SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 1997
Commission File No.: 0-9881

SHENANDOAH TELECOMMUNICATIONS COMPANY
(Exact name of registrant as specified in its charter)

VIRGINIA	54-1162807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

124 South Main Street, Edinburg, VA 22824
(Address of principal executive office, including zip code)

Registrant's telephone number, including area code (540) 984-4141

Securities Registered Pursuant to Section 12(b) of the Act:

COMMON STOCK (NO PAR VALUE)
(Title of Class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 [ ]

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1998. $66,861,729. (In determining this figure, the registrant has assumed that all of its officers and directors are affiliates. Such assumption shall not be deemed to be conclusive for any other purpose.) The Company's stock is not listed on any national exchange nor NASDAQ; therefore, the value of the Company's stock has been determined based upon the average of the prices of transactions in the Company's stock that were reported to the Company during the year.

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

CLASS	OUTSTANDING AT MARCH 1, 1998
Common Stock, No Par Value	3,755,760

Documents Incorporated by Reference

1997 Annual Report to Security Holders	Parts I, II, IV
Proxy Statement, Dated March 27, 1998	Parts III

EXHIBIT INDEX PAGES 7 - 8

SHENANDOAH TELECOMMUNICATIONS COMPANY

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PART I

ITEM 1. BUSINESS

(a) General development of business is incorporated by reference -

1997 Annual Report to Security Holders - Page 2

(b) Financial information about industry segments -

Not Applicable

(c) Narrative description of business is incorporated by reference -

1997 Annual Report to Security Holders - Pages 6 - 7

(d) The registrant does not engage in operations in foreign countries.

ITEM 2. PROPERTIES

The properties of the Company consist of land, structures, plant and equipment required in providing telephone, CATV, wireless communications and related telecommunications services. The Company's main office and corporate headquarters is in Edinburg, VA and a service building is located outside the town limits of Edinburg, VA. Additionally, the Company owns and operates nine local telephone exchanges (switching units) housed in brick/concrete buildings. One of these is the main attended central office co-located with the main office in Edinburg, Virginia. The unattended central offices and outside plant are located at:

(a) Basye, VA
(b) Bergton, VA
(c) Fort Valley, VA
(d) Mount Jackson, VA
(e) New Market, VA
(f) Strasburg, VA
(g) Toms Brook, VA
(h) Woodstock, VA

The Company owns long distance facilities outside of its local franchised area as follows:

(a) Hagerstown, MD
(b) Harrisonburg, VA
(c) Martinsburg, WV

ITEM 2. PROPERTIES (Continued)

(d) Stephens City, VA
(e) Weyers Cave, VA
(f) Winchester, VA

CATV reception equipment is located at the service building, outside the town limits of Edinburg, Virginia and at Basye, Virginia.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders for the three months ended December 31, 1997.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Common stock price ranges are incorporated by reference -

1997 Annual Report to Security Holders
Market Information - Page 2

(b) Number of equity security holders are incorporated by reference -

1997 Annual Report to Security Holders
Five-Year Summary of Selected Financial Data - Page 5

(c) Frequency and amount of cash dividends are incorporated by reference -

1997 Annual Report to Security Holders
Market and Dividend Information - Page 2

Additionally, the terms of a mortgage agreement require the maintenance of defined amounts of the subsidiary's equity and working capital after payment of dividends. Accordingly, approximately $11,000,000 of retained earnings was available for payment of dividends at December 31, 1997.

For additional information, see Note 3 in the Consolidated Financial Statements of the 1997 Annual Report to Security Holders, which is incorporated as a part of this report.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Financial Data is incorporated by reference -

1997 Annual Report to Security Holders
Five-Year Summary of Selected Financial Data - Page 5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations, liquidity, and capital resources are incorporated by reference -

1997 Annual Report to Security Holders
Management's Discussion and Analysis of Financial Condition and Results of Operations - Pages 8-9

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements included in the 1997 Annual Report to Security Holders are incorporated by reference as identified in Part IV, Item 14, on Pages 10-17.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors and executive officers is incorporated by reference -

Proxy Statement, Dated March 27, 1998 - Pages 4 - 7

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated by reference -

Proxy Statement, Dated March 27, 1998 - Page 6

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) No person, director or officer owned over 5 percent of the common stock as of March 1, 1998.

(b) Security ownership by management is incorporated by reference -

Proxy Statement, Dated March 27, 1998
Stock Ownership - Page 5

(c) Contractual arrangements -

The Company knows of no contractual arrangements which may, at a subsequent date, result in change of control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no relationships or transactions to disclose other than services provided by Directors which are incorporated by reference -

Proxy Statement, Dated March 27, 1998
Directors - Page 5

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. Document List

The following documents are filed as part of this Form 10-K. Financial statements are incorporated by reference and are found on the pages noted.

	Page Reference Annual Report
1. Financial Statements	
The following consolidated financial statements of Shenandoah Telecommunications are included in Part II, Item 8	
Auditor's Report 1997, 1996, and 1995 Financial Statements	17
Consolidated Balance Sheets at December 31, 1997, 1996, and 1995	10 & 11
Consolidated Statements of Income for the Years Ended December 31, 1997, 1996, and 1995	12
Consolidated Statement of Retained Earnings Years Ended December 31, 1997, 1996, and 1995	12
Consolidated Statements of Cash Flow for the Years Ended December 31, 1997, 1996, and 1995	13
Notes to Consolidated Financial Statements	14-17

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ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (Continued)

Page Reference Annual Report

2. Financial Statement Schedules

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the accompanying financial statements or notes thereto.

3. Exhibits

Exhibit No.

99. Proxy Statement, prepared by Registrant for 1997 Annual Stockholders Meeting - Filed Herewith

13. Annual Report to Security Holders - Filed Herewith

21. List of Subsidiaries - Filed Herewith

27. Financial Data Schedule

B. Reports on Form 8-K

None

PART IV (Continued)

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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.

SHENANDOAH TELECOMMUNICATIONS COMPANY

March 27, 1998 By CHRISTOPHER E. FRENCH, PRESIDENT
Christopher E. French, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

CHRISTOPHER E. FRENCH Christopher E. French	President & Chief Executive Officer	March 27, 1998
LAURENCE F. PAXTON Laurence F. Paxton	Principal Financial Accounting Officer	March 27, 1998
DICK D. BOWMAN Dick D. Bowman	Treasurer & Director	March 27, 1998
DOUGLAS C. ARTHUR Douglas C. Arthur	Director	March 27, 1998
KEN L. BURCH Ken L. Burch	Director	March 27, 1998
HAROLD MORRISON Harold Morrison	Director	March 27, 1998
NOEL M. BORDEN Noel M. Borden	Director	March 27, 1998
JAMES E. ZERKEL II James E. Zerkel II	Director	March 27, 1998

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EXHIBIT 21. LIST OF SUBSIDIARIES

The following are all subsidiaries of Shenandoah Telecommunications Company, all incorporated in the State of Virginia:

- Shenandoah Telephone Company
- ShenTel Service Company
- Shenandoah Cable Television Company
- Shenandoah Long Distance Company
- Shenandoah Valley Leasing Company
- Shenandoah Mobile Company
- Shenandoah Network Company
- Shenandoah Personal Communications Company

EXHIBIT 99. PROXY STATEMENT

SHENANDOAH TELECOMMUNICATIONS COMPANY
124 South Main Street
Edinburg, Virginia

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD APRIL 21, 1998

March 27, 1998

TO THE STOCKHOLDERS OF SHENANDOAH TELECOMMUNICATIONS COMPANY:

The annual meeting of stockholders of Shenandoah Telecommunications Company will be held in the Social Hall of the Edinburg Fire Department, Stoney Creek Boulevard, Edinburg, Virginia, on Tuesday, April 21, 1998, at 11:00 a.m. for the following purposes:

1. To vote upon a proposed amendment to the Company's Articles of Incorporation to classify the Board of Directors into three classes;

2. If the amendment is approved, to elect three directors to serve until the 1999 Annual Stockholders' Meeting, three directors to serve until the 2000 Annual Stockholders' Meeting, and three directors to serve until the 2001 Annual Stockholders' Meeting;

3. If the amendment is not approved, to elect nine directors to serve for the ensuing year; and

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business March 24, 1998, will be entitled to vote at the meeting. Approval of the Amendment to the Articles of Incorporation requires the affirmative vote of the holders of more than two-thirds (2/3) of the Company's outstanding shares of common stock.

Lunch will be provided.

By Order of the Board of Directors

Harold Morrison, Jr.
Secretary

IMPORTANT

YOU ARE URGED TO COMPLETE, SIGN, AND RETURN THE ENCLOSED PROXY CARD IN THE SELF-ADDRESSED STAMPED (FOR U. S. MAILING) ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU DO ATTEND THE MEETING IN PERSON, YOU MAY THEN WITHDRAW YOUR PROXY AND VOTE YOUR OWN SHARES. SEE PROXY STATEMENT ON THE FOLLOWING PAGES.

PROXY STATEMENT

P. O. Box 459
Edinburg, VA 22824

March 27, 1998

TO THE STOCKHOLDERS OF SHENANDOAH TELECOMMUNICATIONS COMPANY:

Your proxy in the enclosed form is solicited by the management of the Company for use at the Annual Meeting of Stockholders to be held in the Social Hall of the Edinburg Fire Department, Stoney Creek Boulevard, Edinburg, Virginia, on Tuesday, April 21, 1998, at 11:00 a.m., and any adjournment thereof.

The mailing address of the Company's executive offices is P. O. Box 459, Edinburg, Virginia 22824.

The Company has 8,000,000 authorized shares of common stock, of which 3,755,760 shares were outstanding on March 24, 1998. This proxy statement and the Company's annual report, including financial statements for 1997, are being mailed on or about March 27, 1998, to approximately 3,575 stockholders of record on March 24, 1998. Only stockholders of record on that date are entitled to vote. Each outstanding share will entitle the holder to one vote at the Annual Meeting. No director, officer, or other party beneficially owns as much as five percent of the outstanding shares of the common stock of the Company. The Company intends to solicit proxies by the use of the mail, in person, and by telephone. The cost of soliciting proxies will be paid by the Company.

Executed proxies may be revoked at any time prior to exercise. Proxies will be voted as indicated by the stockholders. Executed but unmarked proxies will be voted "FOR" Proposals 1 and 2. Abstentions and broker non-votes will be treated as shares that are present, in person or by proxy, and entitled to vote for purposes of determining the presence of a quorum at the Annual Meeting. Broker non-votes will not be counted as a vote cast on any matter presented at the Annual Meeting.

PROPOSAL TO AMEND THE ARTICLES OF INCORPORATION OF THE COMPANY TO PROVIDE FOR A CLASSIFIED BOARD OF DIRECTORS

Directors of the Company presently are elected annually by the stockholders to serve until the next annual meeting and until their successors are elected and qualified. Rather than elect the entire Board on an annual basis, a significant number of public companies have classified their Boards to stagger the terms of their directors. In this regard, the Board of Directors has unanimously approved and recommends that the stockholders adopt an amendment (the "Classified Board Amendment") to the Company's Articles of Incorporation to add a new paragraph which would classify the Board of Directors into three classes of directors.

The Board of Directors is recommending the adoption of the Classified Board Amendment in order to further continuity and stability in the leadership and policies of the Company and to discourage certain types of tactics which could involve changes of control that are not in the best interests of the stockholders. The Classified Board Amendment is permitted under the Virginia Stock Corporation Act. The Classified Board Amendment is not in response to any specific efforts of which the Company is aware to accumulate shares of Common Stock or to obtain control of the Company.

The Classified Board Amendment provides for a board of directors of the Company divided into three classes of directors serving staggered three-year terms. If adopted, the Classified Board Amendment would divide the Board into three equal classes, designated Class I, Class II, and Class III. At the Annual Meeting, at which nine directors are to be elected, the first class, consisting of three directors, would be elected for a term expiring at the 1999 Annual Meeting; the second class, consisting of three directors, would be elected for a term expiring at the 2000 Annual Meeting; and the third class, consisting of the remaining three directors, would be elected for a term expiring at the 2001 Annual Meeting (and in each case until their respective successors are duly elected and qualified). Commencing with the reelection of directors to Class I in 1999, each class of directors elected at an annual stockholders' meeting would be elected to three-year terms. If the number of directors constituting the Board is increased or decreased, the resulting number would be apportioned by the Board of Directors among the three classes so as to make all classes as nearly equal in number as possible. The Company presently has no agreement or plans to increase or decrease the size of the Board.

The Classified Board Amendment also provides that a director may be removed from office at a meeting called expressly for that purpose by the vote of stockholders holding not less than 75% of the shares entitled to vote at the election of directors. The Company's Bylaws provide that special meetings of stockholders may only be called by the President of the Company or a majority of the Board of Directors.

Information concerning the current nominees for election as directors at the Annual Meeting and the terms for which they will serve if the Classified Board Amendment is adopted is contained under the caption "The Election of Directors" below. If the Classified Board Amendment is not adopted, all directors will be elected to serve until the 1999 Annual Meeting and until their successors are elected and qualified.

The Classified Board Amendment would facilitate director continuity and experience, since a majority of the Company's directors at any given time will have prior experience as Company directors. While the Company has not experienced any problems with such continuity in the past, it wishes to ensure that this experience will continue. If adopted, the provisions of the amendment would be applicable to every election of directors.

The Board of Directors believes that the Classified Board Amendment will encourage persons who may seek to acquire control of the Company to initiate such an acquisition through negotiations with the Board of Directors. The Board believes that it will therefore be in a better position to protect the interests of all the stockholders. In addition, the stockholders of the Company will have a more meaningful opportunity to evaluate any such action.

The Classified Board Amendment would significantly extend the time required to make any change in composition of a majority of the Board and may discourage certain unsolicited takeover bids for the Company which the Board may deem to be unfair or coercive. Presently, a change in control of the Board can be made by a majority of the Company's stockholders at a single annual meeting. Under the proposed amendment, it will take at least two annual meetings to effect a change in the majority control of the Board of Directors, except in the event of vacancies resulting from removal. Because of the additional time required to change control of the Board, the Classified Board Amendment will tend to perpetuate present management and will tend to discourage certain tender offers. The Classified Board Amendment will also make it more difficult for the stockholders to change the composition of the Board even if the stockholders believe such a change would be desirable.

Upon adoption of the Classified Board Amendment by the stockholders, the Board of Directors will amend the Bylaws of the Company to conform to the Articles of Incorporation as amended by the Classified Board Amendment. The Board of Directors does not currently contemplate recommending the adoption of any further amendments to the Articles of Incorporation or Bylaws or any other action designed to affect the ability of third parties to take over or change control of the Company.

Recommendation

The Board of Directors recommends that you vote FOR approval of the amendment to the Company's Articles of Incorporation providing for a classified Board of Directors. Approval of the amendment requires the affirmative vote of the holders of more than two-thirds of the Company's outstanding shares of Common Stock. Abstentions and broker non-votes are treated as votes against the proposal.

Text of the Amendment

A new Article VI of the Company's Articles of Incorporation is proposed to be adopted to replace the existing Article VI of the Company's Articles of Incorporation. The new Article VI would read in its entirety as follows:

"ARTICLE VI

The authorized number of directors of this Corporation shall be not less than seven (7) and not more than nine (9). The number of directors within this range shall be stated in the Corporation's Bylaws, as may be amended from time to time. When the number of directors is changed the Board of Directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned, provided that the directors in each class shall be as nearly equal in number as possible. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

Effective as of the annual meeting of stockholders in 1998, the Board of Directors shall be divided into three classes, designated as Class I, Class II, and Class III, as nearly equal in number as possible; and the term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases until their successors shall be elected and shall qualify, or until their earlier resignation, removal from office, death or incapacity. The initial term of office of Class I shall expire at the annual meeting of stockholders in 1999; that of Class II shall expire at the annual meeting in 2000; and that of Class III shall expire at the annual meeting in 2001, and in all cases as to each director until his successor shall be elected and shall qualify, or until his earlier resignation, removal from office, death or incapacity.

Subject to the foregoing, at each meeting of stockholders the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting and until their successors shall be elected and qualified.

The directors remaining in office acting by a majority vote, or a sole remaining director, although less than a quorum, are hereby expressly delegated the power to fill any vacancies in the Board of Directors, however occurring, whether by an increase in the number of directors, death, resignation, retirement, disqualification, removal from office or otherwise; and any director so chosen shall hold office until the next shareholders meeting at which directors are elected and until his successor shall have been elected and qualified, or until his earlier resignation, removal from office, death, or incapacity.

Any director may be removed from office at a meeting called expressly for that purpose by the vote of stockholders holding not less than 75% of the shares entitled to vote at the election of directors."

Existing Defensive Provisions

Certain other provisions also exist under the Company's Bylaws and Rights Plan (as defined below) and the Virginia Stock Corporation Act which could be characterized as having an anti-takeover effect, including the following:

Stockholders' Rights Plan. On February 9, 1998, the Board of Directors adopted a Stockholders' Rights Plan for the Company (the "Rights Plan"). Pursuant to the Rights Plan, the Board declared a dividend of Rights to each of the corporation's existing stockholders. Under certain circumstances, if a person acquires 15% or more of the Company's common stock or causes the Company to merge into or with another company, these Rights can be exercised to purchase the common stock of the Company or the acquirer at a price that represents a substantial discount to market value. Because Rights held by the acquirer would become void under the Rights Plan, the exercise of Rights by the

Company's other stockholders would have the effect of diluting the economic and voting power of the acquirer and dramatically increasing the cost of acquiring the Company. The threat that the Rights will become exercisable, coupled with the ability of the Board of Directors to eliminate the Rights by redemption, increases the leverage of the Company's Board of Directors and enhances its ability to negotiate with the acquirer on behalf of the Company and its shareholders.

The Company's Bylaws. The Company's existing Bylaws also include certain provisions which could be characterized as having an anti-takeover effect, including (i) a requirement that notice of stockholder nominations for election of directors at an annual meeting must be given to the Company at least 120 days prior to the meeting and that certain information specified in the Bylaws must be included with such notice; and (ii) providing that a special meeting of stockholders may only be called by the President or a majority of the Board of Directors.

Virginia's Affiliated Transactions Statute. Virginia's Affiliated Transactions Statute provides that if a person acquires 10% or more of the stock of a Virginia corporation without the approval of its board of directors, such person may not engage in certain transactions with the corporation (including a merger and purchase or sale of greater than 5% of the corporation's assets or voting stock) for a period of three years, and then only with the specified super-majority shareholder vote, disinterested director approval, or fair price and procedural protections. Virginia's statute includes certain exceptions to this prohibition. For example, if a majority of disinterested directors approves the acquisition of stock or the transaction prior to the time that the person became an interested shareholder, or if the transaction is approved by a majority of the disinterested directors and by the affirmative vote of two-thirds of the outstanding voting stock which is not owned by the interested shareholder, the prohibition does not apply.

THE ELECTION OF DIRECTORS

Subject to the Amendment of the Company's Articles of Incorporation as described above, at the meeting, nine directors (constituting the entire Board of Directors of the Company) are to be elected at the Annual Meeting, each to hold office for the term specified below and until his successor is elected and qualified.

The proxy holders will vote the proxies received by them (unless contrary instructions are noted on the proxies) for the election as directors of the following nominees, all of whom are now members of and constitute the Company's Board of Directors. If any such nominees should be unavailable, the proxy holders will vote for substitute nominees in their discretion. Stockholders may withhold the authority to vote for the election of directors or one or more of the nominees. Directors will be elected by a plurality of the votes cast. Abstentions and shares held in street name that are not voted in the election of directors will not be included in determining the number of votes cast. PAGE

Nominees for Election of Directors

Name of Director (1)	Year Elected Director (2)	Age	Principal Occupation and Other Directorships for Past Five Years (3)
Class I (Term expires 1999)			
Douglas C. Arthur	1997	55	Attorney-at-Law; Dir., 1st National Corp.
Harold Morrison, Jr. Secretary of the Co.	1979	68	Chairman of the Board, Woodstock Garage, Inc. (an auto sales & repair firm); Dir., 1st Virginia Bank-BR
Zane Neff Asst. Secretary of the Co.	1976	69	Retired Manager, Hugh Saum Co., Inc.(a hardware and furniture store); Dir., Crestar Bank
Class II (Term expires 2000)			
Noel M. Borden Vice President	1972	61	Pres., H. L. Borden Lumber Co. (a retail building materials firm); Chairman of the Board, 1st National Corp.
Ken L. Burch	1995	53	Farmer
Grover M. Holler, Jr.	1952	77	Pres., Valley View, Inc. (a real estate developer)
Class III (Term expires 2001)			
Dick D. Bowman Treasurer of the Co.	1980	69	Pres., Bowman Bros., Inc. (a farm equipment dealer); Dir., Shen. Valley Elec. Coop.; Dir., The Rockingham Group; Dir., Old Dominion Electric Coop.
Christopher E. French President	1996	40	Pres., Shenandoah Telecommunications Co. & its Subsidiaries; Dir., 1st National Corp.
James E. Zerkel II	1985	53	Vice Pres., James E. Zerkel, Inc. (a heating, gas, & hardware firm), Dir., Shen. Valley Elec. Coop.

(1) The directors who are not full-time employees of the Company were compensated in 1997 for their services on the Board and one or more of the Boards of the Company's subsidiaries at the rate of $370 per month plus $370 for each Board meeting attended. Additional compensation was paid to the Vice President, Secretary, Assistant Secretary, and Treasurer, for their services in these capacities, in the amounts of $1,360, $2,840, $1,360, and $2,840, respectively.

(2) Years shown are when first elected to the Board of the Company or the Company's predecessor, Shenandoah Telephone Company. Each nominee has served continuously since the year he joined the Board.

(3) Each director also serves as a director of one or more of the Company's subsidiaries.

Standing Audit, Nominating, and Compensation Committees of the Board of Directors

1. Audit Committee - The Finance Committee of the Board of Directors, consisted of the following directors: Dick D. Bowman (Chairman), Grover M. Holler, Jr., and Noel M. Borden. It performed a function similar to that of an Audit Committee. This committee is responsible for the employment of outside auditors and for receiving and reviewing the auditor's report. During 1997 there were two meetings of the Finance Committee. Additional business of the committee was conducted in connection with the regular Board meetings.

2. Nominating Committee - The Board of Directors does not have a standing Nominating Committee.

3. Compensation Committee - The Personnel Committee of the Board of Directors, consisted of the following directors: Noel M. Borden (Chairman), Harold Morrison, Jr., and. James E. Zerkel. This committee performed a function similar to that of a Compensation Committee. It is responsible for the wages, salaries, and benefit programs for all employees. During 1997 there were three meetings of this committee.

Attendance of Board Members at Board and Committee Meetings

During 1997, the Board of Directors held 14 meetings. All of the directors attended at least 75 percent of the aggregate of: (1) the total number of meetings of the Board of Directors; and (2) the total number of meetings held by all committees of the Board on which they served.

CERTAIN TRANSACTIONS

In 1997, the Company received services from Mr. Morrison's company in the amount of $45,993 and from Mr. Zerkel's company in the amount of $13,803. Management believes that each of the companies provides these services to the Company on terms comparable to those available to the Company from other similar companies. No other director is an officer, director, employee, or owner of a significant supplier or customer of the Company.

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STOCK OWNERSHIP

The following table presents information relating to the beneficial ownership of the Company's outstanding shares of common stock by all directors, the president, and all directors and officers as a group.

Name and Address	No. of Shares Owned as of 2-1-98 (1)	Percent of Class (2)
Douglas C. Arthur Strasburg, VA 22657	1,440	*
Noel M. Borden Strasburg, VA 22657	18,096	*
Dick D. Bowman Edinburg, VA 22824	43,744	1.16
Ken L. Burch Quicksburg, VA 22847	45,172	1.20
Christopher E. French Woodstock, VA 22664	137,209	3.65
Grover M. Holler, Jr. Edinburg, VA 22824	70,736	1.88
Harold Morrison, Jr. Woodstock, VA 22664	20,528	*
Zane Neff Edinburg, VA 22824	7,716	*
James E. Zerkel II Mt. Jackson, VA 22842	4,498	*
Total shares beneficially owned by 13 directors and officers as a group	351,395	9.36

(1) Includes shares held by relatives and in certain trust relationships, which may be deemed to be beneficially owned by the nominees under the rules and regulations of the Securities and Exchange Commission; however, the inclusion of such shares does not constitute an admission of beneficial ownership.
(2) Asterisk indicates less than 1%.

SUMMARY COMPENSATION TABLE

The following Summary Table is furnished as to the salary and incentive payment paid by the Company and its subsidiaries on an accrual basis during the fiscal years 1995, 1996, and 1997 to, or on behalf of, the chief executive officer and each of the next four most highly compensated executive officers who earn $100,000 or more per year.

Name and Principal Position	Year	Annual Compensation Salary ($)	Annual Compensation Incentive Payment ($)	Long-Term Compensation Options (#)	Other Compensation ($)(1)
Christopher E. French	1997	$136,491	$ 12,405	471	$ 7,291
President	1996	130,612	11,013	--	6,778
	1995	114,684	20,150	--	6,329
David E. Ferguson	1997	94,141	5,981	352	6,647
Vice President-	1996	91,270	6,134	--	5,807
Customer Service	1995	82,857	10,029	--	5,561

(1) Includes amounts contributed by the company under its 401(k) and Flexible Benefits Plans, each of which is available to all regular company employees.

OPTION GRANTS TABLE
Option Grants in Last Fiscal Year

Name	Individual Grants Options Granted (Shares)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5% (1)	10% (1)
Christopher E. French	471	3.4%	$21.86	2/10/2002	$2,845	$6,288
David E. Ferguson	352	2.5%	21.86	2/10/2002	2,125	4,699

(1) In order to realize the potential value set forth, the price per share of the Company's common stock would be approximately $27.90 and $35.21, respectively, at the end of the five-year option term./TABLE>

OPTION EXERCISES AND YEAR END VALUE TABLE
Aggregated Option Exercises in Last Fiscal Year and FY-End Option Value

Name	Shares Acquired on Exercise	Value Realized	No. of Unexercised Options/ FY-End (Shares) Exercisable/ Unexercisable	Value of Unexercised in the Money Options/ FY-End ($) Exercisable/ Unexercisable
Christopher E. French	0	0	0 / 471	0 / 0
David E. Ferguson	0	0	0 / 352	0 / 0

Average reported price for transactions reported to the Company during 1997 was $20.59.

PAGE

RETIREMENT PLAN

The Company maintains a noncontributory defined benefit Retirement Plan for its employees. The following table illustrates normal retirement benefits based upon Final Average Compensation and years of credited service. The normal retirement benefit is equal to the sum of:

(1) 1.14% times Final Average Compensation plus 0.65% times Final Average Compensation in excess of Covered Compensation (average annual compensation with respect to which Social Security benefits would be provided at Social Security retirement age) times years of service (not greater than 30); and

(2) 0.29% times Final Average Compensation times years of service in excess of 30 years (such excess service not to exceed 15 years).

	Estimated Annual Pension Years of Credited Service				
Final Average Compensation	15	20	25	30	35
$ 20,000	$ 3,420	$ 4,560	$ 5,700	$ 6,840	$ 7,130
35,000	6,363	8,483	10,604	12,725	13,233
50,000	10,390	13,853	17,317	20,780	21,505
75,000	17,103	22,803	28,504	34,205	35,293
100,000	23,815	31,753	39,692	47,630	49,080
125,000	30,528	40,703	50,879	61,055	62,868
150,000	37,240	49,653	62,067	74,480	76,655
160,000	39,925	53,233	66,542	79,850	82,170

Covered Compensation for those retiring in 1998 is $31,128. Final Average Compensation equals an employee's average annual compensation for the five consecutive years of credited service for which compensation was the highest. The amounts shown as estimated annual pensions were calculated on a straight-life basis assuming the employee retires in 1998. The Company did not make a contribution to the Retirement Plan in 1997, as the Plan was adequately funded. Christopher French and David Ferguson had 16 years and 30 years, respectively, of credited service under the plan as of January 1, 1998.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The members of the Personnel Committee of the Board of Directors of the Company perform the function of a Compensation Committee. The Committee's approach to compensation of the Company's executive officers, including the chief executive officer, is to award a total compensation package consisting of salary, incentive, and fringe benefit components. The compensation package is designed to provide a level of compensation to enable the Company to attract and retain the executive talent necessary for the long-term success of the organization. The incentive plan component of the total compensation package provides an incentive to the officers to meet or exceed certain performance objectives. The plan also places a portion of the officers' total compensation at risk in the event the Company does not achieve its objectives. The objectives include a component measuring the improvement in the level of service provided to the Company's customers and a component measuring the Company's financial performance. In 1997, the Company reached over 61 percent of its combined goals.

Submitted by the Company's Personnel Committee:

Noel M. Borden, Chairman
Harold Morrison, Jr.
James E. Zerkel II

FIVE-YEAR STOCKHOLDER RETURN COMPARISON

The Securities and Exchange Commission requires that the Company include in its Proxy Statement a line graph presentation comparing cumulative, five-year stockholder returns on an indexed basis with a performance indicator of the overall stock market and either a nationally recognized industry standard or an index of peer companies selected by the Company. The broad market index used in the graph is the NASDAQ Market Index. The S&P Telephone Index consists of the regional Bell Operating Companies, GTE, ALLTEL, and Frontier Corporation.

The Company's stock is not listed on any national exchange nor NASDAQ; therefore, for purposes of the following graph, the value of the Company's stock, including the price at which dividends are assumed to have been reinvested, has been determined based upon the average of the prices of transactions in the Company's stock that were reported to the Company in each fiscal year.

Comparison of Five-Year Cumulative Total Return*
among Shenandoah Telecommunications Company,
NASDAQ Market Index, and S&P Telephone Index

	1992	1993	1994	1995	1996	1997
Shenandoah Telecommunications	100.00	104.72	100.03	107.86	112.19	107.88
NASDAQ Market Index	100.00	114.80	112.21	158.70	195.19	239.53
S&P Telephone Index	100.00	115.49	110.71	166.78	168.45	235.22

Assumes $100 invested December 31, 1992 in Shenandoah Telecommunications Company stock, NASDAQ Market Index, and S&P Telephone Index

*Total return assumes reinvestment of dividends

EMPLOYMENT OF AUDITORS

The Board of Directors, on the recommendation of the Audit Committee, has appointed the firm of McGladrey and Pullen, LLP as auditors to make an examination of the accounts of the Company for the 1998 fiscal year. It is not expected that representatives of the firm will be present at the annual meeting.

PROPOSALS OF SECURITY HOLDERS

Proposals of security holders to be included in management's proxy statement and form of proxy relating to next year's annual meeting must be received at the Company's principal executive offices not later than November 27, 1998.

OTHER MATTERS

Management does not intend to bring before the meeting any matters other than those specifically described above and knows of no matters other than the foregoing to come before the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the accompanying form of proxy to vote such proxy in accordance with their judgment on such matters, including any matters dealing with the conduct of the meeting.

FORM 10-K

The Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to stockholders, without charge, upon request to Mr. Laurence F. Paxton, Vice President-Finance, Shenandoah Telecommunications Company, P. O. Box 459, Edinburg, VA 22824.

(Front)

PROXY
Shenandoah Telecommunications Company
124 South Main Street
Edinburg, VA 22824

This proxy is solicited on behalf of the Board of Directors

The undersigned hereby appoints Christopher E. French, Noel M. Borden, and Grover M. Holler, Jr., and each of them, as Proxies with full power of substitution, to vote all common stock of Shenandoah Telecommunications Company held of record by the undersigned as of March 24, 1998, at the Annual Meeting of Stockholders to be held on April 21, 1998, and at any and all adjournments thereof.

1. Approval of Classifying the Board of Directors into Three Classes

   ( ) FOR   ( ) AGAINST   ( ) ABSTAIN

   The Board of Directors unanimously recommends a vote "FOR" approval of classifying the Board of Directors.

2. Election of Directors

   ( ) FOR CLASS I Douglas C. Arthur, Harold Morrison, Jr. and Zane Neff

   CLASS II Noel M. Borden, Ken L. Burch, and Grover M. Holler, Jr.

   CLASS III Dick D. Bowman, Christopher E. French, and James E. Zerkel II

To withhold authority to vote for any individual nominee, strike a line through the nominee's name listed above.

( ) Vote Withheld for all nominees listed above

The Board of Directors unanimously recommends a vote "FOR" election of directors.

PAGE

(Back)

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

THIS PROXY, WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2.

Please mark, sign exactly as name appears below, date, and return this proxy card promptly, using the enclosed envelope, whether or not you plan to attend the meeting.

When signing as attorney, executor, administrator, trustee, guardian, or agent, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated , 1998

Signature

( ) I plan to attend the meeting

( ) Number of persons attending

( ) I cannot attend the meeting

Additional Signature (if held jointly)

Additional Signature (if held jointly)

PAGE

EXHIBIT 13. ANNUAL REPORT

1997

Annual Report

Continuing the Organization Founded June 9, 1902
Edinburg, Virginia

Stockholder Information

OUR BUSINESS

Shenandoah Telecommunications Company is a holding company which provides various telecommunications services through its operating subsidiaries. These services include: telephone service, primarily in Shenandoah County and small service areas in Rockingham, Frederick, and Warren counties, all in Virginia; cable television service in Shenandoah County; unregulated communications equipment and services; Internet Access; financing of purchases of telecommunications facilities and equipment; paging, mobile telephone, business radio, and cellular telephone services in the northern Shenandoah Valley; resale of long distance services; operation and maintenance of an interstate fiber optic network; and building and operating a personal communications network in the four-state region from Chambersburg, Pennsylvania to Harrisonburg, Virginia.

ANNUAL MEETING

The Board of Directors extends an invitation to all stockholders to attend the Annual Meeting of Stockholders. The meeting will be held Tuesday, April 21, 1998, at 11:00 a.m. in the Social Hall of the Edinburg Fire Department, Stoney Creek Boulevard, Edinburg, Virginia. Notice of the Annual Meeting, Proxy Statement, and Proxy were mailed to each stockholder on or about March 27, 1998.

FORM 10-K

The Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to stockholders, without charge, upon request to Mr. Laurence F. Paxton, Vice President - Finance, Shenandoah Telecommunications Company, P. O. Box 459, Edinburg, VA 22824.

MARKET AND DIVIDEND INFORMATION

The stock of Shenandoah Telecommunications Company is not listed on any national exchange or NASDAQ, and the Company is not aware of any broker who maintains a position in the Company's stock. It, however, is aware of unconfirmed transactions of the stock which have been handled privately and by brokers and local auctioneers. Additionally, the stock is traded on the over-the-counter bulletin board system. Some of these prices include commissions and auctioneers' fees. Since some prices are not reported to the Company and family transactions are not applicable, all transactions are not included in the following summary of prices. The Company has maintained a policy of declaring an annual cash dividend.

	1997				1996			
Qtr.	No. Trans.	No. Shares	High	Low	No. Trans.	No. Shares	High	Low
1st	90	7,614	$30.00	$20.00	145	14,045	$28.00	$19.75
2nd	221	18,124	25.00	19.00	123	10,368	27.00	20.00
3rd	223	16,357	25.00	18.00	126	12,391	25.50	20.00
4th	36	3,380	25.00	17.00	92	9,339	31.00	20.00
Weighted average price per share -				$20.59				$21.86
Annual cash dividend per share -				.43				.42

CORPORATE HEADQUARTERS	INDEPENDENT AUDITOR
Shenandoah Telecommunications Company	McGladrey & Pullen, LLP
124 South Main Street	1051 East Cary Street
Edinburg, VA 22824	Richmond, VA 23219

STOCKHOLDERS' QUESTIONS AND STOCK TRANSFERS - CALL (540) 984-5260
Transfer Agent - Common Stock
Shenandoah Telecommunications Company
P.O. Box 459
Edinburg, VA 22824

This Annual Report to Stockholders contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to: changes in the interest rate environment; management's business strategy; national, regional, and local market conditions; and legislative and regulatory conditions. Readers should not place undue reliance on forward-looking statements which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. PAGE

Five-Year Summary of Selected Financial Data

	1997	1996	1995	1994	1993
Operating Revenues	$ 30,970,348	$ 25,429,854	$ 21,919,150	$ 20,229,178	$ 18,329,886
Operating Expenses	22,603,314	17,485,203	13,027,468	12,050,713	11,455,136
Income Taxes	2,593,631	2,821,586	3,572,956	2,577,641	2,481,764
Other Income less Other Expenses (1)	311,140	446,574	456,544	(90,897)	(154,454)
Interest Expenses	1,556,352	803,300	685,971	658,908	621,944
Gain (loss) on Security Dispositions	48,628	228,250	1,141,386	-	-
Net Income	$ 4,479,563	$ 4,994,589	$ 6,230,685	$ 4,851,019	$ 4,602,619
Net Income from Continuing Operations (2)	$ 4,530,642	$ 4,790,006	$ 5,522,904	$ 4,851,019	$ 4,156,300
Total Assets	$89,407,902	$79,374,097	$ 59,896,990	$ 52,464,150	$ 49,652,064
Long-term Obligations	$27,360,660	$24,706,239	$ 10,558,953	$ 9,941,209	$ 9,381,813
Stockholder Information (3)					
Number of Stockholders	3,567	3,399	3,226	2,979	2,879
Shares of Stock	3,760,760	3,760,760	3,760,760	3,760,760	3,760,760
Earnings per Share-basic & diluted	$ 1.19	$ 1.33	$ 1.66	$ 1.29	$ 1.22
Regular Cash Dividend per Share	$ .43	$ .42	$ .42	$ .375	$ .30
Special Cash Dividend per Share	$ -	$ -	$ .06	$ -	$ -

(1) Includes non-operating income less expenses and minority interest in net income of consolidated subsidiaries.
(2) Excludes gains and losses on disposition of investments.
(3) The information has been restated to reflect a 2-for-1 split to stockholders of record January 23, 1995.

/TABLE

CATV System Improvements

Shenandoah Cable Television Company faced many challenges in 1997. These challenges were brought about, in part, by the 1996 purchase of the Shenandoah County cable television systems from FrontierVision Partners. With that acquisition, we added 4,914 customers and approximately 136 miles of CATV facilities to our existing operation. We inherited operational, plant, and customer service problems that needed to be addressed. In addition, our 2,884 existing customers were limited in the amount of channels they could receive because of the technical limitations of our 300 megahertz system which was installed in the early 1980's. To address these issues, we embarked on a $2 million state-of-the-art upgrade project with our primary focus on improving the quality, dependability, and channel capacity of our cable television facilities. Major upgrades to the system have been completed, allowing for the elimination of multiple headends and the utilization of our fiber network to improve the performance level of the CATV system. System enhancements now allow all of our customers to receive identical programming, with adequate reserve capacity for channel growth for new programming and new service offerings, such as high-speed Internet access, advanced pay-per-view services, and deployment of interactive programming.

In August of 1997, a survey was sent to all of our customers to determine their perception of the service level they were receiving from us and what choices in programming they would like to see added to our system. We were very proud of the fact that 90 percent of the customers responding to the survey rated our overall service level as excellent or good. Each customer who indicated a service or billing concern on the survey was personally contacted by a service representative for appropriate action. As a result of the comments received from our customers, we added ten additional channels of programming, bringing the total number of channels offered to 56.

A significant change afforded our newly acquired customers was an enhanced level of customer service. Their service irregularities could now be reported to our repair service by simply dialing 611. Operators are on duty 24 hours a day to receive and respond appropriately to all trouble reports. Bill payment was made simpler by allowing customers to take advantage of our automatic bank draft or receive their billing for cable service with their telephone statement. All residents of Shenandoah County now have the benefit of local ownership and operation of their CATV services. At the same time, it will enable Shenandoah Cable Television Company to continue expanding its broadband network services in order to provide the services needed by our customers today and in the future.

Shenandoah Cable Television Company increased its basic service rate in 1997. The increased cost for network programming continued to be a major contributor in the need for higher rates, as well as the continued increase in wages, insurance, utilities, and other operating expenses. In order to provide better service and to keep pace with the cost of doing business, it was necessary to adjust our rates. We believe we offer a great value for the dollar when compared to other entertainment options. Shenandoah Cable Television Company's basic rates are still well below those charged by cable systems in the surrounding counties.

Fiber Network Extended to Washington, D.C. Area

Shenandoah Telephone Company has activated its new fiber optic route from the Shenandoah Valley to the Washington, D.C. metropolitan area. The construction of the fiber route to Herndon, Virginia, was completed on January 23, 1998, and initial services to customers began the following week. Shentel's route is also an expansion of the ValleyNet interstate fiber optic network which reaches an eight state area of the southeastern and mid-Atlantic United States.

The new route allows ValleyNet customers to lease fiber optic transmission capacity in DS1, DS3, OC3, or higher capacity configurations. Completion of this route gives our customers an alternative connection to meet their telecommunications needs to and from the Washington metropolitan area. The route gives ValleyNet and its customers high quality network capabilities into Northern Virginia, adding another major market area to those already served by ValleyNet and its interconnected partners.

Shentel was a founding partner of the ValleyNet partnership which was created in 1989 to provide a single point of contact for marketing, operations, and maintenance of broadband fiber optic telecommunications services. ValleyNet has a connection agreement with Carolinas FiberNet, which markets an extensive fiber optic network throughout North Carolina, South Carolina and portions of Georgia. The connected networks serve eight states with a total of 4,100 miles of fiber optic cable.

SHENANDOAH.COM Debuts on the Internet

On November 1, 1997, Shentel launched Shenandoah.com, a daily news and information service. This innovative web site is the first of its kind in the Shenandoah Valley.

Shenandoah.com is a World Wide Web Homepage that includes local weather, news, and sports as well as story articles contributed by members of the community. The web site offers an electronic version of the Company's Yellow Pages, public service announcements, and community information. The association with content partners reflects the philosophy behind the development of the service to actively involve members of the community rather than merely providing static listings of information. Also featured is an up-to-date, searchable five-county information directory featuring non-profit and government listings which include e-mail and web site hypertext links. Yellow Page advertisers and others can advertise on the Electronic Yellow Page listings, as well as on Banner Ads that appear on the web pages.

One formal objective of the Shenandoah.com information service is to act as a clearing house that refers users to a variety of community partners through various links. Reflecting the broad scope and reach of the Internet, users from all over the world have visited the site, and viewed the wide variety of information pertaining to the northern Shenandoah Valley. Daily usage of the site continues to grow as does the ever developing and expanding range of pertinent information.

Personnel Support Growth of Organization

The year 1997 was exciting for the staff of Shenandoah Telecommunications Company. We experienced growth in all areas of our business, which resulted in many new and challenging opportunities. As our business grew, so did our staff. Thirty new employees joined our organization, and forty employees moved to new opportunities through promotions or transfers. This resulted in 176 full-time equivalent (FTE) employees, an increase over 152 FTE employees at the end of 1996. A large portion of this growth was for staffing the new ShenTel Center in Winchester and our new retail store in Harrisonburg. Both locations offer an array of telecommunications products and services, and support our expanding geographic presence in the Northern Shenandoah Valley.

During the year, we supplemented our staffing needs with temporary help, job sharing, and our summer internship program. Twenty-seven summer interns worked in all areas of our business, assisting with increased work loads, special projects, and helping to cover for vacations. This program offers us the opportunity to provide valuable work experience to area youth, while meeting the needs of our organization.

During 1997 we recognized 21 employees who reached milestone anniversaries. These employees represented a total of 345 years of service, demonstrating the commitment and dedication of our staff to the continued success of our company.

We remain committed to providing quality products and services to our customers. The first step in achieving this goal is a well-informed and well-trained work force. During 1997, 113 employees participated in job training or attended industry-related events. We also sponsored on-site computer training, in which 116 employees participated.

Many of our staff are involved in local, civic, and charitable organizations; and they participate in a wide variety of community and industry events, including parades, community trade fairs, and telephone book recycling. Our employees were also generous with their time, talents, and money by supporting the American Cancer Society's Relay for Life and by assisting Shenandoah Social Services in providing Christmas gifts for needy children. Shenandoah Telecommunications Company and its staff remain committed to serving our community, not only with our products and services but also with our talents and support, both as an organization and as individuals.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Shenandoah Telecommunications Company is a diversified telecommunications holding company providing both regulated and unregulated telecommunications services through its eight wholly-owned subsidiaries.

This industry is in a period of transition from a protected monopoly to a competitive environment as evidenced by the passage of the Telecommunications Act of 1996. As a result, Shenandoah Telecommunications has made, and plans to continue to make, significant investments in the new and emerging technologies. The Company was a pioneering provider of Internet access and Personal Communications Services in a rural location. On September 30, 1996, the Company purchased the Shenandoah County cable television assets of FrontierVision Operating Partners, L.P., more than doubling the cable television customer base. These efforts, in conjunction with steady growth in cellular service, have reduced the regulated telephone local exchange company's portion of revenues from 59.6% in 1995 to 54.4% in 1996, and to 47.2% in 1997.

Other services provided include equipment sales and leases, long distance services, and facility leases to interexchange carriers on a Company owned fiber optic cable network. The Company also participates in emerging technologies by direct investment in non-affiliated companies.

RESULTS OF OPERATIONS

The regulated Telephone Company's largest source of revenue continues to be for access to the Company's local exchange network by interexchange carriers. These revenues increased 4.6% in 1997 and 5.5% in 1996. The changes in access revenues generally corresponds with growth in minutes of use and in access lines. The minutes of use during 1997 increased 5.7% compared to an increase of 8.8% in 1996. The number of access lines increased by 4.2% in 1997 and 3.8% in 1996.

The Mobile revenues, which are now the single largest revenue source outside of the telephone operations, are mainly derived from wireless communications services. Local cellular service revenues increased $682,021 or 22.8% in 1997 compared to $776,949 or 35.6% in 1996. Outcollect roamer revenues increased $960,240 or 28.2% in 1997 compared to $819,092 or 31.6% in 1996. The increase in local cellular revenues was due to a 31.8% increase in the customer base in 1997 and a 56.7% increase in 1996, with a larger proportion of new customers applying for low-usage plans.

Cable Television revenues increased principally as a result of the acquisition mentioned above. Cable Television revenues increased 96.8% in 1997 as compared to 47.1% in 1996. Channel capacity additions in late 1997 and early 1998 are expected to result in further revenue growth during 1998.

The increase in the ShenTel Service revenues was 25.3% for 1997 compared to an 18.3% increase in 1996. Both increases are due to expansion of our Internet Service operation.

Long Distance revenues declined by 13.4% in 1997 and by 7.7% in 1996 due principally to loss of market share. The 1996 revenue decrease of $87,471 was more than offset by the $122,809 reduction in underlying line costs stemming from a new contract for terminating calls.

PCS revenues increased by 352.0% in 1997 over 1996, due to customer growth. There were no PCS revenues in 1995.

Network revenues are for leasing capacity to interexchange carriers on the Company's fiber optic facilities in West Virginia and Maryland. This service experienced a revenue increase of 14.9% in 1997 compared to 8.0% in 1996.

Cost of Products Sold increased by $563,629 or 34.7% in 1997. Handset sales in the Personal Communications Service operation was responsible for this change.

Plant Specific is chiefly comprised of ongoing operating and maintenance expense for the physical plant. This category increased by 20.2% in 1997 and 22.3% in 1996. Over half of the 1997 increase is attributed to plant improvements and recurring service support necessitated by the CATV acquisition.

The expense category with the largest increase in 1997 and 1996 was Network and Other. The increases were due primarily to switching facilities and costs attributed to the PCS, Cellular, and Internet Service operations. These costs increased $1,189,925 or 36.2% in 1997 compared to $1,231,818 or 59.8% in 1996, primarily due to the rapidly increasing customer base for these operations.

Depreciation and Amortization, our largest expense category, increased by 32.6% in 1997 compared to 23.2% in 1996. Plant in Service, combined with goodwill and noncompete values appraised for the CATV acquisition, collectively increased the basis for this category by $8,553,942 or 12.1% in 1997 compared to $17,671,554 or 33.3% in 1996. Over half of the 1997 increase in the Plant in Service account was in the telephone local exchange subsidiary, particularly for metallic and fiber cable and switching equipment. In 1996, the CATV acquisition and investments in towers and equipment for wireless services were principal contributors to the increase in Depreciation and Amortization expense.

Total payroll costs (including capitalized costs) increased 10.2% in 1997 compared to 1996. Total payroll costs in 1996 increased 23.4% from the previous year. The cost increases are primarily due to an increase in the number of employees, principally in the Personal Communications Services operations. Payroll is primarily responsible for the 28.8% increase in 1997 compared to the 35.8% increase in 1996 for customer operations. The growth in employees is also the primary contributor to the 16.2% increase in 1997.

The increase in Taxes Other Than Income in 1997 and 1996 was primarily due to the increased amount of Plant in Service, and the associated property taxes.

The Non-operating Income Less Expenses category consists mainly of the income or loss from interest bearing instruments and external investments made by the Company. The increase reflected on the income statement is principally due to income recognized in one of the Company's partnership investments.

LIQUIDITY AND CAPITAL RESOURCES

The Company has two principal sources of funds for funding current expansion activities. First, the Company has a loan agreement with the Rural Telephone Bank with approximately $3,000,000 remaining for future advances. Expenditure of these loan funds is limited to capital projects for the regulated local exchange carrier subsidiary.

The second principal liquidity source is a credit facility agreement with CoBank, entered into in July 1996. Pursuant to this agreement, the Company can borrow up to $25,000,000 for a three-year period ending September 1, 1999. During this period only interest is payable. On September 1, 1999, the outstanding principal balance will be amortized and repaid in monthly installments over the next twelve years, with the final installment due August 20, 2011. Draws on this loan for 1997 totaled $2,606,500 compared to $13,467,838 in 1996, leaving $8,925,662 for future advances.

The Company's Board of Directors has approved a 1998 baseline capital budget of potential capital projects totaling approximately $17,890,000. This budget includes approximately $9,759,000 for the telephone local exchange company, primarily for central office equipment and fiber optic and metallic cable facilities. The Company is evaluating possible additional investments in its Personal Communications Service operation. These investments are not included in the baseline capital budget.

The Company expects to finance these planned additions through internally generated cash flows and additional advances from the RTB note and CoBank agreement. The Company secured lines of credit for $2 million with First Union Bank and for $5 million with CoBank in 1997. No draws have been made on these lines of credit as of January 31, 1998.

IMPACT OF THE YEAR 2000 ISSUE

Based on a preliminary assessment, the Company has determined that significant portions of its software must be modified or replaced so that its computer systems will properly utilize dates beyond December 31, 1999. The vast majority of this software is provided by third parties. The Company is now in the process of implementing third party financial software that is Year 2000 certified, at an estimated cost of $900,000. The Company also utilizes third party software for customer care applications. These suppliers have asserted their software is presently Year 2000 compliant or will be in mid-1998. The Company estimates its remaining software will be Year 2000 compliant by March 31, 1999.

FUTURE REPORTING REQUIREMENTS

The FASB has issued Statements No. 130, Reporting Comprehensive Income, and No. 131, Disclosures about Segments of an Enterprise and Related Information, both of which the Company is required to adopt in 1998. A more detailed analysis of the standards and the expected effect on the Company is described in Note 1 of the Notes to Consolidated Financial Statements.

Laurence F. Paxton
Vice-President, Finance

PAGE

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 1997, 1996, and 1995

ASSETS	1997	1996	1995
Current Assets			
Cash and cash equivalents	$ 5,203,521	$ 3,763,468	$ 6,106,447
Certificates of deposit	204,122	1,142,181	1,242,228
Held-to-maturity securities (Note 2)	1,622,433	2,148,945	2,488,773
Accounts receivable, including interest	5,682,798	4,208,742	3,068,379
Materials and supplies	3,968,791	2,888,709	1,922,090
Prepaid expenses and other current assets	507,165	399,074	481,003
Total current assets	17,188,830	14,551,920	15,308,920
Securities and Investments (Note 2 and 3)			
Available-for-sale securities	3,597,987	2,738,431	2,333,411
Held-to-maturity securities	499,581	1,622,433	2,098,968
Other investments	4,721,517	4,112,947	3,072,728
	8,819,095	8,473,811	7,505,107
Property, Plant and Equipment (Note 3)			
Plant in service	74,144,956	65,215,491	53,076,538
Plant under construction	8,232,717	5,626,710	2,372,750
	82,377,473	70,842,201	55,449,288
Less accumulated depreciation	25,313,297	21,648,820	18,795,430
	57,064,176	49,193,381	36,653,858
Other Assets			
Cost in excess of net assets of business acquired, less accumulated amortization	5,157,078	5,532,601	-
Radio Spectrum License net of accumulated amortization	702,036	-	-
Deposit	-	1,100,000	-
	6,355,801	7,155,786	429,105
	$ 89,407,902	$79,374,097	$59,896,990

See Notes to Consolidated Financial Statements. PAGE

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 1997, 1996, and 1995

LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996	1995
Current Liabilities			
Current maturities of long-term debt (Note 3)	$ 544,954	$ 529,405	$ 461,927
Accounts payable	3,743,701	2,097,115	813,887
Advance billings and payments	631,815	590,336	625,559
Customers' deposits	98,905	89,591	107,509
Other current liabilities	1,926,769	1,117,795	2,164,069
Other taxes payable	153,678	128,144	85,804
Total current liabilities	7,099,822	4,552,755	4,258,755
Long-Term Debt, less current maturities (Note 3)	26,815,706	24,176,834	10,097,026
Other Liabilities and Deferred Credits			
Deferred investment tax credit	216,256	291,957	367,143
Deferred income taxes (Note 4)	5,987,860	4,908,170	3,965,318
Pension and other (Note 5)	883,568	573,364	438,324
	7,087,684	5,773,490	4,770,785
Minority Interests	1,894,206	1,743,465	1,499,151
Stockholders' Equity (Note 3)			
Common stock, no par value, authorized 8,000,000 shares; issued 3,760,760 shares	4,740,677	4,740,677	4,740,677
Retained earnings	40,579,090	37,716,654	34,301,584
Unrealized gain on available-for-sale securities, net (Note 2)	1,190,717	670,591	229,012
	46,510,484	43,127,922	39,271,273
	$89,407,902	$79,374,097	$59,896,990

See Notes to Consolidated Financial Statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
Operating revenues			
Telephone revenues:			
Local service	$3,589,042	$ 3,319,648	$ 3,072,097
Access and toll service	7,347,703	7,021,504	6,658,076
Directory	1,129,976	1,131,540	1,119,858
Facility leases	1,977,122	1,838,293	1,699,709
Billing and collection	441,814	432,212	409,983
Other miscellaneous	147,629	117,148	109,910
Total telephone revenues	14,633,286	13,860,345	13,069 633
Cable Television revenues	2,513,802	1,277,017	868,310
ShenTel Service revenues	2,115,443	1,688,795	1,379,200
Long Distance revenues	902,276	1,042,083	1,129,554
Mobile revenues	8,424,016	6,620,093	4,952,967
Network revenues	614,934	535,225	495,370
PCS revenues	1,751,291	387,446	-
Other	15,300	18,850	24,116
Total operating revenues	30,970,348	25,429,854	21,919,150
Operating expenses:			
Cost of products sold	2,189,810	1,626,181	764,264
Line costs	382,924	421,064	543,873
Plant specific	2,719,811	2,262,224	1,850,316
Plant nonspecific:			
Network and other	4,480,998	3,291,073	2,059,255
Depreciation and amortization	4,681,858	3,529,554	2,864,521
Customer operations	4,312,552	3,347,804	2,465,316
Corporate operations	2,669,743	2,297,308	1,988,852
Taxes other than income	463,109	367,590	305,938
Other	702,509	342,405	185,133
	22,603,314	17,485,203	13,027,468

See Notes to Consolidated Financial Statements.

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SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Statements of Income
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
Operating income	$ 8,367,034	$ 7,944,651	$ 8,891,682
Other income (expenses):			
Nonoperating income, less expenses	1,396,881	1,115,888	991,202
Interest expense	(1,556,352)	(803,300	(685,971)
Gain (loss) on sale of assets	(48,628)	228,250	1,141,386
	8,158,935	8,485,489	10,338,299
Income taxes (Note 4)	2,593,631	2,821,586	3,572,956
	5,565,304	5,663,903	6,765,343
Minority interests	(1,085,741)	(669,314)	(534,658
Net income	$ 4,479,563	$ 4,994,589	$ 6,230,685
Earnings per share, basic and diluted	$ 1.19	$ 1.33	$ 1.66
Cash dividends per share	$ 0.43	$ 0.42	$ 0.48
Weighted average shares outstanding	3,760,760	3,760,760	3,760,760

See Notes to Consolidated Financial Statements.

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SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Statements of Retained Earnings
Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
Balance, beginning	$37,716,654	$34,301,584	$29,876,064
Net income	4,479,563	4,994,589	6,230,685
	42,196,217	39,296,173	36,106,749
Cash dividends	1,617,127	1,579,519	1,805,165
Balance, ending	$40,579,090	$37,716,654	$34,301,584

See Notes to Consolidated Financial Statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
Cash Flows From Operating Activities			
Net income	$4,479,563	$ 4,994,589	$ 6,230,685
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,246,049	3,402,794	2,864,521
Amortization	404,845	126,760	-
Deferred taxes	733,644	695,921	323,680
(Gain) loss on sale of assets	48,628	(228,250	(1,141,386)
Losses (gains) on equity investments	(301,435)	189,389	43,763
Minority share of income, net of distributions	150,741	244,314	279,658
Other	(75,701)	75,883	(4,551)
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,474,056)	(1,134,612)	(187,951)
Material and supplies	(1,080,082)	(952,981)	(411,084)
Increase (decrease) in:			
Accounts payable	808,119	1,283,228	396,307
Other prepaids, deferrals and accruals	530,509	43,018	(232,349)
Net cash provided by operating activities	8,470,824	8,740,053	8,161,293
Cash Flows From Investing Activities			
Purchases of property and equipment	(10,687,958)	(15,217,862)	(6,697,476)
Acquisition of cable television assets	-	(7,617,199)	-
(Deposit) refund on licenses	397,964	(1,100,000)	-
Purchase of certificates of deposit	(2,436,818)	(1,134,528)	(1,252,016)
Maturities of certificates of deposit	3,374,877	1,234,575	940,699
Cash flows from securities (Note 2)	1,328,857	185,437	(2,427,349)
Other, net	(16,337)	54,628	44,053
Net cash used in investing activities	(8,039,415)	(23,594,949)	(9,392,089)

See Notes to Consolidated Financial Statements.

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SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 1997, 1996 and 1995

	1997	1996	1995
Cash Flows From Financing Activities			
Dividends paid	(1,617,127)	(1,579,519)	(1,805,165)
Proceeds from long-term debt	3,179,500	14,584,839	998,000
Principal payments on long-term debt	(553,729)	(493,403)	(430,151)
Net cash provided by (used in) financing activities	1,008,644	12,511,917	(1,237,316)
Net increase (decrease) in cash and cash equivalents	1,440,053	(2,342,979)	(2,468,112)
Cash and cash equivalents:			
Beginning	3,763,468	6,106,447	8,574,559
Ending	$5,203,521	$ 3,763,468	$ 6,106,447
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest, net of capitalized interest of $279,398 in 1997, $210,168 in 1996, and $39,070 in 1995	$1,835,750	$ 726,242	$ 683,313
Income taxes	$1,929,172	$ 2,071,027	$ 3,081,596
Supplemental Schedule of Noncash Investing and Financing Activities			
Common stock received in sale of equity investee	$ -	$ -	$ 1,446,942
Change in classification of investments from cost method to available-for-sale (Note 2)	$ -	$ -	$ 1,225,858
Proceeds of long-term debt for stock in Rural Telephone Bank	$ 28,650	$ 55,850	$ 49,900

SHENANDOAH TELECOMMUNICATIONS COMPANY
Notes to Consolidated Financial Statements

Note 1. Summary of Accounting Policies

Shenandoah Telecommunications Company and subsidiaries (the "Company") operates entirely in the telecommunications industry. The Company provides telephone service, cable television service, unregulated communications equipment and services, paging, mobile telephone, business radio, cellular telephone, and personal communications services. In addition, through its subsidiaries, the Company finances purchases of telecommunications facilities and equipment and operates and maintains an interstate fiber optic network. The Company's operations are primarily located in the Northern Shenandoah Valley of Virginia and the surrounding areas. A summary of the Company's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of all wholly-owned subsidiaries and those partnerships where effective control is exercised. All significant intercompany accounts and transactions have been eliminated.

Accounting estimates: The preparation of financial statements in conformity with 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The Company considers all temporary cash investments with a purchased maturity of three months or less to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

Securities and investments: The Company has investments in debt and equity securities, which consist of shares of common and preferred stock and partnership interests. Debt securities consist primarily of obligations of the U. S. Government.

Note 1. Summary of Accounting Policies (Continued)

The Company follows the provisions of Financial Accounting Standards Board (FASB) Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities. Statement 115 requires that management determine the appropriate classification of debt and equity securities that have readily determinable fair values. Classification is determined at the date individual investment securities are acquired. The appropriateness of such classification is reassessed continually. The classification of those securities and the related accounting policies are as follows:

Held-to-maturity securities: These consist entirely of debt securities which are obligations of the U. S. Government. The Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are valued at amortized cost.

Available-for-sale securities: Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including changes in market conditions, liquidity needs and other similar factors. Available-for-sale securities are carried at fair value. Unrealized gains and losses are reportable as increases and decreases in stockholders' equity net of tax. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings.

Investments carried at cost: These investments are those where the Company does not have significant ownership and for which there is no ready market. Information regarding these and all other investments is reviewed continuously for evidence of impairment in value. No impairment was deemed to have occurred at December 31, 1997.

Equity method investments: These investments consist of partnership and corporate investments where the Company's ownership is 20% or more, except where such investments meet the requirements for consolidation. Under the equity method, the Company's equity in earnings or losses of these companies is reflected in the earnings.

Note 1. Summary of Accounting Policies (Continued)

Materials and supplies: New and reusable materials are carried in inventory principally at average original cost. Specific costs are used in the case of large individual items. Nonreusable material is carried at estimated salvage value.

Property, plant and equipment: Property, plant and equipment is stated at cost. Accumulated depreciation is charged with the cost of property retired, plus removal cost, less salvage. Depreciation is determined under the remaining life method and straight-line composite rates. Depreciation provisions were approximately 6.1%, 5.8% and 5.7% of average depreciable assets for the years 1997, 1996 and 1995, respectively.

Cost in excess of net assets of business acquired: Intangibles resulting from business acquisitions, comprising cost in excess of net assets of business acquired are being amortized on a straight-line basis over 15 years. The Company periodically evaluates the recoverability of intangibles resulting from business acquisitions and measures the amount of impairment, if any, by assessing current and future levels of income and cash flows as well as other factors, such as business trends and prospects and market and economic conditions.

Pension plan: The Company maintains a noncontributory defined benefit retirement plan covering substantially all employees. Pension benefits are based primarily on the employee's compensation and years of service. The Company's policy is to fund the maximum allowable contribution calculated under federal income tax regulations.

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment. Investment tax credits have been deferred and are amortized over the estimated life of the related assets.

Revenue recognition: Revenues are recognized when earned, regardless of the period in which they are billed.

Earnings per share: The Company has adopted FASB Statement No. 128, Earnings Per Share, which establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. Those entities that have only common stock outstanding are required to present basic earnings per share amounts. All other entities are required to present basic and diluted per share amounts. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. The Company has stock options outstanding which are not dilutive; therefore basic and diluted earnings per share are equal.

Future Reporting Requirements: The FASB has issued Statements No. 130, Reporting Comprehensive Income and No. 131, Disclosures about Segments of an Enterprise and Related Information, both of which the Company is required to adopt in 1998.

Statement No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. The Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Statement does not require a specific format for that financial statement, but requires that an enterprise display an amount representing total comprehensive income for the period in that financial statement. It is not expected that this statement will materially affect the presentation of the Company's financial statements.

Statement No. 131, Disclosures about Segments of an Enterprise and Related Information, requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to shareholders. Segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The statement also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. It is expected that this statement will require additional disclosures by the Company.

Note 2. Investments

Investments consist of the following
Investment in held-to-maturity securities:

	1997	1996	1995
U. S. Treasury securities, current	$ 1,622,433	$ 2,148,945	$ 2,488,773
U. S. Treasury securities, noncurrent (due within three years)	499,581	1,622,433	2,098,968
	$ 2,122,014	$ 3,771,378	$ 4,587,741

The fair market value approximates the carrying value for all held to maturity investments at December 31, 1997, 1996 and 1995.

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Note 2. Investments (Continued)

	1997	1996	1995
Investment in available-for-sale securities:			
Orion Network Systems, Inc. Common and Preferred (including unrealized gains of $1,962,071 in 1997, $1,070,007 in 1996 and $142,263 in 1995)	$ 3,597,997	$ 2,705,926	$ 1,778,189
MFS Communications Company, Inc.(including unrealized gain of $210,750 in 1995)	-	-	532,500
Comsat Corporation (including unrealized gains of $25,906 in 1996 and $16,123 in 1995)	-	32,505	22,722
Total securities available for sale	$ 3,597,997	$ 2,738,431	$ 2,333,411

The Company realized a gain of approximately $25,900 in 1997, $228,000 in 1996 and $269,000 in 1995 on the sale of available-for-sale securities.

Changes in the unrealized gain on available-for-sale securities during the years ended December 31, 1997, 1996 and 1995 reported as a separate component of stockholders' equity are as follows:

	1997	1996	1995
Unrealized gain, beginning balance	$ 1,095,913	$ 369,136	$ -
Unrealized holding gains during the	892,072	937,527	369,136
Realization of prior year unrealized gains	(25,900)	(210,750)	-
Unrealized gains, ending balance	1,962,085	1,095,913	369,136
Deferred tax effect related to net unrealized gains	771,368	435,322	140,124
Unrealized gain included in stockholders' equity	$ 1,190,717	$ 670,591	$ 229,012

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Note 2. Investments (Continued)

Cash flows from purchases, sales and maturities of securities:

	1997	1996	1995
Available-for-sale securities:			
Sales	$ 1,226,489	$ 550,000	$ 1,392,354
Purchases	(1,196,296)	-	(83,335)
Held-to-maturity securities:			
Maturities	2,148,945	2,488,773	5,466,558
Purchases	(499,581)	(1,672,410)	(8,603,862)
Other investments:			
Sales	48,412	-	63,751
Purchases	(399,112)	(1,180,926)	(662,815)
Total	$ 1,328,857	$ 185,437	$(2,427,349)

Other investments comprised of equity securities which do not have readily determinable fair values consist of the following:

	1997	1996	1995
Cost method:			
USTN Holdings, Inc.	$ 843,486	$ 843,486	$ 820,618
AvData Systems, Inc.	149,860	149,860	149,860
Rural Telephone Bank	653,492	624,837	568,992
Concept Five Technologies	1,000,003	1,000,003	-
Other	152,761	163,002	170,165
	2,799,602	2,781,188	1,709,635
Equity method:			
South Atlantic Venture Fund III, LP	765,966	589,632	369,289
South Atlantic Venture Fund IV, LP	300,121	-	-
Virginia Independent Telephone Alliance	271,509	234,943	206,138
Rural Service Area - 6	543,255	474,007	378,989
Other	41,064	33,177	408,677
	1,921,915	1,331,759	1,363,093
	$4,721,517	$ 4,112,947	$ 3,072,728

In addition, the Company is committed to invest an additional $750,000 in the South Atlantic Venture Fund IV L.P. during 1998.

SHENANDOAH TELECOMMUNICATIONS COMPANY
Notes to Consolidated Financial Statements

Note 3. Long-Term Debt and Lines of Credit

Long-term debt consists of the following:

	Interest Rate	1997	1996	1995
Rural Telephone Bank (RTB)	6.04%-8%	$10,765,742	$10,582,040	$ 9,765,672
Rural Utilities Service (RUS)	2%-5%	520,580	619,638	716,562
CoBank	6.69%-7.97%	16,074,338	13,467,838	-
Other	77.7% of Prime	-	36,723	76,719
		27,360,660	24,706,239	10,558,953
Current maturities		544,954	529,405	461,927
Total long-term debt		$26,815,706	$24,176,834	$10,097,026

The notes payable to RTB are pursuant to an agreement which allows for additional borrowings of approximately $3,000,000.

In July 1996, the Company entered into a financing agreement with CoBank. Pursuant to this agreement, the Company can borrow up to $25,000,000, for a three-year period ending September 1, 1999. During this period only interest is payable. On September 1, 1999, the outstanding principal balance will be amortized and repaid in monthly installments over the next twelve years, with the final installment due August 20, 2011. As borrowings occur, the Company can choose between several fixed and variable rate interest options.

The approximate annual debt maturities for the five years subsequent to December 31, 1997 are as follows:

Year	Amount
1998	$ 544,954
1999	816,273
2000	1,321,060
2001	1,590,858
2002	2,109,417
Later years	20,978,098
	$ 27,360,660

Substantially all of the Company's assets serve as collateral for the long-term debt. The long-term debt agreements contain restrictions on the payment of dividends and redemption of capital stock. The terms of the agreements require the maintenance of defined amounts of equity and working capital after payment of dividends. Accordingly, approximately $11,000,000 of retained earnings was available for payment of dividends at December 31, 1997.

Long-term debt carries rates which approximate market rates for similar debt being issued. Therefore the carrying value of long-term debt is not significantly different than fair market value at December 31, 1997. PAGE

Note 3. Long-Term Debt and Lines of Credit (Continued)

As of December 31, 1997, the Company had no borrowings outstanding on other approved lines of credit for $5,000,000 and $2,000,000.

Note 4. Income Taxes

The Company and its subsidiaries file consolidated tax returns. The provision for income taxes included in the consolidated statements of income consists of the following components:

	Years Ended December 31, 1997	1996	1995
Current:			
Federal	$1,601,973	$1,905,945	$2,837,187
State	258,014	219,720	412,089
Total	1,859,987	2,125,665	3,249,276
Deferred:			
Federal	657,108	585,934	272,529
State	76,536	109,998	51,151
Total	733,644	695,921	323,680
Provision for income taxes	$2,593,631	$2,821,586	$3,572,596

A reconciliation of income taxes determined using the statutory federal income tax rates to actual income taxes provided is as follows:

	Years Ended December 31, 1997	1996	1995
Federal income tax expense at statutory rates	$2,404,806	$2,657,499	$3,336,620
State income taxes net of of federal tax benefit	220,803	217,614	305,738
Amortization of investment tax credit	(75,701)	(75,701)	(75,701)
Other	43,643	22,174	6,299
Provision for income taxes	$2,593,631	$2,821,586	$3,572,956

Net deferred tax liabilities consist of the following at December 31:

	1997	1996	1995
Deferred tax liabilities:			
Accelerated depreciation	$5,556,071	$4,776,802	$4,106,119
Unrealized gain on securities Available for sale	771,368	425,322	140,124
Other	4,701	-	-
	6,332,140	5,202,124	4,246,243

Note 4. Income Taxes (Continued)

Deferred tax assets			
Accrued compensation costs	115,512	96,292	92,329
Accrued pension costs	228,768	152,684	105,084
Equity investments	-	44,978	83,512
	344,280	293,954	280,925
Net deferred tax liabilities	$5,987,860	$4,908,170	$3,965,318

Note 5. Pension Plan

The Company maintains a noncontributory defined benefit pension plan. The following table presents the plan's funded status and amounts recognized in the Company's consolidated balance sheets.

	1997	1996	1995
Actuarial present value of benefit obligations:			
Vested	$ 3,333,480	$ 2,882,966	$ 2,645,748
Nonvested	124,897	82,376	52,826
Accumulated benefit obligations	$ 3,458,377	$ 2,965,342	$ 2,698,574
Projected benefit obligation for service rendered to date	$ 5,504,065	$ 5,112,231	$ 4,408,161
Plan assets at fair value, common stocks and bonds	5,712,651	5,077,518	4,669,840
Plan assets in excess (deficient) of projected benefit obligation	208,586	(34,713)	261,679
Unrecognized prior service cost	237,103	257,808	278,513
Unrecognized transition asset at January 1, 1987, being recognized over 17 years	(181,746)	(210,490)	(239,234)
Unrecognized net gain	(943,738)	(466,565)	(621,588)
Net pension liability	$ (679,795)	$ (453,960)	$ (320,630)

Note 5. Pension Plan (Continued)

Net pension cost included the following components:

	1997	1995	1996
Service costs (benefits earned)	$ 231,270	$ 170,089	$ 147,568
Interest cost on projected benefit obligation	378,404	326,314	280,691
Actual (return) on plan assets	(766,811)	(532,311)	(914,207)
Net amortization and deferral	382,972	169,238	634,862
Net periodic pension cost	$ 225,835	$ 133,330	$ 148,814

Assumptions used by the Company in the determination of pension plan information consisted of the following at December 31, 1997, 1996 and 1995:

	1997	1996	1995
Discount rate	7.00%	7.50%	7.50%
Rate of increase in compensation levels	5.00	5.50	5.50
Expected long-term rate of return on plan assets	7.50	7.50	7.50

Note 6. Stock Incentive Plan

On April 16, 1996, the stockholders approved a Company Stock Incentive Plan providing for the possible grant of incentive compensation to employees in the form of stock options, stock appreciation rights, and stock awards. The Plan authorized the issuance of up to 240,000 shares of common stock over a ten-year period. Options granted under the Plan may be incentive stock options or nonqualified stock options. The option price will be fixed at the time the option is granted, but the price cannot be less than the fair market value at the date of the grant. On February 10, 1997, options were granted to purchase 14,440 shares of common stock at an exercise price of $21.98. One-half of the options are exercisable on each of the first and second anniversaries of the date of grant. No options were exercisable at December 31, 1997.

Grants of options under the Plan are accounted for following Accounting Principles Board (APB) Opinion No. 25 and related interpretations. Accordingly, no compensation costs have been recorded. FASB Statement No. 123 requires disclosures concerning the fair value of options and encourages accounting recognition for options using the fair value method. The Company has elected to apply the disclosure-only provisions of the Statement. However, had compensation cost been recorded based on the fair value of awards at the grant date, the pro forma impact on the Company's net income and net income per common share would have been to decrease net income and earnings per share by approximately $40,000 and $0.01, respectively.

The fair value of options is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions for 1997: dividend rate of 1.96%, risk-free interest rate of 6.13%, expected lives of 5 years, and price volatility of 19.7%. The fair value per option of options granted during the year is $5.35.

Note 7. Major Customer

The Company has one customer that accounts for greater than 10% of its revenue, primarily consisting of carrier access charges for long distance service, as follows:

Year	Percent of Operating Revenue
1997	13%
1996	16
1995	19

Note 8. Subsequent Event

On February 9, 1998, the Board of Directors adopted a Stockholders' Rights Plan for the Company. Under the plan, existing stockholders were granted the right to acquire additional shares of the Company's common stock, at a substantial discount, if anyone acquires 15% or more of the Company's common stock or causes the Company to merge into or with another company. This plan is intended to increase the leverage of the Company's Board of Directors and enhance its ability to negotiate with a potential acquirer on behalf of the Company and its shareholders.

Independent Auditor's Report

The Board of Directors
Shenandoah Telecommunications Company
Edinburg, Virginia

We have audited the accompanying consolidated balance sheets of Shenandoah Telecommunications Company and subsidiaries as of December 31, 1997, 1996 and 1995, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Telecommunications Company and subsidiaries as of December 31, 1997, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP
Richmond, Virginia
January 30, 1998, except for Note 8, as to which
the date is February 9, 1998

YEAR	YEAR	YEAR
DEC-31-1997	DEC-31-1996	DEC-31-1995
DEC-31-1997	DEC-31-1996	DEC-31-1995
5203521	3763468	6106447
5720011	6509809	6921152
5682798	4208742	3068379
0	0	0
3968791	2888709	1922090
17188830	14551119	15308920
74144956	65215491	53076538
25313297	21648820	18795430
89407902	79374097	59896990
7099822	4552386	4258755
26815706	24176834	10097026
0	0	0
0	0	0
4740677	4740677	4740677
41769807	38387245	34530596
89407902	79374097	59896990
977934	679920	558031
30970348	25429854	21919150
2189810	1626181	764264
22603314	17485203	13027468
1085741	669314	534658
146396	129214	29386
1556352	803300	685971
7073194	7816175	9803641
2593631	2821586	3572956
4530642	4877188	5522904
0	0	0
0	0	0
0	0	0
4479563	4994589	6230685
1.19	1.33	1.66
1.19	1.33	1.66