.6 million and $4.9 million for the three and nine months ended September 30, 1998, or an increase of 222% and 230%, respectively. This increase in local exchange services is primarily the result of the temporary rates granted by the Guyana Public Utilities Commission (PUC) in response to a tariff filed with the PUC on December 31, 1997. The increase is also partially attributable to an increase in access lines to 58,800 at September 30, 1998 from approximately 53,087 at September 30, 1997, an increase of 5,713 lines or 11%.

International long-distance inbound revenues other than audiotext increased to $7.5 million and $22.3 million for the three and nine months ended September 30, 1998, as compared to $5.8 million and $18.7 million for the corresponding periods in 1997. This represents an increase of $1.7 million and $3.6 million, or 30% and 19% for the three and nine months ended September 30, 1998 over the corresponding periods in 1997. This correlates to an increase in inbound minutes of traffic from 32.7 million for the nine months ended September 30, 1997 to 36.7 million for the nine months ended September 30, 1998; an increase of 4.0 million minutes or 12%. Management believes that this increase in inbound telephone traffic other than audiotext is indirectly the result of the increase in temporary rates for outbound long-distance granted by the PUC. Because a substantial portion of GT&T's international traffic, other than audiotext, consists of personal calls between Guyanese expatriates and their friends and families in Guyana, management believes that an increase in rates for outbound calls results not only in a decrease in the volume of outbound calls, but that decrease in outbound calls in turn stimulates an increase in the volume of inbound calls.

Excluding the one-time accrual of $9.5 million of revenues in 1997 discussed above, International long-distance outbound revenues decreased by $556,000 and $2.1 million for the three and nine months ended September 30, 1998 to $3.8 million and $10.7 million, respectively. This decrease in core international long-distance outbound revenues is primarily related to the increased rates awarded by the PUC, as the volume of outbound international long-distance traffic declined approximately 32% and 34% for the three and nine months ended September 30, 1998 as compared to the corresponding period of the prior year. The rates awarded for local and outbound international long-distance services are temporary and they may be either increased or decreased as a result of hearings by the PUC. On October 27, 1998, GT&T filed for an additional rate increase of $6 million in excess of the application filed by GT&T in December 1997, which is still pending before the PUC, and $19 million in excess of the temporary rates currently in effect.

Telephone operating expenses for the three and nine months ended September 30, 1998 were $17.3 million and $51.4 million compared to $24.9 million and $77.7 million for the corresponding periods in 1997. This represents a decrease of $7.6 million and $26.4 million for the three and nine month periods of 1998 over the corresponding periods in 1997 or 30% and 34%, respectively. The decrease was due principally to a decrease in audiotext and outbound traffic expense at GT&T of $8.1 million and $25.4 million for the three and nine months ended September 30, 1998, due to decreased traffic volumes. Telephone operating expenses were approximately 76% and 75% of core telephone operating revenues, adjusted for the one-time item of $4.5 million, for the three and nine months ended September 30, 1998. For the three and nine months ended September 30, 1997, telephone operating expenses were approximately 91% and 90% of telephone operating revenues, adjusted for the one-time item of $9.5 million previously discussed. The decreases in operating expenses as a percentage of core operating revenues from 1997 to 1998 are due primarily to the decline in audiotext revenues and associated international long-distance expenses, the increases in local revenues as a result of the temporary rate increase awarded by the PUC, and the reduction in depreciation expense as a result of the fair value adjustment from the split up transaction.

Other operations revenues and expenses represent the operations of Digicom S.A. and are not material. The Company acquired a 75% interest in Digicom on June 2, 1998.

Income from operations before interest expense, income taxes and minority interest for the three and nine months ended September 30, 1998 was $9.9 million and $22.0 million compared to $11.9 and $18.0 for the corresponding periods of 1997, respectively. This represents a decrease of $2.0 million or 17% for the three months ended September 30, 1998 and an increase of $4.0 million or 22% for the nine months ended September 30, 1998 over the corresponding periods of the prior year. These changes are principally a result of the factors affecting revenues and operating expenses discussed above.

As has been noted above, in the first three months of 1998, the Company recorded approximately $3.8 million in other non-operating income resulting from the settlement of a claim arising from the cancellation of an insurance policy. The settlement was intended to compensate the Company for the increased cost of replacement insurance coverage over the remaining term of the cancelled insurance policy, which was approximately 10 years. The increased cost of the Company's replacement insurance coverage will be accounted for as an expense over the remaining term and should not be material to the Company's results of operation in any period.

The Company's effective tax rate for the three and nine months ended September 30, 1998 were 45.6% and 43.7% as compared to 44.4% and 44.4% for the corresponding periods of the prior year.

The minority interest in earnings consists primarily of the Guyana government's 20% interest in GT&T.

Regulatory Considerations

As discussed above under "Introduction," GT&T has applied to the PUC for a significant increase in rates for local and outbound international long-distance service and has received interim rates which substantially increase the rates over those in effect during 1997 and earlier years.

Upon the acquisition of GT&T in January 1991, GT&T entered into an agreement with the government of Guyana to expand significantly GT&T's existing facilities and telecommunications operations and to improve service within a three-year period pursuant to an expansion and service improvement plan (the "Plan"). The Plan was modified in certain respects and the date for completion of the Plan was extended to February 1995. The government has referred to the PUC the failure of GT&T to complete the Plan by February 1995. The PUC is currently holding hearings on this matter. It is GT&T's position that its failure to receive timely rate increases, to which GT&T was entitled, to compensate for the devaluation in Guyana currency which occurred in 1991 provides legal justification for GT&T's delay in completing the Expansion Plan. If the PUC were to find that GT&T was not excused from fulfilling the terms of the Plan by February 1995, GT&T could be subject to monetary penalties, cancellation of the License, or other action by the PUC or the government which could have a material adverse affect on the Company's business and prospects. The Plan has now been substantially completed.

In October 1995, the PUC issued an order that rejected a request of GT&T for substantial increases in all telephone rates and temporarily reduced rates for outbound long-distance calls to certain countries. In January 1997, on an appeal by GT&T, the Guyana High Court voided the PUC's order in regard to rates and the rates were returned to the rates in existence in October 1995. The lost revenue was approximately $9.5 million for the period when the order was effective. GT&T initially instituted such a surcharge effective May 1, 1997, but temporarily withdrew it when the Guyana Consumers Advisory Bureau (a non-governmental group in Guyana) instituted a suit to block it. The Consumer Advisory Bureau's suit is still pending. In September 1997, the Guyana High Court denied an order which the Consumer Advisory Bureau had sought to temporarily enjoin GT&T from putting into effect a surcharge to recover the approximately $9.5 million over a period of 18 months. GT&T put such surcharge into effect on October 1, 1997 pending an ultimate trial on the merits, and the Company recognized the approximately $9.5 million of lost revenues in the third quarter of 1997. On March 27 1998, the PUC ordered GT&T to cease collecting this surcharge. GT&T applied to the Guyana High Court and, on July 29, 1998, obtained a stay of the PUC's order pending determination. This intended hearing has been stayed by an order issued by the Guyana high Court on an application by GT&T pending determination of the Consumers Advisory Bureau's suit. This order is now on appeal by the Consumers Advisory Bureau. To date, the appellate court has declined to grant any interim stay of the High Court's order.

In January 1997, the PUC ordered GT&T to cease paying management fees to the Company and to recover from the Company approximately $25 million of such fees paid by GT&T to the Company since January 1991. GT&T has applied to the Guyana High Court to set aside the PUC's order and has obtained a stay of the PUC's order pending determination of that application, which is still pending.

At December 31, 1996, GT&T owed the Company approximately $23 million for advances made from time to time for the working capital and capital expenditure needs of GT&T. GT&T's indebtedness to the Company was evidenced by a series of promissory notes. In March 1997, the PUC voided substantially all of the promissory notes then outstanding for failure to comply with certain provisions of the PUC law. The PUC ordered that no further payments be made on any of the outstanding notes and that GT&T recover from the Company all amounts theretofore paid. The order also provided that the PUC would be willing to authorize the payment of any amounts properly proven to the satisfaction of the PUC to be due and payable from GT&T to the Company. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal. As of September 30, 1998, approximately $4 million of the advances made to GT&T were still outstanding to the Company.

In April 1997, the PUC applied to the Guyana High Court for orders prohibiting GT&T from paying any monies to the Company on account of intercompany debt, advisory fees or otherwise pending the determination of GT&T's applications concerning the January 1997 and March 1997 orders mentioned above. The PUC's application is still pending.

In October 1997, the PUC ordered GT&T to increase the number of telephone lines in service to a total of 69,278 lines by the end of 1998, 89,054 lines by the end of 1999 and 102,126 by the end of the year 2000, to allocate and connect an additional 9,331 telephone lines before the end of the 1998 and to provide to subscribers who request them facilities for call diversion, call waiting, reminder call and three-way calling by the end of the year 1998. In issuing this order, the PUC did not hear evidence or make any findings on the cost of providing these lines and services, the adjustment in telephone rates which may be necessary to give GT&T a fair return on its investment or the ways and means of financing the requirements of the PUC's order. GT&T has filed a motion against the PUC's order in the Guyana High Court and has appealed the order on different grounds to the Guyana Court of Appeal. No stay currently exists against this order. GT&T intends to take such steps to seek a stay or modification of this order as seem appropriate after the level of demand for telephone service can be assessed in light of GT&T's current temporary rates.

In July 1998, the PUC gave notice that it would hold a public hearing on August 25, 1998 in respect of the following matters: (i) "the validity of the grant of monopoly rights to any owner or provider of services in the public utility sector, having regard to the laws in force in Guyana at the relevant time;" and (ii) "whether the Commission has power to request the Government to issue a license to a new provider of services in the public utility sector, where the existing provider in that sector fails or refuses to meet reasonable demands for service in that public utility sector." While the PUC's notice did not name GT&T as the service provider in question, the Company believes that GT&T is the service provider, which will be the subject of the hearing. This intended hearing has been stayed by an order issued by the Guyana high Court on an application by GT&T pending a hearing on the merits of GT&T's application.

In May 1997, GT&T received a letter from the Guyana Commissioner of Inland Revenue indicating that GT&T's tax returns for 1992 through 1996 had been selected for an audit under the direct supervision of the Trade Minister with particular focus on the withholding tax on payments to international audiotext providers. In March and April 1997, the Guyanese Trade Minister publicly announced that he had appointed a task force to probe whether GT&T should pay withholding taxes on fees paid by GT&T to international audiotext providers. The Minister announced that if GT&T were found guilty of tax evasion it could owe as much as $40 million in back taxes. In July 1997, GT&T applied to the Guyana High Court for an order prohibiting this audit on the grounds that the decision of the Minister of Trade to set up this task force and to control and direct its investigation was beyond his authority, violated the provisions of the Guyanese Income Tax Act, interfered with the independence of the Commissioner of Inland Revenue and was done in bad faith. The court issued an order effectively staying the audit pending a determination by the court of the merits of GT&T's application.

In June 1997, GT&T received an assessment of approximately $3.9 million from the Commissioner of Inland Revenue for taxes for 1996 based on the disallowance as a deduction for income tax purposes of five-sixths of the advisory fees payable by GT&T to the Company and for the timing of the taxation on certain surcharges to be billed by GT&T. The deductibility of these advisory fees and the deferral of these surcharges until they are actually billed had been upheld in a decision of the High Court in August 1995 pertaining to an earlier year. In July 1997, GT&T applied to the High Court for an order prohibiting the Commissioner of Inland Revenue from further proceeding with this assessment on the grounds that the assessment was arbitrary and unreasonable and capriciously contrary to the August 1995 decision of the Guyana High Court, and GT&T obtained an order of the High Court effectively prohibiting any action on the assessment pending the determination by the court of the merits of GT&T's application.

In November 1997, GT&T received assessments of approximately $14 million from the Commissioner of Inland Revenue for taxes for the years 1991 through 1996. It is GT&T's understanding that these assessments stem from the same audit commenced in May 1997 which the Guyana High Court stayed in its July 1997 order referred to above. Apparently because the audit was cut short as a result of the Court's July 1997 order, GT&T did not receive notice of and an opportunity to respond to the proposed assessments as is the customary practice in Guyana, and substantially all of the issues raised in the assessments appear to be based on mistaken facts. GT&T has applied to the Guyana High Court for an order prohibiting the Commissioner of Inland Revenue from enforcing the assessments on the grounds that the origin of the audit with the Minister of Trade and the failure to give GT&T notice of and opportunity to respond to the proposed assessments violated Guyana law. The Guyana High Court has issued an order effectively prohibiting any action on the assessments pending the determination by the Court of the merits of GT&T's application.

On October 30, 1998, the U.S. Federal Trade Commission (FTC) issued for comments a proposed rule which would expand the definition of "pay-per-call" services to include audiotext services such as those which GT&T terminates in Guyana. The FTC previously received comments and conducted a workshop in 1997 in an earlier phase of this proceeding. If adopted in its present form the FTC's proposed rule would require that a caller must receive a short preamble at the beginning of the call advising the caller of the cost of the call and permitting the caller to terminate the call without charge if terminated immediately. Although GT&T has not completed its study of the ways and means of possibly complying with this requirement, it may be technically impossible for recipients of international audiotext traffic, such as GT&T, to separate audiotext traffic from other incoming international traffic and permit a free preamble for audiotext calls. The FTC's proposed rule would prohibit a local telephone company from disconnecting a subscriber's telephone service for failure to pay charges for an international audiotext call. This requirement currently applies to area code 900 domestic audiotext but not to international audiotext, and provides a collection advantage for international audiotext over domestic audiotext. The proposed rule would also include several requirements which, if adopted, could make it more difficult to bill and collect for international audiotext calls. If the proposed regulations are adopted, the provisions described above may have a significant adverse impact on international audiotext traffic from the United States to Guyana and other non-U.S. termination points.

There can be no assurance as to the ultimate outcome of any of the above described matters.

Liquidity and Capital Resources

The Company believes its existing liquidity and capital resources will be adequate to meet current operating and capital needs. Without external financing, the Company expended a total of $5.7 million in cash to acquire a 75% interest in Digicom S.A. and a minority interest in Bermuda Digital Communications, Ltd. in June and July 1998. For the near-term, the Company's primary sources of funds will be advisory fees, repayment of loans, and interest from GT&T. The PUC orders in January, March, and October 1997, discussed above under "Regulatory Considerations," could have a material adverse impact on the Company's liquidity.

GT&T is not subject to any contractual restrictions on the payment of dividends. However, GT&T's own capital needs and debt service obligations have precluded GT&T from paying any significant funds to the Company other than the advisory fees and principal and interest on intercompany debt mentioned above.

If and when the Company settles outstanding issues with the Guyana government and the PUC with regard to GT&T's Expansion Plan and its rates for service, GT&T may require additional external financing to enable GT&T to further expand its telecommunications facilities. The Company has not estimated the cost to comply with the October 1997 PUC order to increase the number of telephone lines in service, but believes such a project would require significant capital expenditures that would require external financing. There can be no assurance that the Company will be able to obtain any such financing.

The continued expansion of GT&T's network is dependent upon the ability of GT&T to purchase equipment with U.S. dollars. A portion of GT&T's taxes in Guyana may be payable in U.S. dollars or other hard currencies. As a result of the rate increases recently awarded to and currently sought by GT&T and the efforts of the U.S. FCC, AT&T and carriers in other countries to reduce international accounting rates, it is likely that an increasing portion of the Company's revenues will be earned in Guyana currency. The Company believes that the majority of GT&T's revenues will continue to be denominated in U.S. dollars or other hard currencies. While there are no legal restrictions on the conversion of Guyana currency into U.S dollars or other hard currencies, or in the expatriation of Guyana currency or foreign currency from Guyana, there is little liquidity in the foreign currency markets in Guyana. GT&T has had some difficulty in converting significant amounts of Guyana currency into U.S. dollars in recent months. While the Company believes that it has, and will continue to have, adequate cash flows denominated in hard currency to meet its current operating, debt service and capital requirements, there can be no assurance that GT&T will be able to convert its Guyana currency earnings into hard currency to meet such obligations. At September 30, 1998, approximately $7.0 million of the Company's total cash balances consisted of balances denominated in the Guyana dollar.

The Company is currently exploring several opportunities to acquire communications properties or licenses in the Caribbean and elsewhere. The Company believes it has adequate capital resources to acquire these properties and licenses without any external financing. However, there can be no assurance as to whether, when or on what terms the Company will be able to acquire any of the businesses or licenses it is currently seeking.

Impact of Devaluation and Inflation

Although the majority of GT&T's revenues and expenditures are transacted in U.S. dollars or other hard currencies, the results of operations nevertheless may be affected by changes in the value of the Guyana dollar. From February 1991 until early 1994, the Guyana dollar remained relatively stable at the rate of approximately 125 to the U.S. dollar. In 1994, the Guyana dollar declined in value to approximately 142 to the U.S. dollar, and it remained relatively stable at approximately that rate through 1997. In 1998, the Guyana dollar has declined in value to approximately 160 to the U.S. dollar.

The effect of devaluation and inflation on the Company's financial results has not been significant in the periods presented.

Atlantic Tele-Network, Inc. and Subsidiaries

Other Information

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

On October 19, 1998 the Company filed a report Form 8K reporting under item 4 of the Form that Deloitte & Touche, LLP had declined to be considered for selection as the Company's auditors for the current year and that the Company expected its Board of Directors to make such selection soon.

Atlantic Tele-Network, Inc. and Subsidiaries

Signatures

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

Atlantic Tele-Network, Inc.

Date: November 12, 1998

/s/ Michael E. Holmstrom

Michael E. Holmstrom
Chief Financial Officer and Vice-President
signing both in his capacity as Vice-President on behalf of the Registrant and as Chief Financial Officer of the Registrant

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE ACCOMPANYING FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
****(COLUMNAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)****

9-MOS
DEC-31-1998
SEP-30-1998
28,897
0
31,952
0
3,855
66,805
48,651
3,513
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12,231
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124,763
74,102
74,102
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52,132
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25,118
10,977
12,413
0
0
0
12,413
2.53
2.53