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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 March 31, 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 March 31, 1998, the registrant had outstanding 4,909,000 shares of its common stock ($.01 par value).

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ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED CONDENSED BALANCE SHEETS

(Columnar Amounts in Thousands)

ASSETS	DECEMBER 31, 1997	MARCH 31, 1998 (UNAUDITED)
Current assets:		
Cash	$ 15,803	$ 23,458
Accounts receivable, net	38,077	33,448
Materials and supplies	3,536	3,573
Prepayments and other current assets	1,039	2,753
Total current assets	58,455	63,232
Fixed assets:		
Property, plant and equipment	39,042	41,705
Less accumulated depreciation	-	(927)
Net fixed assets	39,042	40,778
Uncollected surcharges	5,941	4,710
Other assets	4,611	4,882
	$ 108,049	$ 113,602
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,382	$ 5,734
Accrued taxes	3,391	6,308
Advance payments and deposits	809	1,066
Other current liabilities	2,854	4,933
Current portion of long-term debt	3,298	3,298
Total current liabilities	20,734	21,339
Deferred income taxes	2,464	2,955
Long-term debt, excluding current portion	14,536	13,711
Minority interest	16,071	16,482
Contingencies and commitments (Note C)		
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 outstanding	49	49
Paid-in capital	54,195	54,195
Retained earnings	-	4,871
Total stockholders' equity	54,244	59,115
	$108,049	$113,602

See notes to consolidated condensed and combined financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED AND COMBINED CONDENSED

STATEMENTS OF OPERATIONS

(COLUMNAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	(UNAUDITED) THREE MONTHS ENDED MARCH 31,	
	1997 COMBINED	1998 CONSOLIDATED
Revenues:		
International long-distance revenues	$ 30,862	$ 19,901
Local exchange service	646	2,213
Other revenues	234	248
Total revenues	31,742	22,362
Expenses:		
International long-distance expenses	20,254	10,973
Telephone operating expenses	5,303	4,678
General and administrative	1,049	1,146
Total expenses	26,606	16,797
Income from operations	5,136	5,565
Non-operating Revenues and Expenses:		
Interest expense	(981)	(581)
Interest income	629	238
Other income	-	3,750
Non-operating revenues and expenses, net	(352)	3,407
Income before income taxes and minority interest	4,784	8,972
Income taxes	2,044	3,690
Income before minority interest	2,740	5,282
Minority interest	(300)	(411)
Net income	$ 2,440	$ 4,871
Net income per share		$ 0.99
Weighted average shares outstanding		4,909

See notes to consolidated condensed and combined financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED AND COMBINED CONDENSED

STATEMENTS OF CASH FLOWS

(COLUMNAR AMOUNTS IN THOUSANDS)

	(UNAUDITED) THREE MONTHS ENDED MARCH 31,	
	1997 COMBINED	1998 CONSOLIDATED
Net cash flows provided by operating activities	$ (405)	$ 11,143
Cash flows from investing activities:		
Capital expenditures	(1,256)	(2,663)
Net cash used in investing activities	(1,256)	(2,663)
Cash flows from financing activities:		
Repayment of long-term debt	(1,312)	(825)
Net change in advances to affiliates	457	-
Net cash flows provided (used) by financing activities	(855)	(825)
Net increase in cash	(2,516)	7,655
Cash, Beginning of Period	8,182	15,803
Cash, End of Period	$ 5,666	$ 23,458
Supplemental cash flow information:		
Interest paid	$ 783	$ 447
Income taxes paid	$ 2,219	$ 594
Depreciation and Amortization Expense	$ 1,258	$ 927

See notes to consolidated condensed and combined financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED AND COMBINED CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 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 subsidiary (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 months ended March 31, 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. (ATN or the Company) 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 & Telegraph Company, Limited (GT&T). The combined financial statements of ATN for the three months ended March 31, 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 months ended March 31, 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

(Columnar Amounts in Thousands, Except Per Share Data)

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.

PRO FORMA NET INCOME PER SHARE

Historical income per share is not presented for the combined statement of operations 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:

Net income as reported	$ 2,440
Reduction in depreciation	678
Elimination of interest income from subsidiary, net of interest expense on debt transferred to ECI	(429)
Tax effect	(159)
Pro forma net income	$ 2,530
Pro forma shares outstanding	4,909
Pro forma net income per share	$ 0.52

NOTES TO CONSOLIDATED AND COMBINED CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 1997 AND 1998

(Columnar Amounts in Thousands, Except Per Share Data)

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 was no material differences between net income and comprehensive income during the three months ended March 31, 1998 and 1997.

B. 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.

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 appealed to the Guyana High Court and obtained a stay of the PUC's order pending determination of GT&T's appeal.

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 appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

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.

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 appeals from 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, but recently the PUC requested further information from GT&T on this matter.

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.

C. CONTINGENCIES AND COMMITMENTS

The Company is subject to lawsuits and claims which arise out of the normal course of business, some of which involve claims for damages that are substantial in amount. 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 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. Failure to timely fulfill the terms of the Plan could result in 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.

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, and 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 in an earlier year had been upheld in a decision of the High Court in August 1995. 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

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.

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.

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, 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 up 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 in the future will not be a reliable indicator of the Company's cost of replenishing its assets.

The financial statements for the three months ended March 31, 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 three months of 1997. These financial statements do not reflect the valuation adjustment arising from the split up 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 up 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. 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 MONTHS ENDED MARCH 31, 1997 AND 1998

Operating revenues for the three months ended March 31, 1997 were $22.3 million as compared to $31.7 million for the corresponding period of the prior year, a decrease of $9.4 million, or 30%.

The decrease was principally due to a $10.0 million, or 50%, decrease in audiotext traffic revenues at GT&T for the three months ended March 31, 1998. 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 quarter of 1998, audiotext traffic declined further to approximately 5.3 million minutes per month. The reduction in traffic volume is estimated to account for approximately $7.9 million, or 79% of the $10.0 million decrease in audiotext revenues in the first quarter of 1998. The remaining $2.1 million, or 21% of the decrease in audiotext revenues, results from a combination of the following: changes in the traffic mix, increased chargebacks from a carrier, and the strength of the U.S. dollar against certain foreign currencies. Changes in traffic mix refers to the mix between countries of origin which have different accounting rates. The changes in the volume of traffic and the other factors discussed are subject to a number of influences, most of which are beyond the Company's control, and may change significantly in the future, positively or negatively. As a result of the above factors, GT&T's profit margins from this traffic also declined. Given the Company's recent experience, the Company expects the negative trend in audiotext revenues to continue (which could have a material adverse impact on the Company's total revenues), although the Company is unable to predict the magnitude of the decline in future revenues with any degree of certainty.

The decrease in audiotext revenues was partially offset by an increase in local exchange services, which were $2.2 million for the three months ended March 31, 1998 compared to $646,000 for the corresponding period in 1997, an increase of $1.6 million, or 243%. This increase in local exchange services is primarily the result of temporary rates granted by the Guyana Public Utilities Commission (PUC) in response to a tariff filed with the PUC on December 31, 1997, with effect from February 1, 1998. International long-distance outbound revenues decreased by $944,000 for the three months ended March 31, 1998 to $3.2 million from $4.2 million for the corresponding period in 1997. Again, the decrease is primarily related to the increased rates awarded by the PUC, as the volume of outbound international long-distance traffic declined approximately 39% for the first three months of 1998 over the corresponding period of the prior year. The rates awarded for local and outbound international long-distance service are temporary and they may be either increased or decreased as a result of hearings by the PUC. See "Regulatory Matters".

Operating expenses for the three months ended March 31, 1998 were $16.8 million, a decrease of $9.8 million or 37%, from operating expenses of $26.6 million for the prior year. The decrease was due principally to a decrease in audiotext and outbound traffic expense at GT&T of $9.3 million for the three months ended March 31, 1998, due to decreased traffic volumes. As a percentage of operating revenues, operating expenses decreased to approximately 75% for the three months ended March 31, 1997 from approximately 84% for the prior year.

Income from operations before interest expense, income taxes and minority interest for the three months ended March 31, 1998 was $5.6 million, an increase of $429,000 or 8%, from income from operations before interest expense, income taxes and minority interest of $5.1 million for the prior year. This increase is principally a result of the factors affecting revenues and operating expenses discussed 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 months ended March 31, 1998 was 41.1% as compared to

42.7% for the corresponding period of the prior year.

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

Pro forma net income per share for the first three months of 1997 adjusts the Company's depreciation expense, interest expense, and shares outstanding as if the split-off Transaction had occurred on January 1, 1997.

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 Guyana Public Utilities Commission ("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. Failure to timely fulfill the terms of the Plan without legal justification could result in 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.

In October 1995, the Guyana Public Utilities Commission ("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 appealed to the Guyana High Court and obtained a stay of the PUC's order pending determination of GT&T's appeal.

In January 1997, the PUC ordered GT&T to cease paying advisory 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 appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

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.

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 appeals from 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, but recently the PUC requested further information from GT&T on this matter. 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 May 1997, GT&T received a letter from the Guyana Commissioner of Inland Revenue indicating that

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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, and 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 for an earlier year had been upheld in a decision of the High Court in August 1995. 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.

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

LIQUIDITY AND CAPITAL RESOURCES

As a result of the split-up of the Company into two separate public companies, the Company's capital resources have changed significantly, and the Company has fewer resources and significantly reduced operations. However, the Company believes existing liquidity and capital resources will be adequate to meet current operating needs. 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 in recent years, from paying any significant funds to the Company other than the advisory fees 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. The Company anticipates that GT&T's foreign currency earnings will enable GT&T to service its debt and pay its hard currency tax obligations. There are no Guyana legal restrictions on the conversion of Guyana's currency into U.S. dollars or on the expatriation of foreign currency from Guyana.

While the Company believes capital resources are adequate to meet current operations, the Company is also exploring several opportunities to acquire communications properties or licenses in the Caribbean and elsewhere. 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 or whether it will obtain financing necessary to do so.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS AND RESULTS OF OPERATIONS

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 150 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.

PART II- 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

Not applicable.

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: May 13, 1998

/s/ Craig A. Knock

CRAIG A. KNOCK
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 FOR PER SHARE DATA)****

3-MOS
DEC-31-1998
MAR-31-1998
23,458
0
33,448
0
3,573
63,232
41,705
927
113,602
21,339
13,711
0
0
49
59,066
113,602
22,362
22,362
16,797
16,797
0
0
581
8,972
3,690
4,871
0
0
0
4,871
0.99
0.99