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, 2002
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 offices) (Zip Code)

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

Securities Registered Pursuant to Section 12(g) of the Act:
COMMON STOCK (NO PAR VALUE)
(Title of Class)

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

Indicate by check mark 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. |_|

Indicate by check mark whether the registration is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes |X|

Aggregate market value of the voting stock held by non-affiliates of the registrant as of June 28, 2002. $175,553,414. (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 value of the Company's stock has been determined based upon the closing price of such stock on the NASDAQ National Market on March 14, 2003. The Company's stock is traded on the NASDAQ National Market, under the symbol "SHEN."

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 14, 2003
Common Stock, No Par Value	3,785,913

Documents Incorporated by Reference
2002 Annual Report to Security Holders Parts II, IV
Proxy Statement, Dated March 21, 2003, Part III
EXHIBIT INDEX PAGE 23

SHENANDOAH TELECOMMUNICATIONS COMPANY

PART IV

PART I

This Annual Report 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.

ITEM 1. BUSINESS

Shenandoah Telecommunications Company is a diversified telecommunications holding company providing both regulated and unregulated telecommunications services through its nine wholly-owned subsidiaries. The Company's business strategy is to provide integrated, full service telecommunications products and services in the Northern Shenandoah Valley and surrounding areas. This geographic area includes the four-state region from Harrisonburg, Virginia to the Harrisburg and Altoona, Pennsylvania markets, and on a limited basis into Northern Virginia. Our fiber network is a state-of-the-art electronic backbone utilized for many of our services with the main lines of this network following the Interstate-81 corridor and the Interstate-66 corridor in the north western part of Virginia. Secondary routes providing redundant capacity are built over differing routes to provide alternate routing in the event of an outage. The Company is certified to offer competitive local exchange services in portions of Virginia that are outside of the present telephone service area. The Company has 268 employees and operates ten reporting segments based on the products and services provided by the holding company and the operating subsidiaries. There are minimal seasonal variations in the Company's operations, with the exception of the traditional retail seasonality in the retail sale of wireless handsets and services in the November and December months.

The Company provides personal communications service (PCS) and is licensed to use the Sprint brand name in the territory from Harrisonburg, Virginia to Harrisburg, York and Altoona, Pennsylvania. The Company operates its PCS network under the Sprint radio spectrum license. The Company also holds paging and other radio telecommunications licenses.

In November 2002, the Company entered into an agreement to sell its 66% general partner interest in the Virginia 10 RSA Limited Partnership (cellular operation) to Verizon Wireless for $37.0 million. The partnership interest was owned by our Mobile company subsidiary. The closing of the sale took place at the close of business on February 28, 2003. The total proceeds received were $38.7 million, including $5.0 million held in escrow, and a $1.7 million adjustment for estimated working capital at the time of closing. There will be a post closing adjustment based on the actual working capital balance as of the closing date. The

$5.0 million escrow was established for any contingencies and indemnification issues that may arise during the two-year post-closing period. The Company's net after tax gain on the total transaction will be approximately $22 million, which will be recognized in the first quarter of 2003. As set forth in the Company's financial statements appearing in the Company's 2002 Annual Report, the operating results of the partnership are reflected in discontinued operations for all periods presented.

Shenandoah Telecommunications Company

The Holding Company invests in both affiliated and non-affiliated companies. The Company's largest investments in non-affiliated companies are CoBank, The Burton Partnership (QP), LP (Burton), Dolphin Communications Parallel Fund, LP (Dolphin), Dolphin Communications Fund II, LP (Dolphin II), South Atlantic Venture Fund III (SAVF III), South Atlantic Private Equity IV LP (SAPE IV), and NTC Communications, L.L.C., (NTC). CoBank is the Company's primary lender, and therefore the Company is required to own some of CoBank's stock. The growth of this investment is the result of distributions declared by CoBank, which will be received by the Company in the future. Burton invests in a combination of small capitalization public companies and privately owned emerging growth companies. Dolphin, Dolphin II, SAVF III, and SAPE IV are venture capital funds that invest in startup companies, a large number of which are telecommunications firms. NTC is a limited liability company that provides bundled telecommunication services primarily to multi-unit housing properties near college and university campuses.

Shenandoah Telephone Company

This subsidiary provides both regulated and non-regulated telephone services to approximately 24,900 customers, primarily in Shenandoah County and small service areas in Rockingham, Frederick, and Warren counties in Virginia. This subsidiary provides access for inter-exchange carriers to the local exchange network. In addition, this subsidiary offers facility leases of fiber optic capacity in surrounding counties, and into Herndon, Virginia. The telephone subsidiary has a 20 percent ownership in ValleyNet, which is a partnership offering fiber network facility capacity in western, central, and northern Virginia, as well as the Interstate 81 corridor from Johnson City, Tennessee to Carlisle, Pennsylvania.

Shenandoah Cable Television Company

This subsidiary provides coaxial-based cable television service to approximately 8,700 customers in Shenandoah County. The Company rebuilt and expanded the system to a state-of-the art hybrid fiber coaxial network, which was completed in the first quarter of 2000. The upgrade to 750 megahertz provides better signal quality, expands the number of channels, and provides the infrastructure for future offerings of broadband services. Digital program offerings along with pay per view options are value added options available to the network customers.

ShenTel Service Company (ShenTel)

ShenTel Service Company sells and services telecommunications equipment and provides Internet access to customers in the Northern Shenandoah Valley and surrounding areas. The Internet service has approximately 18,700 customers. This subsidiary offers broadband Internet access via ADSL technology.

Shenandoah Valley Leasing Company

This subsidiary finances purchases of telecommunications equipment to customers of the other subsidiaries, particularly ShenTel Service Company.

Shenandoah Mobile Company

Shenandoah Mobile Company provides paging service throughout the Virginia portion of the Northern Shenandoah Valley. Additionally, this subsidiary provides tower service in the PCS service territory mentioned below. Shenandoah Mobile Company was the managing partner and 66% owner of the Virginia 10 RSA Limited Partnership, and provided cellular service in the Northern Shenandoah Valley of Virginia. The cellular service was marketed under the Shenandoah Cellular name through retail stores in Winchester and Front Royal, Virginia, and had approximately 6,500 customers. On November 21, 2002, the Company along with Shenandoah Mobile Company, entered into an agreement to sell its 66% general partnership interest in the Virginia 10 partnership. The closing of the sale took place at the close of business on February 28, 2003. In the Company's 2002 Annual Report, the operating results of the partnership are reflected in discontinued operations for all periods presented.

Shenandoah Long Distance Company

This subsidiary principally offers long distance service for calls placed to locations outside the regulated telephone service area. This operation purchases switching and billing and collection services from the telephone subsidiary. This subsidiary has approximately 9,300 customers at December 31, 2002.

Shenandoah Network Company

This subsidiary operates the Maryland and West Virginia portions of our fiber optic network in the Interstate-81 corridor. In conjunction with the telephone subsidiary, Shenandoah Network Company is associated with the ValleyNet fiber network.

ShenTel Communications Company

This subsidiary began offering DSL service to a target market in early 2002, outside the Company's regulated service area. The Company is operating this subsidiary as a Competitive Local Exchange Carrier (CLEC). With the recent rulings by the Federal Communications Commission (FCC) the long-term viability of this subsidiary is questionable, as the ability to lease unbundled facilities from the local provider may be prohibited. Currently there are minimal subscribers receiving service from this company.

Shenandoah Personal Communications Company

This subsidiary began offering personal communications services (PCS) through a digital wireless telephone and data service in 1995. The service was originally offered from Chambersburg, Pennsylvania to Harrisonburg, Virginia under an agreement with American Personal Communications (APC), using the GSM air interface technology. During the fourth quarter of 1999 our PCS subsidiary executed a management agreement with Sprint, finished constructing and activating a CDMA network where our GSM network existed, and converted our PCS customer base from GSM to CDMA service. The agreement expanded our existing PCS territory from an area serving a population of 679,000 to one of 2,048,000. The additional areas are in the Altoona, Harrisburg and York-Hanover Basic Trading Areas of Pennsylvania. During 2000 we completed the initial network build-out of the Harrisburg/York market in Pennsylvania, placing 74 sites into service in February 2001. This portion of the network includes Harrisburg, York, Hanover, Gettysburg, and Carlisle, Pennsylvania. In December 2001, the Altoona, Pennsylvania market was activated bringing the total covered population served to approximately 1,600,000. Additionally, the network covers 233 miles of Interstates 81 and 83, and provides coverage on a 126-mile section of the Pennsylvania Turnpike between Pittsburgh and Philadelphia. There were approximately 67,800 PCS customers at December 31, 2002.

Additional detail on the operating segments is referenced in Note 14 of the Company's Consolidated Financial Statements in the 2002 Annual Report to security holders.

The registrant does not engage in operations in foreign countries.

Working capital practices and competitive conditions are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2002 Annual Report.

The Company has no research and development expenses.

RISK FACTORS

Our business and our prospects are subject to many risks. The following items are representative of the risks, uncertainties and assumptions that could affect our business, our future performance, our liquidity and the outcome of the forward-looking statements we make. In addition, our business, our future performance, our liquidity and forward-looking statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, including the global economy and other future events, including those described below and elsewhere in this annual report on Form 10-K.

Risks Related to Our PCS Business

Our PCS business is the largest of our operating subsidiaries in terms of revenues and assets.

The Company faces many risks associated with this substantial business. The Company relies on Sprint's ongoing operations as the basis for its ability to continue to offer its PCS subscribers seamless national services that are currently provided. Given the magnitude of the relationship, any interruption in Sprint's business could adversely impact the Company's results of operations, liquidity and financial condition.

Our revenues may be less than we anticipate, which could materially adversely affect our liquidity, financial condition and results of operations.

Revenue growth is primarily dependent on the size of our subscriber base, average monthly revenues per user and travel and roaming revenue. During the year ended December 31, 2002, we experienced slower net subscriber growth rates than planned. This was due to increased churn, declining rates of wireless subscriber growth in general, the re-establishment of deposits for most sub-prime credit subscribers from late April on through the remainder of the year, the overall economic slowdown, and increased competition. Other carriers also have reported slower subscriber growth rates compared to prior periods. We have seen a continuation of competitive pressures in the wireless telecommunications market causing some major carriers to offer plans with increasingly larger bundles of minutes of use at lower prices which may compete with the Sprint wireless calling plans we support. Increased price competition may lead to lower average monthly revenues per user than we anticipate. In addition, the lower reciprocal roaming rate that Sprint instituted for 2003 will reduce our travel revenue, while the Company's travel expense may not follow the same trend, depending on our subscribers' travel usage outside our network area. If our revenues are less than we anticipate, it could impact our liquidity, financial condition and results of operation.

Our operating costs may be higher than we anticipate which could materially adversely affect our liquidity, financial condition and results of operations.

Increased competition may lead to higher promotional costs, losses on sales of handsets and other costs to acquire subscribers. Further, as described below under "Risks Related to Our Relationship With Sprint," a substantial portion of costs of service and roaming are attributable to fees and charges we pay to Sprint for billing and collections, customer care and other back-office support. Our ability to manage costs charged by Sprint is limited. If these costs are more than we anticipate, the actual amount of funds to implement our strategy and business plan may exceed our estimates, which could have a material adverse affect on our liquidity, financial condition and results of operations.

The dynamic nature of the wireless market may limit management's ability to quickly discern causes of volatility in key operating metrics.

Our business plan and estimated future operating results are based on estimates of key operating metrics, including subscriber growth, subscriber churn, average monthly revenue per subscriber, losses on sales of handsets and other subscriber acquisitions costs and other operating costs. The dynamic nature of the wireless market, the current economic slowdown, increased competition in the wireless telecommunications industry, new service offerings of increasingly larger bundles of minutes of use at lower prices by some major carriers, and other issues facing the wireless telecommunications industry in general have created a level of uncertainty that may adversely affect our ability to predict these key operating metrics.

We may continue to experience a high rate of subscriber turnover, which could adversely affect our financial performance in the future.

The wireless personal communications services industry in general, and Sprint and its PCS affiliates in particular, have experienced a higher rate of subscriber turnover, commonly known as churn, as compared to the cellular industry averages. This churn rate has been driven higher over the past year due to the no deposit account spending limit (NDASL) and Clear Pay programs and the removal of deposit requirements as described elsewhere in this report. Our business plan assumes that churn will decline and stabilize over the course of 2003, under existing operating conditions. Due to significant competition in our industry and general economic conditions, among other things, this decline may not occur and our future rate of subscriber turnover may be higher than our historical rate. Factors that may contribute to higher churn include:

- inability or unwillingness of subscribers to pay, which results in involuntary deactivations;
- subscriber mix and credit class, particularly sub-prime credit subscribers;
- competition of products, services and pricing of other providers;
- network performance and coverage relative to our competitors in our service area;
- customer service;
- increased prices; and,
- any future changes by Sprint and/or the Company in the products and services we offer, especially as it relates to sub-prime credit customers.

A high rate of subscriber turnover could adversely affect our competitive position, liquidity, financial position, results of operations and our costs of, or losses incurred in, obtaining new subscribers, especially because we subsidize some of the costs of initial purchases of handsets by subscribers.

Our allowance for doubtful accounts is an estimate and may not be sufficient to cover uncollectible accounts.

On an ongoing basis, we estimate the amount of subscriber receivables that we will not collect based on historical results and review of the aggregate customer aging for each period. Our business plan assumes that bad debt as a percentage of service revenues will decline during 2003. Our allowance for doubtful accounts may underestimate actual unpaid receivables for various reasons, including:

- our churn rate may exceed our estimates;
- bad debt as a percentage of service revenues may not decline as we assume in our business plan;
- adverse changes in the economy; or,
- unanticipated changes in Sprint's wireless products and services.

If our allowance for doubtful accounts is insufficient to cover losses on our receivables, it could adversely affect our liquidity, financial condition and results of operations.

Travel revenue could be less than anticipated, which could adversely affect our liquidity, financial condition and results of operations.

The Company has been notified by Sprint that the travel rate has been reduced from $0.10 per minute to $0.058 per minute for 2003. The amount of travel revenue we receive also depends on the minutes of use of our network by subscribers of Sprint and its PCS Affiliates. If actual usage is less than we anticipate, our travel revenue would be less and our liquidity, financial condition and results of operations could be adversely affected.

The Company may incur significantly higher wireless handset subsidy costs than we anticipate for existing subscribers who upgrade to a new handset.

As the Company's subscriber base matures, and technological innovations occur, more existing subscribers will begin to upgrade to new wireless handsets. The Company subsidizes a portion of the price of wireless handsets and incurs sales commissions, even for handset upgrades. If more subscribers upgrade to new wireless handsets than the Company projects, its results of operations would be adversely affected.

If we lose the right to install our equipment on certain wireless towers or are unable to renew expiring leases, our financial condition and results of operations could be adversely impacted.

Many of our cell sites are co-located on leased tower facilities shared with one or more wireless providers. A few tower companies own a large portion of these leased tower sites. If economic conditions affect the leasing company, the Company's lease may be impacted and the ability to remain on the tower could be jeopardized, which could leave areas of the Company's service area without service, and therefore our financial condition and results of operations could be materially and adversely affected.

Risks Related to the Telecommunications Industry

With the enactment of the Telecommunications act in 1996, competition in all segments of the business is a potential risk to the Company.

As new technologies are developed and deployed by competitors through the Company's service area, there is the potential that subscribers will elect other providers' offerings, based on price, capabilities and personal preferences. If significant numbers of the Company's subscribers elect to move to other competing providers, it could prevent the Company from operating profitably.

Competition is intense in the wireless communications industry. Competition has caused, and we anticipate that competition will continue to cause, the market prices for two-way wireless products and services to decline in the future. Our ability to compete will depend, in part, on our ability to anticipate and respond to various competitive factors affecting the telecommunications industry as a whole, and the wireless industry specifically.

Our dependence on Sprint to develop competitive products and services in the PCS segment may limit our ability to keep pace with competitors on the introduction of new products, services and equipment.

Most of our competitors are larger than us, possess greater resources and have more extensive coverage areas, and may also market other services too. There has been a recent trend in the industry towards consolidation of wireless service providers through joint ventures, reorganizations and acquisitions. We expect this consolidation to lead to larger competitors over time. We may be unable to compete successfully with larger companies that have substantially greater resources or that offer more services to larger geographic area than we do.

Market saturation could limit or decrease our rate of new subscriber additions, particularly in the wireless operation.

Intense competition in the wireless communications industry could cause prices for wireless products and services to continue to decline. If prices drop, then our rate of net subscriber additions will take on greater significance to our financial condition and results of operations. However, if the wireless penetration rates in our markets increase over time, our rate of adding net subscribers could decrease. If this decrease were to happen, it could adversely affect our liquidity, financial condition and results of operations.

Alternative technologies, changes in the regulatory environment and current uncertainties in the wireless market may reduce demand for existing telecommunication services in the future.

The telecommunications industry is experiencing significant technological change, as evidenced by the increasing pace of digital upgrades in existing analog wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. Technological advances and industry changes could cause the technology used on our networks to become obsolete. The Company and it vendors may not be able to respond to such changes and implement new technology on a timely basis, or at an acceptable cost.

If the Company and other companies that support the Company's operations are unable to keep pace with these technological changes, the Company may lose revenues, subscribers or both. This could be the result of changes in the telecommunications market based on the effects of the Telecommunications Act of 1996 or from the uncertainty of future government regulation, the technology used on our networks, or our business strategy, any of which may become obsolete.

A recession in the United States involving significantly lowered spending could therefore negatively affect our results of operations.

We are both a consumer business and a provider of services to companies with consumer businesses. Our subscriber bases are individual consumers and businesses in a relatively concentrated geographic area, and our accounts receivable represent unsecured credit. We believe a further economic downturn could have an adverse affect on our operations. In the event that the economic downturn that the United States and our markets have recently experienced becomes more pronounced or lasts longer than currently expected and spending by consumers drops significantly, our business may be further negatively affected.

Regulation by government and taxing agencies may increase our costs of providing service or require us to change our services, either of which could impair our financial performance.

Our operations may be subject to varying degrees of regulation by the FCC, the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration along with state and local regulatory agencies and legislative bodies. Adverse decisions or regulation of these regulatory bodies could negatively impact our operations and our costs of doing business. For example, changes in tax laws or the interpretation of existing tax laws by state and local authorities could subject us to increased income, sales, gross receipts or other tax costs.

Media reports have suggested that certain radio frequency emissions from wireless handsets may be linked to various health problems, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may discourage use of wireless handsets or expose us to potential litigation. Any resulting decrease in demand for wireless services, or costs of litigation and damage awards, could impair our ability to achieve and sustain profitability.

Regulation by government or potential litigation relating to the use of wireless phones while driving could adversely affect our results of operations, liquidity and financial condition. Some studies have indicated that some aspects of using wireless phones while driving may impair drivers' attention in certain circumstances, making accidents more likely. These concerns could lead to litigation relating to accidents, deaths or serious bodily injuries, or to new restrictions or regulations on wireless phone use, any of which also could have an adverse effect on our results of operations. A number of U.S. states and local governments are considering or have recently enacted legislation that would restrict or prohibit the use of a wireless handset while driving a vehicle or, alternatively, require the use of a hands-free telephone. Legislation of this sort, if enacted, could require wireless service providers to supply to its subscribers hands-free enhanced services, such as voice activated dialing and hands-free speaker phones and headsets, so that they can keep generating revenue from their subscribers, who make many of their calls while on the road. If we are unable to provide hands-free services and products to our subscribers in a timely and adequate fashion, the volume of wireless phone usage would likely decrease, and our ability to generate revenues would suffer in the wireless line of our business.

Risks Related to Our Relationship with Sprint

The termination of the Company's affiliation with Sprint would severely restrict our ability to conduct our wireless business.

The Company does not own the licenses to operate its wireless network. The ability of the Company to offer Sprint wireless products and services and operate a PCS network is dependent on the Sprint agreements remaining in effect and not being terminated. The Company's management agreement automatically renews at the expiration of the 20-year initial term which ends in 2019, for an additional 10-year period unless the Company is in material default. Sprint can choose not to renew the management agreement at the expiration of the ten-year renewal term or any subsequent ten-year renewal term. In any event, the management agreement terminates in 50 years.

In addition, each of the agreements can be terminated for breach of any material term, including, among others, marketing, build-out and network operational requirements. Many of these requirements are extremely technical and detailed in nature. In addition, many of these requirements can be changed by Sprint with little notice. As a result, we may not always be in compliance with all requirements of the Sprint agreements.

The Company is dependent on Sprint's ability to perform its obligations under the Sprint agreements. The non-renewal or termination of any of the Sprint agreements or the failure of Sprint to perform its obligations under the Sprint agreements would severely restrict our ability to conduct business in our PCS segment.

Sprint may make business decisions that are not in our best interests, which may adversely affect our relationships with subscribers in our territory, increase our expenses and/or decrease our revenues.

Sprint, under the Sprint agreements, has a substantial amount of control over the conduct of our PCS business. Accordingly, Sprint may make decisions that adversely affect our PCS business, such as the following:

- Sprint could price its national plans based on its own objectives and could set price levels or other terms that may not be economically sufficient for our business;

- Sprint could develop products and services, such as a one-rate plan where subscribers are not required to pay roaming charges, or establish credit policies, such as an NDASL program, which could adversely affect our results of operations;

- Sprint could raise the costs to perform back office services or maintain the costs above those expected, reduce levels of services or otherwise seek to increase expenses and other amounts charged;

- Sprint can seek to further reduce the reciprocal roaming rate charged when Sprint's or PCS Affiliate's subscribers use our network;

- Sprint could, subject to limitations under our Sprint agreements, alter its network and technical requirements or request that we build out additional areas within our territories, which could result in increased equipment and build-out costs; or,

- Sprint could make decisions that could adversely affect the Sprint brand names, products or services; and Sprint could decide not to renew the Sprint agreements or to no longer perform its obligations, which would severely restrict our ability to conduct business in our PCS segment.

The occurrence of any of the foregoing could adversely affect our relationship with subscribers in our territories, increase our expenses and/or decrease our revenues and have a material adverse affect on our liquidity, financial condition and results of operation.

Our dependence on Sprint for services may limit our ability to reduce costs, which could adversely affect our financial condition and results of operations or may adversely affect our ability to predict our results of operations.

A substantial portion of our cost of service and roaming is outside our control. There can be no assurance that Sprint will lower its operating costs, or, if these costs are lowered, that Sprint will pass along savings to its PCS affiliates. If these costs are more than we anticipate in our business plan, it could adversely affect our liquidity, financial condition and results of operations and as noted below, our ability to replace Sprint with lower cost providers may be limited.

Over the past year our growing dependence on Sprint has interjected a greater degree of uncertainty to our business and financial planning. Unanticipated expenses and reductions in revenue have had and, if they occur in the future, will have a negative impact on our liquidity and make it more difficult to reliably predict our future performance.

In certain aspects of its relationship with Sprint, the Company, at times, disagrees with the applicability of, or calculation approach and accuracy of, Sprint supplied revenues and expenses. It is the Company's policy to reflect the information supplied by Sprint in the financial statements in the respective periods. Corrections, if any, are made no earlier than the period in which the parties agree to the corrections.

Inaccuracies in data provided by Sprint could understate our expenses or overstate our revenues and result in out-of-period adjustments that may materially adversely affect our financial results.

Because Sprint provides billing and collection services for the Company, Sprint remits a significant portion of our total revenues to us. As a result, we rely on Sprint to provide accurate, timely and sufficient data and information to properly record our revenues, expenses and accounts receivables which underlie a substantial portion of our periodic financial statements and other financial disclosures.

The Company and Sprint have previously discovered billing and other errors or inaccuracies, which, while not material to Sprint, could be material to the Company. If the Company is required in the future to make additional adjustments or charges as a result of errors or inaccuracies in data provided to us by Sprint, such adjustments or charges may have a material adverse affect on our financial results in the period that the adjustments or charges are made. We are subject to risks relating to Sprint's provision of back office services, changes in products, services, plans and programs.

The inability of Sprint to provide high quality back office services, or our inability to use Sprints back office services and third-party vendors' back office systems, could lead to subscriber dissatisfaction, increased churn or otherwise increase our costs. We rely on Sprint's internal support systems, including subscriber care, billing and back office support. Our operations could be disrupted if Sprint is unable to provide and expand its internal support systems in a high quality manner, or to efficiently outsource those services and systems through third-party vendors.

Changes in Sprint's PCS products and services may reduce subscriber additions, increase subscriber turnover and decrease subscriber credit quality. The competitiveness of Sprint's PCS products and services is a key factor in our ability to attract and retain subscribers.

Certain Sprint pricing plans, promotions and programs may result in higher levels of subscriber turnover and reduce the credit quality of our subscriber base.

Sprint's roaming arrangements may not be competitive with other wireless service providers, which may restrict our ability to attract and retain subscribers and create other risks for us.

We rely on Sprint's roaming arrangements with other wireless service providers for coverage in some areas where Sprint service is not yet available. The risks related to these arrangements include:

- the quality of the service provided by another provider during a roaming call may not approximate the quality of the service provided by the Sprint PCS network;

- the price of a roaming call off our network may not be competitive with prices of other wireless companies for roaming calls;

- subscribers must end a call in progress and initiate a new call when leaving the Sprint PCS network and entering another wireless network;

- Sprint customers may not be able to use Sprint's advanced features, such as voicemail notification, while roaming; and,

- Sprint or the carriers providing the service may not be able to provide us with accurate billing information on a timely basis.

If Sprint customers are not able to roam instantaneously or efficiently onto other wireless networks, we may lose current subscribers and our Sprint wireless services will be less attractive to new subscribers.

Certain provisions of the Sprint agreements may diminish the value of the Company's common stock and restrict or diminish the value of the business.

Under limited circumstances, Sprint may purchase the operating assets of the PCS operation at a discount. In addition, Sprint must approve any assignment of their Sprint agreements. Sprint also has a right of first refusal if the Company decides to sell its PCS operating assets to a third-party. These restrictions and other restrictions contained in the Sprint agreements could adversely affect the value of the Company's common stock, may limit our ability to sell our business, may reduce the value a buyer would be willing to pay for our business and may reduce the "entire business value," as described in our Sprint agreements.

We may have difficulty in obtaining an adequate supply of certain handsets from Sprint, which could adversely affect our results of operations.

We depend on our relationship with Sprint to obtain handsets. Sprint orders handsets from various manufacturers. We could have difficulty obtaining specific types of handsets in a timely manner if:

- Sprint does not adequately project the need for handsets for itself, its PCS affiliates and its other third-party distribution channels, particularly in transition to new technologies;

- Sprint gives preference to other distribution channels;

- we do not adequately project our need for handsets;

- Sprint modifies its handset logistics and delivery plan in a manner that restricts or delays our access to handsets; or,

- there is an adverse development in the relationship between Sprint and its suppliers or vendors.

The occurrence of any of the foregoing could disrupt our subscriber service and/or result in a decrease in our subscribers, which could adversely affect our results of operations.

If Sprint does not complete the construction of its nationwide digital wireless network, we may not be able to attract and retain subscribers.

Sprint currently intends to cover a significant portion of the population of the United States, Puerto Rico and the U.S. Virgin Islands by creating a nationwide network through its own construction efforts and those of its PCS Affiliates. Sprint is still constructing its nationwide network and does not offer PCS services, either on its own network or through its roaming agreements, in every city in the United States. Sprint has entered into management agreements similar to ours with companies in other markets under its nationwide digital wireless build-out strategy. Our results of operations are dependent on Sprint's national network and, to a lesser extent, on the networks of Sprint's affiliates. Sprint's digital wireless network may not provide nationwide coverage to the same extent as its competitors, which could adversely affect our ability to attract and retain subscribers.

If other Sprint Affiliates have financial difficulties, the Affiliate's network could be disrupted.

Sprint's national digital wireless network is a combination of networks. The large metropolitan areas are owned and operated by Sprint, and the areas in between them are owned and operated by Sprint PCS Affiliates, all of which are independent companies like we are. We believe that most, if not all, of these companies have incurred substantial debt to fund the large cost of building out their networks.

If other PCS Affiliates experience financial difficulties, Sprint's digital wireless network could be disrupted. If Sprint's agreements with those PCS Affiliates are similar to ours, Sprint would have the right to step in and operate the network in the affected territory. In such event, there can be no assurance that Sprint could transition in a timely and seamless manner.

Non-renewal or revocation by the Federal Communications Commission (FCC) of Sprint's PCS licenses would significantly harm our business. PCS licenses are subject to renewal and revocation by the FCC. There may be opposition to renewal of Sprint's PCS licenses upon their expiration, and Sprint's PCS licenses may not be renewed. The FCC has adopted specific standards to apply to PCS license renewals. Any failure by Sprint or us to comply with these standards could cause revocation or forfeiture of Sprint's PCS licenses for our markets. If Sprint loses any of its licenses in our market, we would be severely restricted in our ability to conduct business.

If Sprint does not maintain control over its licensed spectrum, the Sprint agreements may be terminated, which would result in our inability to provide service to our subscribers.

EXECUTIVE OFFICERS

The following table presents information about our executive officers who are not directors.

Name	Title	Age	Date In Position
Christopher E. French	President	45	April 1988
David E. Ferguson	Vice President of Customer Service	56	November 1982
David K. MacDonald	Vice President of Engineering and Construction	48	December 1999
Laurence F. Paxton	Vice President of Finance, Secretary and Treasurer	50	June 1991
William L. Pirtle	Vice President of Personal Communications Services	42	November 1992

ITEM 2. PROPERTIES

The Company owns a 24,000 square foot building in Edinburg, Virginia that houses the corporate headquarters and the Company's main switching center. A separate 10,000 square foot building in Edinburg, Virginia is used for customer services and retail sales. In late 1999, the Company purchased a 60,000 square foot building in Edinburg, Virginia which was initially used for storage and limited office space. Renovations are currently underway to convert a portion of the building into additional office space and meeting facilities. The Company also owns eight telephone exchange buildings that are located in the major towns and some of the rural communities, serving the regulated service area. These buildings contain switching and fiber optic equipment and associated local exchange telecommunications equipment. The Company owns a 6,000 square foot service building outside of the town limits of Edinburg, Virginia. The Company owns a 10,000 square foot building in Winchester, Virginia used for retail sales and office space. The Company has fiber optic hubs or points of presence in Hagerstown, Maryland; Front Royal, Harrisonburg, Herndon, Leesburg, Stephens City, Warrenton and Winchester, Virginia; and Martinsburg, West Virginia. The buildings are a mixture of owned on leased land, leased space, and leasehold improvements. The majority of the identified properties are of masonry construction, are suitable to their existing use, and are in adequate condition to meet the foreseeable future needs of the organization. The Company also leases retail space in Harrisonburg and Front Royal, Virginia, Hagerstown, Maryland, and Harrisburg, Mechanicsburg, and York, Pennsylvania. The Company plans to lease additional land, equipment space, and retail space in support of the ongoing PCS expansion.

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, 2002.

PART II

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

(a) Common stock price ranges and other market information are incorporated by reference to the following:

2002 Annual Report to Security Holders Market Information - Inside Front Cover

(b) Number of equity security holders is incorporated by reference to the following:

2002 Annual Report to Security Holders Five-Year Summary of Selected Financial Data - Page 8

(c) Frequency and amount of cash dividends are incorporated by reference to the following:

2002 Annual Report to Security Holders Market and Dividend Information - Page 3

The terms of a mortgage agreement require the maintenance of defined amounts of the Telephone subsidiary's equity and working capital after payment of dividends. Approximately $1,150,000 of the Telephone subsidiary's retained earnings was available for payment of dividends at December 31, 2002.

For additional information, see Note 5 in the Consolidated Financial Statements in the 2002 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 to the following:

2002 Annual Report to Security Holders Five-Year Summary of Selected Financial Data - Page 8

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 to the following:

2002 Annual Report to Security Holders Management's Discussion and Analysis of Financial Condition and Results of Operations - Pages 44-48

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risks relate primarily to changes in interest rates on instruments held for other than trading purposes. Our interest rate risk involves two components. The first component is outstanding debt with variable rates. As of December 31, 2002, the balance of the Company's variable rate debt was $3.5 million, primarily made up of a $3.2 million balance on the revolving note payable to CoBank, which matures November 1, 2003. The rate of this note is based upon the lender's cost of funds. The Company also has a variable rate line of credit totaling $2.5 million with SunTrust Banks, with $0.3 million outstanding at December 31, 2002. The Company's remaining debt has fixed rates through its maturity. A 10.0% decline in interest rates would increase the fair value of the fixed rate debt by approximately $1.6 million, while the current fair value of the fixed rate debt is approximately $51.1 million.

The second component of interest rate risk is temporary excess cash, primarily invested in overnight repurchase agreements and short-term certificates of deposit. Available cash will be used to repay existing and anticipated new debt obligations, maintaining and upgrading capital equipment, ongoing operations expenses, investment opportunities in new and emerging technologies, and potential dividends to the Company's shareholders. With the Company's sale of its cellular partnership interest in late February 2003 and the proceeds from the sale, interest rate risk for its excess cash has increased. Due to the recent date of the transaction, the cash is currently in short-term investment vehicles that have limited interest rate risk. Management is evaluating the most beneficial use of the cash from this transaction.

Management does not view market risk as having a significant impact on the Company's results of operations, although adverse results could be generated if interest rates were to escalate markedly. Since the Company liquidated its significant investments in stock during 2002, currently there is limited risk related to the Company's available for sale securities. General economic conditions impacted by regulatory changes, competition or other external influences may play a higher risk to the Company's overall results.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements included in the 2002 Annual Report to Security Holders are incorporated by reference as identified in Part IV, Item 14, on Pages 10-36

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

On March 11, 2002, the Company's Board of Directors voted to engage the accounting firm of KPMG LLP as the principal accountant to audit the Company's financial statements for the fiscal year ending December 31, 2002. On March 12, 2001, the Company's Board of Directors voted to engage the accounting firm of KPMG LLP as the principal accountant to audit the Company's financial statements for the fiscal year ending December 31, 2001, to replace the firm of McGladrey & Pullen, LLP, the principal accountant engaged to audit the Company's financial statements as of December 31, 2000, and for each of the years in the three year period ended December 31, 2000.

The Company conducted a competitive proposal process to select the independent public accountant to audit the Company's financial statements for the fiscal year ending December 31, 2001. The Company's Audit Committee received bids from several independent public accounting firms including McGladrey & Pullen, LLP. After reviewing the proposals, the Company's Audit Committee selected KPMG LLP, and the Company's Board of Directors approved this selection on March 12, 2001. McGladrey & Pullen, LLP did not resign or decline to stand for reelection. The Company decided, following the competitive proposal process, not to retain McGladrey & Pullen, LLP with respect to the audit of the Company's financial statements for periods beginning with the fiscal year ending December 31, 2001 and thereafter. McGladrey & Pullen, LLP's reports on the financial statements as of December 31, 2000, and for each of the years in the three year period ended December 31, 2000, contained no adverse opinion or disclaimer of opinion and were not qualified as to uncertainty, audit scope or accounting principles. In connection with the audits of the three fiscal years ended December 31, 2000 and through the subsequent interim period preceding the engagement of KPMG LLP, there were no disagreements with McGladrey & Pullen, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their reports on the financial statements to the subject matter of the disagreement.

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 21, 2003 - Pages 2 - 8

Information concerning executive officers is included in Part I, Item 4A. of this Form 10-K

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated by reference -

Proxy Statement, Dated March 21, 2003 - Pages 5 - 8

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security ownership by certain beneficial owners is incorporated by reference -

Proxy Statement, Dated March 21, 2003
Stock Ownership - Page 4

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

Proxy Statement, Dated March 21, 2003
Stock Ownership - Page 4

(c) Contractual arrangements -

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

(d) The following table sets forth the number of securities by equity compensation plan, which have been authorized and issued by the Company as of December 31, 2002. All securities issued reflected in the table are under the Company Stock Incentive Plan discussed in Note 10 in the 2002 Annual Report to Security Holders - Page 31.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted- average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	74,852	$29.98	127,503
Equity compensation plans not approved by security holders	None	None	None
Total	74,852	$29.98	127,503

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no relationships or transactions to disclose other than services provided by directors. Information about such services is which are incorporated by reference to the following:

Proxy Statement, Dated March 21, 2003
Directors - Page 5

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and Vice President-Finance and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. Based upon that evaluation, the Company's President and Chief Executive Officer and Vice President-Finance and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Since the date of the evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following financial statements are incorporated by reference to the Annual Report to Security Holders on the pages noted.

	Page Reference Annual Report
Financial Statements	
The following consolidated financial statements of Shenandoah Telecommunications Company are incorporated by reference in Part II, Item 8	
Auditors' Reports on 2002, 2001, and 2000 Consolidated Financial Statements	10-11
Consolidated Balance Sheets at December 31, 2002, 2001, and 2000	12-13
Consolidated Statements of Income for the Years Ended December 31, 2002, 2001, and 2000	14
Consolidated Statement of Shareholders' Equity and Comprehensive Income(Loss) Years Ended December 31, 2002, 2001, and 2000	15
Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001, and 2000	16-17
Notes to Consolidated Financial Statements	18-36

(a)(2) All Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) The following exhibits are either filed with this Form 10K or incorporated herein by reference. Our Securities Exchange Act file number is 0-9881.

13. Annual Report to Security Holders - Filed Herewith

21. List of Subsidiaries - Filed Herewith

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K (Continued)

23. Consent of Independent Accountants;

23.1 KPMG LLP

23.2 McGladrey & Pullen, LLP

Filed Herewith

(b). Reports on Form 8-K

There were three Form 8-Ks filed for the three months ended December 31, 2002, as set forth below:

Filing Date of Report	Item Reported
October 22, 2002	Item 5 (press release announcing third quarter results and an increase in the annual dividend)
November 22, 2002	Item 5 (press release announcing the agreement to sell the Company's 66% interest in VA 10 RSA Limited Partnership)
November 25, 2002	Item 5 (filing of the sales agreement for the sale of the Company's 66% interest in VA 10 RSA Limited Partnership)

(c). Certifications

The Chief Executive Officer and the Chief Financial Officer submitted certifications to the Securities and Exchange Commission required by section 906 of the Sarbanes - Oxley Act of 2002.

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 28, 2003

By: /s/ CHRISTOPHER E. FRENCH
Christopher E. French, President

PART IV (Continued)

SIGNATURES

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.

/s/CHRISTOPHER E. FRENCH March 31, 2003 Christopher E. French	President & Chief Executive Officer
/s/LAURENCE F. PAXTON March 31, 2003 Laurence F. Paxton	VP- Finance & Principal Financial Accounting Officer, Secretary, and Treasurer
/s/DOUGLAS C. ARTHUR March 31, 2003 Douglas C. Arthur	Director
/s/NOEL M. BORDEN March 31, 2003 Noel M. Borden	Director
/s/DICK D. BOWMAN March 31, 2003 Dick D. Bowman	Director
/s/KEN L BURCH March 31, 2003 Ken L. Burch	Director
/s/GROVER M. HOLLER, JR. March 31, 2003 Grover M. Holler, Jr.	Director
/s/HAROLD MORRISON, JR. March 31, 2003 Harold Morrison, Jr.	Director
/s/ZANE NEFF March 31, 2003 Zane Neff	Director
/s/JAMES E. ZERKEL II March 31, 2003 James E. Zerkel II	Director

Exhibits Index

Exhibit Number	Exhibit Description
4.1	Shenandoah Telecommunications Company Stock Incentive Plan filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 333-21733) and incorporated herein by reference.
4.2	Amended and Restated Articles of Incorporation of Shenandoah Telecommunications Company filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 333-21733) and incorporated herein by reference.
4.3	Bylaws of Shenandoah Telecommunications Company filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (No. 333-21733) and incorporated herein by reference.
4.4	Shenandoah Telecommunications Company Dividend Reinvestment Plan filed as Exhibit 4.4 to the Company's Registration Statement on Form S-3D (No. 333-74297) and incorporated herein by reference.
13	Annual Report to Security Holders, Filed Herewith.
21	List of Subsidiaries, Filed Herewith.
23.1	Consent of Independent Accountants; KPMG LLP, Filed Herewith.
23.2	Consent of Independent Accountants; McGladrey & Pullen, LLP, Filed Herewith.

Certification

I, Christopher E. French, Chief Executive Officer of Shenandoah Telecommunications Company certify that:

1. I have reviewed this annual report on Form 10-K of Shenandoah Telecommunications Company;

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

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

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

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

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

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

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

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

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

Certification
(continued)

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

/S/CHRISTOPHER E. FRENCH, Chief Executive Officer
March 28, 2003
Christopher E. French

Certification

I, Laurence F. Paxton, Chief Financial Officer of Shenandoah Telecommunications Company certify that:

1. I have reviewed this annual report on Form 10-K of Shenandoah Telecommunications Company;

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

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

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

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

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

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

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

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

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

Certification
(continued)

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

/S/LAURENCE F. PAXTON, Chief Financial Officer
March 28, 2003
Laurence F. Paxton

EXHIBIT 13

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES 2002 ANNUAL REPORT

Shareholder Information

OUR BUSINESS

Shenandoah Telecommunications Company is a holding company which provides various telecommunications services through its operating subsidiaries. These services include: wireline 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 telecommunications equipment sales and services; online information and Internet access provided to the multi-state region surrounding the Northern Shenandoah Valley of Virginia; financing of purchases of telecommunications facilities and equipment; paging services in the Northern Shenandoah Valley; resale of long distance services; operation and maintenance of an interstate fiber optic network; and a wireless personal communications service (PCS) and a tower network in the four-state region from Harrisonburg, Virginia to the Harrisburg and Altoona, Pennsylvania markets.

ANNUAL MEETING

The Board of Directors extends an invitation to all shareholders to attend the Annual Meeting of Shareholders. The meeting will be held Tuesday, April 22, 2003, at 11:00 a.m. in the Auditorium of the Company's offices at the Shentel Center, 500 Mill Road, Edinburg, Virginia. Notice of the Annual Meeting, Proxy Statement, and Proxy were mailed to each shareholder on or about March 21, 2003.

FORMS 10-K, 10-Q, and 8-K

The Company files periodic reports with the Securities and Exchange Commission. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, along with any amendments to these reports, are available to shareholders through the Company's website, www.shentel.com. This website also has recent news releases and other information potentially of interest to shareholders.

A copy of the Company's Annual Report on Form 10-K may also be obtained, without charge, upon written request to Mr. Laurence F. Paxton, Vice President - Finance, Shenandoah Telecommunications Company, P. O. Box 459, Edinburg, VA 22824.

MARKET AND DIVIDEND INFORMATION

The Company's stock is traded on the NASDAQ National Market under the symbol "SHEN." Information on the high and low sales prices per share of the common stock as reported by the NASDAQ National Market for the last two years is presented in Note 15 to the audited consolidated financial statements appearing elsewhere in this report. NASDAQ trading activity is also available from any stockbroker, or from numerous Internet websites.

The Company historically has paid an annual cash dividend on or about December 1st of each year. The cash dividend per share was $0.74 in 2002 and $0.70 in 2001. The Company's ability to pay dividends is restricted by its long-term loan agreements. The loan agreements are not expected to limit dividends in amounts that the Company historically has paid.

As of March 21, 2003, there were approximately 3,958 holders of record of the Company's common stock.

CORPORATE HEADQUARTERS
Shenandoah Telecommunications Company
124 South Main Street
Edinburg, VA 22824

INDEPENDENT AUDITOR
KPMG LLP
1021 East Cary Street
Richmond, VA 23219

SHAREHOLDERS' QUESTIONS AND STOCK TRANSFERS
CALL (540) 984-5200
Transfer Agent - Common Stock
Shenandoah Telecommunications Company
P.O. Box 459
Edinburg, VA 22824

This Annual Report to Shareholders 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.

Letter To The Shareholders

March 21, 2003

Dear Shareholder:

The year 2002 was one of celebration of our past and continued progress towards our future. In early June, we celebrated 100 years of service as an organization, thankful for the customers who allowed us to provide their services and appreciative of the combined efforts of our employees, management, Board members, and our shareholders. During its history, the Company has weathered many periods of poor economic conditions. Although not the worst of those periods, the current general business environment has been very tough, particularly for the telecommunications industry. Despite these external factors, your Company was able to achieve continued improvement in its key operating results, growing its revenues and operating profits, and reducing its debt.

Last year we reported that relative to the telecommunications industry as a whole we had an excellent year. While 2002 was also a good year, we were not immune to the broader forces that are negatively impacting our industry. On a positive note, our revenues reached a record $93.0 million, an increase of $24.3 million, or 35 percent, over 2001. Our operating income grew to $9.3 million from $6.4 million, or 45 percent. In addition to improving our operating results, we reduced our total debt from $62.6 million to $55.5 million at the end of 2002. Negative factors during the year were the losses on our external investments, the large increase in bad debt expense, and to a lesser degree, the increase in costs from customer bankruptcy filings. The resulting net income for 2002 was $4.5 million, a decrease from $16.4 million reported in 2001. Excluding the gains and losses from our external investments, net income would have been $10.5 million in 2002 and $8.3 million in 2001.

Industry financial problems had their biggest impact on the value of our external investments. During 2002, we incurred a loss on investments of $10.4 million, compared to a gain of $12.9 million in 2001. As reported last year, the 2001 results included a non-cash gain on exchange of investment securities related to our holdings of VeriSign, Inc. stock. At the beginning of 2002, this stock was worth $11.8 million, but was sold during the year for $2.8 million. Our original investment in VeriSign's predecessor companies was approximately $1.0 million. Total proceeds from all of our sales of stock in VeriSign and its predecessor companies were $8.1 million, or more than eight times our original investment.

Total net income was also negatively impacted by the uncollectible revenue and associated write-offs in our PCS operation due to the poor payment experience generated largely by Clear PaySM customers. PCS service revenues written off as uncollectible during 2002 increased $2.5 million over the amount written off in 2001. Improvements have been made to the Clear Pay offering to reduce the negative impacts; however, it will take some time to restore our churn and uncollectible percentages to acceptable levels. While not as big of an impact, industry bankruptcy filings further reduced our net income, with some of our telecommunications customers filing for corporate bankruptcy protection during 2002. At the beginning of 2002, we were receiving approximately $303,000 in monthly revenues from three of these customers, but by the end of 2002, after their bankruptcy filings, they were providing about $270,000 per month, an annualized reduction of $396,000. So far in 2003, indications point to continuing problems for our corporate customers that are overextended or having problems meeting their business objectives.

This past November, the Company announced it had signed an agreement with Verizon Wireless to sell them the Company's 66% general partner interest in the Virginia 10 RSA Limited Partnership for $37 million. This sale was completed on February 28, 2003. This partnership, managed by our Shenandoah Mobile Company subsidiary, did business under the name of Shenandoah Cellular, and operated an analog cellular network covering a population of approximately 198,000 people in the northern Shenandoah Valley of Virginia. In recent years, this partnership interest was a major contributor to our financial performance, producing after tax earnings of $7.4 million and $6.7 million in 2002 and 2001 respectively. While its financial contribution was large, our analog cellular operation was not likely to continue its historical revenue and earnings growth, and at the time of the sale its customer base had declined to about half of its peak in early 2000. We believe our significantly larger digital PCS operation, while currently generating unacceptable losses, has greater potential as a source of long-term earnings growth.

As a PCS Affiliate of Sprint, we will focus our wireless efforts on providing digital PCS service to a 2.0 million population area in our four-state market region. The expansion of our PCS network has had a negative impact on our net income due to the high level of capital investment and fixed operating costs associated with its build-out. While we continue to believe in the long-term prospects of operating as part of Sprint's nationwide digital network, the current state of affairs for many of the PCS Affiliates Sprint is a cause for concern. Some of the PCS Affiliates have received considerable press about high debt levels and problems meeting their debt covenants. We do not have the same immediate concerns, as we have been able to reduce our overall debt while still meeting our initial contractual build-out obligations. We now have about 240 base stations in service and expect capital spending in our PCS operation to decline. We still need, however, to improve the operating economics of this business. Both Sprint and its affiliates should benefit from increasing economies of scale, higher margin rate plans and services, reducing churn and bad debt, and better market focus.

Although our wireless efforts consumed a large part of our time and resources during the year, our other operations remained significant contributors to our financial results and provide additional growth opportunities. With the impact of customer bankruptcies, our Telephone subsidiary's net income increased slightly to $7.6 million from $7.2 million in 2001. Our CATV subsidiary achieved a profit in 2002, with net income of $0.3 million compared to a loss of $0.5 million in 2001. ShenTel Service Company, which offers our Internet access services and provides online information services, also earned $0.3 million in 2002, an improvement over its loss of $0.1 million in 2001.

ShenTel Service Company was recently awarded a one-year, $1.3 million contract from the Virginia Department of Transportation to assist with the continuation of the 511Virginia service. This service provides travel information services along Virginia's Interstate 81 corridor. First started in 1998 as a trial project covering the northern portion of Interstate 81, the 511Virginia project has evolved into a showcase example of how telecommunications technology can be applied to deliver relevant information to those who make use of this important transportation route throughout its entire length in Virginia.

We have continued to deploy network equipment to provide high speed, Digital Subscriber Line (DSL) capability to our customers. At the end of the year, DSL service was available to approximately 80 percent of our telephone subscribers. Ongoing network enhancements will continue to increase this number, with a long-term goal of eventually making this service available to all of our subscribers. Other network enhancements took place during the year, most importantly the completion of our diverse Northern Virginia fiber route, providing increased reliability to this critical part of our extensive interstate fiber network.

There are many employees who contribute to our ongoing efforts to provide good service to our customers and to economically grow our business. As a growing company, when we completed the cellular sale we were able to offer transfers to all ten employees involved in its daily operations. Our growth also allows some employees to build long-term careers with our Company. One such employee is Ray Hawkins, who retired from Shenandoah Telephone Company after more than 42 years of service. Ray was a classic "telephone man," dedicated to putting the customer's needs first. His career started in the days when telephone networks had cross arms and open wire, and ended in today's world of fiber optics and wireless. He will be missed as a member of our team, but he retires with the thanks of all of us that he has helped along the way.

The telecommunications industry is still suffering from the excesses of the late 1990's. Our Company fortunately avoided these excesses, and our stock price again performed well against the general market and the telecommunications sector in 2002. The Proxy Statement provides a five-year shareholder return graph showing that $100 invested in Shentel stock at the end of 1997 would have been worth $281 as of the end of 2002, a compound annual growth rate of 23 percent. For the same time period, $100 invested in a fund indexed to the NASDAQ US market would have been worth $86, an annual decline of 3 percent. Investing in the S&P's Integrated Telecommunications Services group of stocks would have resulted in the $100 declining to $67 by the end of 2002, an annual decline of 8 percent.

While generally avoiding the overall market and industry declines, our stock can have large up and down movements. Recent price levels are a case in point, as the stock has been trading in the low $30's, down from its closing price of $48.56 at the end of 2002. Every investor may have his or her own theory or explanation for a decline such as this. The sale of our cellular partnership interest, problems between Sprint and its PCS Affiliates, and ongoing financial and regulatory uncertainty for our industry, are all possible factors. The average trading volume of Shentel shares has been increasing. It is still not large enough, however, to easily accommodate sales of large quantities of stock without creating a temporary oversupply of shares, and thus putting additional downward pressure on the price.

Although drops in share price make investors uneasy, management's focus must remain on long-term growth in the Company's earnings, and not on short-term variations of stock prices. Over time, earnings growth should drive the value of our stock, and therefore our shareholders' investment. Accomplishing this growth has been, and will remain, our primary goal.

For the Board of Directors,

Christopher E. French
President

Senior Management

(Picture)

Left to right: David K. MacDonald, VP-Engineering and Construction, Laurence F. Paxton, VP-Finance, William L. Pirtle, VP-Personal Communications Service, Christopher E. French, President, David E. Ferguson, VP-Customer Service, and Marcia J. Engle, Human Resources Manager

Comparative Highlights
(Dollar figures in thousands, except per share data.)

	December 31, 2002	December 31, 2001	Increase (Decrease) Amount	Increase (Decrease) Percent
Operating Revenues	$ 92,957	$ 68,704	$ 24,253	35.3%
Operating Expenses	83,619	62,280	21,339	34.3%
Income Taxes (Benefit)	(2,109)	5,811	(7,920)	(136.3%)
Interest Expense	4,195	4,127	68	1.6%
Income (Loss) from Continuing Operations	(2,893)	9,694	(12,587)	(129.8%)
Discontinued Operations, net of taxes	7,412	6,678	734	11.0%
Net Income	4,519	16,372	(11,853)	(72.4%)
Income (Loss) per Share from Continuing Operations - diluted	(0.77)	2.57	(3.34)	(130.0%)
Income per Share from Discontinued Operations - diluted	1.97	1.77	0.20	11.3%
Income per Share - diluted	1.20	4.34	(3.14)	(72.4%)
Cash Dividend per Share	0.74	0.70	0.04	5.7%
Percent Return on Equity	5.9	21.9	(16.0)	(73.1%)
Common Shares Outstanding	3,775,909	3,765,478	10,431	0.3%
No. of Shareholders	3,954	3,752	202	5.4%
No. of Employees (full-time equivalent)	268	252.5	15.5	6.1%
Wages & Salaries	$ 10,051	$ 8,994	1,057	11.8%
Investment in Net Plant	132,152	124,832	7,320	5.9%
Capital Expenditures	23,015	28,543	(5,528)	(19.4%)

Shenandoah Telecommunications Celebrates its 100th Anniversary

In 2002, Shenandoah Telecommunications Company celebrated 100 years of service to the residents of Shenandoah County, Virginia and its surrounding areas. Numerous events were planned to recognize and show appreciation for the role of our employees, shareholders, and customers in achieving this milestone of service.

[PHOTO]
Display of Company memorabilia

To start the official celebration, the Company's customers were mailed an eight-page publication depicting our rich history. Articles and anecdotes from present and former employees were included which told of our roots as The Farmers' Mutual Telephone System of Shenandoah County, when the local farmers constructed and maintained the lines. The involvement of local owners established a solid foundation for the future evolution into the state of the art telecommunications company we are today.

A full-page ad appeared in local newspapers on Thursday, June 6th, listing the names of all 264 current employees and giving recognition to their contributions to the success of the Company. On Thursday and Friday nights receptions were held for employees at Edinburg, Virginia and Carlisle, Pennsylvania. At the receptions, employees were given a gift of one share of stock for each year of service. This grant, totaling 2,327 shares, was made from the Stock Incentive Plan and represented the combined years of service of the Company's 264 employees.

On Saturday, June 8, 2002, a banquet was held at the Shentel Center that was attended by more than 100 state and local dignitaries, shareholders, relatives of past Company leaders, and industry friends. Invited guests received a 1902 Morgan silver dollar and a 2002 Eagle silver dollar, representing the Company's accomplishments in the past, and our hopes for success in the future.

Judge I. Clinton Miller, Chairman of the Virginia State Corporation Commission and former state delegate, served as master of ceremonies at the catered affair. Warren B. French, Jr., Chairman Emeritus, spoke on the Company's past accomplishments, and Christopher E. French, President and CEO, gave a brief overview of current operations and an outlook for the future.

[PHOTO]
Visitors browse one of the many exhibits at the Open House.

As a gift of appreciation to the citizens of Shenandoah County, the Directors of the Shentel Foundation announced at the banquet that the Foundation desired to make a grant of up to $500,000 to help the County fund the establishment of a Cultural Center for its citizens. This grant is dependent upon the successful results of a feasibility study, which was partially funded by the Shentel Foundation, to establish a Cultural Center at the old Edinburg School.

To cap off the Anniversary celebration, the public was invited to an open house on Sunday, June 9, 2002. A museum of items that played an important role in the history of the Company's telecommunications services was on display at the Shentel Center. During the open house, tours were also given at the Shentel Corporate offices, the Customer Service Building, and the Newman Service Building.

Travel Information Service Continues Expansion

In January 2003, the Virginia Department of Transportation (VDOT) awarded a twelve-month, $1.3 million contract to ShenTel Service Company for the provisioning of traveler information services along the Interstate 81 corridor. ShenTel has been involved in providing traffic and travel information services since 1998. Initially started as a trial project, the service evolved to become Travel Shenandoah in 2000. In February 2002, the name was changed to 511Virginia to reflect its expansion beyond the northern Shenandoah Valley, and to incorporate use of the 511 code which has been reserved nationwide for travel information services. Today 511Virginia serves 35 counties along the 325-mile Interstate 81 corridor, which has a resident population of 1.4 million.

Traveler information is accessed by dialing the abbreviated code 511 where currently available, and then interacting with an advanced voice-recognition system. Where the 511 code has not yet been activated, customers may access the service by dialing 1-800-578-4111, or through the Internet website www.511Virginia.org. In addition to information on traffic and road conditions, users of 511Virginia can receive information on lodging, tourist attractions, restaurants, and shopping.

[PHOTO]

Variable message sign recently installed on Interstate 81 alerts travelers to dial 511 for travel information.

Virginia was the first state to offer traveler services beyond traditional transportation-related information, and the second to apply voice recognition technology. It is currently one of twelve states making use of the 511 code to provide access to the service. ShenTel Service Company has played a significant role in the development of these traveler information services, and the application of new technologies to enhance their functionality.

The original travel information effort was a public-private partnership between ShenTel, VDOT, and the Virginia Tech Transportation Institute (VTTI). VTTI continues to be the statistical data clearinghouse for 511Virginia, compiling information from VDOT, the Virginia State Police, and other sources to keep the 511Virginia data current.

The campaign to promote 511 began with VDOT placing blue 511 signs every 12 to 15 miles along Interstate 81. Variable message boards have been added along the interstate to advise travelers to "Dial 511" in case of bad weather or traffic incidents. Other forms of 511 marketing include rack card distribution at rest stops, information centers, restaurants, and other locations frequented by interstate travelers. ShenTel publishes a quarterly newsletter on 511Virginia which focuses on the growth and use of 511 and features businesses that use 511 to market their products and services. The newsletter is distributed along the Interstate 81 corridor to businesses, chambers of commerce, and visitor centers.

More and more people are taking advantage of the traveler information available through 511Virginia. In its first full month of operation, the system received approximately 750 calls. By February of 2003, the average monthly call volume had increased to 25,000.

The Virginia Department of Transportation hopes to provide the 511Virginia service statewide by 2005. ShenTel is in a position to play a major role in this future expansion.

A Challenging Year for PCS

Our PCS operation made some notable network enhancements during 2002. During the first half we upgraded the entire network to offer third generation service known as 3G, and introduced PCS VisionSM from Sprint service to our customers in August. Using the enhanced network capabilities of 3G, PCS Vision allows customers to use their handsets to send and receive email, take pictures and share them with friends and family, download games and ring tones, and surf the Internet, all at average speeds of 50-70 kbps (peak speed is 144 kbps), which rivals wireline dial-up Internet access. The same 3G hardware upgrade significantly increased the voice handling capabilities of the network to accommodate the continued growth in voice traffic. In 2002 we added 53 new base stations to the network to expand our coverage area, and we upgraded several existing base stations to accommodate continued growth in voice and data traffic. These enhancements were quickly put to use, as by the end of 2002 the Company had approximately 67,800 Sprint wireless customers, a 43 percent increase from the previous year.

Marketing of new service plans within our PCS business presented far greater challenges. In the spring of the year, the Company determined that the Clear Pay program, designed for credit challenged customers, was not producing the results we expected. We therefore chose to significantly scale back our participation in this program. The addition of a large number of credit challenged customers added towards the end of 2001 and the beginning of 2002 led to increased cancellations of service (churn), and increased bad debt expense as customers failed to pay their bills. Our second quarter implementation of additional deposit requirements, combined with re-focusing the efforts of our employees and third party retailers, helped to improve the credit quality of our customer base. In the middle of the year churn started to return to more normal levels and towards the end of the year bad debt associated with Sprint wireless customers was decreasing as well. The Company will continue requiring larger deposits from credit challenged customers who wish to use our wireless service offerings.

With the substantial alterations to the Clear Pay program, the nature of our retail sales was modified. In conjunction with the deposit requirement changes, our retail sales team focused on our relationships with national retail partners. In some instances our efforts paid immediate benefits in the form of increased sales and improved customer care, particularly in the Quad State region from Harrisonburg, Virginia to Chambersburg, Pennsylvania. However, in the remainder of our market area in Central Pennsylvania, retail sales by our own stores, as well as by third party channels, were slower to improve, and will require continued focus and attention.

Our business sales team altered its sales approach to take advantage of our PCS Vision network and improve our financial performance. Instead of focusing primarily on the sale of handsets, the team shifted to showing the value of applying Sprint wireless products and services to meet tangible business needs. With the advanced capabilities of Sprint's enhanced nationwide digital network, such as wireless-enabled Personal Digital Assistants and wireless Internet access, businesses that use Sprint wireless products and services can improve their productivity and their bottom lines.

DSL Service Available to Large Majority of Shentel Customers

Digital Subscriber Line (DSL) is a high-speed, broadband access technology that works over the wireline telephone network. Subject to distance limitations, DSL can provide data and Internet transmission rates which greatly exceed the speeds available over a regular dial-up connection.

[PHOTO]
Mike Moton works on remote DSL equipment used to extend the reach of the service.

While there has been considerable discussion in the press concerning the lack of broadband access in rural areas, Shentel recognized early on the need to make these services available to residences and businesses served by its local network. Beginning with vendor selection and testing in 1999, Shentel undertook a focused effort to deploy DSL equipment in all of its local serving area exchanges. With an initial investment of $500,000, DSL services were launched in 2000. At that time, approximately 60 percent of the homes and businesses located in Basye, Edinburg, Fort Valley, Mt. Jackson, New Market, Strasburg, Toms Brook, and Woodstock, as well as Bergton in Rockingham County, were capable of receiving DSL.

[PHOTO]
Josh Rhinehart performs maintenance on DSL network equipment.

Since the initial service launch, technology enhancements have allowed Shentel to extend the range of its DSL capabilities. By the end of 2002, the availability of DSL had grown to approximately 80 percent of the homes and businesses served by Shentel. In the more densely populated areas of Shenandoah County, such as Woodstock and Strasburg, DSL availability is approaching 95 percent. During 2002 we also successfully launched DSL services in adjacent Warren County. Through coordination with that area's local telephone company, Shentel offers high-speed Internet access to Shentel Internet customers located outside our Telephone subsidiary's present serving area.

As technology advancements permit, Shentel will continue its efforts to expand DSL services into the remaining parts of our local telephone serving area. Our ultimate goal is to make these services available to every household and business. At the end of 2002, over 650 Shentel customers were enjoying the benefits of DSL to obtain high-speed access to the Internet. We expect continued growth in the future, as broadband service becomes increasingly essential to the Internet experience. As with the introduction of many new technologies over the Company's history, Shentel was an early provider of these advanced services, in many cases making them available for our rural communities before they were introduced to other more populated areas of the country.

Board of Directors

(PICTURE)
Douglas C. Arthur
Attorney-at-Law,
Arthur and Allamong

(PICTURE)
Ken L. Burch
Farmer

(PICTURE)
Harold Morrison, Jr.
Chairman of the Board, Woodstock Garage, Inc. (an auto sales and repair firm)

(PICTURE)
Noel M. Borden
Retired President,
H. L. Borden Lumber Company (a retail building materials firm)

(PICTURE)
Christopher E. French
President,
Shenandoah Telecommunications Company and its subsidiaries

(PICTURE)
Zane Neff
Retired Manager, Hugh Saum Company, Inc. (a hardware and furniture store)

(PICTURE)
Dick D. Bowman
President, Bowman Bros., Inc. (a farm equipment dealer)

(PICTURE)
Grover M. Holler, Jr.
President, Valley View, Inc. (a real estate developer)

(PICTURE)
James E. Zerkel II
Vice President,
James E. Zerkel, Inc. (a hardware firm)

Five-Year Summary of Selected Financial Data
(Dollar figures in thousands, except per share data.)

	2002	2001	2000	1999	1998
Operating Revenues	$ 92,957	$ 68,704	$ 44,426	$ 29,684	$ 26,230
Operating Expenses	83,619	62,280	39,048	24,607	20,885
Income Taxes (Benefit)	(2,109)	5,811	2,975	1,729	2,148
Interest Expense	4,195	4,127	2,936	1,951	1,706
Income (Loss) from Continuing Operations	$ (2,893)	$ 9,694	$ 5,091	$ 2,927	$ 3,346
Discontinued Operations, net of tax	7,412	6,678	4,764	3,501	2,258
Net Income	4,519	16,372	9,855	6,428	5,604
Total Assets	164,004	167,372	152,585	133,644	94,137
Long-term Obligations	52,043	56,436	55,487	33,030	29,262
Shareholder Information					
Number of Shareholders	3,954	3,752	3,726	3,683	3,654
Shares Outstanding	3,775,909	3,765,478	3,759,231	3,755,760	3,755,760
Income (Loss) per share from Continuing Operations-diluted	$ (0.77)	$ 2.57	$ 1.35	$ 0.78	$ 0.89
Income per share from Discontinued Operations-diluted	1.97	1.77	1.26	0.93	0.60
Net Income per share-diluted	1.20	4.34	2.61	1.71	1.49
Cash Dividends per share	0.74	0.70	0.66	0.56	0.51

INDEPENDENT AUDITORS' REPORT

[LOGO]

The Board of Directors and Shareholders
Shenandoah Telecommunications Company:

We have audited the accompanying consolidated balance sheets of Shenandoah Telecommunications Company and subsidiaries (the Company), as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and comprehensive income (loss), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill in 2002.

/s/ KPMG LLP

Richmond, Virginia
February 14, 2003, except as to Note 2,
which is as of February 28, 2003

INDEPENDENT AUDITORS' REPORT

McGLADREY & PULLEN, LLP
Certified Public Accountants
[LOGO]

The Board of Directors and Shareholders
Shenandoah Telecommunications Company
Edinburg, Virginia

We have audited the accompanying consolidated balance sheet of Shenandoah Telecommunications Company and Subsidiaries as of December 31, 2000, and the related consolidated statement of income, shareholders' equity and comprehensive income (loss), and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides 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, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullin, LLP

Richmond, Virginia
January 26, 2001

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2002, 2001 and 2000
in thousands

ASSETS (Note 5)	2002	2001	2000
Current Assets			
Cash and cash equivalents	$ 2,209	$ 2,037	$ 2,545
Accounts receivable (Notes 1 and 8)	7,536	5,739	5,199
Income taxes receivable	12	1,205	2,052
Materials and supplies	1,787	2,934	2,627
Prepaid expenses and other	2,205	1,146	847
Deferred income taxes (Note 6)	1,197	575	292
Assets held for sale (Note 2)	5,548	2,973	2,945
Total current assets	20,494	16,609	16,507
Securities and Investments (Notes 3 and 8)			
Available-for-sale securities	151	12,025	11,771
Other investments	7,272	6,438	6,996
Total securities and investments	7,423	18,463	18,767
Property, Plant and Equipment			
Plant in service (Note 4)	184,069	154,345	117,178
Plant under construction	5,209	14,960	29,350
	189,278	169,305	146,528
Less accumulated depreciation	57,126	44,473	38,140
Net property, plant and equipment	132,152	124,832	108,388
Other Assets			
Assets held for sale (Note 2)	--	3,272	3,420
Cost in excess of net assets of business acquired	5,105	5,105	5,105
Deferred charges and other assets (Note 1)	667	1,452	909
Radio spectrum license	--	--	1,341
	5,772	9,829	10,775
Less accumulated amortization	1,837	2,361	1,852
Net other assets	3,935	7,468	8,923
Total assets	$164,004	$167,372	$152,585

See accompanying notes to consolidated financial statements.

(Continued)

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2002, 2001 and 2000
in thousands

LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001	2000
Current Liabilities			
Current maturities of long-term debt (Note 5)	$ 4,482	$ 4,387	$ 2,403
Revolving line of credit (Note 5)	3,503	6,200	--
Accounts payable (Note 7)	5,003	5,128	9,096
Advanced billings and customer deposits	3,538	2,652	1,294
Refundable equipment payment (Note 7)	--	--	3,871
Accrued compensation	1,268	1,084	996
Other current liabilities	1,564	1,455	1,467
Current liabilities held for sale (Note 2)	542	735	1,212
Total current liabilities	19,900	21,641	20,339
Long-term debt, less current maturities (Note 5)	47,561	52,049	53,084
Other Liabilities			
Deferred income taxes (Note 6)	15,859	14,977	9,510
Pension and other (Note 9)	2,441	2,265	1,602
Total other liabilities	18,300	17,242	11,112
Minority Interests in discontinued operations	1,666	1,838	1,715
Commitments and Contingencies (Notes 2,3,5,6,7,9,12,13)			
Shareholders' Equity (Notes 5 and 10)			
Common stock, no par value, authorized 8,000 shares; issued and outstanding 3,776 shares in 2002, 3,765 shares in 2001, and 3,759 shares in 2000	5,246	4,950	4,817
Retained earnings	71,335	69,610	55,873
Accumulated other comprehensive income (Note 3)	(4)	42	5,645
Total shareholders' equity	76,577	74,602	66,335
Total liabilities and shareholders' equity	$ 164,004	$167,372	$152,585

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2002, 2001 and 2000
in thousands, except per share amounts

	2002	2001	2000
Operating revenues:			
Wireless (Notes 7 and 8)	$ 57,867	$ 36,133	$ 14,911
Wireline	28,738	27,468	24,480
Other	6,352	5,103	5,035
Total operating revenues	92,957	68,704	44,426
Operating expenses:			
Cost of goods and services	10,485	7,392	5,743
Network operating costs (Note 8)	32,511	26,756	14,979
Depreciation and amortization	14,482	11,263	6,759
Selling, general and administrative	26,141	16,869	11,567
Total operating expenses	83,619	62,280	39,048
Operating income	9,338	6,424	5,378
Other income (expense):			
Interest expense	(4,195)	(4,127)	(2,936)
Net gain (loss) on investments (Note 3)	(10,004)	12,943	5,602
Non-operating income (expense), net	(141)	265	22
	(14,340)	9,081	2,688
Income (loss) before income taxes and discontinued operations	(5,002)	15,505	8,066
Income tax provision (benefit) (Note 6)	(2,109)	5,811	2,975
Income (loss) from continuing operations	(2,893)	9,694	5,091
Discontinued operations, net of income taxes (Note 2)	7,412	6,678	4,764
Net income	$ 4,519	$ 16,372	$ 9,855
Income (loss) per share: Basic Net income (loss) per share:			
Continuing operations	$ (0.77)	$ 2.58	$ 1.35
Discontinued operations	1.97	1.77	1.27
	$ 1.20	$ 4.35	$ 2.62
Weighted average shares outstanding, basic	3,771	3,761	3,757
Diluted Net income per share:			
Continuing operations	$ (0.77)	$ 2.57	$ 1.35
Discontinued operations	1.97	1.77	1.26
	$ 1.20	$ 4.34	$ 2.61
Weighted average shares, diluted	3,771	3,774	3,771

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2002, 2001 and 2000
in thousands, except per share amounts

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2000	3,756	$ 4,734	$ 48,499	$ 17,042	$ 70,275
Comprehensive income:					
Net income	--	--	9,855	--	9,855
Net unrealized change in securities available-for-sale, net of tax of $6,974	--	--	--	(11,397)	(11,397)
Total comprehensive loss					(1,542)
Dividends declared ($0.66 per share)	--	--	(2,481)	--	(2,481)
Common stock issued through exercise of incentive stock options	3	83	--	--	83
Balance, December 31, 2000	3,759	4,817	55,873	5,645	66,335
Comprehensive income:					
Net income	--	--	16,372	--	16,372
Net unrealized change in securities available-for-sale, net of tax of $3,482	--	--	--	(5,603)	(5,603)
Total comprehensive income					10,769
Dividends declared ($0.70 per share)	--	--	(2,635)	--	(2,635)
Common stock issued through exercise of incentive stock options	6	133	--	--	133
Balance, December 31, 2001	3,765	4,950	69,610	42	74,602
Comprehensive income					
Net income	--	--	4,519	--	4,519
Net unrealized change in securities available-for-sale, net of tax of $29	--	--	--	(46)	(46)
Total comprehensive income					4,473
Dividends declared ($0.74 per share)	--	--	(2,794)	--	(2,794)
Common stock issued through exercise of incentive stock options and stock grants	11	296	--	--	296
Balance, December 31, 2002	3,776	$ 5,246	$ 71,335	$ (4)	$ 76,577

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002, 2001 and 2000
in thousands

	2002	2001	2000
Cash Flows from Operating Activities			
Income (loss) from continuing operations	$ (2,893)	$ 9,694	$ 5,091
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,476	10,540	6,434
Amortization	6	723	325
Deferred income taxes	289	8,666	130
Loss on disposal of assets	739	506	15
Net (gain) loss on disposal of investments	9,034	(14,162)	(5,178)
Net (gain) loss from patronage and equity investments	393	789	(975)
Other	443	987	263
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,797)	(864)	(1,552)
Materials and supplies	1,147	(307)	1,105
Increase (decrease) in:			
Accounts payable	1,067	(3,968)	6,633
Other prepaids, deferrals and accruals	120	(2,263)	(2,160)
Net cash provided by operating activities	23,024	10,341	10,131
Cash Flows From Investing Activities			
Purchase and construction of plant and equipment, net of retirements	(22,612)	(27,972)	(44,034)
Purchase of investment securities	(1,775)	(1,250)	(2,787)
Proceeds from sale of equipment	77	482	--
Proceeds from sale of radio spectrum license	--	1,133	--
Proceeds from sale of securities (Note 3)	3,301	5,842	7,615
Other, net	--	--	154
Net cash used in investing activities	(21,009)	(21,765)	(39,052)

(Continued)

SHENANDOAH TELECOMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002, 2001 and 2000
in thousands

	2002	2001	2000
Cash Flows From Financing Activities			
Proceeds from issuance of long-term debt	$ --	$ 24,641	$ 24,120
Principal payments on long-term debt	(4,393)	(23,692)	(1,663)
Net proceeds from lines of credit	(2,697)	6,200	--
Debt issuance costs	--	(175)	--
Dividends paid	(2,794)	(2,635)	(2,481)
Proceeds from exercise of incentive stock options	296	133	83
Net cash provided by (used in) financing activities	(9,588)	4,472	20,059
Net cash used in continuing operations	(7,573)	(6,952)	(8,862)
Net cash provided by discontinued operations	7,745	6,444	6,204
Net increase (decrease) in cash and cash equivalents	172	(508)	(2,658)
Cash and cash equivalents:			
Beginning	2,037	2,545	5,203
Ending	$ 2,209	$ 2,037	$ 2,545
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest, net of capitalized interest of $93 in 2002; $134 in 2001; and $301 in 2000	$ 4,274	$ 4,217	$ 3,057
Income taxes	$ 1,045	$ 506	$ 8,656

Non-cash transactions:

During 2002, the Company issued 2,327 shares of Company stock to employees valued at $0.1 million in recognition of the Company's 100th year anniversary.

In December 2001, the Company received 310,158 shares of VeriSign Inc. common stock in exchange for 333,504 shares of Illuminet Holdings, Inc. stock as a result of the merger of the two entities.

The Company completed the sale of its GSM network equipment in January 2001, for approximately $6.5 million of which approximately $4.9 million was escrowed as part of a like-kind exchange transaction. The escrowed funds were disbursed as new equipment was received during the first six months of 2001.

See accompanying notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Description of business: Shenandoah Telecommunications Company and subsidiaries (the Company) provides telephone service, wireless personal communications service (PCS) under the Sprint brand name, cable television, unregulated communications equipment sales and services, Internet access, and paging services. In addition, the Company leases towers and operates and maintains an interstate fiber optic network. The Company's operations are located in the four state region surrounding the Northern Shenandoah Valley of Virginia. Operations follow the Interstate 81 corridor, through West Virginia, Maryland and into South-Central Pennsylvania. The Company is the exclusive PCS Affiliate of Sprint providing wireless mobility communications network products and services in the geographic area extending from Altoona, Harrisburg and York, Pennsylvania, south through Western Maryland, and the panhandle of West Virginia, to Harrisonburg, Virginia. The Company is licensed to use the Sprint brand name in this territory, and operates its network under the Sprint radio spectrum license (see Note 7). 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 other entities where effective control is exercised. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates: Management of the Company has made a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews its estimates, including those related to recoverability and useful lives of assets as well as liabilities for income taxes and pension benefits. Changes in facts and circumstances may result in revised estimates and actual results could differ from those reported estimates.

Cash and cash equivalents: The Company considers all temporary cash investments purchased with a 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, these investments may be in excess of FDIC insurance limits. Cash and cash equivalents were $2.2 million, $2.0 million, and $2.5 million at December 31, 2002, 2001 and 2000, respectively.

Accounts receivable: Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and by industry and national economic data. The Company reviews its allowance for doubtful accounts monthly. Past due balances meeting specific criteria are reviewed individually for collectibility. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable are concentrated among customers within the Company's geographic service area and large telecommunications companies. The Company's reserve for uncollectible receivables related to continuing operations was $914 thousand, $650 thousand and $325 thousand at December 31, 2002, 2001 and 2000, respectively.

Securities and investments: The classification of debt and equity securities is determined by management at the date individual investments are acquired. The appropriateness of such classification is continually reassessed. The Company monitors the fair value of all investments, and based on factors such as market conditions, financial information and industry conditions, the Company will reflect impairments in values as is warranted. The classification of those securities and the related accounting policies are as follows:

Available-for-Sale Securities: Debt and equity securities classified as available-for-sale consist of securities which 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 similar criteria. Available-for-sale securities are recorded at fair value as determined by quoted market prices. Unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses are determined on a specific identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

Investments Carried at Cost: Investments in common stock in which the Company does not have a significant ownership (less than 20%) and for which there is no ready market, are carried at cost. Information regarding investments carried at cost is reviewed continuously for evidence of impairment in value. Impairments are charged to earnings and a new cost basis for the investment is established.

Equity Method Investments: Investments in partnerships and unconsolidated corporations where the Company's ownership is 20% or more are reported under the equity method. Under this method, the Company's equity in earnings or losses of investees is reflected in net income. Distributions received reduce the carrying value of these investments. The Company would recognize a loss when there is a decline in value in the investment which is other than a temporary decline.

Materials and supplies: New and reusable materials are carried in inventory at the lower of average cost or market. Inventory held for sale, such as telephones and accessories, are carried at the lower of average cost or market. Non-reusable material is carried at estimated salvage value.

Property, plant and equipment: Property, plant and equipment is stated at cost. The Company capitalizes all costs associated with the purchase, deployment and installation of property, plant and equipment, including interest on major capital projects during the period of their construction. Expenditures, including those on leased assets, which extend the useful life or increase its utility, are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation expense for continuing operations was approximately 8.6%, 8.3% and 6.6% of average depreciable assets for the years 2002, 2001 and 2000, respectively. Depreciation lives are assigned to assets based on their estimated useful lives in conjunction with industry and regulatory guidelines, where applicable. Such lives, while similar, may exceed the lives that would have been used if the Company did not operate certain segments of the business in a regulated environment. The Company takes technology changes into consideration as it assigns the estimated useful lives, and monitors the remaining useful lives of asset groups to reasonably match the remaining economic life with the useful life and makes adjustments where necessary.

Cost in excess of net assets of business acquired: In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) No.142, Goodwill and Other Intangible Assets, which eliminates amortization of goodwill and intangible assets that have indefinite useful lives and requires annual tests of impairment of those assets. SFAS No. 142 also provides specific guidance about how to determine and measure goodwill and intangible asset impairments, and requires additional disclosures of information about goodwill and other intangible assets. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001 and applied to all goodwill and other intangible assets recognized in financial statements at that date. In connection with SFAS No. 142 transitional goodwill impairment evaluation, the Statement requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of January 1, 2002.

Goodwill represents the excess of purchase price over fair value of tangible net assets acquired. Prior to adoption of SFAS No. 142, goodwill was amortized on a straight-line basis over the expected periods to be benefited, which was 15 years for the Company. SFAS No. 142 required transitional goodwill impairment evaluation beginning January 1, 2002. Subsequent to adoption, amortization of goodwill ceased, and the goodwill balance is reviewed annually for impairment. No impairment of goodwill was required to be recorded in 2002. With the implementation of SFAS No. 142, there was no goodwill amortization charged to the operation in 2002, while expense was $360 thousand per year for 2001 and 2000, and the unamortized goodwill as of December 31, 2002 was approximately $3.2 million.

Note 1. Summary of Significant Accounting Policies (Continued)

The following table reconciles previously reported net income as if the provisions of SFAS No. 142 were in effect for the years ended December 31, 2001 and 2000:

	2002	2001	2000
		(in thousands)	
Reported net income	$ 4,519	$ 16,372	$ 9,855
Add back goodwill amortization	--	360	360
Deduct income tax benefit	--	(137)	(137)
Adjusted net income	$ 4,519	$ 16,595	$ 10,078

Retirement plans: The Company maintains a noncontributory defined benefit 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. The Company also maintains a defined contribution plan under which substantially all employees may defer a portion of their earnings on a pretax basis, up to the allowable federal maximum. The Company may make matching and discretionary contributions to this plan. Neither plan holds stock of the Company in the respective portfolios.

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the recoverability of tax assets generated on a state by state basis from net operating losses apportioned to that state. Management uses a more likely than not threshold to make that determination and has established a valuation allowance against the tax assets, in case they may not be recoverable.

Revenue recognition: Revenues are recognized by the Company based on the various types of transactions generating the revenue. For equipment sales, revenue is recognized when the sales transaction is complete. For services, revenue is recognized as the services are performed. Beginning in 2000, coinciding with the inception of activation fees in its PCS segment, nonrefundable PCS activation fees and the portion of the activation costs deemed to be direct costs of acquiring new customers (primarily activation costs and credit analysis costs) are deferred and recognized ratably over the estimated life of the customer relationship, which is currently 30 months. The amounts of deferred revenue at December 31, 2002, 2001 and 2000 were $1.5 million, $1.2 million and $0.4 million, respectively. The deferred costs at December 31, 2002, 2001 and 2000 were $0.7 million, $0.7 million and $0.3 million, respectively.

The Company records its PCS service revenue net of the 8% royalty fee that is paid to Sprint. Sprint retains 8% of all collected service revenue from subscribers whose service home is in the Company's territory. Additionally, Sprint retains 8% of the roaming revenue generated by non-Sprint wireless subscribers who use the Company's network.

Stock Option Plan: To account for its fixed plan stock options, the Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25 issued in March 2000. Under this method, compensation expense is recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123.

Grants of options under the Plan are accounted for following the APB Opinion No. 25 and related interpretations. Accordingly, no compensation expense has been recognized under the Plan. Had compensation expense been recorded, based on fair values of the awards at the grant date (the method prescribed in SFAS No. 123), reported net income and earnings per share would have been reduced to the pro forma amounts shown in the following table:

Note 1. Summary of Significant Accounting Policies (Continued)

	2002	2001	2000
Net Income	(in thousands, except per share amounts)		
As reported	$ 4,519	$ 16,372	$ 9,855
Pro forma	4,307	16,115	9,674
Earnings per share, basic and diluted			
As reported, basic	$ 1.20	$ 4.35	$ 2.62
As reported, diluted	1.20	4.34	2.61
Pro forma, basic	1.14	4.28	2.57
Pro forma, diluted	1.14	4.27	2.57

Earnings per share: Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is computed by dividing the income (loss) by the sum of the weighted average number of common shares outstanding and potential dilutive common shares determined using the treasury stock method. Because the Company reported a net loss from continuing operations in 2002, the diluted income (loss) per share is the same as basic income (loss) per share since including any potentially dilutive securities would be antidilutive to the net loss per share from continuing operations. In 2001 and 2000, all options were dilutive, except for the grants made in 2000. There were no adjustments to net income (loss) in the computation of diluted earnings per share for any of the years presented. The following tables show the computation of basic and diluted earnings per share for 2002, 2001 and 2000:

	2002	2001	2000
Basic income (loss) per share	(in thousands, except per share amounts)		
Net income (loss) from continuing operations	$(2,893)	$ 9,694	$ 5,091
Weighted average shares outstanding	3,771	3,761	3,757
Basic income (loss) per share - continuing operations	$ (0.77)	$ 2.58	$ 1.35
Effect of stock options outstanding:			
Weighted average shares outstanding	3,771	3,761	3,757
Assumed exercise of options at strike price at beginning of year	--	52	40
Assumed repurchase of options under treasury stock method	--	(39)	(26)
Diluted weighted average shares	3,771	3,774	3,771
Diluted income (loss) per share - continuing operations	$ (0.77)	$ 2.57	$ 1.35

Recently Issued Accounting Standards:

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset, which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS No. 143 on January 1, 2003. The Company is currently evaluating the effect the new standard may have on its results of operations and financial position, which will be reflected in the Company's filing for the first quarter of 2003.

Note 1. Summary of Significant Accounting Policies (Continued)

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs of sale. The Company was required to adopt SFAS No. 144 on January 1, 2002. The adoption of SFAS No. 144 resulted in the classification of certain assets as held-for-sale, and the presentation of discontinued operations for all periods presented (Note 2).

In November 2001, the Emerging Issues Task Force (EITF) of the FASB issued EITF 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor's Products). EITF 01-9 provides guidance on when a sales incentive or other consideration given should be a reduction of revenue or an expense and the timing of such recognition. The guidance provided in EITF 01-9 is effective for financial statements for interim or annual periods beginning after December 15, 2001. The Company occasionally offers rebates to subscribers that purchase wireless handsets in its retail stores. The Company's historical policy regarding the recognition of these rebates in the consolidated statement of operations is a reduction in the revenue recognized on the sale of the wireless handset by an estimate of the amount of rebates expected to be redeemed. The Company's existing policy was in accordance with the guidance set forth in EITF 01-9. Therefore, the adoption of EITF 01-9 by the Company on January 1, 2002 did not have a material impact on the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. Among other things, this statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, will now be used to classify those gains and losses. The adoption of SFAS No. 145 by the Company on January 1, 2003 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS No. 146 supercedes previous accounting guidance provided by EITF Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). EITF Issue No. 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 by the Company on January 1, 2003 is not expected to have a material impact on the Company's financial position, results of operations or cash flows as the Company has not recorded any significant restructurings in past periods, but the adoption may impact the timing of charges in future periods.

EITF 00-21, Revenue Arrangements with Multiple Deliverables was issued in November 2002. The issue surrounds multiple revenue streams from one transaction with multiple deliverables. The Company has this situation in its PCS operation as it relates to the sales of handsets and providing the related phone service. The Company recognizes the handset sale and providing the ongoing service to the subscriber as two separate transactions. This approach is consistent with the provisions of EITF 00-21, and adoption is not expected to have a material impact on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees. As allowed by SFAS No. 123,

Note 1. Summary of Significant Accounting Policies (Continued)

the Company has elected to continue to apply the intrinsic value-based method of accounting, and has adopted the disclosure requirements of SFAS No. 123 and SFAS No. 148.

Reclassifications: Certain amounts reported in the 2001 and 2000 financial statements have been reclassified to conform with the 2002 presentation, with no effect on net income or shareholders' equity.

Note 2. Discontinued Operations and Subsequent Event

In November 2002, the Company entered into an agreement to sell its 66% General Partner interest in the Virginia 10 RSA Limited Partnership (cellular operation) to Verizon Wireless for $37.0 million. The closing of the sale took place at the close of business on February 28, 2003. The total proceeds received were $38.7 million, including $5.0 million held in escrow, and a $1.7 million adjustment for estimated working capital at the time of closing. There will be a post closing adjustment based on the actual working capital balance as of the closing date. The $5.0 million escrow was established for any contingencies and indemnification issues that may arise during the two year post-closing period. The Company's net after tax gain on the total transaction will be approximately $22 million.

Post closing, the Company will provide transition services to Verizon for a period of approximately three months, with compensation for those services being approximately $40 thousand per month during the transition period.

The assets and liabilities attributable to the cellular operation have been classified as held for sale in the consolidated balance sheets and consist of the following at December 31, 2002, 2001 and 2000:

	2002	2001	2000
	(in thousands)		
Assets			
Accounts receivable	$2,608	$2,759	$2,120
Other current assets	309	214	825
Property, plant and equipment, (net)	2,631	3,272	3,420
Total assets	$5,548	$6,245	$6,365
Liabilities and minority interest			
Accounts payable and accrued expenses	$ 381	$ 499	$ 928
Deferred revenue and deposits	161	236	284
Minority interest	1,666	1,838	1,715
Total liabilities and minority interest	$2,208	$2,573	$2,927

The operations of the cellular partnership including the minority interest hav been reclassified as discontinued operations, net of taxes in the consolidated statements of income for all periods presented. Operating results of discontinued operations are summarized as follows:

	2002	2001	2000
	(in thousands)		
Revenues	$20,895	$20,012	$16,053
Operating expenses	3,618	4,674	5,244
Other income	3	16	53
Income before minority interest and taxes	17,280	15,354	10,862
Minority interests	5,200	4,526	3,079
Taxes	4,668	4,150	3,019
Net income	$ 7,412	$ 6,678	$ 4,764

Note 3. Securities and Investments

Available-for-sale securities at December 31 consist of the following:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
	(in thousands)			
2002				
Deutsche Telekom, AG	$ 85	$ 20	$ --	$ 105
Other	73	--	27	46
	$ 158	$ 20	$ 27	$ 151
2001				
VeriSign, Inc.	$11,798	$ --	$ --	$11,798
Deutsche Telekom, AG	85	10	--	95
Other	74	58	--	132
	$11,957	$ 68	$ --	$12,025
2000				
Loral Space and Communications, LTD	$ 885	$ --	$ 406	$ 479
Illuminet Holdings, Inc.	844	9,783	--	10,627
ITC^DeltaCom, Inc.	715	--	381	334
Other	174	157	--	331
	$ 2,618	$9,940	$ 787	$11,771

During 2001, the Company liquidated its holdings of Loral Space and Communications, LTD and ITC^DeltaCom, Inc. for proceeds of $0.2 million and a realized loss of $1.4 million. Additionally, the Company sold 130,000 shares of Illuminet Holdings, Inc. (Illuminet) for proceeds of $5.3 million and a realized gain of $5.0 million. In September 2001, the Company was notified by Illuminet that VeriSign, Inc. (VeriSign) made an offer to acquire Illuminet. The Company decided to accept the VeriSign stock for the Illuminet investment. The Company received VeriSign stock valued at $13.2 million, and based on the fair value of the new asset received, recorded a realized gain of $12.7 million on the transaction through net gain on investments in the other income (expense) section of the income statement. Subsequent to the close of the transaction, the VeriSign stock declined in value and the Company recognized an impairment of $1.5 million, as management viewed the decline to be other than temporary.

In 2002, the Company liquidated its holdings of VeriSign, Inc, for proceeds of $2.8 million and a realized loss of $9.0 million. The VeriSign stock was valued at $38 per share at December 31, 2001, and declined over the ensuing months to approximately $6 per share in early July 2002. The Company liquidated all of its holdings in the stock early in the third quarter 2002. The original investment in VeriSign's predecessor companies was approximately $1.0 million. Total proceeds from all sales of stock in VeriSign and its predecessor companies were $8.1 million, or more than eight times the original investment.

There were no gross realized gains on available-for-sale securities included in income in 2002, while there were $17.7 million for 2001, and none in 2000. Gross realized losses included in income in 2002, 2001 and 2000 were $9.0 million, $3.0 million, $0.7 million, respectively.

Changes in the unrealized gains (losses) on available-for-sale securities during the years ended December 31, 2002, 2001, and 2000 reported as a separate component of shareholders' equity are as follows:

Note 3. Securities and Investments (Continued)

	2002	2001	2000
	(in thousands)		
Beginning Balance ..	$ 68	$ 9,153	$ 27,524
Unrealized holding gains (losses) during the year, net .	(75)	5,615	(19,118)
Reclassification of recognized (gain) losses during the year, net	--	(14,700)	747
	(7)	68	9,153
Deferred tax effect related to net unrealized gains	(3)	26	3,508
Ending Balance	$ (4)	$ 42	$ 5,645

As of December 31, other investments, comprised of equity securities which do not have readily determinable fair values, consist of the following:

	2002	2001	2000
	(in thousands)		
Cost method:			
Rural Telephone Bank	796	796	771
NECA Services, Inc.	500	500	500
CoBank	1,126	768	411
Concept Five Technologies	--	--	635
NTC Communications (equity method in 2002)	--	500	--
Other	241	254	283
	2,663	2,818	2,600
Equity method:			
South Atlantic Venture Fund III L.P.	263	393	749
South Atlantic Private Equity Fund IV L.P.	707	891	1,140
Dolphin Communications Parallel Fund, L.P.	273	441	844
Dolphin Communications Fund II, L.P.	1,024	518	318
Burton Partnership	988	970	1,000
NTC Communications (cost method in 2001)	1,089	--	--
Virginia Independent Telephone Alliance	248	400	326
ValleyNet	17	7	19
	4,609	3,620	4,396
	$ 7,272	$ 6,438	$ 6,996

The Company's investment in CoBank increased $358 thousand due to the ongoing patronage earned from the outstanding investment and loan balances the Company has with CoBank. During 2002, the Company invested an additional $760 thousand in NTC Communications. NTC provides telecommunications facilities and services to student housing facilities near college and university campuses. This incremental investment allowed the Company to gain a seat on the NTC Communications Board of Directors. With the additional investment and the Board seat, the Company reclassified its investment in NTC as an equity investment in 2002. Ownership in NTC Communications is approximately 18%. Profits and losses are recorded as adjustments to the carrying balance of the investment and reflect the original investment plus the Company's ratable portion of NTC Communication's profits and losses. For 2002, the Company's allocated portion of losses recorded on the NTC investment was $171 thousand.

In 2002, the Company invested $0.9 million in other equity investments, primarily Dolphin Communications Parallel Fund, LP and Dolphin Communications Fund II, LP. These two investments resulted in losses of approximately $1.0 million. The Company received a distribution from its Virginia Independent Telephone Alliance of $72 thousand and also recorded a loss of $80 thousand for the year. The Company recorded a gain from the ValleyNet partnership of $118 thousand and received distributions of $108 thousand. Other equity investments lost an additional $0.3 million for 2002.

Note 3. Securities and Investments (Continued)

The Company has committed to invest an additional $3.5 million in various equity method investees pursuant to capital calls from the fund managers. It is not practical to estimate the fair value of the other investments due to their limited market and restrictive nature of their transferability.

The Company's ownership interests in Virginia Independent Telephone Alliance and ValleyNet are approximately 22% and 20%, respectively. The Company purchases services from Virginia Independent Telephone Alliance and ValleyNet at rates comparable with other customers. Other equity method investees are investment limited partnerships which are approximately 2% owned each.

Note 4. Plant in Service

Plant in service consists of the following at December 31:

	Estimated Useful Lives	2002	2001	2000
		(in thousands)		
Land		$ 792	$ 775	$ 757
Buildings and structures	15 - 40 years	28,949	20,375	18,878
Cable and wire	15 - 50 years	49,495	45,188	41,668
Equipment and software	5 - 16.6 years	104,833	88,007	55,875
		$ 184,069	$ 154,345	$ 117,178

Note 5. Long-Term Debt and Revolving Lines of Credit

Total debt consists of the following at December 31:

		Weighted Average Interest Rate	2002	2001	2000
			(in thousands)		
Rural Telephone Bank (RTB)	Fixed	6.74%	$ 10,645	$ 11,428	$11,634
Rural Utilities Service (RUS)	Fixed	4.17%	159	224	295
CoBank (term portion)	Fixed	7.58%	41,039	44,584	23,637
CoBank multi-year (revolver)	Variable	5.14% - 7.75%	--	--	19,721
RUS Development Loan		interest free	200	200	200
			52,043	56,436	55,487
Current maturities			4,482	4,387	2,403
Total long-term debt			$ 47,561	$ 52,049	$53,084
CoBank 1-year revolver	Variable	2.79% - 5.03%	$ 3,200	$ 6,200	$ --
SunTrust Bank revolver	Variable	2.05% - 2.53%	303	--	--

The RTB loans are payable $70 thousand monthly and $225 thousand quarterly, including interest. RUS loans are payable $24 thousand monthly, including interest. The RUS and RTB loan facilities have maturities through 2019. The CoBank term facility requires monthly payments of $600 thousand, including interest. The final maturity of the CoBank facility is 2013.

The CoBank revolver is a $20.0 million facility expiring November 1, 2003, with interest due monthly. At December 31, 2002 the balance outstanding was $3.2 million, with $16.8 million available on the facility. The Company is required to pay a commitment fee of 12.5 basis points (annual rate) multiplied by the unused balance of the facility at each month end. The Company will evaluate its capital needs prior to the November 1, 2003 maturity date of the CoBank facility. The SunTrust Bank Revolver is a $2.5 million facility the Company uses to fund short-term liquidity variations due to the timing of customer receipts and vendor payments for services. This facility matures May 31, 2003, and the Company plans to renew this revolver prior to its maturity date, with a facility of similar terms.

Note 5. Long-Term Debt and Revolving Lines of Credit (Continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2002 are as follows:

Year	Amount (in thousands)
2003	$ 4,482
2004	4,642
2005	4,816
2006	5,006
2007	5,203
Later years	27,894
	$ 52,043

Substantially all of the Company's assets serve as collateral for the long-term debt. The long-term debt agreements have certain financial and capital measures that the Company must maintain. These requirements include maintenance of defined working capital levels, restrictions on dividends and capital stock repurchases. The covenants also require the Company to maintain certain levels of debt service coverage to be in compliance with the loan agreements. The Company was in compliance with all financial requirements of the loan agreements as of December 31, 2002.

The estimated fair value of fixed rate debt instruments as of December 31, 2002 and 2001 was $51.1 million and $57.1 million, respectively, determined by discounting the future cash flows of each instrument at rates offered for similar debt instruments of comparable maturities as of the respective year-end dates.

All other financial instruments presented on the consolidated balance sheets approximate fair value. They include cash and cash equivalents, receivables, investments, payables, and accrued liabilities.

Note 6. Income Taxes

Total income taxes for the years ended December 31, 2002, 2001 and 2000 were allocated as follows:

	2002	2001	2000
	(in thousands)		
Income tax provision (benefit) from continuing operations	$ (2,109)	$ 5,811	$2,975
Income taxes on discontinued operations	4,668	4,150	3,019
Accumulated other comprehensive income for unrealized holding gains (losses) on equity securities	(29)	(3,482)	(6,974)
	$ 2,530	$ 6,479	$ (980)

The Company and its subsidiaries file income tax returns in several jurisdictions. The provision for the federal and state income taxes attributable to income (loss) from continuing operations consists of the following components:

	Years Ended December 31,		
	2002	2001	2000
	(in thousands)		
Current provision (benefit)			
Federal taxes	$(2,076)	$(2,382)	$2,381
State taxes	(212)	(514)	420
Total current provision	(2,288)	(2,896)	2,801
Deferred provision			
Federal taxes	592	7,330	144
State taxes	(413)	1,377	30
Total deferred provision	179	8,707	174
Income tax provision	$(2,109)	$ 5,811	$2,975

Note 6. Income Taxes (Continued)

A reconciliation of income taxes determined by applying the Federal and state tax rates to income (loss) from continuing operations is as follows:

	Years Ended December 31,		
	2002	2001	2000
	(in thousands)		
Computed "expected" tax expense	$ (1,701)	$ 5,271	$ 2,742
State income taxes, net of federal tax effect	(460)	575	153
Other, net	52	(35)	80
Income tax provision	$ (2,109)	$ 5,811	$ 2,975

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

	2002	2001	2000
Deferred tax assets:	(in thousands)		
Allowance for doubtful accounts	$ 370	$ 247	$ 124
Accrued compensation costs	181	149	126
State net operating losses	1,425	--	--
Recognized investment losses including impairments	593	--	658
Deferred revenues	338	179	42
AMT credits	285	--	--
Accrued pension costs	395	397	367
Other, net	23	--	59
Total gross deferred tax assets	3,610	972	1,376
Less valuation allowance	704	--	--
Net deferred tax assets	2,906	972	1,376
Deferred tax liabilities:			
Plant-in-service	17,568	11,313	7,086
Unrealized gain on investments	--	26	3,508
Gain on investments, net	--	4,035	--
Total gross deferred tax liabilities	17,568	15,374	10,594
Net deferred tax liabilities	$ 14,662	$ 14,402	$ 9,218

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generating future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it more likely than not that the Company will realize the benefits of the deductible differences that are not reserved by the valuation allowance, which increased by $704 thousand in 2002. The Company has generated Net Operating Loss (NOL) carry forwards of approximately $23.5 million from its PCS operations. The carry forwards expire at varying dates beginning in 2005. The Company has provided a valuation allowance to offset a portion of the NOL carry forwards in 2002 totaling $704 thousand.

Note 7. Significant Contractual Relationship

In 1999, the Company executed a Management Agreement (the Agreement) with Sprint whereby the Company committed to construct and operate a PCS network using CDMA air interface technology, replacing an earlier PCS network based on GSM technology. Under this Agreement, the Company is the exclusive PCS Affiliate of Sprint providing wireless mobility communications network products and services in its territory which extends from Altoona, York and Harrisburg, Pennsylvania, and south along the Interstate 81 corridor through Western Maryland, the panhandle of West Virginia, to Harrisonburg, Virginia. The Company is authorized to use the Sprint brand name in its territory, and operate its network under the Sprint radio spectrum license.

As a PCS Affiliate of Sprint, the Company has the exclusive right to build, own and maintain its portion of Sprint's nationwide PCS network, in the aforementioned areas, to Sprint's specifications. The initial term of the Agreement is for 20 years and is automatically renewable for three 10-year options, unless terminated by either party under provisions outlined in the Agreement.

The wireless market is characterized by significant risks as a result of rapid changes in technology, increasing competition and the cost associated with the build-out and enhancement of Sprint's nationwide digital wireless network. Sprint provides back-office and other services including travel clearing-house functions to the Company. There is no prescribed formula in the agreements with Sprint for the cost of these services and Sprint may adjust these expenses at least annually. These expenses accounted for more than 37% of the PCS operating expenses in 2002 and 39% in 2001. The Company's PCS subsidiary is dependent upon Sprint's ability to execute certain functions such as billing, customer care, collections and other operating activities under the Company's agreements with Sprint. Due to the high degree of integration within many of the Sprint systems, and the Company's dependency on these systems, in many cases it would be difficult for the Company to perform these services in-house or to outsource with another provider. If Sprint was unable to perform any such service, the change could result in increased operating expenses and have an adverse impact on the Company's operating results and cash flow. Additionally, the Company's ability to attract and maintain a sufficient customer base is critical to maintaining a positive cash flow from operations and ultimately profitability for our PCS operation. Changes in technology, increased competition, or economic conditions, individually and/or collectively, could have an adverse effect on the Company's financial position and results of operations.

Sprint retains 8% of all collected service revenue from subscribers with their service home in the Company's territory, and 8% of the roaming revenue generated by non-Sprint wireless subscribers who use the Company's network.

The Company receives and pays travel fees for inter-market usage of the network by Sprint wireless subscribers not homed in a market in which they may use the service. Sprint and its PCS Affiliates pay the Company for the use of its network by their wireless subscribers, while the Company pays Sprint and its PCS Affiliates reciprocal fees for Company subscribers using other segments of the network not operated by the Company. The rates paid on inter-market travel were reduced during 2001 from $0.20 per minute through April 30, 2001, $0.15 through September 30, 2001, and $0.12 through December 31, 2001 to $0.10 per minute as of January 1, 2002. The $0.10 rate was in effect for the full year of 2002, and the 2003 rate was set at $0.058 cents per minute. Travel rates beyond 2003 have yet to be determined.

As part of the Agreement executed in 1999, the Company received $3.9 million from Sprint as an advance payment for the Company's expenditures in building the initial CDMA network. These funds were recorded as a refundable equipment payment to be repaid following the sale of the Company's original GSM PCS network assets. In 2001, the Company sold its GSM network assets for $6.5 million, which equaled the carrying value of the assets. The transaction included the GSM equipment and the radio spectrum licenses for two areas in the western part of Virginia. As a result of the sale of the assets, and per the Agreement, the Company refunded the $3.9 million payment to Sprint in early 2001.

Note 8. Related Party Transactions

ValleyNet, an equity method investee of the Company, resells capacity on the Company's fiber network under an operating lease agreement. Facility lease revenue from ValleyNet was approximately $3.5 million, $4.1 million, and $3.1 million in 2002, 2001, and 2000, respectively. At December 31, 2002, 2001 and 2000, the Company had accounts receivable from ValleyNet of approximately $0.4 million, $0.4 million and $0.8 million, respectively. The Company's PCS operating subsidiary leases capacity through ValleyNet fiber facilities. Payment for usage of these facilities was $1.2 million in 2002 and 2001,and $0.7 million in 2000.

Note 9. Retirement Plans

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

	2002	2001	2000
	(in thousands)		
Change in benefit obligation:			
Benefit obligation, beginning	$ 8,538	$ 6,847	$ 6,004
Service cost	420	313	277
Interest cost	591	507	460
Actuarial (gain) loss	252	1,054	95
Benefits paid	(216)	(183)	(160)
Change in plan provisions	--	--	171
Benefit obligation, ending	9,585	8,538	6,847
Change in plan assets:			
Fair value of plan assets, beginning	7,375	8,081	7,967
Actual return on plan assets	(794)	(523)	274
Benefits paid	(216)	(183)	(160)
Contributions made	340	--	--
Fair value of plan assets, ending	6,705	7,375	8,081
Funded status	(2,880)	(1,163)	1,234
Unrecognized net (gain) loss	1,505	(124)	(2,442)
Unrecognized prior service cost	283	315	346
Unrecognized net transition asset	(38)	(67)	(96)
Accrued benefit cost	$(1,130)	$(1,039)	$ (958)
Components of net periodic benefit costs:			
Service cost	$ 420	$ 313	$ 277
Interest cost	591	507	460
Expected return on plan assets	(582)	(640)	(632)
Amortization of prior service costs	31	31	21
Amortization of net gain	--	(102)	(140)
Amortization of net transition asset	(29)	(29)	(29)
Net periodic benefit cost	$ 431	$ 80	$ (43)

Weighted average assumptions used by the Company in the determination of pension plan information consisted of the following at December 31:

	2002	2001	2000
Discount rate	6.50%	7.00%	7.50%
Rate of increase in compensation levels	4.50%	5.00%	5.00%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

The Company's matching contributions to the defined contribution plan were approximately $210 thousand, $182 thousand and $162 thousand for the years ended December 31, 2002, 2001 and 2000, respectively.

Note 10. Stock Incentive Plan

The Company has a shareholder approved Company Stock Incentive Plan (the "Plan"), providing for the grant of incentive compensation to employees in the form of stock options. The Plan authorizes grants of options to purchase up to 240,000 shares of common stock over a ten-year period beginning in 1997. The option price is the current market price at the time of the grant. Grants have been made in which one-half of the options are exercisable on each of the first and second anniversaries of the date of grant, with the options expiring five years after they are granted.

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001	2000
Dividend rate	1.52%	1.78%	2.05%
Risk-free interest rate	4.24%	4.31%	6.81%
Expected lives of options	5 years	5 years	5 years
Price volatility	30.03%	38.29%	52.51%

A summary of the status of the Plan at December 31, 2002, 2001 and 2000 and changes during the years ended on those dates is as follows:

	Shares	Weighted Average Grant Price Per Share	Fair Value Per Share
Outstanding January 1, 2000	44,057	$20.73	
Granted	19,191	34.37	15.91
Cancelled	(1,160)	28.74	
Exercised	(3,527)	21.47	
Outstanding December 31, 2000	58,561	25.00	
Granted	19,969	31.58	11.01
Cancelled	(3,290)	29.72	
Exercised	(6,213)	21.43	
Outstanding December 31, 2001	69,027	27.01	
Granted	23,823	35.18	8.15
Cancelled	(9,879)	27.90	
Exercised	(8,119)	22.53	
Outstanding December 31, 2002	74,852	29.98	

There were 45,829, 41,731 and 31,945 shares exercisable at December 31, 2002, 2001 and 2000, at weighted average exercise prices per share of $27.39, $23.43, and $20.88, respectively. During 2002, the Company issued 2,327 shares of Company stock to employees valued at $100 thousand in recognition of the Company's 100th year anniversary.

The following table summarizes information about stock options outstanding at December 31, 2002:

Exercise Prices	Shares Outstanding	Option Life Remaining	Shares Exercisable
$ 20.59	7,814	1 year	7,814
19.94	12,965	2 years	12,965
34.37	16,062	3 years	16,062
31.58	17,976	4 years	8,988
35.18	20,035	5 years	--

Note 11. Major Customers

The Company has several major customers and relationships that are significant sources of revenue. During 2002, the Company's relationship with Sprint continued to increase, due to growth in the PCS business segment. Approximately 57.6% of total revenues in 2002 were generated by or through Sprint and its customers using the Company's portion of Sprint's nationwide PCS network. This was compared to 47.1% in 2001, and 33.4% of total revenue in 2000.

Note 12. Shareholder Rights

The Board of Directors adopted a Shareholder Rights Plan in 1998, whereby, under certain circumstances, holders of each right (granted in 1998 at one right per share of outstanding stock) will be entitled to purchase $80 worth of the Company's common stock for $40. The rights are neither exercisable nor traded separately from the Company's common stock. The rights are only exercisable if a person or group becomes or attempts to become, the beneficial owner of 15% or more of the Company's common stock. Under the terms of the Plan, such a person or group is not entitled to the benefits of the rights.

Note 13. Lease Commitments

The Company leases land, buildings and tower space under various non-cancelable agreements, which expire between 2003 and 2007 and require various minimum annual rental payments. The leases generally contain certain renewal options for periods ranging from 5 to 20 years.

Future minimum lease payments under non-cancelable operating leases with initial variable lease terms in excess of one year as of December 31, 2002 are as follows:

Year Ending	Amount (in thousands)
2003	$ 2,603
2004	2,318
2005	1,863
2006	1,431
2007	987
	$ 9,202

The Company's total rent expense from continuing operations for each of the previous three years was $3.4 million in 2002, $2.4 million in 2001 and $1.1 million in 2000.

As lessor, the Company has leased buildings, tower space and telecommunications equipment to other entities under various non-cancelable agreements, which require various minimum annual payments. The total minimum rental receipts at December 31, 2002 are as follows:

Year Ending	Amount (in thousands)
2003	$ 2,308
2004	2,217
2005	1,968
2006	911
2007	528
	$ 7,932

Note 14. Segment Reporting

The Company, as a holding company with various operating subsidiaries, has identified ten reporting segments based on the products and services each provides. Each segment is managed and evaluated separately because of differing technologies and marketing strategies.

The reporting segments and the nature of their activities are as follows:

Shenandoah Telecommunications Company (Holding)	Holding company which invests in both affiliated and non-affiliated companies.
Shenandoah Telephone Company (Telephone)	Provides both regulated and unregulated telephone services and leases fiber optic facilities primarily throughout the Northern Shenandoah Valley.
Shenandoah Cable Television Company (CATV)	Provides cable television service in Shenandoah County.
ShenTel Service Company (ShenTel)	Sells and services telecommunications equipment, provides online information services and Internet access to customers in the multistate region surrounding the Northern Shenandoah Valley.
Shenandoah Valley Leasing Company (Leasing)	Finances purchases of telecommunications equipment to customers of other segments.
Shenandoah Mobile Company (Mobile)	Provides paging services throughout the Northern Shenandoah Valley, and tower rental in the PCS territory.
Shenandoah Long Distance Company (Long Distance)	Provides long distance services.
Shenandoah Network Company (Network)	Leases interstate fiber optic facilities.
ShenTel Communications Company (Shen Comm)	Provides DSL services as a CLEC operation.
Shenandoah Personal Communications Company (PCS)	As a PCS Affiliate of Sprint, provides digital wireless service to a four-state area covering the region from Harrisburg and Altoona, Pennsylvania, to Harrisonburg, Virginia.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Each segment accounts for inter-segment sales and transfers as if the sales or transfers were to outside parties.

Income (loss) recognized from equity method nonaffiliated investees by segment is as follows:

Year	Holding	Telephone	Mobile	Consolidated Totals
		(in thousands)		
2002	$ (822)	$ 45	$ --	$ (777)
2001	(1,218)	104	--	(1,114)
2000	554	126	87	767

Note 14. Segment Reporting (Continued)

Selected financial data for each segment is as follows:

	Holding	Telco	CATV	ShenTel	Leasing
	(in thousands)				
Operating revenues - external:					
2002	$ --	$ 22,461	$ 4,341	$ 6,312	$ 20
2001	--	21,599	3,792	5,078	25
2000	--	19,146	3,620	5,017	18
Operating revenues - internal:					
2002	$ --	$ 2,888	$ 5	$ 349	$ --
2001	--	2,532	2	362	--
2000	--	2,362	2	220	--
Depreciation and amortization:					
2002	$ 196	$ 3,798	$ 718	$ 414	$ --
2001	196	3,609	1,354	472	--
2000	196	3,296	1,009	473	--
Operating income (loss):					
2002	$ (555)	$ 11,908	$ 1,145	$ 776	$ 11
2001	(504)	12,321	54	168	10
2000	(495)	10,336	424	100	6
Non-operating income less expenses:					
2002	$ 4,966	$ (474)	$ (23)	$ (93)	$ 1
2001	3,804	646	(184)	(36)	1
2000	1,385	2,209	(14)	(15)	3
Interest expense:					
2002	$ 3,540	$ 662	$ 583	$ 165	$ --
2001	2,664	1,428	690	237	--
2000	503	2,602	705	287	--
Income tax expense (benefit) from continuing operations:					
2002	$ (3,363)	$ 3,237	$ 198	$ 191	$ 5
2001	5,117	4,373	(312)	(32)	4
2000	(374)	3,523	(126)	(76)	(4)
Income (loss) from continuing operations:					
2002	$ (5,771)	$ 7,536	$ 341	$ 327	$ 8
2001	8,463	7,167	(509)	(73)	7
2000	(521)	6,420	(169)	(127)	13
Income from discontinued operations, net of taxes:					
2002	$ --	$ 72	$ 2	$ --	$ --
2001	--	72	2	--	--
2000	--	71	2	--	--
Net Income (loss)					
2002	$ (5,771)	$ 7,608	$ 343	$ 327	$ 8
2001	8,463	7,239	(507)	(73)	7
2000	(521)	6,491	(167)	(127)	13
Total assets:					
2002	$ 112,765	$ 59,554	$ 10,961	$ 6,255	$ 187
2001	114,280	56,090	11,480	5,373	254
2000	66,597	78,333	12,193	5,083	300

Mobile	Long Distance	Network	Shen Comm	PCS	Combined Totals	Eliminating Entries	Consolidated Totals
$ 2,399	$ 1,101	$ 835	$ 20	$ 55,468	$ 92,957	$ --	$ 92,957
2,112	1,114	963	--	34,021	68,704	--	68,704
1,018	1,079	635	--	13,893	44,426	--	44,426
$ 1,661	$ 643	$ 110	$ --	$ --	$ 5,656	$ (5,656)	$ --
535	679	109	--	--	4,219	(4,219)	--
892	378	192	--	30	4,076	(4,076)	--
$ 581	$ --	$ 158	$ --	$ 8,617	$ 14,482	$ --	$ 14,482
527	--	114	--	4,991	11,263	--	11,263
406	--	148	--	1,231	6,759	--	6,759
$ 1,224	$ 695	$ 641	$ (49)	$ (5,294)	$ 10,502	$ (1,164)	$ 9,338
(68)	585	823	--	(5,769)	7,620	(1,196)	6,424
(403)	270	561	--	(4,554)	6,245	(867)	5,378
$ 5	$ 4	$ 10	$ 8	$ (91)	$ 4,313	$ (4,454)	$ (141)
92	2	--	--	50	4,375	(4,110)	265
99	2	6	--	(670)	3,005	(2,983)	22
$ 6	$ --	$ --	$ --	$ 3,693	$ 8,649	$ (4,454)	$ 4,195
87	--	--	--	3,131	8,237	(4,110)	4,127
71	--	--	--	1,751	5,919	(2,983)	2,936
$ 790	$ 259	$ 249	$ (15)	$ (3,660)	$ (2,109)	$ --	$ (2,109)
(514)	223	313	--	(3,361)	5,811	--	5,811
2,418	104	228	--	(2,718)	2,975	--	2,975
$ (734)	$ 441	$ 401	$ (26)	$ (5,416)	$ (2,893)	$ --	$ (2,893)
(746)	364	511	--	(5,490)	9,694	--	9,694
3,226	169	339	--	(4,259)	5,091	--	5,091
$ 7,468	$ --	$ --	$ --	$ --	$ 7,542	$ (130)	$ 7,412
6,734	--	--	--	--	6,808	(130)	6,678
4,820	--	--	--	--	4,893	(129)	4,764
$ 6,734	$ 441	$ 401	$ (26)	$ (5,416)	$ 4,649	$ (130)	$ 4,519
5,988	364	511	--	(5,490)	16,502	(130)	16,372
8,046	169	339	--	(4,259)	9,984	(129)	9,855
$ 17,482	$ 343	$ 1,084	$ 115	$ 71,256	$ 280,002	$(115,998)	$ 164,004
17,981	176	1,109	100	62,661	269,504	(102,132)	167,372
18,433	238	1,199	--	45,320	227,696	(75,111)	152,585

Note 15. Quarterly Results (unaudited)

The following table shows selected quarterly results for the Company.
(in thousands except for per share data)

For the year ended December 31, 2002		First	Second	Third	Fourth	Total
Revenues		$ 20,691	$ 22,182	$ 24,628	$ 25,456	$ 92,957
Operating income		2,316	2,617	2,371	2,034	9,338
Income (loss) from Continuing operations		370	(3,984)	383	338	(2,893)
Income from Discontinued operations, net of taxes		1,786	1,870	1,841	1,915	7,412
Net income (a)		$ 2,156	$ (2,114)	$ 2,224	$ 2,253	$ 4,519
Income (loss) per share -						
Continuing operations -diluted		$ 0.10	$ (1.05)	$ 0.10	$ 0.08	$ (0.77)
Discontinued operations -diluted		0.47	0.49	0.49	0.52	1.97
Net income per share - basic		$ 0.57	(0.56)	$ 0.59	$ 0.60	$ 1.20
Net income per share - diluted		0.57	(0.56)	0.59	0.60	1.20
Closing Stock price	High	$ 40.11	54.50	$ 54.50	$ 51.90	
	Low	33.00	39.38	45.50	43.21	

For the year ended December 31, 2001		First	Second	Third	Fourth	Total
Revenues		$ 13,681	$ 16,283	$ 19,055	$ 19,685	$ 68,704
Operating income		867	1,318	2,102	2,137	6,424
Income (loss) from Continuing operations		(855)	329	270	9,950	9,694
Income from Discontinued operations, net of taxes		1,344	1,667	1,824	1,843	6,678
Net income (b)		$ 489	$ 1,996	$ 2,094	$ 11,793	$ 16,372
Income (loss) per share -						
Continuing operations -diluted		$ (0.23)	$ 0.09	$ 0.07	$ 2.63	$ 2.57
Discontinued operations -diluted		0.36	0.44	0.48	0.49	1.77
Net income per share - basic		$ 0.13	$ 0.53	$ 0.56	$ 3.13	$ 4.35
Net income per share - diluted		0.13	0.53	0.55	3.12	4.34
Closing Stock price	High	$ 34.50	$ 31.50	$ 40.03	$ 40.90	
	Low	29.88	28.00	27.50	32.70	

(a) Second quarter results of 2002 include the loss of $4.9 million, net of tax effects on the other than temporary write-down of the VeriSign stock.

(b) Fourth quarter results of 2001 include the gain of $12.7 million before taxes on the exchange of the Illuminet stock for VeriSign stock as a result of their merger.

Per share earnings may not add to the full year values as each per share calculation stands on its own.

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

The statements contained in this Annual Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding our expectations, hopes, intentions, or strategies regarding the future. 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.

General

Shenandoah Telecommunications Company and subsidiaries (the Company) is a diversified telecommunications company providing both regulated and unregulated telecommunications services through its nine wholly owned subsidiaries. These subsidiaries provide local exchange telephone services, wireless personal communications services (PCS), as well as cable television, paging, Internet access, long distance, fiber optics facilities, and leased tower facilities. The Company is the exclusive provider of wireless mobility communications network products and services under the Sprint brand from Harrisonburg, Virginia to Harrisburg, York and Altoona, Pennsylvania. The Company refers to the Hagerstown, Maryland; Martinsburg, West Virginia; and Harrisonburg and Winchester, Virginia markets as its Quad State region. The Company refers to the Altoona, Harrisburg, and York, Pennsylvania markets as its Central Penn region. Competitive local exchange carrier (CLEC) services were established on a limited basis during 2002. In addition, the Company sells and leases equipment, mainly related to services it provides, and also participates in emerging services and technologies by direct investment in non-affiliated companies. Prior to February 28, 2003, the Company was the General Partner of the Virginia 10 RSA Limited Partnership. On February 28, 2003, the Company sold its 66% interest in the partnership for $37.0 million in cash (of which $5.0 million was placed in escrow), and therefore, the consolidated financial statements reflect the previously consolidated partnership operation as discontinued operations for all periods presented.

The Company reports revenues as wireline, wireless and other revenues. These revenue classifications are defined as follows: Wireless revenues are made up of the Personal Communications Company (a PCS Affiliate of Sprint), and the Mobile Company. Wireline revenues include the following subsidiary revenues in the financial results: Telephone Company, Network Company, Cable Television Company, and the Long Distance Company. Other revenues are comprised of the revenues of ShenTel Service Company, the Leasing Company, ShenTel Communications Company and the Holding Company. For additional information on the Company's business segments, see Note 14 to audited consolidated financial statements appearing elsewhere in this report.

Over the past five years the Company has made significant investments in upgrading and adding equipment to provide up-to-date services to its customers in an increasingly dynamic and competitive telecommunications industry. The Company's gross plant investment, inclusive of plant under construction, increased from $88.7 million at year-end 1998 to $189.3 million at the end of 2002. This increase reflects the Company's continuing expansion of its operations from its historical roots in Shenandoah County, Virginia to portions of West Virginia, Maryland and Pennsylvania, principally along the Interstate 81 corridor. Recent expansion has been most extensive in the wireless operations of the business, particularly within the PCS segment. Through this expansion, the Company has completed its initial contractual obligations regarding its territory build-out under its Sprint affiliation.

With the expansion and growth of the Company's wireless businesses through its PCS operations, a smaller percentage of the Company's total revenue has been generated by its wireline operations. In 1998, 76.6% of the Company's total revenue was generated by the wireline operations, while in 2002, those operations contributed only 30.9% of total revenue. This is due to the significant growth in the PCS operation over the last 5 years. The Company continued to expand its PCS operations with additional investments in 2002, activating 31 base stations in the Central Penn region, and activating an additional 22 base stations in the Quad State region. As a result of the Company's continued marketing and sales efforts, the Company experienced continued growth in PCS revenues and customers, and a continued shift in its historical revenue mix. Revenue sources for 2002 were as follows: $57.9 million or 62.3% from wireless revenues, $28.7 million or 30.9% from wireline revenues, and $6.4 million or 6.8% from other revenue.

The Company's strategy is to continue to expand services and geographic coverage areas where it is economically feasible. The expanded market area of the PCS operation increased the Company's covered population from approximately 400 thousand persons in late 1999, to over 1.0 million as of mid-February 2001, and approached 1.6 million as of December 31, 2002. As a PCS Affiliate of Sprint, the Company markets a nationally branded service, which is accessible to all the customers of Sprint and its PCS Affiliates that travel in the Company's network area.

Recent Developments

The Company experienced numerous business challenges in 2002. Market, industry, and regulatory changes had varying degrees of impact on the operating results of the Company. The Company experienced record revenues of nearly $93.0 million, but also had bad debt expenses of nearly $4.4 million, or a 234% increase over the 2001 bad debt expense of $1.3 million.

The bad debt expense was generated in two areas of the Company's operation. The most significant portion of the increase was due to the write-off of revenues from subscribers added through the Clear Pay program, designed to attract credit challenged customers to the PCS service. At the end of 2001, and during the first four months of 2002, Clear Pay was available as a no-deposit service offering, leading to elevated subscriber additions in that time period. However, as the payment history of certain customers materialized, it became clear there was a low probability of being paid for this service. The Clear Pay no-deposit service offering was suspended in mid-April 2002, when a $125 deposit was implemented. The Clear Pay no-deposit program created three significant impacts for the Company in 2002. The first of these is customer counts. Gross subscriber additions for 2002 were 44,229 compared to 35,098 in 2001, a 26.0% increase in gross activations on a year-to-year comparison. Deactivations also changed dramatically, increasing by 14,158 or 148% to 23,752, compared to 9,594 deactivations for 2001. The second impact was in cost of goods sold for the PCS operation, which, due principally to the expense for handsets for additional customers, increased by $2.7 million or 49.3% to $8.3 million. The third area of impact for the PCS operation was bad debt expense. Generally, certain Clear Pay no-deposit customers added prior to mid-April 2002 were deactivated in the second quarter, while the unpaid balances on their account were not charged off until the third quarter of 2002. The lag for the write-off is due to the collections process that an account goes through before it is deemed uncollectible and subsequently written off. This process took approximately 120 days after the subscriber's handset was deactivated.

The second source of the increase in bad debt expense was the bankruptcy filings of several telecommunications companies that were customers of several of our operating subsidiaries. These customers included MCI WorldCom, Global Crossing, and Devon Communications Company. The total bad debt expense charged against operations as a result of these companies' financial difficulties was $0.5 million. Future recoveries, if any, will be recognized as received.

During the most capital-intensive phase of the PCS network build-out, the Company borrowed additional money to cover construction costs as well as operating losses in the PCS subsidiary. During this time, total debt, including current maturities of long-term debt, increased from $29.3 million at the end of 1998, to $62.6 million at the end of 2001. With the initial PCS build-out complete, the Company's capital spending has been reduced, and total debt decreased $7.1 million, to $55.5 million at year-end 2002.

The Company entered into an agreement with Verizon Wireless to sell the Company's 66% ownership interest in the Virginia 10 RSA Limited partnership, of which the Company was the General Partner. The partnership operates an analog cellular network in the six county area of Northwestern Virginia, including Clarke, Frederick, Page, Rappahannock, Shenandoah, and Warren counties, and the city of Winchester. The agreement was executed on November 21, 2002 and the closing occurred on February 28, 2003. The purchase price was $37.0 million plus the Company's 66% share of the partnership's working capital. The Company may use a portion of the after-tax proceeds for the repayment of existing debt and general corporate purposes.

CRITICAL ACCOUNTING POLICIES

The Company relies on the use of estimates and makes assumptions that impact its financial condition and results. These estimates and assumptions are based on historical results and trends as well as the Company's forecasts as to how these might change in the future. Several of the most critical accounting policies that materially impact the Company's results of operations include:

Allowance for Doubtful Accounts

Estimates are used in determining the allowance for doubtful accounts and are based on historical collection and write-off experience, current trends, credit policies, and accounts receivable by aging category. In determining these estimates, the Company compares historical write-offs in relation to the estimated period in which the subscriber was originally billed. The Company also looks at the average length of time that elapses between the original billing date and the date of write-off in determining the adequacy of the allowance for doubtful accounts. From this information, the Company assigns specific amounts to the aging categories. The Company provides an allowance for substantially all receivables over 90 days old.

The allowance for doubtful accounts as of December 31, 2002, 2001 and 2000 were $0.9 million and $0.7 million, and $0.3 million, respectively. If the allowance for doubtful accounts is not adequate, it could have a material adverse affect on our liquidity, financial position and results of operations.

The Company also reviews current trends in the credit quality of its subscriber base and periodically changes its credit policies. As of December 31, 2002, 39% of the Company's PCS subscriber base consisted of sub-prime credit quality subscribers. Sprint manages the accounts receivable function related to all our Sprint wireless customers. The remainder of the Company's receivables are associated with services provided on a more localized basis, and historically there have been only limited losses generated from the localized revenue streams.

Revenue Recognition

The Company recognizes revenues when persuasive evidence of an arrangement exists, services have been rendered or products have been delivered, the price to the buyer is fixed and determinable, and collectibility is reasonably assured. The Company's revenue recognition polices are consistent with the guidance in Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements promulgated by the Securities and Exchange Commission.

The Company records equipment revenue from the sale of handsets and accessories to subscribers in its retail stores and to local distributors in its territories upon delivery. The Company does not record equipment revenue on handsets and accessories purchased from national third-party retailers, or directly from Sprint by subscribers in its territories. The Company believes the equipment revenue and related cost of equipment associated with the sale of wireless handsets and accessories is a separate earnings process from the sale of wireless services to subscribers. For competitive market reasons, the Company sells wireless handsets at prices lower than their cost. In certain instances the Company may offer larger handset discounts as an incentive for the customer to agree to a multi-year service contract. The Company also sells wireless handsets to existing customers at a loss, and accounts for these transactions separately from agreements to provide customers wireless service.

The Company's wireless customers generally pay an activation fee to the Company when they initiate service. The Company defers activation fee revenue over the average life of its subscribers, which is estimated to be 30 months. The Company recognizes service revenue from its subscribers as they use the service. The Company provides a reduction of recorded revenue for billing adjustments and the royalty fee of 8% that is retained by Sprint. The Company also reduces recorded revenue for rebates and discounts given to subscribers on wireless handset sales in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor's Products). The Company participates in the Sprint national and regional distribution programs in which national retailers sell Sprint wireless products and services. In order to facilitate the sale of Sprint wireless products and services, national retailers purchase wireless handsets from Sprint for resale and receive compensation from Sprint for Sprint wireless products and services sold. For industry competitive reasons, Sprint subsidizes the price of these handsets by selling the handsets at a price below cost. Under the Company's agreements with Sprint, when a national retailer sells a handset purchased from Sprint to a subscriber in the Company's territories, the Company is obligated to reimburse Sprint for the handset subsidy. The Company does not receive any revenues from the sale of handsets and accessories by national retailers. The Company classifies these handset subsidy charges as a cost of goods expense.

Sprint retains 8% of collected service revenues from subscribers based in the Company's markets and from non-Sprint subscribers who roam onto the Company's network. The amount of affiliation fees retained by Sprint is recorded as an offset to the revenues recorded. Revenues derived from the sale of handsets and accessories by the Company and from certain roaming services (outbound roaming and roaming revenues from Sprint and its PCS Affiliate subscribers) are not subject to the 8% affiliation fee from Sprint.

The Company defers direct subscriber activation costs when incurred and amortizes these costs using the straight-line method over 30 months, which is the estimated average life of a subscriber. Direct subscriber activation costs also include credit check fees and loyalty welcome call fees charged to the Company by Sprint to operate a subscriber activation center.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the recoverability of tax assets generated on a state by state basis from net operating losses apportioned to that state. Management uses a more likely than not threshold to make that determination and has established a valuation allowance against the tax assets, in case they are not recoverable. For 2002, the Company established a valuation allowance of $0.7 million due to the uncertainty of the recoverability of the net operating loss carry-forwards in certain states. Management will evaluate the effective rate of taxes based on apportionment factors, the Company's operating results, and the various state income tax rates. Currently, management anticipates the normalized effective income tax rate to be approximately 40%.

Other

The Company does not have any unrecorded off-balance sheet transactions or arrangements.

Results of Continuing Operations

2002 compared to 2001

Total revenue was $93.0 million in 2002, an increase of $24.3 million or 35.3%. Total revenues included $57.9 million of wireless revenues, an increase of $21.7 million or 60.2%; wireline revenues of $28.7 million, an increase of $1.3 million or 4.6%; and other revenues of $6.4 million, an increase of $1.2 million or 24.5%.

Within wireless revenues, the PCS operation contributed $55.5 million, an increase of $21.4 million, or 63.0%. PCS service revenues were $37.4 million, an increase of $18.3 million or 95.7%. The increased subscriber base, which totaled 67,842 at December 31, 2002, an increase of 20,524 or 43%, compared to 47,318 subscribers at year-end 2001, drove the service revenue growth. The subscriber increase, although lower than the 2001 year, is attributed to the ongoing sales and marketing efforts in the Central Penn market, as well as continued strong demand for services in the Quad State markets. Competition in the wireless industry continues to have a significant impact on the results of the Company's PCS operation. The Company has limited influence on the service offerings, pricing or promotions advertised by Sprint.

PCS travel revenue, which is compensation between Sprint and its PCS Affiliates for use of the other party's network, was $16.5 million, an increase of $2.9 million or 21.3%. Travel revenue is impacted by the geographic size of the Company's network service area, the overall number of Sprint wireless customers, and the travel exchange rate. The rate received on travel was $0.10 per minute in 2002. The rates in 2001 were $0.20 per minute from January 1, 2001 through April 30, 2001; $0.15 through September 30, 2001; $0.12 through December 31, 2001. Sprint set the travel rate for 2003 at $0.058 per minute and it will apply for the full year, with future travel rates yet to be determined.

PCS equipment sales were $1.6 million, an increase of $0.3 million or 19.6%. The equipment sales are net of $0.3 million of rebates and discounts given at the time of sale, which became more pronounced during the year to meet industry competition for subscriber additions and subscriber retention.

In accordance with Sprint's requirements, the Company launched third generation (3G 1X) service in August 2002. 3G 1X is the first of a four-stage migration path that will enable additional voice capacity and increased data speeds for subscribers. The network upgrades completed in 2002 were software changes, channel card upgrades, and some new network elements for packet data. The Company's base stations were outfitted with network card enhancements, thereby allowing the Company to provide 3G 1X service without wholesale change-outs of base stations. 3G 1X is backwards compatible with the existing 2G network, thereby allowing continued use of current customer handsets. The impact of 3G 1X-network enhancements on revenues was not significant in 2002, and the contribution to future revenues cannot be estimated at this time. There are no significant additions to the Company's coverage area planned during 2003, although investments will continue to be made for capacity and service improvements.

Tower leases added $2.1 million to wireless revenues, an increase of $0.4 million or 24.5%. The increase was the result of other wireless carriers executing additional leases to use space on the Company's portfolio of towers. Of the 82 towers and poles owned by the Company as of December 31, 2002, 46 have tower space leased to other carriers.

Wireless revenues from the Company's paging operation were $0.3 million, a decrease of $0.1 million as the local customer base increasingly chose alternative digital wireless services. Paging service subscribers declined by 7.8% in 2002 from 3,190 subscribers to 2,940 subscribers.

Within wireline revenues, the Telephone operation contributed $22.5 million, an increase of $0.9 million, or 4.0%. Telephone access revenues were $10.9 million, an increase of $1.4 million or 14.8%. The growth in access revenues was driven by a 38.4% increase in access minutes of use on the Company's network and an increased percentage of minutes in the intrastate jurisdiction, where rates are higher than the interstate jurisdiction. On January 1, 2002 the Federal subscriber line charge (SLC) for residential customers increased from $3.50 to $5.00 per month. The SLC also increased again on July 1, 2002 to $6.50, and comparable rate increases also impacted business subscribers. Tied to the SLC rate increases were declines in rates charged to interexchange carriers for interstate minutes of use. The 2002 results reflect a significantly larger increase in network usage, which more than offset the decline in rates.

Facility lease revenue contributed $5.7 million to wireline revenues, a decrease of $0.7 million or 9.7%. The decrease was primarily the result of declining lease rates associated with competitive pricing pressure, and the economic downturn in the telecommunications industry. During 2002 the Company completed a second, diverse fiber route to its existing interconnection point in the Dulles airport area of Northern Virginia. This fiber route provides increased reliability for customers in the event of fiber cuts or breaks, and extends the availability of the Company's fiber network to additional market locations.

Billing and collection services contributed $0.4 million to wireline revenues, which was the same as 2001 results. Revenues from this service had declined in recent years, with inter-exchange carriers now issuing a greater proportion of their bills directly to their customers.

Wireline revenues from cable television services were $4.3 million, an increase of $0.5 million or 14.5%. In December 2001, the Company increased its basic service charge by $6.00 per month, which produced $0.3 million of the increase in cable television revenue. The remaining $0.2 million was generated by an increased penetration of digital services and increased pay per view sales.

Within other revenues, Internet and 511Virginia service revenues were $5.1 million in 2002, an increase of $1.2 million or 30.6%. The Company had 18,696 Internet subscribers at December 31, 2002 compared to 17,423 at the end of the previous year. Total Internet service revenue was $4.2 million, an increase of $0.6 million or 14.7%. Services provided to the 511Virginia program contributed $0.9 million to other revenues, an increase of $0.6 million or 220%. Telecommunications equipment sales, services and lease revenues were $1.2 million, which reflects only a nominal increase over 2001 results.

Total operating expenses were $83.6 million, an increase of $21.3 million or 34.3%. The continued growth in the PCS operation was principally responsible for the change.

Cost of goods and services was $10.5 million, an increase of $3.1 million or 41.8%. The PCS cost of goods sold was $8.3 million, an increase of $2.7 million or 49.3%. This change is due primarily to higher volumes of handsets sold through Company owned stores and PCS handset subsidies paid to third-party retailers. As the PCS operation matures, the proportion of cost of goods sold for handset sales to existing customers is expected to increase. The cable television programming (cost of service) expense was $1.4 million, an increase of $0.1 million or 5.3%. The cost of goods sold for telecommunications system equipment was $0.5 million, an increase of $0.1 million or 18.2%, while other cost of goods sold increased by $0.2 million.

Network operating costs were $32.5 million, an increase of $5.8 million or 21.5%. Line and switching costs were $9.7 million, an increase of $2.6 million or 37.4%, due principally to the impact of the expanded PCS network. Travel expense, generated by the Company's PCS subscribers' use of minutes on other providers' portions of the Sprint wireless network, was $10.7 million, an increase of $0.9 million or 8.4%, the growth in usage more than offset the travel rate decrease mentioned above in travel revenue. Due in large part to operation and maintenance of the additional plant placed in service in recent years, plant specific costs were $9.6 million, an increase of $2.3 million or 30.7%. Tower, building, and land rentals, as well as PCS equipment maintenance, were major contributors to the plant specific expense growth. Other network costs such as power, network administration, and engineering, were $2.7 million, the same as in 2001.

Depreciation and amortization expense was $14.5 million, an increase of $3.2 million or 28.6%. The PCS operation had depreciation expense of $8.6 million, an increase of $3.6 million or 72.7%. The PCS operation added 53 additional base stations during 2002, to contribute to the higher depreciation expense in 2002. There was no amortization of goodwill in 2002, compared to $360 thousand expensed in 2001.

Selling, general and administrative expenses were $26.1 million, growing $9.3 million or 55.0%. Customer support costs were $7.8 million, an increase of $2.8 million or 55.3%. The growth in Sprint wireless subscribers is primarily responsible for this change. Advertising expense was $4.3 million, an increase of $1.5 million or 55.8%. The change is primarily attributed to the ongoing marketing efforts in support of the PCS operations in both the Quad State and Central Penn markets. PCS sales staff expenses were $2.7 million, an increase of $0.7 million or 32.7%. The increase was principally due to the full year operations of the three retail locations and the additional staff added during 2001.

Historically, the bad debt risk in wireline operations was with individual customers, or on a rare occasion, a small interexchange carrier. Bad debt expense reached $4.4 million, increasing $3.1 million or 234%. The Company experienced significant losses related to the Sprint Clear Pay program, as a result of credit challenged subscribers being sold subscriptions without a deposit. Many of these subscribers never paid their bills, and therefore increased the bad debt in the PCS operation. During the final quarter of 2002, there was some indication that the mid-year steps taken to reduce the churn and bad debt expense associated with high credit risk subscribers were beginning to take effect. Total bad debt for the PCS operation was $3.7 million compared to $1.2 million last year. The Company experienced additional bad debt expense of $0.5 million, primarily associated with the WorldCom, Global Crossing and Devon Communications bankruptcy filings in 2002.

Operating income grew to $9.3 million, an increase of $2.9 million or 45.4%. Revenue growth, primarily in the PCS operation, was greater than the increase in operating expense, and the overall operating margin was 10.0%, compared to 9.4% in 2001. The elevated bad debt expense in the PCS and telephone operations had a dampening effect on the operating margin improvement.

Other income (expense) is comprised of non-operating income and expenses, interest expense and gain or loss on investments. Collectively, the net impact of these items to pre-tax income was an expense of $14.3 million for 2002, compared to income of $9.1 million from 2001. The largest component was the loss on investments that is discussed below.

Interest expense was $4.2 million, an increase of $0.1 million or 1.4%. The Company's average debt outstanding was approximately the same during the year as compared to the previous year. Long-term debt (inclusive of current maturities), was $52.0 million at year-end 2002, versus $56.4 million at year-end 2001.

Net losses on investments were $10.0 million, compared to a gain of $12.9 million from 2001. Results in 2002 include the sale of the VeriSign, Inc. stock for a loss of $9.0 million compared to a gain of $12.7 million in 2001, as further described in Note 3 to the financial statements.

Non-operating income was a loss of $0.1 million, an decrease of $0.3 million, primarily due to losses recorded for the Company's portfolio of investments, offset by an increase in patronage equity earned from CoBank, the Company's primary lender.

Income (loss) from continuing operations before taxes was a $5.0 million loss compared to a profit of $15.5 million in 2001, a decrease of $20.5 million. Gains and losses on external investments contributed $21.7 million to this change from 2002 to 2001.

The Company recognized an income tax benefit of $2.1 million in 2002, which is an effective tax rate of 42.2% due to the impact of net operating loss carry forwards generated in several states with higher tax rates, offset somewhat by the need for a valuation allowance. The Company currently operates in four states. Due to apportionment rules and where the Company's profits and losses are generated, the Company is generating profits in states with lower tax rates, while generating losses in states with higher tax rates. The Company cautions readers that the current effective tax rate may not be the same rate at which tax benefits or tax expenses are recorded in the future. The Company's state apportionments, profits and losses and state tax rates may change, therefore changing the effective rate at which taxes are provided for or at which tax benfits accrue. In the near term, under existing operating results and current tax rates, the Company anticipates a normalized effective tax rate will be approximately 40%.

Net loss from continuing operations was $2.9 million, a decrease of $12.6 million from 2001. The results are primarily made up of the one-time impact of the losses on the sale of the VeriSign stock and the improvement in operating income.

Income from discontinued operations was $7.4 million after taxes, an increase of $0.7 million or 11%. Increased revenues from use of our cellular network by customers of other wireless providers were the main cause for the increase in net income.

Net income was $4.5 million, a decrease of $11.9 million or 72.4%. The decrease is primarily the result of the $21.7 million decline in investment results due to the impact of the VeriSign gain recorded in 2001, and the loss on the sale of the VeriSign stock in 2002.

Continuing Operations

2001 Compared to 2000

Total revenue was $68.7 million in 2001, an increase of $24.3 million or 54.6%. Total revenues included $36.1 million of wireless revenues, an increase of $21.2 million or 142%; wireline revenues of $27.5 million, an increase of $3.0 million or 12.2%; and other revenues of $5.1 million, an increase of $0.1 million or 1.4%.

Within wireless revenues, the PCS operation contributed $34.0 million, an increase of $20.1 million. PCS service revenues were $19.1 million, an increase of $10.1 million or 113%. The increased subscriber base, which totaled 47,318 at December 31, 2001, increased 25,504, or 117%, compared to 21,814 subscribers at year-end 2000. The subscriber increase is attributed to expanded sales and marketing efforts starting with the February 2001 launch of the Central Penn market, as well as continued strong demand for services in the Quad State markets.

PCS travel revenue, which is compensation between Sprint and its PCS Affiliates for use of the other party's network, was $13.6 million, an increase of $9.5 million or 232%. The PCS operation service area increased substantially with the February 2001 launch of the Central Penn markets and continued enhancements to the Quad State markets. The rates received on travel have been reduced, from $0.20 per minute through April 30, 2001; $0.15 through September 30, 2001; $0.12 through December 31, 2001. Sprint set the rate at $0.10 per minute for the full year of 2002.

PCS equipment sales were $1.4 million, an increase of $0.5 million or 64.9%. Three additional retail stores were opened in the Central Penn region, and the overall sales force was increased in size during the year.

Tower leases added $1.7 million to wireless revenues, an increase of $1.2 million or 228%. The increase was a result of other wireless carriers executing additional leases to use space on the Company's portfolio of towers. Of the 70 towers owned by the Company in 2001, 41 had space leased to other carriers.

Wireless revenues from the Company's paging operation were $0.4 million, a decrease of $0.1 million as the local customer base increasingly chose competing digital wireless services. Paging service subscribers declined by 33.3% in 2001.

Within wireline revenues, the Telephone Company contributed $21.6 million, an increase of $2.5 million, or 12.8%. Telephone access revenues were $9.5 million, an increase of $1.3 million or 15.6%. The growth in access revenues was driven by a 7.4% increase in access minutes of use on the Company's network and an increased percentage of minutes in the intrastate jurisdiction, where rates are higher than the interstate jurisdiction.

Facility lease revenue contributed $6.6 million to wireline revenues, an increase of $1.4 million or 27.2%. The growth was attributable to higher demand for network facilities.

Billing and collection services contributed $0.4 million to wireline revenues, a decrease of $0.1 million or 23.2%. Revenues from this source declined, due to inter-exchange carriers issuing a greater proportion of their bills directly to their customers.

Wireline revenues from cable television service were $3.8 million, an increase of $0.2 million or 4.8%. During 2001 there was an increased penetration of digital services and increased pay per view sales. The Company enacted a basic service rate increase effective in December 2001.

Within other revenues, Internet service revenues were $3.9 million, an increase of $0.9 million or 28.3%. The Company had 17,423 Internet subscribers at December 31, 2001 compared to 14,900 at the end of the previous year. Services provided to the 511Virginia program contributed $0.3 million to other revenues, an increase of $0.2 million. Telecommunications equipment sales revenues were $0.6 million, a decrease of $0.8 million, or 54.1%, due to decreased sales of larger telecommunications systems and equipment.

Total operating expenses were $62.3 million, an increase of $23.2 million or 59.5%. The expansion of the PCS operation was principally responsible for the change.

Cost of goods and services was $7.4 million, an increase of $1.6 million or 28.7%. The PCS cost of goods sold was $5.5 million, an increase of $2.1 million or 63.2%. This change is due primarily to higher volumes of handsets sold through Company owned stores and PCS handset subsidies and commissions paid to third-party retailers. The cable television programming (cost of service) expense was $1.3 million, an increase of $0.2 million or 13.4%. The cost of goods sold for telecommunications system equipment was $0.4 million, a decline of $0.7 million or 61.1%, while other cost of goods sold remained the same compared to 2000.

Network operating costs were $26.8 million, an increase of $11.8 million or 78.6%. Line and switching costs were $7.1 million, an increase of $3.4 million or 95.0%, due principally to the expanded PCS network. Travel expense, generated by the Company's PCS subscribers' use of minutes on other providers' portions of the Sprint wireless network, was $9.9 million, an increase of $6.1 million or 159%. Rates for travel expense are the same as those for travel revenue. Due in large part to operation and maintenance of the additional plant placed in service in recent years, plant specific costs were $9.8 million, an increase of $2.4 million or 32.1%. Tower, building, and land rentals; power; network administration; engineering; and, PCS equipment maintenance were major contributors to the plant specific expense growth.

Depreciation and amortization expense was $11.3 million, an increase of $4.4 million or 63.8%. The PCS operation had depreciation expense of $5.0 million, an increase of $3.6 million or 270%. The PCS switch was placed in service in February 2001, and 126 additional PCS base stations were activated and three retail stores were opened during the year. Amortization expense in the cable television operation was $0.7 million, an increase of $0.3 million due to additional amortization on certain intangible assets.

Selling, general and administrative expenses were $16.9 million, growing $5.3 million or 45.8%. Customer support costs were $5.0 million, an increase of $1.2 million or 31.3%. The growth in Sprint wireless subscribers is primarily responsible for this change. Advertising expense was $2.8 million, an increase of $1.9 million or 217%. The change is primarily attributed to the increased marketing efforts in support of the launch of the Harrisburg and York, Pennsylvania PCS markets. PCS sales staff expenses were $2.1 million, an increase of $1.3 million or 157%. The increase was principally due to the opening of three retail locations and the additional staff to support the expanded market area. An additional expense category related to the growth in PCS subscribers is bad debt expense, which reached $1.3 million, increasing $0.6 million or 81.8%. Other sales and administrative costs increased $0.3 million over 2000 year levels.

Operating income grew to $6.4 million, an increase of $1.0 million or 19.5%. Increased revenues, primarily in the wireless operation, were greater than the increase in operating expenses, although the overall operating margin declined to 9.4%, compared to 12.1% in 2000. Costs incurred were incrementally higher than the growth in revenues, as many of the additional costs were fixed costs, associated with the marked expansion of the PCS network in 2001.

Other income (expense) is comprised of non-operating income and expenses, interest expense and gain or loss on investments. Collectively, the net contribution of these items to pre-tax income was $9.1 million, an increase of $6.4 million or 238%. The largest component was a non-cash gain on investments that is discussed below.

Interest expense was $4.1 million, an increase of $1.2 million or 40.6%. The Company's average debt outstanding was greater during the year as compared to the previous year. Long-term debt (inclusive of current maturities), was $56.4 million at year-end 2001, versus $55.5 million at year-end 2000, although the average debt was significantly higher in 2001.

Net gain on investments was $12.9 million, an increase of $7.3 million or 131%. Results include the $12.7 million non-cash gain recognized as a result of the merger between Illuminet Holdings, Inc. (Illuminet) and VeriSign, Inc. (VeriSign). Additionally, the Company realized net gains on the sales of other investments of $3.9 million, including the sale of 130,000 shares of Illuminet stock sold prior to the acquisition of Illuminet by VeriSign. The Company also recognized impairment losses of $2.4 million on available-for-sale securities, and partnership investments incurred losses totaling $1.2 million, during 2001.

Non-operating income was $0.3 million, an increase of $0.3 million, primarily due to an increase in patronage equity earned from CoBank, the Company's primary lender.

Income before taxes was $15.5 million, an increase of $7.4 million or 92.2%. The Company recognized income tax expense at an effective rate of approximately 36.9% for continuing operations.

Income from continuing operations was $9.7 million, an increase of $4.6 million or 90.4%. The increase is primarily made up of the one-time impact of the non-cash gain on the exchange of the Illuminet stock, and the improved financial performance of the overall operation.

Income from discontinued operations was $6.7 million after taxes in 2001, an increase of $1.9 million or 40.2% over 2000 results. Higher revenue from other provider's customers increased the net income after minority interest and taxes.

Net income increased $6.5 million or 66.1%. This increase was primarily the result of the gain on the VeriSign stock and improved results in discontinued operations compared to 2000.

Discontinued Operations

The Company invested $2.0 million in the Virginia 10 RSA limited partnership in the early 1990's. After peaking in early 2000, at nearly 12,000 subscribers, the customer base declined to 6,700 at December 31, 2002. The decline was the result of competition with digital technologies and the benefits of national carriers rolling out service in the coverage area. As a result of this decline in the subscriber base, and the need for extensive capital expenditures to transform the analog network into a digital cellular network, the Company elected to sell its 66% interest in the partnership to one of the minority partners. The VA 10 Partnership had $20.9 million in revenues in 2002, compared to $20.0 million in 2001 and $16.1 million in 2000. The Company's portion of the net income after the minority interest and the tax effect for each of the preceding three years was $7.4 million, $6.7 million and $4.8 million.

Investments in Non-Affiliated Companies

The Company has investments in several available-for-sale securities, which the Company may choose to liquidate from time to time, based on market conditions, capital needs, other investment opportunities, or a combination of any number of these factors. As a result of the uncertainty of these factors, there is also uncertainty as to what the value of the investments may be when they are sold.

In December 2001, the Company recognized a non-cash gain on the exchange of Illuminet stock for VeriSign stock, totaling $12.7 million. The Company held 333,504 shares of Illuminet Holding Company stock, and elected to convert those shares into VeriSign stock on the date of the merger. The conversion rate was ..93 shares of VeriSign for each share of Illuminet, giving the Company 310,158 shares of VeriSign.

During 2002, the Company sold all of the shares of VeriSign, Inc. for $2.8 million, and recorded a loss before taxes of $9.0 million on the sale. This transaction reduced the available for sale investments reflected on the balance sheet compared to last year. The fair value of the Company's available-for-sale securities was $0.2 million at the end of 2002, compared to $12.0 million at the end of 2001. The Company's available-for-sale portfolio at December 31, 2002 is made up of three investments, two of which are within the telecommunications industry. Due to the volatility of the securities markets, particularly in the telecommunications industry, there is uncertainty about the ultimate value the Company will realize with respect to these investments in the future.

Sale of GSM PCS Equipment, Refundable Equipment Payment, Like-Kind Exchange

On January 11, 2001, the Company completed a transaction to sell its GSM technology PCS equipment and three radio spectrum licenses for $6.5 million, which was the book value of the assets that were sold. In June 2000, the Company had recorded a charge of $0.7 million to value the assets it intended to sell at their estimated realizable value. As a result of the impairment charge recorded in June 2000, there was no additional impact to the operating statement as a result of the transaction closing.

As part of the original agreements with Sprint, in late 1999 the Company received a refundable equipment payment of $3.9 million in cash from Sprint. The payment was to provide liquidity during the construction of the CDMA network while the Company attempted to sell its GSM equipment, and to cover the shortfall in the event a sale was made at less than net book value. As a result of the sale of the GSM equipment in January 2001, the Company repaid the refundable equipment payment to Sprint, as required by the agreement.

The Company entered into an agreement with a third party to act as the Company's agent in a like-kind exchange in the sale of the Company's GSM PCS network equipment and the purchase of new CDMA PCS equipment. This transaction was completed in 2001, and allowed the Company to defer the tax impact.

Financial Condition Liquidity and Capital Resources

The Company has four principal sources of funds available to meet the financing needs of its operations, capital projects, debt service and potential dividends. These sources include cash flows from operations, two revolving credit facilities both of which mature in 2003, and investments, which can be liquidated. Management routinely considers these alternatives to determine what mix of the external sources is best suited for the long-term benefit of the Company.

Management anticipates its operations will generate similar operating cash flows in 2003, compared to those of continuing operations in 2002, although there are items outside the control of the Company that could have an adverse impact on cash flows. Outside factors that could adversely impact operating cash flow results include, but are not limited to; changes in overall economic conditions, regulatory requirements, changes in technologies, availability of labor resources and capital, and other conditions. The PCS subsidiary's operations are dependent upon Sprint's ability to execute certain functions such as billing, customer care, collections and other operating activities under the Company's agreements with Sprint. Additionally, the Company's ability to attract and maintain a sufficient customer base is critical to maintaining a positive cash flow from operations. These items individually and/or collectively could impact the Company's results.

Capital expenditures budgeted for 2003 total approximately $19.4 million, including approximately $9.5 million for additional base stations, additional towers, and switch upgrades to enhance the PCS network. Improvements and replacements of approximately $6.4 million are planned for the telephone operation. The Company also budgeted $1.4 million for a diverse fiber route to support the northern portion of its fiber network. The remaining $2.1 million covers building renovations, vehicles, office equipment, and other miscellaneous capital needs.

The largest source of external funding is the $20.0 million revolving line of credit with CoBank, with the option to term out the amount on the revolving line of credit. There was $3.2 million outstanding as of December 31, 2002, at an interest rate of approximately 3.2% as of that date. This facility expires on November 1, 2003. Management will review the Company's capital needs prior to the maturity of the facility to determine the appropriate debt facility needed for the future. The CoBank revolving credit facility and the term debt with CoBank have three financial covenants tied to the facilities. These are measured based on a trailing 12-month basis and are calculated on continuing operations. The first of the covenants is the total leverage ratio, which is total debt to operating cash flow. This ratio must remain below 3.5, and as of December 31, 2002 it was 2.4. The second measure is equity to total assets, which must be 35% or higher. At December 31, 2002 the ratio was 46.7%. The third measure is the debt service coverage ratio, which is operating cash flow to scheduled debt service which must exceed 2.0. At December 31, 2002 this measure was 2.6. Management believes the Company will meet these covenant measures for the coming year.

Another external source of funding is the $2.5 million unsecured, variable rate revolving line of credit with SunTrust Bank. The terms of this agreement limit the outstanding balances on the CoBank and SunTrust revolving lines to a combined $20 million at any one time. The facility expires May 31, 2003. Management anticipates renewing this facility with SunTrust Bank under similar terms and conditions. The Company uses this facility as a source of short-term liquidity in its daily cash management operations. At December 31, 2002 the outstanding balance was $0.3 million at an interest rate of 2.1%.

Subsequent to year-end, the Company generated enough cash from operations to pay off its outstanding revolving balances with CoBank and SunTrust Banks by mid-February. Additionally, with the closing of the sale of the VA 10 Limited Partnership transaction, the Company received proceeds of approximately $33.7 million, excluding $5.0 million placed in escrow, before the quarterly tax payments are due. Management is evaluating alternatives for the most beneficial use of the cash in light of its long-term strategies.

The Company expects to generate adequate capital to fund the capital projects, debt payments, and potential dividend payments through operating cash flow, existing financing facilities and the anticipated financing facilities discussed previously. Additionally, the Company may, at its election, liquidate some of its investments to generate additional cash for its capital needs as market conditions allow.

Recently Issued Accounting Standards

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset, which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS No. 143 on January 1, 2003. The Company is currently evaluating the effect the new standard may have on its results of operations and financial position, which will be reflected in the Company's filing for the first quarter of 2003.

In November 2001, the Emerging Issues Task Force (EITF) of the FASB issued EITF 01-9 Accounting for Consideration Given by a Vendor to a Subscriber (Including a Reseller of the Vendor's Products). EITF 01-9 provides guidance on when a sales incentive or other consideration given should be a reduction of revenue or an expense and the timing of such recognition. The guidance provided in EITF 01-9 is effective for financial statements for interim or annual periods beginning after December 15, 2001. The Company occasionally offers rebates to subscribers that purchase wireless handsets in its retail stores. The Company's historical policy regarding the recognition of these rebates in the consolidated statement of operations is a reduction in the revenue recognized on the sale of the wireless handset by an estimate of the amount of rebates expected to be redeemed. The Company's existing policy was in accordance with the guidance set forth in EITF 01-9. Therefore, the adoption of EITF 01-9 by the Company on January 1, 2002 did not have a material impact on the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. Among other things, this statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in APB Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, will now be used to classify those gains and losses. The adoption of SFAS No. 145 by the Company on January 1, 2003 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 provides new guidance on the recognition of costs associated with exit or disposal activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS No. 146 supercedes previous accounting guidance provided by EITF Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). EITF Issue No. 94-3 required recognition of costs at the date of commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 by the Company on January 1, 2003 is not expected to have a material impact on the Company's financial position, results of operations or cash flows as the Company has not recorded any significant restructurings in past periods, but the adoption may impact the timing of charges in future periods.

EITF 00-21, Revenue Arrangements with Multiple Deliverables was issued in November 2002. The issue surrounds multiple revenue streams from one transaction with multiple deliverables. The Company has this situation in its PCS operation as it relates to the sales of handsets and providing the related phone service. The Company recognizes the handset sale and providing the ongoing service to the subscriber as two separate transactions. This approach is consistent with the provisions of EITF 00-21, and adoption is not expected to have a material impact on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148 Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation from the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting, and has adopted the disclosure requirements of SFAS No. 123 and SFAS No. 148.

Other Commitments, Contingencies and Risks

The Company is one of ten PCS Affiliates of Sprint, and accordingly, is impacted by decisions and requirements adopted by Sprint in regard to its wireless operation. As part of the national roll-out of 3G by Sprint in August 2002, the Company was required to make upgrades to its network. These commitments were reflected in the capital spending in 2002. Management continually reviews its relationship with Sprint as new developments and requirements are added. Note 7 to the accompanying consolidated financial statements contains a detailed description of the significant contractual relationship.

In certain aspects of its relationship with Sprint, the Company, at times, disagrees with the applicability of, or calculation approach and accuracy of, Sprint supplied revenues and expenses. It is the Company's policy to reflect the information supplied by Sprint in the financial statements in the respective periods. Corrections, if any, are made no earlier than the period in which the parties agree to the corrections.

Market Risk

The Company's market risks relate primarily to changes in interest rates on instruments held for other than trading purposes. Our interest rate risk involves two components. The first component is outstanding debt with variable rates. As of December 31, 2002, the balance of the Company's variable rate debt was $3.5 million, primarily made up of a $3.2 million balance on the revolving note payable to CoBank, which matures November 1, 2003. The rate of this note is based upon the lender's cost of funds. The Company also has a variable rate line of credit totaling $2.5 million with SunTrust Banks, with $0.3 million outstanding at December 31, 2002. The Company's remaining debt has fixed rates through its maturity. A 10.0% decline in interest rates would increase the fair value of the fixed rate debt by approximately $1.6 million, while the current fair value of the fixed rate debt is approximately $51.1 million.

The second component of interest rate risk is temporary excess cash, primarily invested in overnight repurchase agreements and short-term certificates of deposit. Available cash will be used to repay existing and anticipated new debt obligations, maintaining and upgrading capital equipment, ongoing operations expenses, investment opportunities in new and emerging technologies, and potential dividends to the Company's shareholders. With the Company's sale of its cellular partnership interest and the proceeds from the sale, interest rate risk for its excess cash has increased. Due to the recent date of the transaction, the cash is currently in short-term investment vehicles that have limited interest rate risk. Management is evaluating the most beneficial use of the cash from this transaction.

Management does not view market risk as having a significant impact on the Company's results of operations, although adverse results could be generated if interest rates were to escalate markedly. Since the Company liquidated its significant investments in stock during 2002, currently there is limited risk related to the Company's available for sale securities. General economic conditions impacted by regulatory changes, competition or other external influences may play a higher risk to the Company's overall results.

Selected Statistics

OPERATING STATISTICS

(unaudited)	Three Month Period Ended Dec 31, 2002	Sep 30, 2002	Jun 30, 2002	Mar 31, 2002	Dec 31, 2001
Telephone Access Lines	24,879	24,933	24,859	24,751	24,704
CATV Subscribers	8,677	8,707	8,729	8,740	8,770
Internet Subscribers	18,696	18,559	18,300	18,083	17,423
Digital PCS Subscribers	67,842	62,434	59,962	56,624	47,318
Paging Subscribers	2,940	3,002	3,071	3,136	3,190
Long Distance Customers	9,310	9,338	9,316	9,341	9,159
DSL Subscribers	646	537	434	341	288
Fiber Route Miles	549	543	543	524	485
Total Fiber Miles	28,403	28,243	28,243	26,804	23,893
Long Distance Calls (000) (Note 1)	5,969	6,138	5,949	5,431	5,561
Switched Access Minutes (000) (Note 1)	46,627	46,525	42,816	38,398	33,067
CDMA Base Stations (sites)	237	231	220	207	184
Towers (over 100 foot)	72	72	72	65	61
Towers (100 foot or less)	10	10	10	10	10
PCS Market POPS (000)	2,048	2,048	2,048	2,048	2,048
PCS Covered POPS (000)	1,555	1,555	1,512	1,455	1,395
(see Note 2 for definition of following terms)					
PCS ARPU (excluding travel)	$51.38	$53.58	$49.93	$50.49	$49.71
PCS Travel Revenue per Subscriber	$31.21	$31.90	$26.56	$21.91	$35.01
PCS Average Management Fee per Subscriber	$ 4.64	$ 4.29	$ 3.99	$ 4.04	$ 3.98
PCS Ave monthly churn %	3.40%	4.00%	3.21%	2.84%	2.92%
PCS CPGA	$390.66	$344.77	$281.79	$235.40	$228.22
PCS CCPU	$53.52	$53.93	$48.26	$46.45	$54.50

(1) - Originated by customers of the Company's Telephone subsidiary.

(2) - POPS is the estimated population of people in a given geographic area. Market POPS are those within a market area, and Covered POPS are those covered by the network's service area. ARPU is Average Revenue Per User, before travel, roaming revenue, and management fee, net of adjustments divided by average subscribers. PCS Travel revenue includes roamer revenue and is divided by average subscribers. PCS Average management fee per subscriber is 8 % of collected revenue paid to Sprint, excluding travel revenue. PCS Ave Monthly Churn is the average of three monthly calculations of deactivations (excluding returns less than 30 days) divided by beginning of period subscribers. CPGA is Cost Per Gross Add and includes selling costs, product costs, and advertising costs. CCPU is Cash Cost Per User, and includes network, customer care and other costs.

PLANT FACILITY STATISTICS	Telephone	CATV
Route Miles	2,107.6	525.1
Customers Per Route Mile	11.8	16.5
Miles of Distribution Wire	577.7	--
Telephone Poles	7,742	30
Miles of Aerial Copper Cable	343.4	162.2
Miles of Buried Copper Cable	1,475.2	327.5
Miles of Underground Copper Cable	39.1	1.9
Intertoll Circuits to Interexchange Carriers	1,596	--
Special Service Circuits to Interexchange Carriers	266	--

EXHIBIT 21 LIST OF SUBSIDIARIES

SHENANDOAH TELECOMMUNICAITONS COMPANY AND SUBSIDIARIES

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

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

EXHIBIT 23.1

Consent of Independent Accountants

The Board of Directors
Shenandoah Telecommunications Company:

We consent to the incorporation by reference in the registration statements No. 333-21733 on Form S-8 and No. 333-74297 on Form S3-D of Shenandoah Telecommunications Company of our report dated February 14, 2003, except as to note 2, which is as of February 28, 2003, with respect to the consolidated balance sheets of Shenandoah Telecommunications Company as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and comprehensive income (loss), and cash flows for the years then ended, which report is incorporated by reference in the 2002 Annual Report on Form 10-K of Shenandoah Telecommunications Company. Our report refers to a change in the method of accounting for goodwill.

/s/KPMG LLP

Richmond, Virginia
March 28, 2003

EXHIBIT 23.2

INDEPENDENT AUDITOR'S CONSENT

As independent auditors, we hereby consent to the incorporation of our report, dated January 26, 2001, incorporated by reference into the Annual Report of Shenandoah Telecommunication Company on Form 10-K, into the Company's previously filed Form S-8 Registration Statement, File No. 333-21733, and Form S3-D Registration Statement No. 333-74297.

/s/ MCGLADREY & PULLEN, LLP

Richmond, Virginia
March 28, 2003