

2011 ANNUAL REPORT
Shenandoah Telecommunications Company



DELIVERING ON A PROMISE

Keeping a promise builds relationships, value and trust. Shentel continued to work hard in 2011 to deliver on our promise to provide faster Internet speeds, more bandwidth, quality services and advanced technology.

A promise may seem to stand on its own, but it is really a network of pledges and commitments made throughout Shentel. From the customer service representative at the front desk to the executives who set the course for the company, we are united in upholding promises made to our customers whether they are a wireless customer in York, PA, a telephone customer in Strasburg, VA, or a broadband/video customer in Weston, WV.

As Shentel acquired cable assets in recent years, we made a commitment to provide state-of-the-art networks within two years. Before the end of 2010, we kept that promise to the customers we acquired from Rapid Communications in December 2008. As of December 31, 2011, Shentel has upgraded the majority of the Virginia- and West Virginia-based networks acquired from JetBroadband in 2010. The remaining upgrades will be completed in 2012. Those upgraded markets now have the advanced broadband services – high-speed Internet, voice and video – desired by all American households and promised to them by Shentel.

The demand for wireless broadband capacity was the driver behind the addition of new cell sites and towers for our wireless customers in 2011. As a Sprint PCS Affiliate of Sprint Nextel, Shentel continued to bring on thousands of new customers and experienced another year of double-digit revenue increase as a result of making good on its promises.

We make the **same promise** to our newest customers – to provide them state-of-the-art networks and great service.

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THE BROADBAND PROMISE



Bringing broadband to rural areas has become a national focus as studies show the lack of service, especially high-speed Internet, greatly impacts the quality of life for rural Americans. However in the 1990s, Shentel already recognized this need and began its focus on bringing broadband to its rural telephone customers in Shenandoah County, Virginia. By 2005, every home in the county had access to high-speed Internet service – a feat seldom repeated in rural or more metropolitan areas.

In 2011, Shentel continued to upgrade and improve networks serving the broadband-hungry rural communities in our service area. Shentel spent more than \$26 million in 2011 on upgrades to the most recently acquired systems in southside Virginia and southern West Virginia. The majority of homes passed in our newest areas have experienced network upgrades. We also extended our services to an additional 3,000 homes in 2011, increasing the number of homes with access to our service to 182,156.

In some areas, triple play service was launched for the first time, giving customers more high-speed Internet, voice and video options than ever before. The final Virginia upgrades will be finished in early 2012, and by the end of the year, the West Virginia and Maryland upgrades will be completed.

Bringing service to rural customers is a core competency for Shentel. It is a familiar path for a company that started as a rural telephone company 110 years ago. For some telecommunications companies larger than Shentel, winding roads and mountains, small communities and big rivers challenge their ability to offer service. **Their obstacles are Shentel opportunities.**

THE MOBILE PROMISE

As a **Sprint PCS Affiliate** of Sprint Nextel, Shentel continued its strong growth in 2011. Almost 54,000 new customers were added thanks in large part to prepaid Virgin Mobile and Boost Mobile customers in Shentel's four-state service area. Shentel ended the year with over 355,000 wireless customers.

The average mobile phone is so much more than voice these days. Customers are demanding more bandwidth to do everything from texting and watching TV, to scanning barcodes for comparison shopping. To support increased broadband utilization by wireless customers, Shentel continued its aggressive campaign to add or augment cell sites with EVDO (Evolution-Data Optimized) capability and build new cell towers.

The stage has been set for the next level of wireless growth and expansion. In early 2012, Shentel signed an agreement with Sprint Nextel that paves the way to building a 4G LTE network in Shentel's service area. The addendum gives the company access to additional 1900 and 800 MHz spectrum and extends the initial term of the contract five years.

With the addendum extending the Sprint/Shentel partnership through 2024, it ensures that **Shentel will remain an important part of the future** of Sprint's high quality nation-wide network.



MOVING FORWARD ON OUR PROMISE



Shentel continues to weather the economic storms that have rocked this nation in recent years. The focus of this company has always been on making the best decisions for the long-term benefit of our shareholders and that will continue to be a guiding principle – whether setting strategic direction or making day-to-day business decisions.

2012 is going to be an exciting year. Shentel has begun a two-year project to implement Network Vision – the next generation network from Sprint. Much needs to be accomplished to deploy 4G in a timely manner. Shentel will have to upgrade or replace all base stations and deploy new antenna technology to improve both coverage and capacity. Our PCS switch will have to be upgraded. Much of this work must be accomplished before 4G LTE phones are deployed in the second half of 2012.

Three little letters – RGU – are also on the minds of Shentel staff in 2012. An aggressive goal has been set in terms of securing additional Revenue Generating Units as we complete the upgrades in the newest cable systems and improve our wireless network. In October of 2011, we reached a milestone of 500,000 RGUs across all markets and services. As the final cable markets in Virginia, West Virginia and Maryland are upgraded to provide high-speed Internet, voice and video options to more customers, and we implement all the advances of Network Vision, we expect to see many new customers join the Shentel family.

Shentel is positioned to roll forward as technology develops and new products become available. We continue to build on our past successes and promise to continue to be a champion for the rural community. Delivering on these promises will be anything but easy. It is, however, the right thing to do. **And that is the Shentel way.**



Christopher E. French
President

LETTER TO THE SHAREHOLDERS

March 9, 2012

Dear Shareholder:

Despite being a very challenging year for your Company, we continued to make progress on the Company's long-term goals and achieved several significant milestones in 2011. These milestones reflect continued achievement of our long-term strategic objectives, and our efforts to position our Company as a key provider of the broadband services which are increasingly in demand by our customers. Customers are now connecting to our networks with a variety of broadband enabled devices, including smartphones, tablets, computers, and TVs. Having access to high-quality, and higher-speed, connections is an increasingly important factor for customers when considering which broadband provider to use. We believe we are well positioned in our markets to be the preferred provider of these services, both on a fixed and a wireless basis, and we are best able to deliver the growing amount of services that our customers want.

In many respects, 2011 was very similar to 2010: we again had a great year of growth in the number of customers and revenues, while the costs of acquiring and growing our base of customers reduced our earnings. Our financial performance was led by our growth in revenue, which reached a quarter of a billion dollars in 2011. This is an increase of almost 29 percent over 2010 revenues, and is now nearly twice what our revenues were in 2007. Both our cable and wireless segments were significant contributors to our revenue growth. Each segment benefited from a full year of revenue from customers acquired in 2010, as well as increases during 2011 in both the number of customers and in monthly revenue per customer.

Operating expense experienced large increases, also due to the full year effects of our prepaid wireless and cable acquisitions made during 2010. Additional costs were also incurred due to growth of our customer base during 2011, which required higher selling, general and administrative expenses.

Operating income for 2011 was \$32.3 million, down from \$36.3 million in 2010. Net income from continuing operations was \$13.5 million in 2011, down from \$18.8 million in the prior year. 2010's results included a \$4.0 million pretax gain on the sale of the Company's telephone directory. In 2011, the Board of Directors declared a cash dividend of thirty-three cents per share, the same as the previous year but, a much higher payout as a percent of earnings. This dividend represents the fifty-second consecutive year of annual dividends which began when Shenandoah Telephone Company paid its first dividend in 1960.

In recent years, we have been focused on two strategic initiatives: enhancing and expanding our wireless services, and significantly expanding the size of our Cable segment. Our

long-term shareholders will remember that decades ago, due to industry changes, our Company began to diversify away from its dependence on our local telephone subsidiary as the primary source of our revenues and profits. This decision has proven advantageous, as companies only offering local telephone service are in decline due to loss of access lines from competition. Our successes with cellular and PCS accomplished our initial diversification objective, but in 2006 we wrestled with consideration of possibly selling our PCS business due to changes in our relationship with Sprint Nextel. We were able to then forge a new affiliate relationship with Sprint Nextel, which has been very beneficial for our company and our shareholders. The new relationship allowed us to remain diversified, and let us continue to benefit from the growth in wireless services. We believe there is now opportunity to further enhance and expand our wireless business as we recently amended our agreement with Sprint Nextel to pave the way to building a 4G LTE network.

Even with the success of wireless and the potential we saw for continued growth, we don't have complete control over our ability to always remain a wireless provider due to our contract terms. As a result, it is prudent to further diversify into other telecommunication businesses with long-term growth potential. Significantly expanding the size of our Cable segment helps us achieve this diversification and allows us to expand our presence as a provider of the broadband services that have become so critical in today's economy.

As with our initial entry into PCS in the 1990's, our diversification efforts into Cable and our expansion into prepaid services do not provide immediate financial returns, but we are reaching significant milestones denoting our progress on these strategic objectives. One measure of this progress is in our number of Revenue Generating Units or "RGU"s. An RGU consists of each separate service (wireless, video, digital video, security, voice or internet) subscribed to by a customer. In October of 2011, we reached a milestone of 500,000 RGUs across all markets and services. Our Wireless segment has the largest portion of our total customer base with over 355,000 postpaid and prepaid customers at year end, after growing eighteen percent in 2011. Cable segment RGUs increased by seven percent in 2011, ending the year at just over 137,000.

A key factor contributing to growth in Cable segment RGUs is completion of network upgrades in our acquired markets. Systems serving the customers we acquired from Rapid Communications in December 2008 were upgraded before the end of 2010. The majority of the networks acquired from JetBroadband in 2010 have been upgraded as of the end of 2011, and the remaining upgrades will be completed in 2012. The system upgrades allow us to provide advanced broadband services to these markets, giving the residents and businesses access to state-of-the-art technology and allowing them access to the connected global economy.

Providing increasingly robust broadband connections is a key to success in our Cable segment. Customers now have access to an increasing amount of online content and programming, some of which competes directly with services provided via our traditional cable offerings.

If customers shift their preference to this method of delivery and away from traditional delivery via cable video subscriptions, they need a high-quality and high-capacity broadband pipe to ensure a quality viewing experience. We believe our cable networks are best able to provide this pipe and are well positioned to be the preferred broadband provider as customers increase their consumption of video content and programming.

Better and faster broadband speeds also continue to grow in importance for wireless customers with the proliferation of smartphones and broadband capable tablet devices. We have paved the way towards enhancing our ability to meet this need with a recently executed addendum to our agreement with Sprint Nextel. The new addendum allows the Company to implement 4G LTE services in our PCS service area, consistent with Sprint Nextel's Network Vision plan for its nationwide network. The addendum extends the initial term of our affiliate contract from 2019 to 2024 and gives us access to additional 1900 and 800 MHz spectrum, providing more capacity and improved coverage. The addendum ensures that we will continue to be an important part of Sprint's high-quality nationwide network, and that we can continue to participate in wireless for at least another twelve years.

Milestones serve as a measure of our progress, but reaching them requires commitment, focus, and tireless effort. In an industry changing as rapidly as telecommunications, successful companies constantly push to reach new milestones, and continually try to improve on what has already been accomplished. We have identified several key areas of focus for 2012: continuing to invest in and enhance our advanced state-of-the-art networks; improving financial results for our shareholders by growing our customer and revenue base and improving our operational efficiencies; and, further improving customer service and technical support provided to our customers.

We have set high expectations for all that we want to accomplish in 2012, and we have a challenging year ahead of us. Achieving all of our objectives will help make our Company a stronger and more viable company for the long-term. This long-term focus has consistently been the approach taken by your Board of Directors and the Company's management, and we believe it is one which will provide our shareholders the best returns over time.

Despite our belief and confidence in this approach, we do tend to get frustrated during the periods of time where we don't think the price of our stock is fairly valued by the stock market. Everyone likes to think their assets are worth more than others do, and we're no exception when it comes to the perception of our Company's potential and the value of our stock.

Despite our accomplishments, there can be many reasons our stock price has not performed well. With a large part of our Company committed to the wireless business, and our dependency on Sprint Nextel, our stock's performance is influenced by factors affecting the wireless industry in general and Sprint Nextel in particular. Proposed consolidation in the wireless industry caused concern about the potential harm to Sprint Nextel due to its position behind two much larger wireless competitors. There was uncertainty about Sprint Nextel's strategy regarding its move to 4G, and the risks associated with implementing its Network Vision project. Additionally, as wireless penetration levels have increased, all wireless carriers are not adding customers as fast as they did in the past, and most are experiencing a decline in postpaid customers. The exceptions to this are the strongest wireless companies, which have been able to continue increasing their number of postpaid customers. Our shareholders should take comfort that Shentel has experienced positive net gains in postpaid customers in every quarter since first becoming an affiliate of Sprint Nextel in 1999, and has also further increased its total growth in customers with the addition of prepaid wireless service.

As stated earlier, the nature of our businesses requires us to make large investments and incur significant costs in advance of building sufficient revenues to cover these expenditures. We have repeated this pattern many times in the past, such as with the launch of our internet access business, the introduction of cellular service, and the deployment and expansion of PCS. We are again experiencing this with our broadband expansion through our Cable segment, and with the addition of prepaid wireless services. Both of these growth initiatives have had an initially negative impact on our net income, and it is likely that some investors have avoided our stock due to the decline in our earnings. To the degree this factor has depressed our stock price, it should begin to recover when we are able to return to periods of earnings growth. With the nearing completion of our cable system upgrades, we believe we are poised to reduce our losses in our Cable segment. Likewise, we believe we have now grown our prepaid wireless business to a size such that the revenues from the growing base of customers should exceed the cost of adding new prepaid customers. We estimate the total cost to implement our wireless network upgrades will be approximately \$115 million over two years, with a large portion of that occurring in 2012. These upgrades will again have an initially negative impact on earnings, but we must make these investments in order to remain a viable, competitive provider. These investments should also provide the foundation for continued growth in wireless customers and revenues.

While these factors may impact the current trading levels of our stock, they do not reflect the facts that we have attractive assets and that we operate in business segments that are experiencing growing demand. We have three primary business segments: Wireline, Cable and Wireless, and all three play a vital role in delivering broadband services to our communities. Wireline has a growing fiber services business that is delivering broadband capacity to tower sites, business and institutional customers, and whole communities. Cable delivers broadband services to residential and business customers served by our upgraded networks. Wireless has been delivering ever increasing amounts of broadband access to our customers' smartphones and tablet devices, and will continue to do so with even faster speeds and better service as we complete the upgrades to our PCS network and deploy 4G LTE services.

Your Company is well positioned as a key provider of the broadband services that are driving growth in telecommunications and which are increasingly essential services for the communities we serve. We have much to accomplish in 2012, and these challenges are an important step as we continue to build your Company for the future. Our success in meeting these challenges should ultimately result in our shareholders being rewarded with increased long-term returns.

For the Board of Directors,



Christopher E. French

President

MANAGEMENT

Christopher E. French President & Chief Executive Officer

Earle A. MacKenzie Executive Vice President & Chief Operating Officer

Adele M. Skolits Vice President — Finance & Chief Financial Officer

Richard A. Baughman Vice President — Information Technology

Ann E. Flowers Vice President — Legal, General Counsel

Kevin R. Folk Vice President — Customer Service

Christopher S. Kyle Vice President — Industry Affairs & Regulatory

Edward H. McKay Vice President — Engineering & Planning

William L. Pirtle Vice President — Sales & Marketing

Thomas A. Whitaker Vice President — Operations

BOARD OF DIRECTORS

Douglas C. Arthur

Board Vice Chairman

Managing Partner

Arthur & Brown

Ken L. Burch

Farmer

Tracy Fitzsimmons

President

Shenandoah University

John W. Flora

Shareholder

Lenhart Obenshain PC

Christopher E. French

Board Chairman

President & CEO

Shentel

Jonelle St. John

Consultant

Richard L. Koontz, Jr.

Vice President

Holtzman Oil Corp

Dale S. Lam

President

Strategent Financial, LLC

James E. Zerkel II

Vice President

James E. Zerkel, Inc.

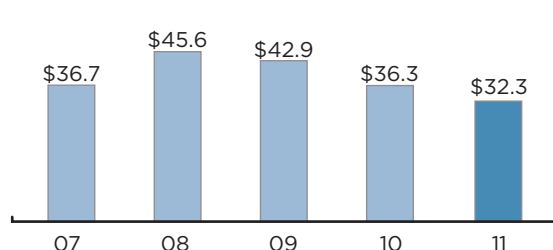
SELECTED STATISTICS (UNAUDITED)

The following table shows selected operating statistics of the Company as of the dates shown:

	DEC 31, 2011	DEC 31, 2010	DEC 31, 2009
Retail PCS Subscribers — Postpaid	248,620	234,809	222,818
Retail PCS Subscribers — Prepaid	107,100	66,956	-
PCS Market POPS (000) ⁽¹⁾	2,338	2,337	2,327
PCS Covered POPS (000) ⁽¹⁾	2,055	2,049	2,033
CDMA Base Stations (sites)	509	496	476
EVDO-enabled sites ⁽²⁾	433	381	334
EVDO Covered POPS (000)	2,027	1,981	1,940
Towers	149	146	140
Non-affiliate Cell Site Leases	219	216	196
Gross PCS Subscriber Additions — Postpaid ⁽³⁾	65,240	63,515	64,273
Gross PCS Subscriber Additions — Prepaid ⁽⁴⁾	86,328	33,488	-
Net PCS Subscriber Additions — Postpaid ⁽³⁾	13,811	11,989	11,356
Net PCS Subscriber Additions — Prepaid ⁽⁴⁾	40,144	17,071	-
PCS Average Monthly Retail Churn % — Postpaid ⁽⁵⁾	1.78%	1.89%	2.09%
PCS Average Monthly Retail Churn % — Prepaid ⁽⁵⁾	4.33%	4.85%	-
Cable Segment RGUs ⁽⁶⁾	137,238	128,262	32,056
Fiber Route Miles — Cable ⁽⁷⁾	1,990	1,389	403
Total Fiber Miles — Cable	34,772	31,577	4,558
Telephone Access Lines	23,083	23,706	24,358
Long Distance Subscribers	10,483	10,667	10,851
DSL Subscribers	12,351	11,946	10,985
Dial-up Internet Subscribers	1,410	2,190	3,359
Fiber Route Miles — Wireline ⁽⁷⁾	1,349	1,267	837
Total Fiber Miles — Wireline	78,523	71,118	53,511

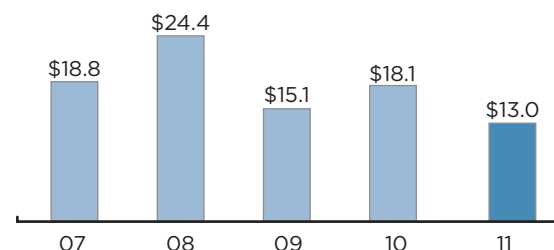
OPERATING INCOME

in millions



NET INCOME

in millions



- POPS refers to the estimated population of a given geographic area and is based on information purchased from third party sources. Market POPS are those within a market area which the Company is authorized to serve under its Sprint PCS affiliate agreements, and Covered POPS are those covered by the network's service area.
- EVDO - Evolution Data Optimized, the third generation of wireless broadband technology.
- For the twelve months ended.
- For the 2011 period, for the twelve months ended. For the 2010 period, since initiation of prepaid offerings in July 2010; excludes prepaid subscribers purchased.
- PCS Average Monthly Retail Churn is the average of the monthly subscriber turnover, or churn, calculations for the period. For Postpaid, it is the average for the twelve months shown; for prepaid churn in the period ended December 31, 2010, it is the average for the period July through December, 2010.
- Revenue generating units are the sum of video, digital video, voice and high-speed internet customers. Consistent with industry practices, each digital video customer counts as two revenue generating units.
- Fiber miles are measured by taking the number of fiber strands in a cable and multiplying that number by the route distance. For example, a 10 mile route with 144 fiber strands would equal 1,440 fiber miles.

	2011	2010	2009	2008	2007
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FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

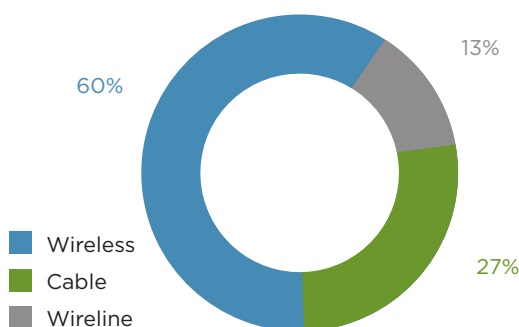
(in thousands, except share and per share data)

Operating revenues	\$	251,145	\$	195,206	\$	160,935	\$	144,778	\$	130,616
Operating expenses		218,855		162,875		117,995		99,312		94,273
Operating income		32,290		36,331		42,940		45,466		36,343
Interest expense		8,289		4,716		1,361		1,009		1,873
Income taxes		10,667		13,393		17,510		17,595		14,970
Net income from continuing operations		13,538		18,774		25,152		26,222		21,962
Discontinued operations, net of tax ^(a)		(545)		(699)		(10,060)		(2,077)		(3,402)
Net income	\$	12,993	\$	18,075	\$	15,092	\$	24,145	\$	18,560
Total assets		479,979		466,437		271,725		266,837		222,512
Total debt — including current maturities		180,575		195,112		32,960		41,359		21,907

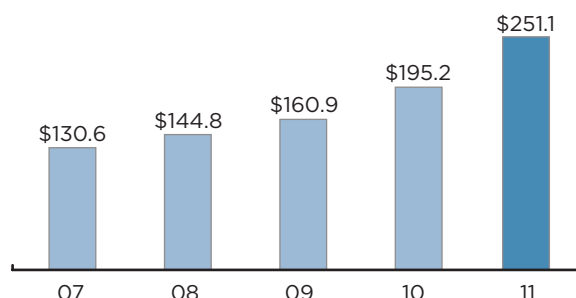
SHAREHOLDER INFORMATION:

Shares outstanding		23,837,528		23,766,873		23,680,843		23,605,467		23,508,525
Income per share from continuing operations-diluted	\$	0.57	\$	0.79	\$	1.06	\$	1.11	\$	0.93
Loss per share from discontinued operations-diluted		(0.02)		(0.03)		(0.42)		(0.09)		(0.14)
Net income per share-diluted		0.55		0.76		0.64		1.02		0.79
Cash dividends per share	\$	0.33	\$	0.33	\$	0.32	\$	0.30	\$	0.27

EXTERNAL REVENUE BY SEGMENT FOR 2011



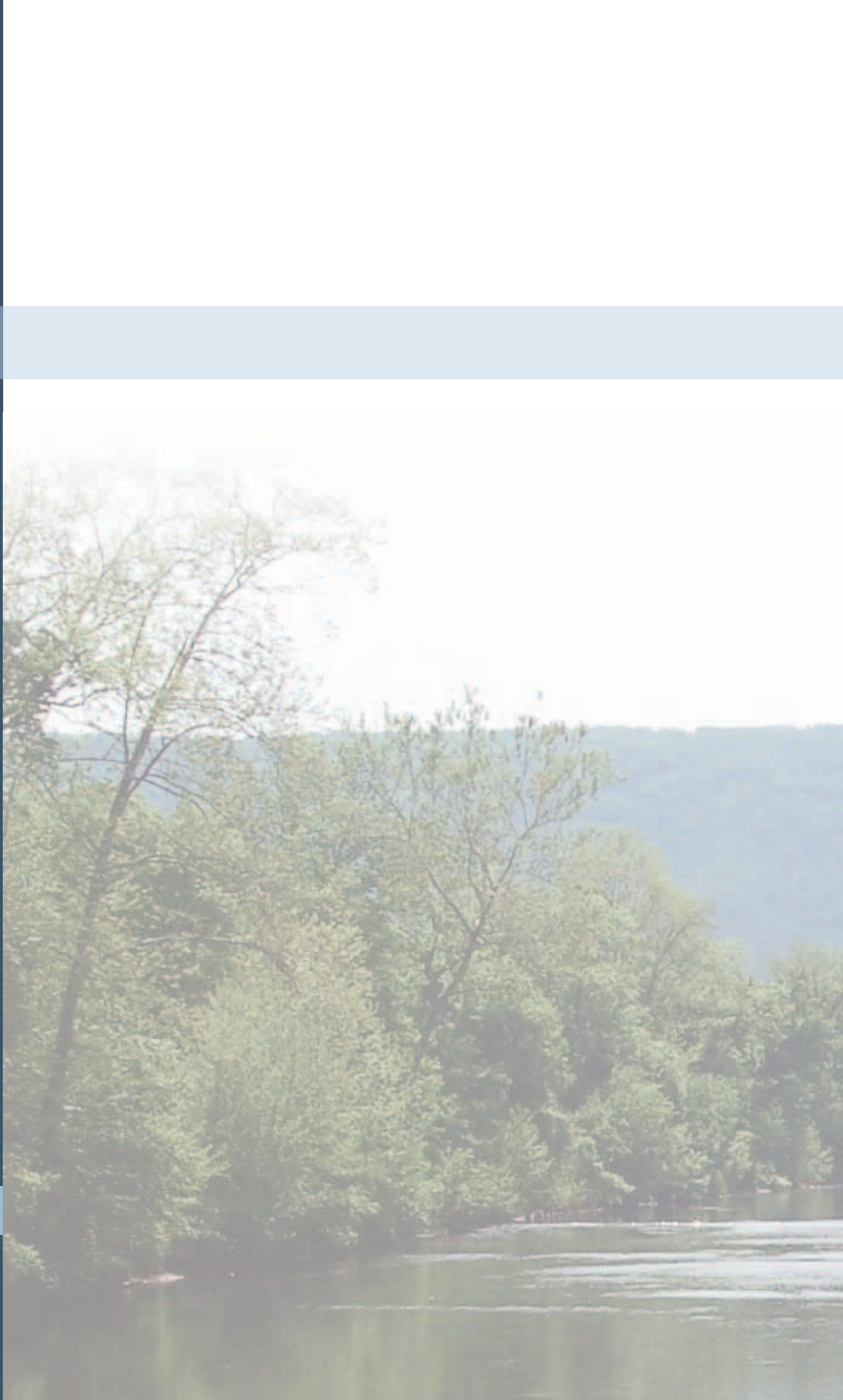
REVENUE in millions



(a) Discontinued operations include the operating results of Converged Services. The Company announced its intention to dispose of Converged Services in September 2008, and reclassified its operating results as discontinued for all periods presented. In 2009, the Company recognized an impairment loss of \$17.5 million, or \$10.7 million net of tax, to write-down the net assets of Converged Services to their estimated fair value. In 2010, the Company recognized an additional impairment loss of \$1.9 million, or \$1.1 million net of tax, to write-down the net assets of Converged Services to their current estimated fair value. In 2011, the Company recognized an additional impairment loss of \$0.6 million, or \$0.4 million net of tax, to write-down the net assets of Converged services to their current estimated fair value.

**2011
ANNUAL REPORT**

*Shenandoah
Telecommunications
Company*



SHENANDOAH TELECOMMUNICATIONS

company + subsidiaries

Shenandoah Personal Communications Company
Shenandoah Telephone Company
Shentel Converged Services, Inc.
Shenandoah Mobile Company
Shentel Cable Company
Shenandoah Cable Television Company
Shenandoah Long Distance Company
Shenandoah Network Company
Shentel Communications Company
Shentel Service Company
Shentel Converged Services of West Virginia, Inc.
Shentel Management Company

This list contains all subsidiaries of Shenandoah Telecommunications Company, and all are incorporated or organized in the Commonwealth of Virginia.

We must **serve well** to prosper.

We must **prosper** to serve well.



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