

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1997

Commission File Number 0-9881

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

Virginia  
(State or other jurisdiction  
of incorporation or  
organization)

54-1162806  
(I.R.S. Employer  
Identification  
Number)

P.O. Box 459, Edinburg, Virginia 22824  
(Address of principal executive office and zip code)

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

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 the number of shares outstanding of each of the issuer's classes of common stock as of the close of the period covered by this report.

Class                                      Outstanding at October 1, 1997  
Common Stock, No Par Value              3,760,760 Shares  
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SHENANDOAH TELECOMMUNICATIONS COMPANY  
AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION  
ITEM I, FINANCIAL STATEMENTS  
CONSOLIDATED BALANCE SHEETS

ASSETS

	(UNAUDITED) September 30, 1997	December 31, 1996
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$5,927,313	\$3,763,468
Certificates of Deposit	204,122	1,142,181
Investments Held to Maturity Securities	499,581	2,148,945
Accounts Receivable	5,541,459	4,208,742
Materials	4,047,523	2,888,709
Prepaid and Other Current Assets	216,056	324,683
<b>TOTAL CURRENT ASSETS</b>	<b>\$16,436,054</b>	<b>\$14,476,728</b>
<b>NON-CURRENT ASSETS</b>		
Investment in Available for Sale Securities	\$4,775,261	\$2,738,431
Investment in Held-To-Maturity Securities	1,622,433	1,622,433
Other Investments	4,591,907	4,112,947
<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$10,989,601</b>	<b>\$8,473,811</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant in Service	\$69,949,016	\$65,125,491

Plant Under Construction	4,524,912	5,626,710
Less Accumulated Depreciation	24,478,413	21,648,820
NET PROPERTY, PLANT AND EQUIPMENT	\$52,417,477	\$49,193,381
OTHER ASSETS		
Cost in Excess of net assets of Business		
less Accumulated Amortization	\$ 5,250,959	\$ 5,532,602
Deferred Charges and Other Assets	557,213	597,575
Radio Spectrum License net of		
Accumulated Amortization	714,258	0
Deposit	0	1,100,000
	\$ 6,522,431	\$ 7,230,177
TOTAL ASSETS	\$86,365,562	\$79,374,097

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY  
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PART I, FINANCIAL INFORMATION  
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LIABILITIES AND STOCKHOLDERS' EQUITY

	(UNAUDITED) September 30, 1997	December 31, 1996
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 499,408	\$ 529,405
Accounts Payable	1,852,155	2,097,115
Advance Billings and Payments	258,607	590,336
Customers' Deposits	97,055	89,591
Other Current Liabilities	1,477,961	1,117,795
Income Taxes Payable	839,763	0
Other Taxes Payable	338,870	128,144
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 5,363,139</b>	<b>\$ 4,552,386</b>
<b>LONG TERM DEBT, LESS CURRENT MATURITIES</b>	<b>25,497,905</b>	<b>24,176,834</b>
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>		
Deferred Investment Tax Credits	\$235,181	\$291,957
Deferred Income Taxes	5,231,745	4,908,170
Pension and Other	867,990	573,363
	6,334,916	5,773,490
<b>MINORITY INTERESTS</b>	<b>\$ 1,963,306</b>	<b>\$ 1,743,465</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, no par, 8,000,000 shares authorized (3,760,760 shares issued and outstanding)	\$4,740,677	\$4,740,677
Retained Earnings	41,274,272	37,716,654
Unrealized Gain on available-for-sale securities	1,191,348	670,591
	47,206,297	43,127,922
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$86,365,562</b>	<b>\$79,374,097</b>

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY  
AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION  
ITEM I, FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	----- 1997	1996	----- 1997	1996
<b>OPERATING REVENUES</b>				
Telephone Revenues				
Local Service	\$928,153	\$828,715	\$2,670,093	\$2,428,140
Access	1,912,794	1,783,876	5,401,305	5,254,004
Toll	7,446	8,800	20,920	17,567
Miscellaneous:				
Directory	276,707	283,377	841,880	863,452
Facility Leases	492,197	462,707	1,478,567	1,347,879
Billing & Collection	115,337	108,116	328,758	331,125
Other Miscellaneous	36,953	24,330	93,280	76,558
Total Telephone Revenues	3,769,587	3,496,921	10,834,803	10,318,725
Cable Television Revenues	635,619	221,408	1,876,770	663,384
ShenTel Service Revenues	538,855	511,462	1,539,376	1,285,688
Leasing Revenues	3,539	4,673	10,935	14,445
Mobile Revenues	2,238,521	1,813,891	6,192,078	4,819,014
PCS Revenues	478,586	75,243	1,186,458	111,765
Long Distance Revenues	220,100	262,815	696,332	796,543
Network Revenues	153,733	133,806	461,200	381,491
Total Revenues and Sales	8,038,540	6,520,219	22,797,952	18,391,055
<b>OPERATING EXPENSES</b>				
Cost of Products and Services Sold	486,282	471,648	1,353,657	994,632
Line Costs	97,966	95,316	291,112	320,757
Plant Specific	705,510	633,204	1,999,365	1,659,650
Plant Non-Specific:				
Network & Other	1,102,724	901,708	3,102,389	2,365,225
Depreciation and Amortization	1,187,999	861,454	3,449,816	2,479,414

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(UNAUDITED)

	Three months ended September 30		Nine months ended September 30	
	1997	1996	1997	1996
<b>OPERATING EXPENSES (Continued)</b>				
Customer Operations	\$1,126,625	\$ 842,222	\$ 3,157,588	\$2,436,812
Corporate Operations	662,455	588,437	1,951,810	1,664,325
Other Operating Income & Expense	179,519	49,897	523,446	143,698
Taxes other than income	106,406	93,263	315,106	295,249
 Total Operating Expenses	 5,655,486	 4,537,149	 16,144,289	 12,359,762
 Operating income	 2,383,054	 1,983,070	 6,653,663	 6,031,293
Gain on Sale of Investment	0	0	0	228,250
Non-operating income less expenses	427,147	367,882	911,977	804,412
Interest expense	409,832	170,181	1,154,001	439,859
 Income before taxes	 2,400,369	 2,180,771	 6,411,639	 6,624,096
Provision for income taxes	765,466	735,133	2,039,180	2,235,939
 Net income before minority interest	 1,634,903	 1,445,638	 4,372,459	 4,388,157
Minority interest	(307,234)	(188,383)	(814,841)	(490,245)
 Net Income	 \$1,327,669	 \$1,257,255	 \$3,557,618	 \$3,897,912
 <b>EARNINGS PER SHARE</b>				
Weighted Average Common Shares Outstanding	3,760,760	3,760,760	3,760,760	3,760,760
 Net Earnings per Share	 \$0.35	 \$0.33	 \$0.95	 \$1.04

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY

AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION  
 ITEM I, FINANCIAL STATEMENTS  
 CONSOLIDATED STATEMENTS OF CASH FLOW  
 (UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$3,557,618	\$3,897,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	\$3,449,816	\$2,479,414
Deferred taxes	(22,885)	(79,661)
Gain on Sale of Assets	(31,103)	(276,487)
Gain on Sale of Equity Investment	0	(228,250)
(Income)/Losses on Equity Investments	(504,914)	0
Minority Share of Income	219,841	235,245
Other	(38,405)	162,481
Decrease (increase) in		
Accounts receivable	(1,332,717)	(257,985)
Materials and Supplies	(1,011,027)	(649,709)
Increase (decrease) in		
Accounts Payable	(244,960)	180,415
Income taxes payable	866,367	443,401
Other Deferrals and Accruals	595,464	(48,435)
Net cash provided by operating activities	\$5,503,094	\$5,858,345

SHENANDOAH TELECOMMUNICATIONS COMPANY  
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PART I, FINANCIAL INFORMATION  
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CONSOLIDATED STATEMENTS OF CASH FLOW  
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30  
1997                      1996

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property & Equipment	(\$7,085,725)	(\$13,697,225)
FCC Deposit Refund	953,400	0
Purchase of Intangible Asset	0	(5,886,171)
Purchase of Certificates of Deposit	0	(1,134,527)
Maturities of Certificates of Deposit	938,060	1,234,574
Cash flows from Securities	25,954	171,902
Proceeds from Investments	2,186,646	3,399,434
Purchases of Investments	(1,648,658)	(3,057,549)
Other	0	40,385
Net cash used in investing activities	(\$4,630,323)	(\$18,929,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	\$1,704,400	\$11,525,322
Principal payments on long term debt	(413,326)	(304,544)
Net cash provided by investing activities	1,294,074	11,220,778
NET INCREASE/(DECREASE) IN CASH	\$2,163,845	(\$1,850,054)
CASH AND CASH EQUIVALENTS:		
Beginning	3,763,468	6,106,447
Ending	\$ 5,927,313	\$ 4,256,393

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly Shenandoah Telecommunications Company's financial position as of September 30, 1997 and the results of operations and cash flows for the three and nine month periods ended September 30, 1997 and 1996.

While the Company believes that the disclosures presented are adequate, to make the information not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes included in the Company's annual report in Form 10-K.

2. Earnings per share of common stock have been determined by using the weighted average number of shares outstanding during the period.
3. In April the Board approved a \$2 million line of credit with First Union Bank, and in July the Board approved a \$5 million line of credit with CoBank. The First Union line of credit matures in May 1998, with a variable rate of Libor + 1.25%. Interest due is payable monthly with any unpaid principal balance due at maturity. The CoBank line of credit matures in August 1998. There are three interest rate options, a weekly variable rate quoted by CoBank, a fixed rate quoted by CoBank for such periods as may be agreeable to CoBank, or Libor + 1.25%. Interest due is payable monthly with any unpaid principal balance due at maturity. No draws have been made on these lines of credit as of September 30, 1997.
4. Certain account balances on the consolidated balance sheet at December 31, 1996 have been reclassified to be consistent with the classifications adopted for 1997.





SHENANDOAH TELECOMMUNICATIONS COMPANY  
AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

The following tables set forth, for the periods indicated, the percentages which certain items reflected in the financial data bear to total operating revenues and the percentage increase of such items as compared to the indicated prior period:

	RELATIONSHIP TO TOTAL OPERATING REVENUES				PERIOD TO PERIOD INCREASE OR DECREASE			
	Three months ended Sept 30		Nine months ended Sept 30		Three months ended Sept 30		Nine months ended Sept 30	
	1997	1996	1997	1996	1997-96	1996-95	1997-96	1996-95
<b>OPERATING REVENUES</b>								
Telephone Revenues								
Local Service	11.55%	12.66%	11.71%	13.20%	12.41%	6.19%	9.96%	5.86%
Access	23.80%	27.36%	23.69%	28.57%	7.23%	11.54%	2.80%	8.94%
Toll	0.09%	0.13%	0.09%	0.10%	-15.39%	667.89%	19.09%	121.41%
Miscellaneous:								
Directory	3.44%	4.35%	3.69%	4.69%	-2.35%	3.79%	-2.50%	3.07%
Facility Leases	6.12%	7.10%	6.49%	7.33%	6.37%	10.46%	9.70%	6.75%
Billing & Collection	1.43%	1.66%	1.44%	1.80%	6.68%	-9.23%	-0.71%	10.95%
Other Miscellaneous	0.46%	0.37%	0.41%	0.42%	51.88%	-19.90%	21.84%	-14.14%
Total Telephone Revenues	46.89%	53.63%	47.53%	56.11%	7.80%	8.62%	5.00%	7.35%
Cable Television Revenues	7.91%	3.40%	8.23%	3.61%	187.08%	2.13%	182.91%	2.32%
ShenTel Service Revenues	6.70%	7.84%	6.75%	6.99%	5.36%	63.56%	19.73%	29.01%
Leasing Revenues	0.04%	0.07%	0.05%	0.08%	-24.27%	-22.34%	-24.30%	-22.12%
Mobile Revenues	27.85%	27.82%	27.16%	26.20%	23.41%	37.05%	28.49%	33.31%
PCS Revenues	5.95%	1.15%	5.20%	0.61%	536.05%	N/A	961.56%	N/A
Long Distance Revenues	2.74%	4.03%	3.05%	4.33%	-16.25%	-8.56%	-12.58%	-6.29%
Network Revenues	1.91%	2.05%	2.02%	2.07%	14.89%	8.04%	20.89%	2.68%
	-----	-----	-----	-----	-----	-----	-----	-----
Total Revenues and Sales	100.00%	100.00%	100.00%	100.00%	23.29%	18.77%	23.96%	14.14%



SHENANDOAH TELECOMMUNICATIONS COMPANY  
AND SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	RELATIONSHIP TO TOTAL OPERATING REVENUES				PERIOD TO PERIOD INCREASE OR DECREASE			
	Three months ended Sept 30		Nine months ended Sept 30		Three months ended Sept 30		Nine months ended Sept 30	
	1997	1996	1997	1996	1997-96	1996-95	1997-96	1996-95
<b>OPERATING EXPENSES</b>								
Cost of Products and Services Sold	6.05%	7.23%	5.94%	5.41%	3.10%	225.69%	36.10%	110.69%
Line Costs	1.22%	1.46%	1.28%	1.74%	2.78%	-32.70%	-9.24%	-21.56%
Plant Specific	8.78%	9.71%	8.77%	9.02%	11.42%	47.97%	20.47%	23.21%
Plant Non-Specific:								
Network & Other	13.72%	13.83%	13.61%	12.86%	22.29%	83.19%	31.17%	73.01%
Depreciation and Amortization	14.78%	13.21%	15.31%	13.48%	37.91%	18.30%	39.14%	17.02%
Customer Operations	14.02%	12.92%	13.85%	13.25%	33.77%	34.15%	29.58%	38.82%
Corporate Operations	8.24%	9.02%	8.56%	9.05%	12.58%	16.97%	17.27%	15.77%
Other Operating Income & Expenses	2.23%	0.77%	2.30%	0.78%	259.78%	11.23%	264.27%	4.98%
Taxes other than income	1.32%	1.43%	1.38%	1.61%	14.09%	16.29%	6.73%	19.25%
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Total Operating Expenses</b>	<b>70.35%</b>	<b>69.59%</b>	<b>70.81%</b>	<b>67.21%</b>	<b>24.65%</b>	<b>42.20%</b>	<b>30.62%</b>	<b>33.03%</b>
 Operating income	 29.65%	 30.41%	 29.19%	 32.79%	 20.17%	 -13.74%	 10.32%	 -11.58%
 Gain on Sale of Investment	 0.00%	 0.00%	 0.00%	 1.24%	 N/A	 0.00%	 -100.00%	 -73.83%
Non-operating income less expenses	5.31%	5.64%	4.00%	4.37%	16.11%	28.14%	13.37%	10.84%
Interest expense	5.10%	2.61%	5.06%	2.39%	140.82%	-2.21%	162.36%	-16.17%
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Income before taxes</b>	<b>29.86%</b>	<b>33.45%</b>	<b>28.12%</b>	<b>36.02%</b>	<b>10.07%</b>	<b>-18.65%</b>	<b>-3.21%</b>	<b>-18.85%</b>

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SHENANDOAH TELECOMMUNICATIONS COMPANY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	RELATIONSHIP TO				PERIOD TO PERIOD			
	TOTAL OPERATING REVENUES				INCREASE OR DECREASE			
	Three months ended Sept 30 1997		Nine months ended Sept 30 1996		Three months ended Sept 30 1997-96		Nine months ended Sept 30 1996-95	
Provision for income taxes	9.52%	11.27%	8.94%	12.16%	4.13%	-19.28%	-8.80%	-20.69%
	-----	-----	-----	-----	-----	-----	-----	-----
Net income before minority interest	20.34%	22.17%	19.18%	23.86%	13.09%	-18.33%	-0.36%	-17.88%
Minority interest	-3.82%	-2.89%	-3.57%	-2.67%	63.09%	4.97%	66.21%	12.84%
Net Income	16.52%	19.28%	15.60%	21.19%	5.60%	-20.96%	-8.73%	-20.60%
	=====	=====	=====	=====	=====	=====	=====	=====

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SHENANDOAH TELECOMMUNICATIONS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This industry is in a period of transition from a protected monopoly to a competitive environment as evidenced by the recent passage of the Telecommunications Act of 1996. As a result, Shenandoah Telecommunications has made and plans to continue to make significant investments in the new and emerging technologies.

The most significant revenue contributors are the regulated telephone local exchange company accounting for 46.9% of revenue and the cellular dominated operations of the Mobile subsidiary, accounting for 27.9% of revenue during the most recent quarter. Other significant services provided are paging, personal communications services (PCS), cable television, Internet access, long distance, and fiber facilities and towers leased to other telecommunications carriers. The Company also sells and leases equipment, mainly related to services provided. The Company also participates in emerging technologies by direct investment in non-affiliated companies.

RESULTS OF OPERATIONS

The regulated telephone subsidiary's largest source of revenue continues to be for access to the local exchange network by interexchange carriers. The volume for approximately two-thirds of these access revenues typically tracks with changes in minutes of use. The minutes of use during the first nine months and the third quarter of 1997 increased 4.4% and 6.4% respectively from the total minutes of use in comparative periods in 1996. However, a change in the mix of minutes of use between the interstate and intrastate jurisdictions, in combination with higher than normal demand in early 1996 due to unusual weather conditions, limited the revenue increase to 2.8% year-to-date. In the third quarter the increase in associated revenues was 7.2%.

Third quarter cable television revenues increased 187.1% over the third quarter of 1996. The year-to-date increase was 182.9%. The increase was due to the acquisition of the CATV assets owned by FontierVision Operating Partnership located in our service area on September 30, 1996.

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SHENANDOAH TELECOMMUNICATIONS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (Continued)

The increase in the ShenTel Service revenues category for the third quarter of 1997 compared to 1996 was 5.36%. The year-to-date increase is 19.73%. This is principally due to increases in Internet Service revenues stemming from customer growth. Third quarter 1997 revenues from our Internet Service operations were up \$120,408 or 97.6% compared to the third quarter of 1996. The year-to-date increase in Internet revenues is \$327,292 or 105.8%.

Financing lease revenues are chiefly for leases and rentals of customer premise equipment such as PBXs sold through Company subsidiaries.

The Mobile revenues are mainly comprised of revenues from cellular services. Third quarter 1997 local cellular revenues increased \$394,507 or 22.6% compared to the same period in 1996. The year-to-date increase is \$1,247,511 or 26.9%. The increase in cellular revenues was due to an increase in the local customer base, as well as increased use by other providers' customers roaming in our network. Total revenues from the Cellular operation accounted for 26.6% of total Company revenues in the third quarter and 25.9% year-to-date.

PCS revenues increased \$478,586 or 536.1% in the third quarter compared to the third quarter of 1996. The year-to-date increase is \$1,186,458 or 961.6%. The PCS network was turned up at the beginning of 1995. Work continues on the expansion of this network.

Total payroll costs (including capitalized costs) in the third quarter of 1997 increased by \$239,230 or 18.2% compared to the same period in 1996. The third quarter increase is primarily due to additions of personnel in the PCS subsidiary as its sales force grows with the opening of new retail stores. The year-to-date increase is \$298,230 or 7.8%. The first quarter of 1997 payroll costs were less than the first quarter 1996 costs due to high maintenance costs incurred in January of 1996 to repair blizzard and flood damage not being repeated in 1997, as well as, reduced sales commissions in the ShenTel subsidiary.

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SHENANDOAH TELECOMMUNICATIONS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (Continued)

Cost of Goods Sold increased 3.1% in the third quarter compared to the same period in 1996. The year-to-date increase is 36.1%. This is due primarily to an increase in the volume of PCS phones sold, a direct result of network coverage expansion.

Plant Specific expenses consist mainly of maintenance to the Company's plant in service. This expense category increased 11.4% in the third quarter compared to the third quarter of 1996. The year-to-date increase is 20.5%. These increases are due primarily to increased maintenance to the CATV assets acquired from FrontierVision, and rents paid for new retail outlets and PCS equipment sites.

The expense category Network and Other consists primarily of network support, engineering, and leased facilities costs. These costs increased 22.3% in the third quarter compared to the third quarter of 1996. The year-to-date increase is 31.2%. These increases are primarily due to increased incollect roaming costs in the cellular operation, and increases in leased facilities and switching costs in the PCS operation due to network expansion.

Depreciation and Amortization, our largest expense category, was 37.9% higher in the third quarter of 1997 compared to the same period in 1996. The year-to-date increase is 39.1%. Due mainly to the acquisition of the CATV assets of FrontierVision, depreciation and amortization expense for the CATV operation has increased \$131,526 or 211.5% in the third quarter and \$395,287 or 215.3% for the first nine months over the same periods in 1996. Continuing plant acquisition for the PCS network added \$81,569 in the third quarter and \$280,013 year-to-date compared to 1996. The percentage increases are 117.1% and 171.8% respectively.

Customer operations increased 33.8% for the quarter and 29.6% year-to-date compared to the same periods in 1996. These costs are for the marketing and sales, billing, and customer service functions. As with the network and other category, increases for the Internet access, cellular, and PCS businesses are primarily responsible for the increase.

Corporate Operations increased 12.6% in the third quarter and 17.3% year-to-date compared to the same periods in 1996. The Corporate Operations category includes expenses for executive and general management, accounting, external relations, human resources, legal, purchasing, insurance, and other general and administrative costs. PAGE



SHENANDOAH TELECOMMUNICATIONS COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (Continued)

The Other Operating Expense category consists of royalty expense paid to programming providers for the Cable Television subsidiary. The increase in these expenses compared with 1996 is due to the acquisition of the Shenandoah County CATV assets of FrontierVision on September 30, 1996.

Interest expense has increased 140.8% in the third quarter compared to the third quarter of 1996 and increased 162.4% year-to-date compared to the first nine months of 1996. The Company began drawing funds on the CoBank note (described below) in the third quarter of 1996. Draws on this note at September 30, 1997 equaled \$14,570,588.

LIQUIDITY AND CAPITAL RESOURCES

On August 2, 1996, the Company signed a note with CoBank to borrow up to \$25 million. The term of the loan is for up to 15 years, with multiple interest options. The Company began drawing these funds in the third quarter of 1996. A portion of these funds were used for the acquisition of the Shenandoah County CATV assets of FrontierVision in September of 1996. The new debt is also being used to finance the building of the new network for the PCS operation. The Company budgeted approximately \$12,000,000 for PCS-related plant in 1997, and anticipates additional cash flow requirements for inventory and initial operating losses.

In April the Board approved a \$2 million line of credit with First Union Bank and in July the Board approved a \$5 million line of credit with CoBank. No draws have been made on these lines of credit as of September 30, 1997.

The Company budgeted capital expenditures of approximately \$11,500,000 for our other subsidiaries for 1997. These capital needs will be met through internally generated cash flows and the existing Rural Telephone Bank (RTB) note. A draw of \$573,000 was made on the RTB note in July 1997. The loan agreement with the RTB allows for additional borrowings of approximately \$2,800,000. Expenditures of these loan funds is limited to capital projects for the regulated local exchange carrier. PAGE

PART II

OTHER INFORMATION

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

No matters were submitted to a vote of security holders.

ITEM 6. Exhibits and Reports on Form 8-K

A. Exhibit No. 27 - Financial Data Schedule

B. No reports on Form 8-K were filed for the period covered by this report.

PAGE

SHENANDOAH TELECOMMUNICATIONS COMPANY

SIGNATURES

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

SHENANDOAH TELECOMMUNICATIONS COMPANY  
(Registrant)

November 10, 1997      CHRISTOPHER E. FRENCH  
Christopher E. French  
President

November 10, 1997      LAURENCE F. PAXTON  
Laurence F. Paxton  
Vice President - Finance



9-MOS

DEC-31-1997

SEP-30-1997

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6,275,638

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0

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