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 quarterly period ended March 31, 2003

or

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

For the transition period from ___________ to ___________

Commission File Number: 000-20709

D&E Communications, Inc.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of incorporation or organization)

I.R.S. Employer Identification Number: 23-2837108

Brossman Business Complex
124 East Main Street
P. O. Box 458
Ephrata, Pennsylvania 17522
(Address of principal executive offices)

Registrant's Telephone Number: (717) 733-4101

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 | |

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.

Yes |X| No | |

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<TABLE>
<CAPTION>

Class	Outstanding at May 7, 2003
<S>	<C>
Common Stock, par value $0.16 per share	15,441,744 Shares

</TABLE>

D&E Communications, Inc. and Subsidiaries
Form 10-Q

TABLE OF CONTENTS

<TABLE>
<CAPTION>

Item No.		Page
<S>		<C>
	PART I. FINANCIAL INFORMATION	
1.	Financial Statements	
	Consolidated Statements of Operations -- For the three months ended March 31, 2003 and 2002	1
	Consolidated Balance Sheets -- March 31, 2003 and December 31, 2002	2
	Consolidated Statements of Cash Flows -- For the three months ended March 31, 2003 and 2002	3
	Consolidated Statements of Shareholders' Equity -- For the three months ended March 31, 2003 and 2002	4
	Notes to Consolidated Financial Statements	5
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
3.	Quantitative and Qualitative Disclosures about Market Risk	39
4.	Controls and Procedures	40
	PART II. OTHER INFORMATION	
1.	Legal Proceedings	41
6.	Exhibits and Reports on Form 8-K	41
	SIGNATURES	42
	CERTIFICATIONS	43

</TABLE>

Form 10-Q Part I - Financial Information
Item 1. Financial Statements

D&E Communications, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per-share amounts)
(Unaudited)

	Three Months Ended March 31, 2003	2002
OPERATING REVENUE		
Communication service revenues	$ 38,858	$ 15,909
Communication products sold	2,645	3,279
Other	582	389
Total operating revenues	42,085	19,577
OPERATING EXPENSES		
Communication service expenses (exclusive of depreciation and amortization below)	14,956	7,006
Cost of communication products sold	2,261	2,776
Depreciation and amortization	9,551	3,881
Marketing and customer services	4,039	2,141
General and administrative services	6,075	3,536
Total operating expenses	36,882	19,340
Operating income	5,203	237
OTHER INCOME (EXPENSE)		
Equity in net losses of affiliates	(678)	(475)
Interest expense	(4,595)	(708)
Other, net	856	7
Total other income (expense)	(4,417)	(1,176)
Income (loss) from continuing operations before income taxes and dividends on utility preferred stock	786	(939)
INCOME TAXES AND DIVIDENDS ON UTILITY PREFERRED STOCK		
Income taxes (benefit)	315	(150)
Dividends on utility preferred stock	16	16
Total income taxes and dividends on utility preferred stock	331	(134)
Income (loss) from continuing operations	455	(805)
Discontinued operations:		
Loss from operations of Paging business, net of income tax benefit of $3 and $2	(7)	(3)
Income (loss) before cumulative effect of change in accounting principle	448	(808)
Cumulative effect of change in accounting principle, net of income taxes of $177	260	--
NET INCOME (LOSS)	$ 708	$ (808)
Weighted average common shares outstanding	15,421	7,366
Weighted average common shares and equivalents outstanding	15,469	7,366
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE		
Income (loss) from continuing operations	$ 0.03	$ (0.11)
Loss from discontinued operations	--	--
Cumulative effect of accounting change	0.02	--
Net income (loss) per common share	$ 0.05	$ (0.11)
Dividends per common share	$ 0.13	$ 0.13

See notes to consolidated financial statements.

D&E Communications, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except per-share amounts)
(Unaudited)

<TABLE>
<CAPTION>

ASSETS	March 31, 2003	December 31, 2002
CURRENT ASSETS		
Cash and cash equivalents	$ 8,947	$ 15,514
Accounts receivable	16,983	19,368
Inventories, lower of cost or market, at average cost	3,402	3,475
Prepaid expenses	12,006	7,454
Other	1,522	1,074
TOTAL CURRENT ASSETS	42,860	46,885
INVESTMENTS		
Investments in and advances to affiliated companies	4,901	5,142
Investments available-for-sale	1,400	1,313
	6,301	6,455
PROPERTY, PLANT AND EQUIPMENT		
In service	307,909	307,000
Under construction	5,119	3,456
	313,028	310,456
Less accumulated depreciation	115,878	109,351
	197,150	201,105
OTHER ASSETS		
Assets held for sale	215	6,665
Goodwill	147,488	147,488
Intangible assets, net of accumulated amortization	177,414	178,964
Other	13,916	14,256
	339,033	347,373
TOTAL ASSETS	$ 585,344	$ 601,818
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt maturing within one year	$ 135	$ 132
Accounts payable and accrued liabilities	18,903	20,112
Accrued taxes	872	19,520
Accrued interest and dividends	1,990	1,840
Advance billings, customer deposits and other	9,896	8,535
TOTAL CURRENT LIABILITIES	31,796	50,139
LONG-TERM DEBT	245,731	244,966
OTHER LIABILITIES		
Deferred income taxes	85,186	85,516
Other	21,782	19,148
	106,968	104,664
PREFERRED STOCK OF UTILITY SUBSIDIARY, Series A 4 1/2%, par value $100, cumulative, callable at par at the option of the Company, authorized 20,000 shares, outstanding 14,456 shares	1,446	1,446
COMMITMENTS		
SHAREHOLDERS' EQUITY		
Common stock, par value $0.16, authorized shares 30,000,000 Outstanding shares: 15,432,550 at March 31, 2003 and 15,413,640 at December 31, 2002	2,515	2,512
Additional paid-in capital	158,294	158,101
Accumulated other comprehensive income (loss)	(7,249)	(7,071)
Retained earnings	51,125	52,343
Treasury stock at cost, 306,910 shares at March 31, 2003 and at December 31, 2002	(5,282)	(5,282)
	199,403	200,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 585,344	$ 601,818

</TABLE>

See notes to consolidated financial statements.

D&E Communications, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	$ 8,970	$ 424
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures, net of proceeds from sales	(3,637)	(5,170)
Business acquisition costs	--	(475)
Proceeds from Conestoga Wireless sale	10,005	--
Increase in investments and advances to affiliates	(521)	(504)
Decrease in investments and repayments from affiliates	84	401
Net Cash Provided By (Used In) Investing Activities from Continuing Operations	5,931	(5,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends on common stock	(1,839)	(860)
Payments on long-term debt	(11,232)	(14)
Proceeds from long-term debt financing	12,000	--
Net proceeds from (payments on) revolving lines of credit	--	5,562
Proceeds from issuance of common stock	110	98
Net Cash Provided By (Used In) Financing Activities from Continuing Operations	(961)	4,786
CASH PROVIDED BY (USED IN) CONTINUING OPERATIONS	13,940	(538)
CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS		
Cash Provided by (Used in) Operating Activities of Discontinued Operations	(20,507)	1,022
Net Cash Provided by (Used In) Discontinued Operations	(20,507)	1,022
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,567)	484
CASH AND CASH EQUIVALENTS		
BEGINNING OF PERIOD	15,514	615
END OF PERIOD	$ 8,947	$ 1,099

</TABLE>

See notes to consolidated financial statements.

D&E Communications, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the three months ended March 31, 2003 and 2002
(in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	2003		2002	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
COMMON STOCK				
Balance at beginning of year	15,721	$ 2,512	7,639	$ 1,219
Common stock issued for Employee Stock Purchase, and Dividend Reinvestment Plans	19	3	9	1
Balance at March 31	15,740	2,515	7,648	1,220
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		158,101		39,956
Common stock issued for Employee Stock Purchase and Dividend Reinvestment Plan		193		153
Balance at March 31		158,294		40,109
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at beginning of year		(7,071)		(2,833)
Unrealized gain (loss) on investments, net of tax		54		(657)
Unrealized loss on interest rate swap agreements, net of tax		(232)		--
Balance of March 31		(7,249)		(3,490)
RETAINED EARNINGS				
Balance at beginning of year		52,343		10,637
Net income (loss)		708		(808)
Dividends on common stock: $0.13, $0.13 per share		(1,926)		(917)
Balance at March 31		51,125		8,912
TREASURY STOCK				
Balance at beginning of year	(307)	(5,282)	(277)	(5,104)
Treasury stock acquired	--	--	--	--
Balance at March 31	(307)	(5,282)	(277)	(5,104)
TOTAL SHAREHOLDERS' EQUITY	15,433	$ 199,403	7,371	$ 41,647
COMPREHENSIVE INCOME (LOSS)				
Net income (loss)		$ 708		($808)
Unrealized gain (loss) on investments, net of income taxes of $33 and ($428)		54		(657)
Unrealized loss on interest rate swap agreements, net of income taxes of ($158)		(232)		--
Total comprehensive income (loss)		$ 530		($1,465)

</TABLE>

See notes to consolidated financial statements.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

(1) BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of D&E Communications, Inc. and its wholly owned subsidiaries. D&E Communications, Inc., including its subsidiary companies, is defined and referred to herein as D&E.

The accompanying financial statements are unaudited and we have prepared them pursuant to generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, the financial statements include all adjustments (consisting of normal recurring adjustments) necessary to present fairly our results of operations, financial position and cash flows for the periods presented. Certain items in the financial statements for the three months ended March 31, 2002 have been reclassified for comparative purposes to conform to the current period's presentation. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to SEC rules and regulations. The use of generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. We believe that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with D&E's financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Stock Compensation

The Company accounts for stock compensation under the intrinsic value method of APB Opinion 25 and related interpretations. Based on the additional disclosure requirements of SFAS No. 148, the following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

<TABLE>
<CAPTION>

(In thousands, except per share amounts)	Three months ended March 31, 2003	Three months ended March 31, 2002
Net income (loss), as reported	$ 708	$ (808)
Add: stock-based employee compensation included in reported net income (loss), net of related tax	--	--
Deduct: total stock-based employee compensation expense determined under fair value-based method, net of related tax	(13)	--
Pro forma net income (loss)	$ 695	$ (808)
Basic and diluted income (loss) per share:		
As reported	$ 0.05	$ (0.11)
Pro forma	$ 0.05	$ (0.11)

</TABLE>

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

The fair value of options grants of $4.46 and $6.20 in the year ended December 31, 2002 and options converted at the Conestoga acquisition of $7.20 is estimated using the Black-Scholes option price model with the following assumptions that have not changed since no options were granted in 2003:

Dividend yield........................	2.55%
Expected life.........................	5 years
Expected volatility...................	60.30%
Risk-free interest rate...............	4.47%

(2) ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board ("FSAB") issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The Company has not yet determined the impact this pronouncement will have on the Company's financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" ("SFAS No. 148"). This Statement provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). In addition, this Statement amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS No. 148, D&E will continue to account for the Company's stock-based compensation in accordance with APB No. 25, and the adoption of SFAS No. 148 requires prominent disclosures about the effects of SFAS No. 123 on reported income in the interim financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This Statement establishes accounting practices relating to legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. SFAS No. 143

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the legal obligations are incurred and capitalize that amount as a part of the book value of the long-lived asset. That cost is then depreciated over the remaining life of the underlying long-lived asset. D&E adopted SFAS No. 143 effective January 1, 2003 and recorded an after-tax benefit of approximately $260 as a cumulative effect accounting adjustment in the first quarter 2003. The adjustment represents the cumulative estimate of cost of removal charged to depreciation expense in earlier years.

The following pro forma amounts have been adjusted for the effect of retroactive application on depreciation and costs of removal expense and related income taxes which would have been made had the new method been in effect at the beginning of 2002.

	Three months ended March 31, 2002	
	As Reported	Pro forma
Net Income	$ (808)	$ (802)
Basic Earnings per share	$(0.11)	$(0.11)
Diluted Earnings per share	$(0.11)	$(0.11)

In 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". D&E applied the initial recognition and measurement provisions on a prospective basis effective December 31, 2002. This interpretation requires that at the time a Company issues a guarantee, the Company must recognize a liability for the fair value of that obligation under the guarantee. As part of the Company's acquisition of Conestoga, D&E assumed a guarantee agreement with Mountain Union for lease obligations on the wireless tower sites of Conestoga's wireless subsidiary. When D&E entered into the asset purchase agreement with Keystone Wireless, whereby Keystone Wireless was assigned the responsibility for the leases, Mountain Union declined to release D&E from its guarantee. In the event of a default by Keystone Wireless, D&E continues to guarantee the wireless tower site lease payments, which cover a 10-year period commencing on the commencement date of the lease of each tower. As such, the guarantee is a continuing guarantee provided on an individual tower site basis. The lease payments start at $1.5 per site per month, with provision for an increase of 4% per year. The majority of these tower site leases and our guarantee will expire in 2011 and thereafter. D&E has estimated and recorded the fair value of the liability for the lease guarantees of $3,200 and that is presented as an offset to the fair value of the Conestoga assets held for sale at December 31, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities -- An Interpretation of Accounting Research Bulletin (ARB) No. 51" ("FIN 46"). This interpretation clarifies how to identify variable interest entities and how a company should assess its interests in a variable interest entity to decide whether to consolidate the entity. FIN 46 applies to variable interest entities created after January 31, 2003, in which a company obtains an interest after that date. Also, FIN 46 applies in the first fiscal quarter or interim period

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

beginning after June 15, 2003, to variable interest entities in which a company holds a variable interest that it acquired before February 1, 2003. D&E does not have any ownership in variable interest entities.

In January 2003, the Emerging Issues Task Force issued EITF 00-21 "Revenue Arrangements with Multiple Deliverables" (EITF 00-21"). EITF 00-21 primarily addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, it addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying EITF 00-21, separate contracts with the same entity or related parties that are entered into at or near the same time are presumed to have been negotiated as a package and should, therefore, be evaluated as a single arrangement in considering whether there are one or more units of accounting. That presumption may be overcome if there is sufficient evidence to the contrary. EITF 00-21 also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The provisions of EITF 00-21 are effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. D&E is currently evaluating the impact this statement will have on its financial position or results of operations.

(3) EARNINGS PER SHARE

Basic earnings per share amounts are based on income divided by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share amounts are based on income divided by the weighted average number of shares of common stock outstanding during the period after giving effect to dilutive common stock equivalents from assumed conversions of employee stock options. The following table shows how earnings per share were computed for the periods presented:

<TABLE>
<CAPTION>

<S>	Three months ended March 31, 2003 <C>	2002 <C>
Basic earnings (loss) per share computation		
Income (loss) from continuing operations	$ 455	$ (805)
Loss from discontinued operations	(7)	(3)
Cumulative effect of accounting change	260	--
Net income (loss)	$ 708	$ (808)
Weighted average shares (thousands)	15,421	7,366
Basic earnings (loss) per share		
Income (loss) from continuing operations	$ 0.03	$ (0.11)
Loss from discontinued operations	--	--
Cumulative effect of accounting change	0.02	--

</TABLE>

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

<TABLE>

<S>	<C>	<C>
Net income (loss)	$ 0.05	$ (0.11)
Diluted earnings (loss) per share computation		
Income (loss) from continuing operations	$ 455	$ (805)
Loss from discontinued operations	(7)	(3)
Cumulative effect of accounting change	260	--
Net income (loss)	$ 708	$ (808)
Weighted average shares (thousands)	15,421	7,366
Plus incremental shares from assumed stock option exercises	48	--
Adjusted weighted average shares	15,469	7,366
Diluted earnings (loss) per share		
Income (loss) from continuing operations	$ 0.03	$ (0.11)
Loss from discontinued operations	--	--
Cumulative effect of accounting change	0.02	--
Net income (loss)	$ 0.05	$ (0.11)

</TABLE>

(4) ACQUISITION

On May 24, 2002, D&E completed the acquisition of Conestoga Enterprises, Inc. (Conestoga), a neighboring rural local telephone company providing integrated communications services throughout the eastern half of Pennsylvania. The acquisition was completed through the merger of Conestoga with and into D&E Acquisition Corp., a wholly-owned subsidiary of D&E, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of January 9, 2002.

The following unaudited pro forma combined results of operations is provided for illustrative purposes only and assumes that this acquisition had occurred as of the beginning of 2002. The following pro forma information should not be relied upon as necessarily being indicative of the historical results that would have been obtained if this acquisition had occurred at the beginning of 2002, nor the results that may be obtained in the future.

<TABLE>
<CAPTION>

<S>	<C> Three months ended March 31, 2002
Pro forma operating revenues	$43,478
Pro forma income before extraordinary items	(1,104)
Pro forma net income	(1,104)
Pro forma income per share	$ (0.07)

</TABLE>

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

(5) INTANGIBLE ASSETS

The intangible assets and related accumulated amortization recorded on our balance sheets are as follows:

	As of March 31, 2003		As of December 31, 2002	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Indefinite-lived intangibles:				
Franchises	$104,800	$ --	$104,800	$ --
Finite-lived intangibles:				
Customer relationships	75,700	(4,595)	75,700	(3,217)
Trademarks and Trade names	1,200	(333)	1,200	(233)
Non-compete agreements	1,424	(782)	1,424	(710)
Total intangible assets	$183,124	$ (5,710)	$183,124	$ (4,160)

Aggregate amortization expense related to these intangible assets recorded for the three-months ended March 31, 2003 and 2002, was $1,550 and $73, respectively.

(6) DISCONTINUED OPERATIONS

D&E Wireless

D&E owned a fifty percent partnership interest in PCS ONE and performed related contract services to PCS ONE, which constituted a separate segment of D&E's business. On October 17, 2001, D&E entered into a definitive agreement to sell its interest in PCS ONE to VoiceStream Wireless Corporation.

The assets and liabilities and results of operations of D&E Wireless were reported as discontinued operations in accordance with APB Opinion No. 30 with a measurement date of December 31, 2001. In accordance with EITF 85-36, beginning January 1, 2002, through disposal date (the phase-out period), losses from PCS ONE were deferred because it was reasonably assured that the ultimate disposition of this business would result in the recognition of a gain.

On April 1, 2002, D&E consummated the sale of PCS ONE. The related contract services D&E provided to PCS ONE were terminated subsequent to the sale, after a six-month post closing period.

Upon completion of the sale, D&E received $74,168 in cash, subject to post closing adjustments as set forth in the sale agreement. These adjustments were finalized in the third quarter of 2002 and resulted in additional cash proceeds of $2,294, which were collected in

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

October 2002. In addition, we received equipment with a fair value of approximately $2,014. Selling and other estimated costs were approximately $3,836 and the gain on sale was $84,738 after eliminating the $10,098 liability for the equity in net losses of discontinued D&E Wireless operations in excess of investments and advances. The associated income taxes were $29,301 resulting in an after tax gain of $55,437.

During the three-month period ended March 31, 2003, D&E paid $20,500 in taxes related to gain on sale of PCS ONE which are included in cash used in investing activities of discontinued operations in the statement of cash flows.

Summarized financial information for the discontinued operations of our wireless business is as follows:

	Three months ended March 31, 2002
Revenue	$ 2,782
Expenses	2,445
Operating income	337
Equity in net loss of PCS ONE	(1,605)
Other income (expense)	--
Loss from discontinued operations before taxes	(1,268)
Losses during phase-out period deferred against gain on disposal	1,268
Net losses from discontinued operations before taxes	--
Income taxes	--
Loss from discontinued operations, net of taxes	$ --

The summarized results of operations of PCS ONE were as follows:

	Three months ended March 31, 2002
Net sales	$12,312
Net loss	($ 3,211)
Our share of loss	($ 1,605)

Paging Services

During the third quarter of 2002, D&E committed to a plan to sell the $215 total assets of Conestoga Mobile Systems' ($205) and D&E's paging operations ($10). As such, the assets are reported as held for sale and the results of operations are reported in discontinued operations in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." The assets are not depreciated while they are held for sale. In January 2003, we entered into an agreement to sell our paging operations' assets for $215. D&E expects that the transaction

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

will close in the second quarter of 2003. No liabilities are expected to be included as part of the sale.

Summarized income statement information for the discontinued operations of the paging services, including Conestoga Mobile Systems' operations post D&E's acquisition on May 24, 2002, were as follows:

	Three months ended March 31, 2003	Three months ended March 31, 2002
Revenue	$ 172	$ 26
Expenses	182	31
Operating loss	(10)	(5)
Income taxes	(3)	(2)
Loss from paging operations, net of taxes	$ (7)	$ (3)

(7) SALE OF CONESTOGA WIRELESS ASSETS

In connection with the acquisition of Conestoga, the Company had committed to a plan to sell the assets of Conestoga's wireless segment. As such, these assets are reported as held for sale in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." The assets are not depreciated while they are held for sale.

On November 12, 2002, D&E entered into a definitive agreement to sell substantially all of the assets of the Conestoga wireless segment to Keystone Wireless, LLC ("Keystone"), a Delaware limited liability company. Keystone is an affiliate of PC Management, Inc., a Ft. Myers, Florida-based company that owns and manages wireless communications systems throughout the United States. The sale was completed on January 14, 2003. Upon completion of the sale, and subject to certain purchase price adjustments to be determined after closing, D&E received $10,000 in cash and a $10,000 face value secured promissory note issued by Keystone. The promissory note requires monthly principal payments for 48 months beginning in January 2005. The note bears interest from the date of the note, at the 60 day LIBOR rate plus 5% and is receivable beginning on December 31, 2003 and on the last day of each quarter thereafter. As this note receivable is from a highly leveraged entity and the business sold has not generated positive cash flows, D&E will record value to the note when cash recoveries are received. The note carries certain rights where we can convert a portion or all of the principal balance of the note into equity interests of Keystone. The conversion period begins on December 31, 2004 and ends May 1, 2005.

The results of operations of the Conestoga wireless segment held for sale are not reported in discontinued operations because D&E has continuing involvement after the sale as a result of D&E's continued guarantees on wireless tower site leases and D&E's responsibilities under a Build-to-Suit Agreement. No gain or loss was recorded as a result of the sale. However a loss of

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

$675 related to D&E's estimated commitments in the Build-to-Suit Agreement has been recorded in communication services expenses in 2002. The fair value of the Conestoga wireless segment of $6,450 included in the final purchase price allocation was determined as follows:

Cash	$ 10,000
Less: costs to sell and purchase price adjustments	(350)
Fair value of lease guarantees	(3,200)
Total	$ 6,450

The carrying amounts of the major classes of assets included as part of the Conestoga wireless business sold are as follows:

	December 31, 2002
Inventories	$ 166
Property and equipment	9,084
PCS licenses	400
Total assets sold	9,650
Less: Fair value of lease guarantees remaining with D&E	(3,200)
Net assets sold	$ 6,450

(8) INVESTMENTS IN AFFILIATED COMPANIES

D&E owns a one-third investment in EuroTel, a domestic corporate joint venture. EuroTel holds a 100% investment in PenneCom, B.V. (PenneCom), an international telecommunications holding company, and holds a 27.85% investment in Pilicka, a telecommunications company located in Poland. D&E also owns a 28.88% direct investment in Pilicka. D&E accounts for both its investment in EuroTel and its investment in Pilicka using the equity method of accounting.

In July 2002, EuroTel initiated a legal action against an investment bank, and an individual, alleging violations of applicable law relating to the advice given by the investment bank and the individual to a prospective buyer not to close on the purchase of Pilicka. Management of EuroTel believes that, based on the advice of its legal counsel, the suit is meritorious. However, the ultimate outcome of the litigation cannot be determined and no amount has been recognized for possible collection of any claims in the litigation. Legal costs are expected to continue to be incurred in pursuit of such litigation.

The summarized results of operations of EuroTel were as follows:

	Three months ended March 31,	
	2003	2002
Net sales	$ --	$ 2,308
Net loss	(959)	(692)
Our share of loss	(320)	(231)

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

The summarized results of operations of Pilicka were as follows:

	Three months ended March 31, 2003	2002
Net sales	$2,350	$2,308
Net loss	(827)	(788)
Our share of loss	(239)	(244)

(9) LONG-TERM DEBT

The following table sets forth the total long-term debt outstanding:

	Interest Rate	Maturity	March 31, 2003	December 31, 2002
Senior Secured Revolving Credit Facility	5.30%	2009	$ 41,550	$ 32,250
Senior Secured Term Loan B	5.34%	2010	119,000	125,000
Senior Secured Term Loan A	5.44%	2011	47,500	50,000
Secured Term Loan	9.34%	2014	20,000	20,000
Secured Term Loan	9.36%	2014	15,000	15,000
Capital lease obligations			2,816	2,848
			245,866	245,098
Less current maturities			135	132
Total long-term debt			$245,731	$244,966

The Senior Secured Credit Facility includes a mandatory repayment of principal from any single asset sale or series of related transactions, which total more than $1,000. Consequently, as a result of the collection of $10,000 from the sale of Conestoga Wireless, D&E made the following payments in the first quarter of 2003 that permanently reduced the total loan availability:

Senior Secured Revolving Credit Facility	$1,500
Senior Secured Term B	6,000
Senior Secured Term A	2,500

D&E's indebtedness requires the Company to maintain compliance with certain financial and operational covenants. The most restrictive covenant is the total leverage ratio. The tax liability incurred by D&E in connection with the sale of its PCS ONE partnership interest in April 2002, $20,500, was originally scheduled to be paid prior to the closing of the credit agreement but was deferred and paid in March 2003. As a result, for the purposes of calculating compliance with the debt service coverage ratio in the credit agreement for the quarter ended March 31, 2003, such tax liability was excluded, with the consent of the lenders, from the covenant calculation. As such, D&E was in compliance with all covenants at March 31, 2003.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollars in thousands, except per-share amounts)
(Unaudited)

(10) BUSINESS SEGMENT DATA

Our segments, excluding the Paging segment, which is now reported as a discontinued segment, are RLEC, CLEC, Internet Services, Systems Integration and Conestoga Wireless. The measure of profitability for our segments is operating income.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 1. Notes to Consolidated Financial Statements
(Dollar amounts are in thousands)
(Unaudited)

Financial results for D&E's business segments are as follows:

Segment	External Revenues Three months ended March 31, 2003	2002	Intersegment Revenues Three months ended March 31, 2003	2002	Operating Income (Loss) Three months ended March 31, 2003	2002
RLEC	$25,746	$10,600	$ 1,956	$ 846	$ 7,712	$ 2,290
CLEC	8,386	1,689	150	107	(961)	(873)
Internet Services	1,269	880	151	6	(176)	(288)
Systems Integration	5,171	5,490	10	7	(1,163)	(697)
Conestoga Wireless	456	--	4	--	(380)	--
Corporate, Other and Eliminations	1,057	918	(2,271)	(966)	171	(195)
Total	$42,085	$19,577	$ --	$ --	$ 5,203	$ 237

Segment	Segment Assets March 31, 2003	December 31, 2002
RLEC	$487,639	$489,950
CLEC	63,967	62,973
Internet Services	6,357	8,068
Systems Integration	19,879	20,358
Conestoga Wireless	552	8,511
Corporate, Other and Eliminations	6,950	11,958
Total	$585,344	$601,818

The following table shows a reconciliation of the results for the business segments to the applicable line items in the consolidated financial statements as follows:

	Three months ended March 31, 2003	2002
Operating income from reportable segments	$ 5,032	$ 432
Corporate, other and eliminations	171	(195)
Equity in net losses of affiliates	(678)	(475)
Interest expense	(4,595)	(708)
Other, net	856	7
Income (loss) from continuing operations before income taxes and dividends on utility preferred stock	$ 786	$ (939)

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollar amounts are in thousands)

The following discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, included in this quarterly report of Form 10-Q, as well as our audited consolidated financial statements for the year ended December 31, 2002 as filed on Form 10-K with the SEC. Monetary amounts presented in the following discussion are rounded to the nearest thousand dollars. Certain items in the financial statements for the three months ended March 31, 2002 have been reclassified for comparative purposes.

OVERVIEW

On May 24, 2002, we completed our acquisition of Conestoga Enterprises, Inc. ("Conestoga"), a neighboring rural local exchange carrier providing integrated communications services throughout the eastern half of Pennsylvania. The acquisition was completed through the merger of Conestoga with and into D&E Acquisition Corp. (the "Merger Sub"), a wholly-owned subsidiary of D&E, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of January 9, 2002 (the "Merger Agreement"), by and among D&E, Conestoga and the Merger Sub (the "Merger"). We paid cash consideration of $149,422 and issued 7,876,655 shares of D&E common stock to Conestoga shareholders pursuant to the Merger Agreement. We also assumed existing indebtedness of Conestoga and outstanding options issued pursuant to Conestoga equity compensation plans.

We are a provider of integrated communications services to residential and business customers throughout the eastern half of Pennsylvania. We operate rural telephone companies, or rural local exchange carriers, or ("RLECs"), in parts of Berks, Lancaster, Union counties and smaller portions of three other adjacent counties in Pennsylvania, and competitive local telephone companies, or CLECs, in the Lancaster, Harrisburg, Reading, Altoona, Pottstown, State College and Williamsport, Pennsylvania metropolitan areas, which we refer to as our "edge-out" markets. We offer our customers a comprehensive package of communications services, including local and long distance telephone, high speed data, and Internet access services. We also provide business customers with integrated voice and data network solutions including the related communications and computer equipment in areas that extend beyond the markets listed above.

Our segments, excluding our paging services, which, as discussed below, is now reported as a discontinued business, are RLEC, CLEC, Internet Services, Systems Integration and Conestoga Wireless. The measure of profitability for our segments is operating income.

Our RLEC revenue is derived primarily from network access charges, local telephone service, enhanced telephone services and regional toll service. Network access revenue consists of charges paid by long distance, wireless and other telecommunications companies for access to our network in connection with the completion of long distance telephone calls. Local telephone service revenue consists of charges for local telephone services, including monthly charges for basic local service. Enhanced telephone services revenue is derived from providing special calling features, such as call waiting, caller ID, voicemail and a telemarketer call-blocking service. Regional long distance revenue is derived from providing regional long distance services to our RLEC customers.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

Our CLEC revenue is derived primarily from network access charges, local telephone service, enhanced telephone services and long distance service revenue. Network access revenue consists of charges paid by long distance and other telecommunication companies for access to our network in connection with the completion of long distance telephone and local calls. Local telephone service revenue consists of charges for local telephone services, including monthly charges for basic local service. Enhanced telephone services revenue is derived from providing special calling features, such as call waiting, caller ID, voicemail and a telemarketer call-blocking service. Long distance revenue consists of charges for both national and regional long distance services, a portion of which is provided on a resale basis.

Our Internet Services revenue is derived from dial-up and high speed Internet access services, in addition to web hosting services. We market these services primarily in our RLEC and CLEC service areas.

Our Systems Integration revenue is derived from sales of services that support the design, implementation and maintenance of local and wide area networks and telecommunications systems. In addition, we sell data and voice communications equipment and provide custom computer programming service. We market these products and services primarily in our RLEC and CLEC service areas.

Conestoga Wireless revenue was derived from providing wireless Personal Communication Service, including local and long distance telephone services, and from the sale of wireless communications equipment. We market these products and services in certain of our RLEC and CLEC markets. We sold this segment on January 14, 2003.

Our operating costs and expenses primarily include wages and related employee benefit costs, depreciation and amortization, selling and advertising, software and information system services and general and administrative expenses. Our RLEC segment incurs costs related to network access charges, directory expense and other operations expenses such as digital electronic switch expense, engineering and testing costs. Our CLEC incurs costs related to leased network facilities associated with providing local telephone service to customers, engineering costs and network access costs for local calls and long distance expense. Our Internet Services segment incurs leased network facilities costs for our dial-up Internet service and for our DSL service. Our Systems Integration business incurs expenses primarily related to wages and employee benefit costs, and equipment and materials used in the course of the installation and provision of our products and services. Our Conestoga Wireless Segment incurs costs related to network facilities to provide wireless Personal Communication Service, engineering costs, network access costs and costs of wireless communications equipment sold.

We incur access line-related capital expenditures associated with access line additions, expenditures for upgrading existing facilities and costs related to the provision of DSL and dial-up Internet services in our RLEC and CLEC territories. We believe that our capital expenditures related to CLEC access line growth are generally associated with additional customers and

therefore tend to result in incremental revenue. We believe that our additional capital expenditures relating to our investment in software and systems will maintain our competitive position in the marketplace.

We own a one-third investment in EuroTel L.L.C. (EuroTel), a domestic corporate joint venture. EuroTel holds a 27.85% investment in Pilicka Telefonia, Sp.zo.o (Pilicka), a telecommunications company located in Poland. Also, we own 28.88% and the other EuroTel founders own 43.27% of Pilicka. As such, we have a 28.88% direct ownership in Pilicka and a 9.28% indirect ownership in Pilicka, through our one-third interest in EuroTel. We account for both our investment in EuroTel and Pilicka using the equity method of accounting. We currently are exploring strategic alternatives with regard to these investments.

On April 1, 2002, D&E consummated the sale of PCS ONE. The related contract services D&E provided to PCS ONE were terminated subsequent to the sale, after a six-month post closing period.

Upon completion of the sale, D&E received $74,168 in cash, subject to post closing adjustments as set forth in the sale agreement. These adjustments were finalized in the third quarter of 2002 and resulted in additional cash proceeds of $2,294, which were collected in October 2002. In addition, we received equipment with a fair value of approximately $2,014. Selling and other estimated costs were approximately $3,836 and the gain on sale was $84,738 after eliminating the $10,098 liability for the equity in net losses of discontinued D&E Wireless operations in excess of investments and advances. The associated income taxes were $29,301 resulting in an after tax gain of $55,437.

Conestoga's wireless business was sold on January 14, 2003, and Conestoga and D&E's paging businesses are classified as assets held for sale on the balance sheet. The paging business has been reported as a discontinued operation. On January 28, 2003, we entered into a definitive sales agreement to sell Conestoga and D&E's paging businesses and expect to close the sale during the second quarter of 2003. Conestoga Wireless is included as part of operating activity and not as a discontinued operation because under accounting rules there is deemed to be continuing involvement as a result of our commitment to building out tower sites and a continuing lease guarantee related to certain tower sites.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

RESULTS OF OPERATIONS

The following table is a summary of our operating results by segment for the three months ended March 31, 2003 and 2002:

<TABLE>
<CAPTION>

	RLEC	CLEC	INTERNET SERVICES	SYSTEMS INTEGRATION	CONESTOGA WIRELESS	CORPORATE, OTHER AND ELIMINATIONS	TOTAL COMPANY
MARCH 31, 2003 (1)							
Revenues - External	$25,746	$ 8,386	$ 1,269	$ 5,171	$ 456	$ 1,057	$42,085
Revenues - Intercompany	1,956	150	151	10	4	(2,271)	--
Total Revenues	27,702	8,536	1,420	5,181	460	(1,214)	42,085
Depreciation and Amortization	7,766	975	169	424	--	217	9,551
Other Operating Expense	12,224	8,522	1,427	5,920	840	(1,602)	27,331
Total Operating Expenses	19,990	9,497	1,596	6,344	840	(1,385)	36,882
Operating Income (Loss)	7,712	(961)	(176)	(1,163)	(380)	171	5,203
MARCH 31, 2002 (1)							
Revenues - External	$10,600	$ 1,689	$ 880	$ 5,490	$ --	$ 918	$19,577
Revenues - Intercompany	846	107	6	7	--	(966)	--
Total Revenues	11,446	1,796	886	5,497	--	(48)	19,577
Depreciation and Amortization	3,117	245	98	314	--	107	3,881
Other Operating Expenses	6,039	2,424	1,076	5,880	--	40	15,459
Total Operating Expenses	9,156	2,669	1,174	6,194	--	147	19,340
Operating Income (Loss)	2,290	(873)	(288)	(697)	--	(195)	237

</TABLE>

----

(1) We acquired Conestoga Enterprises, Inc. on May 24, 2002.

CONSOLIDATED OPERATIONS

Three months ended March 31, 2003 compared
to the three months ended March 31, 2002

Consolidated operating revenues from continuing operations increased $22,508, or 115.0%, to $42,085 for the first quarter of March 31, 2003, from $19,577 in the same period of 2002. The revenue increase was primarily due to the inclusion of Conestoga's revenues, totaling $24,051, with no amount included in 2002 prior to its acquisition on May 24, 2002. The former D&E operating divisions realized a $1,543 decrease in revenues with increased revenues primarily from an increase in the number of customers in our Internet Services and CLEC segments more than offset by a decrease in our Systems Integration segment revenues. This decrease is primarily related to reductions in customer spending for communications related infrastructure that we believe is a result of a slowing economy.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

Consolidated operating income from continuing operations increased $4,966, to $5,203, for the first quarter of 2003, from $237 in the same period of 2002. Operating income as a percentage of revenue increased to 12.4% in the first quarter of 2003 compared to 1.2% in the same period of 2002. The improvement was primarily attributable to the Conestoga acquisition.

Other income and expense was a net expense of $4,417 in the first quarter of 2003 compared to a net expense of $1,176 in the same period of 2002. Our equity in the losses of our European affiliates increased to $678 in the first quarter of 2003 from $475 in the same period of 2002. Interest expense increased to $4,595 in the first quarter of 2002, compared to $708 in the same period of 2002, primarily as a result of increased borrowings to complete the Conestoga acquisition on May 24, 2002. Other income increased $849 in 2003 from the prior year, primarily from a $1,204 dividend received, and discounted to a present value of $801, on our investment in our primary lender compared with $94 received in the first quarter of 2002.

Income taxes were $315 in the first quarter of 2003 compared to a benefit of $150 in the same period of 2002. Discontinued paging operations resulted in a loss of $7 after tax in the first quarter of 2002 versus a loss of $3 in the first quarter of 2002, which did not include Conestoga's paging business before the acquisition. In 2003 we recorded $260 of income after taxes for the cumulative effect of adopting Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" effective January 1, 2003. The adjustment represents the cumulative estimate of cost of removal charged to depreciation expense in earlier years. Our net income was $708, or $0.05 per share (including $0.02 for the cumulative effect of SFAS No. 143), in the first quarter of 2003 compared to a net loss of $808, or $0.11 per share, in the first quarter of 2002.

RLEC SEGMENT RESULTS

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED MARCH 31, 2003 <C>	2002 <C>	% CHANGE <C>
Revenues:			
Local Telephone Service	$ 8,085	$ 3,537	128.6%
Network Access	14,019	5,709	145.6%
Other	5,598	2,200	154.5%
Total Revenues	27,702	11,446	142.0%
Depreciation and Amortization	7,766	3,117	149.1%
Other Operating Expenses	12,224	6,039	102.4%
Total Operating Expenses	19,990	9,156	118.3%
Operating Income	$ 7,712	$ 2,290	236.8%
Access Lines at March 31	144,934	62,104	133.4%

</TABLE>

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

RLEC segment revenues increased $16,256, or 142.0%, to $27,702 in 2003, from $11,446 in 2002. The increase was primarily attributable to the inclusion of Conestoga's revenues, totaling $15,983 with no amount included in 2002 prior to its acquisition on May 24, 2002. The revenue increase also included a rate increase in local telephone service in July 2002. We have filed another rate rebalancing request with the Pennsylvania Public Utility Commission on April 30, 2003. The request, to be effective July 1, 2003, is designed to be revenue-neutral, with no impact on our RLECs' total operating revenues. In our original D&E RLEC division, we experienced an increase of $211 in basic local telephone service and an increase of $299 in network access offset by decreases of $183 in regional long distance toll service and decreases of $54 in other revenues.

RLEC operating expenses increased $10,834 or 118.3%, to $19,990 in the first quarter of 2003, from $9,156 in the same period of the prior year. The first quarter of 2003 expenses included $11,239 from the Conestoga acquisition, while our D&E RLEC experienced a decrease of $405, with depreciation expense increasing $268, direct cost of operations decreasing $199 and general and administrative expense decreasing $417, both largely relating to reduced computer costs, and other operating expenses decreasing $57.

CLEC SEGMENT RESULTS

	THREE MONTHS ENDED MARCH 31, 2003	2002	% CHANGE
Revenues:			
Local Telephone Service	$ 2,208	$ 560	294.3%
Network Access	1,238	384	222.4%
Long Distance	4,927	775	535.7%
Other	163	77	111.7%
Total Revenues	8,536	1,796	375.3%
Depreciation and Amortization	975	245	298.0%
Other Operating Expenses	8,522	2,424	251.6%
Total Operating Expenses	9,497	2,669	255.8%
Operating Loss	$ (961)	$ (873)	(10.1%)
Access Lines at March 31	33,276	8,420	295.2%

CLEC segment revenues increased $6,740 or 375.3%, to $8,536 in the first quarter of 2003, from $1,796 in the same period of 2002. The increase was primarily attributable to the inclusion of Conestoga's revenues, totaling $5,952 with no amount included in 2002 prior to its acquisition on May 24, 2002. The increase was also related to our original D&E CLEC's addition of access lines for new customers that primarily increased local telephone service revenues $293, increased network access revenues by $192, long distance revenues by $230 and other miscellaneous revenues increased $73.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

Operating expenses for the CLEC segment increased $6,828 or 255.8%, to $9,497 in the first quarter of 2003, from $2,669 in the same period of 2002. In addition to $6,477 of expenses from the Conestoga acquisition, our D&E CLEC experienced expense increases of $351 related to additional network access expense consistent with the larger customer base, higher depreciation expense for additional equipment added and increased sales and marketing expense related to commencement of operations in our Harrisburg, Pennsylvania market since the first quarter of 2002.

INTERNET SERVICES SEGMENT RESULTS

	THREE MONTHS ENDED MARCH 31, 2003	2002	% CHANGE
Revenues	$ 1,420	$ 886	60.3%
Depreciation and Amortization	169	98	72.4%
Other Operating Expenses	1,427	1,076	32.6%
Total Operating Expenses	1,596	1,174	35.9%
Operating Loss	$ (176)	$ (288)	38.9%
Customers at March 31			
DSL	6,124	2,482	146.7%
Dial-up Access	12,967	11,533	12.4%
Web-hosting Services	701	515	36.1%

Internet Services segment revenues increased $534, or 60.3%, to $1,420 in the first quarter of 2003, from $886 in the same period of 2002. The increase was primarily attributable to the inclusion of Conestoga's revenues, totaling $332 with no amount included in 2002 prior to its acquisition on May 24, 2002. The remaining increase resulted from an increase in the number of dial-up single user residential and business customers, as well as DSL customers and web hosting subscribers in our original market areas and the expansion into parts of Conestoga's territory.

Operating expenses for the Internet Services segment increased $422, or 35.9%, to $1,596 in the first quarter of 2003, from $1,174 in the same period of 2002. The increased expenses were primarily related to including the Conestoga operations.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

SYSTEMS INTEGRATION SEGMENT RESULTS

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED MARCH 31, 2003 <C>	2002 <C>	% CHANGE <C>
Revenues	$ 5,181	$ 5,497	(5.7%)
Depreciation and Amortization	424	314	35.0%
Other Operating Expenses	5,920	5,880	0.7%
Total Operating Expenses	6,344	6,194	2.4%
Operating Loss	$(1,163)	$ (697)	(66.9%)

</TABLE>

Systems Integration segment revenues decreased $316, or 5.7%, to $5,181 in the first quarter of 2003, from $5,497 in the same period of 2002. The change was attributable to an increase of $1,810 from inclusion of Conestoga's revenues in 2003 that was offset by a decline of $2,126 in our original D&E Systems Integration business. The decreases included a reduction of $1,555 in telecommunications and computer equipment sold, $565 in computer services revenue and $6 other miscellaneous revenues. This decline was primarily related to reductions in customer spending for communications related infrastructure that we believe is a result of a slowing economy.

Operating expenses for the Systems Integration segment increased $150, or 2.4%, to $6,344 in the first quarter 2003, from $6,194 in the same period of 2002. In addition to $2,013 of increased expenses from Conestoga in 2003, the cost of products sold decreased by $1,197 in 2003 from the first quarter of 2002 in our original D&E Systems Integration business and other operating expenses decreased $666.

CONESTOGA WIRELESS SEGMENT RESULTS

Conestoga Wireless segment revenues were $460 for the two weeks before the business was sold on January 14, 2003. There was no activity recorded in 2002 before the May 24, 2002 Conestoga acquisition. Expenses for the final period were $840 resulting in an operating loss of $380. See the Section titled "Factors Affecting Our Prospects."

OTHER INCOME (EXPENSE)

Other income and expense was a net expense of $4,417 in the first quarter of 2003, compared to a net expense of $1,176 in the same period of 2002. Our equity in the losses of our European affiliates increased to $678 in the first quarter of 2003, from $475 in the same period of 2002. Interest expense increased to $4,595 in the first quarter of 2002, compared to $708 in the same period of 2002, primarily as a result of increased borrowings to complete the Conestoga acquisition on May 24, 2002. Other income increased $849 in 2003 from the prior year, primarily

from a $1,204 dividend received, and discounted to a present value of $801, on our investment in our primary lender, compared with $94 received in the first quarter of 2002.

INCOME TAXES

Income taxes were $315 in the first quarter of 2003 compared to a benefit of $150 in the same period of 2002. The effective tax rate for continuing operations was 40.1% for the first quarter of 2003 and a benefit rate of 16.0% for the same period of the prior year.

DISCONTINUED OPERATIONS

Our paging operations resulted in a loss of $7 after a tax benefit of $3 in the first quarter of 2003. The first quarter of 2002, not including any Conestoga paging, was a loss of $3 after a tax benefit of $2. Management expects that the sale of our paging operations will close in the second quarter of 2003. No liabilities are expected to be included as part of the sale.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

We have historically generated cash from our operating activities. Our overall capital resource strategy is to finance capital expenditures for new and existing lines of businesses and acquisitions partly with operating cash and through external sources, such as bank borrowings and offerings of debt or equity securities.

Net cash provided by continuing operations was $8,970 in the first quarter of 2003, compared with $424 in the same period of 2002. The increase is primarily due to the inclusion of Conestoga's cash flow activity in 2003.

Net cash provided by investing activities was $5,931 in the first quarter of 2003, compared with a net cash use of $5,748 in the same period of 2002. The proceeds from the Conestoga Wireless sale was $10,005, which more than covered the $3,637 of capital additions and $437 of net increase to investments and advances to affiliates. Capital additions in 2003 were primarily for computer equipment, outside plant facilities and network infrastructure. The 2002 cash use was primarily for $5,170 of capital additions as well as $475 of Conestoga acquisition costs and a net increase of $103 in investments and advances to affiliates. Capital additions were primarily for digital electronic switching equipment and network infrastructure expansion.

Net cash used in financing activities was $961 in the first quarter of 2003, compared with $4,786 of net cash provided in the same period of 2002. In the first quarter of 2003, payment of dividends of $1,839 was the major financing use of funds while long-term debt borrowing net of

payments made on long-term debt provided $768 and common stock issuance provided $110. On March 14, 2003, we borrowed $12,000 to use along with cash from operations to pay $20,700 of federal taxes primarily related to the sale of our D&E wireless investment. In the first quarter of 2002, revolving lines of credit provided $5,562, of which $860 was used to pay quarterly dividends.

OTHER

During 2002, we directly wrote off $632, related to the WorldCom bankruptcy, in addition to our portion of losses that are shared through the NECA settlement pool process. During April 2003 we sold our major claims against WorldCom and recovered cash, $294 of which is a direct recovery of our loss.

EXTERNAL SOURCES OF CAPITAL AT MARCH 31, 2003

As of March 31, 2003, our credit facility consists of Term Loan A, (a $50,000 single draw 10-year senior term loan with a remaining balance of $47,500), Term Loan B, (a $125,000 single draw 8.5-year senior term loan with a remaining balance of $119,000) and an 8.5-year senior reducing revolving credit facility, with a reduced total availability of $73,500, of which $41,550 is borrowed. The revolving credit facility, of which $31,950 was available as of March 31, 2003, is available to fund capital expenditures, acquisitions, general corporate purposes and working capital needs. In connection with the Conestoga acquisition, we acquired their long-term loans of $35,000.

The Term Loan A for $47,500 requires interest only payments for three years, with increasing quarterly principal payments from the third quarter of 2004 through the second quarter 2011. The Term Loan B for $119,000 requires interest only payments for two years, with increasing quarterly principal payments from the third quarter of 2004 through the fourth of quarter 2010. The revolving credit facility requires interest only payments for two years, with increasing quarterly principal reductions of the amount available to borrow from the third quarter of 2004 through the fourth quarter of 2010. Interest on both the loan and the revolving credit facility is payable at a base rate or at LIBOR rates plus an applicable margin based on our leverage ratio. A commitment fee must be paid on the unused portion of the revolving credit facility. The $35,000 Conestoga loans require interest only payments for three years with equal quarterly payments from the first quarter of 2005 through the fourth quarter of 2014.

The credit facility includes a number of significant covenants that impose restrictions on our business. These covenants include, among others, restrictions on expansion of our CLEC business into new markets, additional indebtedness, mergers, acquisitions and the disposition of assets, sale and leaseback transactions and capital lease payments. In addition, we are required to comply with financial covenants with respect to the maximum indebtedness to total capitalization ratio and maximum leverage ratio.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

Upon completion of the sale of Conestoga Wireless on January 14, 2003, we received approximately $10,005 and, as required by the Senior Secured Credit Facility mandatory repayment terms, subsequently repaid $2,500 of the Term A loan, $6,000 of the Term B loan and $1,500 on our revolving credit facility. As of March 31, 2003, we had no other unsecured lines of credit.

Our borrowing capacity at March 31, 2003, as limited by our covenants, is $75,000 senior reducing revolving credit loan, reduced to $73,500 for 8.5 years, of which $41,550 was drawn.

As of March 31, 2003, the full amount of the revolver was available for borrowing without breaking any of the covenants. For further information regarding our long-term debt, see note 9 to our consolidated financial statements. Our ratio of total debt to total debt plus capital increased to 55.0% at March 31, 2003 from 54.8% at December 31, 2002.

COMMITMENTS, CONTINGENCIES AND PROJECTED USES OF CAPITAL

We believe that our most significant commitments, contingencies and projected uses of funds in 2003, other than for operations, include capital expenditures, the payment of quarterly common stock dividends and other contractual obligations. On April 24, 2003, we declared a quarterly common stock dividend of $0.125 per share payable on June 15, 2003 to holders of record on June 2, 2003. We expect that this dividend will result in an aggregate payment of approximately $1,900. We believe that we have adequate internal and external resources available to meet ongoing operating requirements.

On May 24, 2002, pursuant to the merger agreement with Conestoga, D&E assumed Conestoga's obligations under a Build-to-Suit Agreement ("BTS") with Mountain Union Telecom LLC ("Mountain Union"). The obligations related to the construction of 20 wireless communications towers for Conestoga's wireless subsidiary, Conestoga Wireless Company ("CWC"). In November 2002, D&E entered into an asset purchase agreement with Keystone Wireless, LLC ("Keystone Wireless") for the sale of the wireless telephone assets of CWC. Although D&E sold the assets of this business on January 14, 2003, its obligations under the BTS were not assumed by Keystone Wireless. Under the BTS, D&E is obligated to work with Mountain Union to find and develop 20 wireless tower sites, and after construction of each tower, enter into a long-term operating lease with Mountain Union for space on the tower. At closing on the sale of CWC, Keystone Wireless assumed 9 leases of tower space under the BTS. Keystone Wireless is also contractually obligated to enter into up to 6 additional operating leases for tower space under the BTS, provided that sites therefore can be located and the towers built under the BTS. Consequently, Keystone Wireless is committed to leasing space on a total of 15 towers under the BTS, provided that sites therefore can be located and the towers built under the BTS. Should any of the obligations under the BTS to build 20 towers remain unfulfilled, D&E could be subject to penalties for nonperformance. Because the underlying assets of CWC were sold under the asset purchase agreement, D&E has considered any remaining obligations and potential

penalties under the BTS a contingent liability. As of March 31, 2003, D&E has recorded an estimated $675 for its remaining commitment under the BTS.

As part of the Company's acquisition of Conestoga, D&E assumed a guarantee agreement with Mountain Union for lease obligations on the wireless tower sites of Conestoga's wireless subsidiary. When D&E entered into the asset purchase agreement with Keystone Wireless, whereby Keystone Wireless was assigned the responsibility for the leases, Mountain Union declined to release D&E from its guarantee. In the event of a default by Keystone Wireless, D&E continues to guarantee the wireless tower site lease payments, which cover a 10-year period commencing on the commencement date of the lease of each tower. As such, the guarantee is a continuing guarantee provided on an individual tower site basis. The lease payments start at $1.5 per site per month, with provision for an increase of 4% per year. The majority of these tower site leases and our guarantee will expire in 2011 and thereafter. D&E has estimated and recorded the fair value of the liability for the lease guarantees of $3,200 and that is presented as an offset to the fair value of the Conestoga assets held for sale at December 31, 2002.

We hold a 33% interest in EuroTel and a 28.88% interest in Pilicka, both of which we account for under the equity method of accounting. Thus, neither the assets nor the liabilities of EuroTel or Pilicka are presented on a consolidated basis on our balance sheets. We have also committed to loan EuroTel, on an equal basis with the other investors in EuroTel, certain of its operating cash needs. In the first quarter of 2003, D&E made advances of $458 to EuroTel and we expect that our total 2003 advances will be approximately $1,200 in the aggregate. Additionally, we have provided a letter of commitment to advance funds to Pilicka for 2003 however, management does not anticipate having to advance funds to Pilicka during 2003.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our results of operations and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts. On an on-going basis, we evaluate our estimates, including those related to intangible assets, income taxes, revenues, contingencies and impairment of long-lived assets. We base our estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, as further described below.

We have identified the following critical accounting policies as those that are the most significant to our financial statement presentation and that require difficult, subjective and complex judgments.

REVENUE RECOGNITION

Revenues for all of our business segments are generally recorded when services are provided or products are delivered. Our RLEC and CLEC pricing is subject to oversight by both state and federal regulatory commissions.

Such regulation also covers services, competition and other public policy issues. Different interpretations by regulatory bodies may result in adjustments in future periods to revenues derived from our RLEC and CLEC operations. We monitor these proceedings closely and make adjustments to revenue accordingly.

We receive a portion of our interstate access revenues in our RLEC segments from settlement pools in which we participate with other telephone companies through the National Exchange Carrier Association, Inc. (NECA). These pools were established at the direction of the FCC and are funded by interstate access service revenues, which the FCC regulates. Revenues earned through this pooling process are initially recognized based on estimates and are subject to adjustments that may either increase or decrease the amount of interstate access revenues. If the actual amounts that we receive from the settlement pools differ from the amounts that we have recorded as accounts receivables on our balance sheets, we would be required to record the amount of such a reduction or increase as an adjustment to our earnings. Historically, we have not experienced significant adjustments to our revenues as a result of our participation in these pools.

REGULATED ASSET DEPRECIATION

We use a composite group remaining life method and straight-line composite rates to depreciate the regulated property assets of our RLEC and CLEC segments. Under this method, when we replace or retire such assets, we deduct the original cost of these assets and charge it to accumulated depreciation. The effect of this accounting is to amortize any gains or losses on dispositions over the service lives of the remaining regulated telephone property assets rather than recognizing such gain or loss in the period of retirement.

In addition, use of the composite group remaining life method requires that we periodically revise our depreciation rates. Such revisions are based on asset retirement activity and salvage values and often require that we make related estimates and assumptions. If actual outcomes differ from our estimates and assumptions, we may be required to adjust depreciation and amortization expense, which could impact our earnings.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including our property, plant and equipment and our finite-lived intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is assessed based on future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized. Any impairment loss, if indicated, would be measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. While we have never recorded a material impairment charge for long-lived assets, future events or changes in circumstances could result in a material charge to earnings.

IMPAIRMENT OF GOODWILL AND INDEFINITE-LIVED INTANGIBLES

Upon the adoption of SFAS 142, "Goodwill and Other Intangible Assets," on January 1, 2002, goodwill and indefinite-lived intangibles are no longer subject to amortization. Goodwill and indefinite-lived intangibles are subject to at least an annual assessment for impairment by comparing carrying value to fair value, which we will perform annually as of April 30. There is a two-step process for assessment for impairment of goodwill. The first step is to identify a potential impairment by comparing the fair value of reporting units to their carrying value. If the results of the first step of the impairment testing indicate a potential impairment, the second step would be completed to measure the amount of any impairment loss. We continually evaluate whether events and circumstances have occurred that indicate the remaining balances of goodwill and indefinite-lived intangibles may not be recoverable. In evaluating impairment, we estimate the sum of the expected future cash flows derived from such goodwill and indefinite-lived intangibles. Such evaluations for impairment are significantly impacted by estimates of future revenues, costs and expenses, the market price of our stock and other factors. While we have never recorded a material impairment charge for goodwill and indefinite-lived intangibles, future events or changes in circumstances could result in a material charge to earnings.

INVESTMENT IN UNCONSOLIDATED AFFILIATES

We have investments and advances to affiliated entities that are accounted for under the equity method of accounting. We periodically evaluate whether there have been declines in value in these investments, and if so, whether these declines are considered temporary or other-than-temporary. Other-than-temporary declines would be recognized as realized losses in earnings. Evidence of a loss in value includes, but is not limited to, our inability to recover the carrying amount of the investment or the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment. The fair value of an investment that is less than its book value may indicate a loss in value of the investment. Our evaluations are based on many factors, including the duration and extent to which the fair value is less than carrying amount; the financial health of and business outlook for the investee, including industry performance, changes in technology, and operational and financing cash flow factors; and our intent and ability to hold the investment, including strategic factors.

RETIREMENT BENEFITS

Retirement benefits are a significant cost of doing business, yet represent obligations that will be settled in the future. Retirement benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period based on the terms of the plans and the investment and funding decisions made by a company. We record the costs of providing retirement benefits in accordance with SFAS No. 87 "Employers' Accounting for Pensions". Our estimates include assumptions regarding the discount rate to value the future obligation and the expected return on our plan assets. We use discount rates in line with current market interest rates on high quality fixed rate debt securities. Our return on assets is based on our current expectation of the long-term returns on assets held by the plan. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic benefit costs that we incur.

INCOME TAXES

We file a consolidated federal income tax return. We have two categories of income taxes: current and deferred. Current taxes are those amounts we expect to pay when we file our tax returns. Since we must report some of our revenues and expenses differently for our financial statements than we do for income tax purposes, we record the tax effects of those differences as deferred tax assets and liabilities in our consolidated balance sheets. These deferred tax assets and liabilities are measured using the enacted tax rates that are currently in effect.

Management judgment is required in determining the provision for current income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against the net deferred tax assets. A valuation allowance is established for any deferred tax asset that we may not be able to use in the preparation and filing of our future tax returns. We have recorded a valuation allowance due to uncertainties related to the ability to utilize some of the deferred tax assets, consisting primarily of equity income losses carried forward before they expire.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board ("FSAB") issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain

embedded derivatives that warrant separate accounting. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The Company has not yet determined the impact this pronouncement will have on the Company's financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" ("SFAS No. 148"). This Statement provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). In addition, this Statement amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS No. 148, D&E will continue to account for the Company's stock-based compensation in accordance with APB No. 25, and the adoption of SFAS No. 148 requires prominent disclosures about the effects of SFAS No. 123 on reported income in the interim financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This Statement establishes accounting practices relating to legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the legal obligations are incurred and capitalize that amount as a part of the book value of the long-lived asset. That cost is then depreciated over the remaining life of the underlying long-lived asset. D&E adopted SFAS No. 143 effective January 1, 2003 and recorded an after-tax benefit of approximately $260 as a cumulative effect accounting adjustment in the first quarter of 2003. The adjustment represents the cumulative estimate of cost of removal charged to depreciation expense in earlier years.

In 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". D&E applied the initial recognition and measurement provisions on a prospective basis effective December 31, 2002. This interpretation requires that, at the time a Company issues a guarantee, the Company must recognize a liability for the fair value of that obligation under the guarantee. As part of the Company's acquisition of Conestoga, D&E assumed a guarantee agreement with Mountain Union for lease obligations on the wireless tower sites of Conestoga's wireless subsidiary. When D&E entered into the asset purchase agreement with Keystone Wireless, whereby Keystone Wireless was assigned the responsibility for the leases, Mountain Union declined to release D&E from its guarantee. In the event of a default by Keystone Wireless, D&E continues to guarantee the wireless tower site lease payments, which cover a 10-year period commencing on the commencement date of the lease of each tower. As such, the

guarantee is a continuing guarantee provided on an individual tower site basis. The lease payments start at $1.5 per site per month, with provision for an increase of 4% per year. The majority of these tower site leases and our guarantee will expire in 2011 and thereafter. D&E has estimated and recorded the fair value of the liability for the lease guarantees of $3,200 and that is presented as an offset to the fair value of the Conestoga assets held for sale at December 31, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities -- An Interpretation of Accounting Research Bulletin (ARB) No. 51" ("FIN 46"). This interpretation clarifies how to identify variable interest entities and how a company should assess its interests in a variable interest entity to decide whether to consolidate the entity. FIN 46 applies to variable interest entities created after January 31, 2003, in which a company obtains an interest after that date. Also, FIN 46 applies in the first fiscal quarter or interim period beginning after June 15, 2003, to variable interest entities in which a company holds a variable interest that it acquired before February 1, 2003. D&E does not have any ownership in variable interest entities.

In January 2003, the Emerging Issues Task Force issued EITF 00-21 "Revenue Arrangements with Multiple Deliverables" (EITF 00-21"). EITF 00-21 primarily addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, it addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying EITF 00-21, separate contracts with the same entity or related parties that are entered into at or near the same time are presumed to have been negotiated as a package and should, therefore, be evaluated as a single arrangement in considering whether there are one or more units of accounting. That presumption may be overcome if there is sufficient evidence to the contrary. EITF 00-21 also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The provisions of EITF 00-21 are effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. D&E is currently evaluating the impact this statement will have on its financial position or results of operations.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements provide our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements may relate to our financial condition, results of operations, plans, objectives, future performance and business. Often these statements include words such as "believes," "expects," "anticipates," "estimates," "intends," "strategy," "plan," or similar words or expressions. In particular, statements, express or implied, concerning future operating results, the ability to generate income or cash flows, or our capital resources or financing plans are forward-

looking statements. These forward-looking statements involve certain risks and uncertainties. Our actual performance or achievements may differ materially from those contemplated by these forward-looking statements.

You should understand that various factors, in addition to those discussed in the section titled "Factors Affecting Our Prospects" and elsewhere in this document, could affect our future results and could cause results to differ materially from those expressed in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the cautionary statements contained or referred to in this report. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

FACTORS AFFECTING OUR PROSPECTS

Our increased indebtedness could restrict our operations.

As of March 31, 2003, we had approximately $245,866 of total indebtedness, including current maturities, which increased in connection with the Conestoga acquisition. This increased indebtedness could restrict our operations due to the following factors, among others:

- we will use a substantial portion of our cash flow from operations, if any, to pay principal and interest on our indebtedness, which would reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

- our indebtedness may limit our ability to obtain additional financing on satisfactory terms, if at all;

- insufficient cash flow from operations may cause us to attempt to sell assets, restructure or refinance our debt, or seek additional equity capital, which we may be unable to do at all or on satisfactory terms;

- our level of indebtedness may make us more vulnerable to economic or industry downturns;

- we may not have the ability to pay dividends to our shareholders; and

- our debt service obligations increase our vulnerabilities to competitive pressures, as we may be more leveraged than many of our competitors.

The agreements governing our indebtedness could restrict our operations and ability to make acquisitions.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts are in thousands)

The agreements governing our indebtedness contain covenants imposing financial and operating restriction on our business. These restrictions may limit our ability to take advantage of potential business opportunities as they arise and adversely affect the conduct of our business. These covenants place restrictions on our ability and the ability of our subsidiaries to, among other things;

- incur more indebtedness;
- pay dividends, redeem or repurchase our stock or make other distributions;
- make acquisitions or investments;
- use assets as security in other transactions;
- enter into transactions with affiliates;
- merge or consolidate with others;
- dispose of assets or use asset sale proceeds;
- create liens on our assets;
- expand our CLEC marketing areas; and
- extend credit.

We may be unable to integrate successfully the business operations of D&E and Conestoga, and such inability could have an adverse impact on our profitability.

The integration of the systems and operations of D&E and Conestoga will involve significant risks. D&E and Conestoga have different operating support systems, including billing, accounting, order management, toll rating, trouble reporting and customer service systems, which may be difficult to integrate. In addition, some of Conestoga's employees are members of a labor union and are subject to the terms of a collective bargaining agreement. Because D&E's employees are not unionized, management of the combined company may face difficulties in integrating employees with different work rules. Even if integration of the operating systems and employees is ultimately successful, the amount of management attention diverted to integration efforts may limit their ability to work on other business matters.

We have continuing involvement in the Conestoga wireless segment after its sale which may adversely affect the continuing operations of the business.

In connection with the acquisition of Conestoga, we committed to a plan to sell the assets of Conestoga's wireless segment. The sale was completed on January 14, 2003. We will have

continuing involvement after the sale as a result of our continued guarantees of lease obligations on the wireless tower sites that were sold and our responsibilities under build-to-suit agreements. Payments required under the build-to-suit agreement and payments, if any, that become due under the wireless tower site guarantees could restrict our operations by reducing the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes.

The communications industry is increasingly competitive, and this competition has resulted in pricing pressure on our service offerings. We may experience increased competitive pressures which could have a negative effect on our revenues and earnings.

As an integrated communications provider, we face competition from:

- competitive local exchange carriers, including Adelphia, Commonwealth Telephone Enterprises and XO Communications;
- wireless service providers, including Cingular, Verizon Wireless, AT&T Wireless, Nextel and T-Mobile
- internet service providers, including AOL, EarthLink and MSN;
- cable television companies, including Adelphia, Comcast and Pencor Services;
- providers of communications services such as long distance services, including, AT&T, Sprint, WorldCom and Verizon Communications; and
- systems integration providers, including Morefield, Williams, IntelliMark and Weidenhammer Systems Corp.

Many of our competitors are, or are affiliated with, major communications companies. These competitors have substantially greater financial and marketing resources and greater name recognition and more established relationships with a larger base of current and potential customers than we. Accordingly, it may be more difficult to compete against these large communications providers. In addition, we cannot assure you that we will be able to achieve or maintain adequate technology to remain competitive. Accordingly, it may be difficult to compete in any of our markets.

We may be unable to secure unbundled network elements at reasonable rates, in which case our CLEC growth may be delayed and the quality of service may decline.

In providing our CLEC service, we interconnect with and use other telephone companies' networks to access certain of their customers. Therefore, we depend, in certain circumstances, upon the technology and capabilities of these other telephone companies, the quality and availability of other telephone companies' facilities and other telephone companies' maintenance of these facilities. We must also maintain efficient procedures for ordering, provisioning,

maintaining and repairing facilities from these other telephone companies. We may not be able to obtain the facilities and services of satisfactory quality we require from other telephone companies, or on other satisfactory terms and conditions, in which case we may experience delays in the growth of our competitive local exchange carrier networks and the degradation of the quality of our service to customers.

We also provide digital subscriber line (DSL) services. To provide unbundled DSL-capable lines that connect each end-user to equipment, we rely on other telephone companies. The Telecommunications Act of 1996 generally requires that charges for these unbundled network elements be cost-based and nondiscriminatory. Charges for DSL-capable lines and other unbundled network elements may vary based on rates proposed by other telephone companies and approved by state regulatory commissions. Increases in these rates could harm our CLEC business.

If we expand our CLEC operations, the success of this expansion will be dependent on interconnection agreements, permits and rights-of-way. The failure to obtain these agreements and permits on favorable terms could hamper any such expansion.

If we expand our CLEC operations, our success will depend, in part, on our ability to manage existing interconnection agreements and to enter into and implement new interconnection agreements with other telephone companies. Our failure to obtain these agreements and permits could hamper this expansion. Interconnection agreements are subject to negotiation and interpretation by the parties to the agreements and are subject to state regulatory commission, FCC and judicial oversight. If the terms of these interconnection agreements need to be renegotiated, we may not be able to renegotiate existing or enter into new interconnection agreements in a timely manner or on favorable terms. We must also maintain existing, and obtain new, local permits, including rights to utilize underground conduit and pole space and other rights-of-way. We may not be able to maintain our existing permits and rights or obtain and maintain other required permits and rights on acceptable terms. Cancellation or nonrenewal of interconnection agreements, permits, rights-of-way or other arrangements could significantly harm our business.

We are subject to a complex and uncertain regulatory environment that may require us to alter our business plans and face increased competition.

The United States communications industry is subject to federal, state and other regulations that are continually evolving. As new communications laws and regulations are issued, we may be required to modify our business plans or operations, and we may not be able to do so in a cost-effective manner. Federal and state regulatory trends toward a more competitive market place through reduced competitive entry standards are likely to have negative effects on our business and our ability to compete. For example, the FCC is currently considering the issue of wireless local number portability. The final disposition of this issue is unclear at this time; however, the potential exists for a ruling that would have a negative impact on our RLEC and CLEC operations. In this regard, the regulatory environment governing ILEC operations has been and

will likely continue to be very liberal in its approach to promoting competition and network access, which may increase the likelihood of new competitors offering similar services to our service areas. The introduction of pro-competitive policies could have a negative effect on our ILEC operating results yet at the same time present operating opportunities to our CLEC business.

We no longer have a limited suspension from certain interconnection requirements of the Telecommunications Act of 1996. As a result, we may be subject to additional competition for telecommunications services.

Our RLEC services held a limited suspension until January 2003 from certain interconnection requirements of the Telecommunications Act of 1996. The suspension protected the interconnection services in our RLEC markets by excluding us from requirements to allow competitors to have access to our customers by relying upon our services and facilities. Since we, along with all other RLECs in Pennsylvania, did not receive additional extensions of this suspension, competitors will be allowed to seek removal of our rural exemption for the purposes of entering our territory and using our services and facilities through interconnection agreements to provide competitive services. The introduction of new competitors could result in the loss of customers and have a negative effect on our revenues and earnings.

The Systems Integration Segment could be affected by the overall economic climate.

The sale of equipment and services in the Systems Integration business is dependent upon the willingness of companies to invest in improvements in their information and communications systems. General economic conditions play a role in companies’ investment decisions that directly affect the potential sales of Systems Integration equipment and services. The current economic climate may negatively impact the willingness of companies to make these types of investments.

Impairment of Goodwill and Indefinite-Lived Intangibles.

The annual tests for impairment of goodwill and indefinite-lived intangibles which we will perform as of April each year may result in an unplanned expense and reduction of asset value if future cash flow estimates are insufficient to justify the goodwill and indefinite-lived intangible assets’ carrying values.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 3. Quantitative and Qualitative Disclosure
About Market Risks
(Dollar amounts are in thousands)

We are highly leveraged and, as a result, our cash flows and earnings are exposed to fluctuations in interest rates. Our debt obligations are U.S. dollar denominated. Our market risk, therefore, is the potential loss arising from adverse changes in interest rates and changes in our leverage ratio which may increase the margin added to the interest rate as provided in our loan agreement. As of March 31, 2003, our debt can be categorized as follows:

Fixed interest rates:	
Secured Term Loans	$ 35,000
Subject to interest rate fluctuations:	
Senior Secured Revolving Credit Facility	$ 41,550
Senior Secured Term Loans	$ 166,500

As part of our loan covenant conditions, we have arranged interest rate protection on one-half of the total amount of senior indebtedness outstanding, with a weighted average life of at least 2 years. As of March 31, 2003, our bank debt is as follows:

	PRINCIPAL	AVERAGE RATE	FAIR VALUE
Rates fixed for two years through interest rate swaps	$ 35,000	6.29%	$ 35,000
Rates fixed for three years through interest rate swaps	$ 35,000	6.93%	$ 35,000
Rates fixed for four years through interest rate swaps	$ 35,000	7.23%	$ 35,000
Fixed rate debt, rates fixed for twelve years	$ 35,000	9.35%	$ 40,946
Total fixed rates 58% of total debt	$140,000	6.37%	$145,946
Variable rate debt 42% of total debt	$103,050	5.33%	$103,050

If interest rates rise above the rates of the variable debt, we could realize additional interest expense of $515 for each 50 basis points above the variable rates. If rates were to decline, we would realize less interest expense of approximately $515 for each 50 basis point decrease in rates.

The interest rate swaps were arranged to hedge against the effect of interest rate fluctuations. The swaps were arranged with three banks that participate in our senior indebtedness. Under these interest rate swap contracts, we agree to pay an amount equal to a specified fixed-rate of interest times a notional principal amount and to receive in turn an amount equal to a specified variable-rate of interest times the same notional amount. The notional amounts of the contracts are not exchanged. Net interest positions are settled quarterly.

D&E Communications, Inc. and Subsidiaries
Part I - Financial Information (continued)

Item 3. Quantitative and Qualitative Disclosure
About Market Risks
(Dollar amounts are in thousands)

TERMS OF SWAPS	NOTIONAL AMOUNTS	AVERAGE PAY RATE	AVERAGE RECEIVED RATE	FAIR VALUE
11/25/02 to 11/25/04	$ 35,000	6.29%	5.17%	$ 618
12/04/02 to 12/04/05	$ 35,000	6.93%	5.30%	$ 865
11/25/02 to 11/25/06	$ 35,000	7.23%	5.17%	$ 1,187

If interest rates rise above the rates fixed by these swaps, we could realize other income of $525 for each 50 basis points above the fixed rates. If rates were to decline, we would realize other expense of approximately $525 for each 50 basis point decrease in rates.

Our cash and cash equivalents consist of cash and highly liquid investments having initial maturities of three months or less. While these investments are subject to a degree of interest rate risk, it is not considered to be material.

Item 4. Controls and Procedures

Within the 90 days prior to the filing date of this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Corporation reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out this evaluation.

D&E Communications, Inc. and Subsidiaries
Part II - Other Information

Item 1. Legal Proceedings

In July 2002, EuroTel initiated a legal action in United States District Court for the Southern District of New York against an investment bank, and an individual, alleging violations of applicable law relating to the advice given by the investment bank and the individual to a prospective buyer not to close on the purchase of Pilicka. Management of EuroTel believes that, based on the advice of its legal counsel, the suit is meritorious. However, the ultimate outcome of the litigation cannot be determined and no amount has been recognized for possible collection of any claims in the litigation. Legal costs are expected to continue to be incurred in pursuit of such litigation.

We are involved in various legal proceedings arising in the ordinary course of our business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our consolidated financial condition or results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No.	Identification of Exhibit	Reference
99.1	Certification of Chief Executive Officer	Filed herewith.
99.2	Certification of Chief Financial Officer	Filed herewith.

(b) Reports on Form 8-K:

One current report on Form 8-K dated January 29, 2003, was filed during the quarter ended March 31, 2003. The report announced the completion of the sale of the assets of the Company's subsidiary, Conestoga Wireless Company.

D&E Communications, Inc. and Subsidiaries

Signatures

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

D&E Communications, Inc.

Date: May 15, 2003

By: /s/ G. William Ruhl

G. William Ruhl
Chief Executive Officer

Date: May 15, 2003

By: /s/ Thomas E. Morell

Thomas E. Morell
Senior Vice President,
Chief Financial Officer and Treasurer

D&E Communications, Inc. and Subsidiaries

OFFICER CERTIFICATIONS
REQUIRED BY SECTION 13A-14 OF THE EXCHANGE ACT

CERTIFICATIONS

I, G. William Ruhl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of D&E Communications, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ G. William Ruhl

G. William Ruhl
Chief Executive Officer

D&E Communications, Inc. and Subsidiaries

I, Thomas E. Morell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of D&E Communications, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that

could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Thomas E. Morell

Thomas E. Morell
Chief Financial Officer

</TEXT>
</DOCUMENT>

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2003 of D&E Communications, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G. William Ruhl, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ G. William Ruhl

Name: G. William Ruhl
Title: Chief Executive Officer
Date: March 31, 2003
</TEXT>
</DOCUMENT>

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2003 of D&E Communications, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Morell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas E. Morell

Name: Thomas E. Morell
Title: Chief Financial Officer
Date: March 31, 2003
</TEXT>
</DOCUMENT>
</SUBMISSION>