2010 ANNUAL REPORT

Shenandoah Telecommunications Company

contents

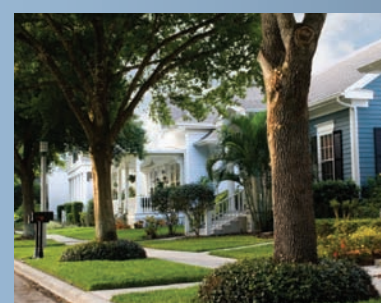
clear direction

In the lingering shadow of national economic uncertainty in 2010, Shentel moved decisively forward to expand its cable operations, executing on promised upgrades in West Virginia, bringing voice, data and TV services to customers in underserved areas. The decision to use a fiber/coax platform for broadband development was solidified when Shentel purchased a rural cable provider of Internet, phone and TV services in July, nearly tripling the company's existing cable operation. Shentel also seized the opportunity to buy two small systems at the end of the year.

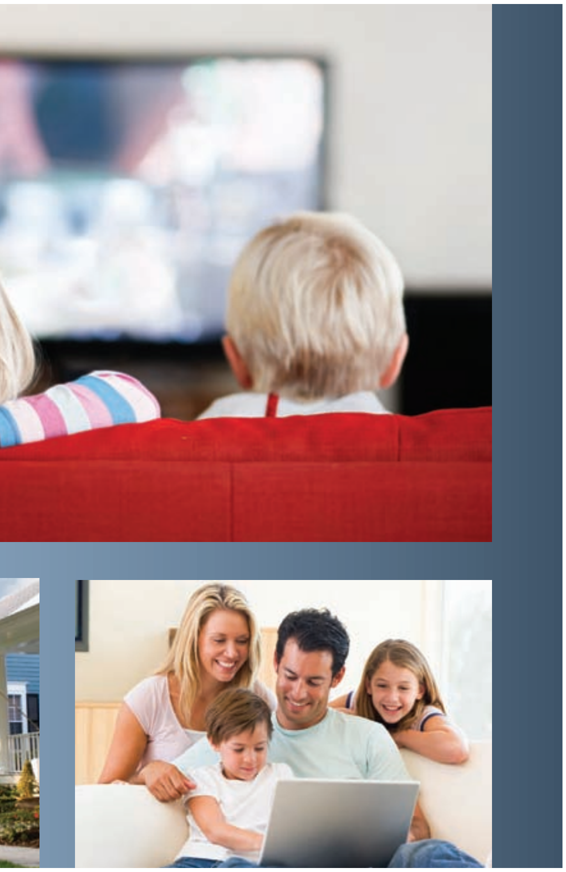
While these acquisitions extended Shentel into southern Virginia, extreme southern and northern West Virginia and Maryland, the objective has never been growth for growth's sake. These purchases enhance Shentel's ability to increase shareholder value, and they are strategic decisions that focus on Shentel's strengths and existing infrastructure.

It was the stability of Shenandoah Telephone Company that led to the development of the wireless (PCS) subsidiary in the 1990s. Likewise, the substantial growth of PCS has enabled this next stage of development as Shentel works to meet the increasing demand for broadband services in small cities and rural areas.

Shentel learned through the development of its wireless business that success does not happen overnight. The company has a clearly developed blueprint for long-term success. Providing rural customers with the services they deserve, uncovering strategic opportunities and just plain hard work have gotten Shentel this far and will take us forward.



cable commitment



The strategic decision to focus on cable was reinforced in July 2010, when Shentel purchased the cable operations and assets of JetBroadband Holdings in southern Virginia and southern West Virginia. This $148 million purchase **changed the face of Shentel** as the Company increased its miles of cable plant to 1,389. The acquisition also tripled the number of existing Shentel Cable customers in Virginia and West Virginia and the number of serviceable properties rose from 56,000 to 170,000.

As promised, upgrades were completed throughout the year in the systems that are part of Shentel's first cable acquisition and the number of customers **continued to grow**. Shentel introduced the area's best service offerings via its cable network to communities throughout West Virginia. Customer enthusiasm for these products was apparent as they signed up for new services, and cable Revenue Generating Units surpassed 100,000 by year end.

Shentel has committed to invest $50 million over the next two years to improve services for the customers in the territories most recently added. Work has already begun in many of the new areas of Virginia like Wytheville, Blackstone, Rustburg and Radford. In late 2010, Shentel also purchased two small cable systems from Suddenlink, one in Salem, WV, and the other in Oakland, Md. They will be included in the upgrade schedule for 2011.

Through this new direction, Shentel remains focused on building long-term value and continues to pursue **improvements, diversification and growth opportunities** that will generate increased returns for our shareholders.


10 54
Facebook
YouTube
NASCAR
Market
Phone

wireless strength

Growth continued to be the PCS story in 2010. Shentel — as a Sprint PCS Affiliate of Sprint Nextel — experienced double-digit growth in 2010, spurred in great part by the addition of Virgin Mobile and Boost prepaid wireless services within Shentel's four-state footprint. Customers enthusiastically responded to the **value and flexibility** of the prepaid option that requires no contract, and there was a surge of customers taking advantage of this new opportunity.

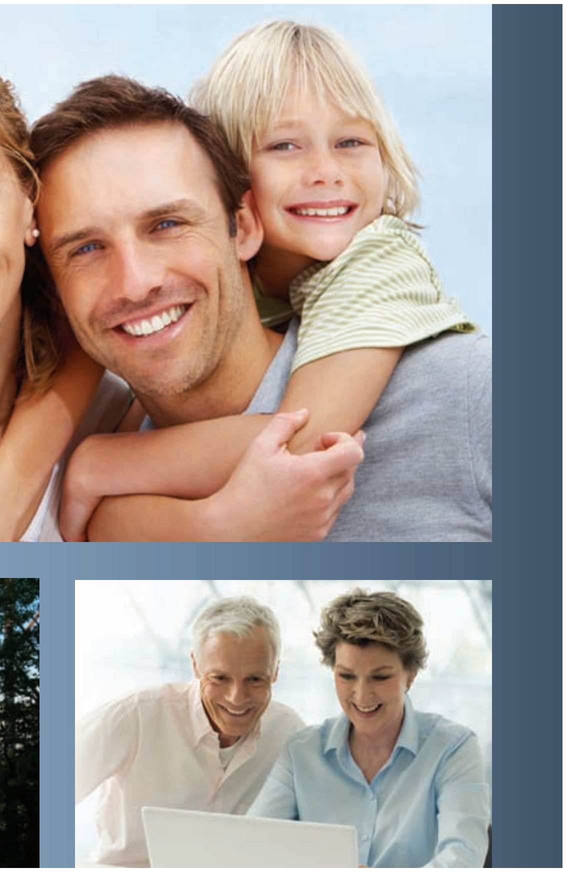
Nationally, the Sprint brand was strengthened by aggressively priced service plans and new, highly-rated phones. JD Power recognized Sprint for improvements in customer service and Consumer Reports ranked the Sprint service plans as one of the **best values** in the industry.

Customers on Shentel's Sprint Wireless Network made 2.5 million voice calls and sent 8.5 million text messages per day in 2010. Sprint introduced the HTC Evo and the Samsung Epic in the second half of 2010 as the demand for smartphones continued to grow.

Meeting the needs of our steadily increasing wireless customer base meant continuing to **expand and enhance** the Shentel Wireless Network. The company closed the year with nearly 500 cell sites and with a network equipped with EVDO (Evolution-Data Optimized) to carry the high volume of high-speed data. EVDO traffic more than doubled in 2010, and wireless customers accounted for more than 32 million data sessions on the Shentel network every day. Shentel continued to deploy fiber to increase the data capacity at the cell sites.

Anticipating customer demand has been the game plan for the Shentel wireless business. The capacity was there even before customers were sold on using their phones for streaming content, creating spreadsheets or updating their Facebook status. Shentel continues to work toward providing flexible plans and giving our customers the best tools for managing their mobile lives.

forward motion



Looking forward, Shentel is well positioned to continue increasing its wireless customers with the prepay options and with new phones designed to **deliver the world** to the palm of your hand. With the anticipated rollout of 4G coverage, our customers are in line to reap the benefits of extremely fast mobile broadband.

As cable upgrades move forward in Virginia, West Virginia and Maryland, Shentel will be viewed as a comprehensive provider of triple play service offerings that are cost-effective and convenient to customers. It is important for our customers to understand that Shentel is not just an investment group swooping in to extract short term profits and then moving on. In addition to providing quality service, Shentel is committed to **developing partnerships** with the communities we serve.

In total, Shentel has committed to spending $50 million in the next two years on cable network upgrades and expanded services to ensure our network delivers **unparalleled service**, and that we will be ready to deliver new services as the cable industry evolves.

Shentel's emphasis on franchised cable complements our on-going focus on providing voice, video and data. We intend to build on our past successes and knowledge of smaller markets, to bring **state-of-the-art technology** to areas that have been underserved for years. We will introduce these new customers to the Shentel pledge to keep our promises and make things happen — one customer at a time.

Christopher E. French
President

March 11, 2011

Dear Shareholder:

I am pleased to report on the progress your Company made in 2010, as we successfully executed on its strategy and continued building a solid foundation for its future. We had a great year of growth in our number of customers and in revenues, but this growth came with an expected financial cost. We believe incurring the large initial costs of acquiring and building our customer and revenue base is a wise investment for our Company's future, and shareholders will be rewarded with increased long-term returns.

Net income for 2010 was $18.1 million, an increase of 20% from 2009. Income for 2010 includes a $2.4 million after-tax gain on the sale of our telephone directory, and 2009's income included a $10.7 million after-tax impairment loss on our discontinued operation. Net income from continuing operations was $18.7 million in 2010, down from $25.1 million in the prior year.

Net income from continuing operations declined in 2010 due to the large increase in operating expenses. These expenses increased by $44.9 million, to a total of $162.7 million for the year. This large increase was primarily due to the sales and customer acquisition costs of adding large numbers of cable and prepaid wireless customers, incremental depreciation expense associated with the enhancements to our networks, interest expense from the additional debt used to finance our acquisitions, and the final expense recognition from the closing of our defined benefit pension plan.

While the additional expenses had a negative impact on 2010's earnings, they were expected and a necessary cost of providing a foundation for increasing revenues and profits in future years. Increases in cable segment operating expenses include transaction-related expenses from our acquisition of JetBroadband, additional programming costs and fees, costs of adding new customers, and depreciation from network assets. Wireless segment operating expenses increased due to the sales and acquisition costs of adding new prepaid customers, and the amortization of the $6.9 million purchase price for the approximately 50,000 prepaid customers acquired from Sprint Nextel in July. Prepaid wireless service initially generates a net loss from adding new customers. We expense the entire cost to acquire new customers at the time of acquisition, while their revenues are earned over their service lives.

Total revenues were $194.9 million in 2010, a 21% increase over 2009 revenues of $160.6 million. Record revenues from our PCS operation helped our wireless segment contribute $127.9 million of the 2010 revenue total. Due to our acquisition of systems from JetBroadband, our cable segment contributed revenues of $36.5 million, more than double the amount of cable revenues in 2009.

Total outstanding debt at December 31, 2010 totaled $195.1 million, and the Company is scheduled to make approximately $14.8 million in principal repayments during 2011. Debt as a percent of total assets was 42% at the end of 2010. Our strong balance sheet enabled us to finance our acquisitions and investments in cable on attractive terms.

As we experienced with the financial performance of our PCS business during its early years, our new cable business will incur significant startup expenses and require substantial investments in order to build a large enough customer and revenue base to provide a positive return. As with all our businesses, success in growing revenues depends on our ability to provide quality services and real value to customers, and our results to date indicate we are succeeding in improving the customer experience in our new cable market areas.

During the year 2010, we continued to focus on two strategic initiatives: enhancing and expanding our wireless services, and significantly expanding the size of our cable segment. Customers are demanding greater wireless data capabilities for use with their smart phones, and customers of our cable and wireline segments are using more of our broadband services for an ever growing range of services and content that is becoming available online. Meeting this increasing demand for data capabilities is driving our investment priorities in all of our business segments.

As one of our strategic initiatives, increasing the size of our cable segment has generated a significant amount of activity. On July 30, 2010, we closed on the acquisition of cable systems from JetBroadband, adding approximately 66 thousand revenue generating units (RGUs) and increasing the number of homes passed by 115 thousand. With strong customer growth during the year and additional systems purchased at the end of 2010, our cable segment's video network passed approximately 178.8 thousand homes, and served a total of 104.4 thousand RGUs.

Acquiring a cable system is only a first step, which in most cases is quickly followed by making upgrades to the network to improve service and allow us to offer voice, video and data services to our customers. During 2010, upgrades to the systems purchased from Rapid Communications in December 2008 were completed. These upgrades allowed us to increase the number of RGUs in those markets by approximately forty-five percent from the prior year end. As of the end of 2010, our acquired cable systems have high-speed data services available to 89% of homes passed, and voice services available to 73% of homes passed. When our upgrades are complete, we will be able to offer all three services to all cable homes passed. Many of our systems currently have penetration levels of service below averages for other cable companies. This is due in part to the lack of investment made in these systems because of the capital constraints of previous owners. Increasing service penetration levels to, and above, industry averages represents a good opportunity for us as we improve service to our customers and increase the number of RGUs sold and the amount of revenues generated.

We were very pleased with the continued growth in our wireless segment, our other strategic initiative. Our postpaid wireless customers increased by 5.8% during 2010, ending the year with a total of 235,697. This growth was helped by a reduction in the level of annual churn from 2.1% in 2009 to 1.9% in 2010. During the second half of the year, the Company began offering prepaid wireless services, adding a net of 17,071 customers to the approximately 50,000 prepaid customers acquired from Sprint Nextel in July 2010. Prepaid is the fastest growing segment in the wireless industry, which was particularly important due to the poor economic environment. On a combined basis, postpaid and prepaid wireless customers totaled 302,653 at the end of 2010, representing 14.8% of the population covered by our wireless network.

Our wireline segment continued to lose access lines, although at a slower rate than the average for the industry. Demand for high speed data through our DSL service remained strong, with DSL subscribers increasing by eight percent during the year, raising our penetration level to above 50%. We have long recognized the importance of DSL and other broadband services to our customers, and are continuing to invest in network improvements to further increase the reliability and availability of this service.

We were unable to conclude a sale of our discontinued Converged Services business during 2010. This continued delay is still being affected by the ability of interested buyers to obtain the necessary financing. A reassessment of the value of this business resulted in an additional non-cash, after-tax, impairment charge of $1.1 million in 2010. We still expect a sale to ultimately be concluded, as we continue to work towards a transaction with potential buyers.

The Company received a favorable tax determination letter in February 2010 regarding the freeze and termination of its defined benefit pension plan. The assets of the pension plan have now been distributed to plan participants in fulfillment of their earned benefits under this plan. When the Company froze the defined benefit pension plan more than three years ago, it enhanced its defined contribution 401(k) plan by making additional contributions to employee accounts, and all retirement related expenses are now recognized as the Company's contributions are made. Our defined contribution 401(k) plan offers more flexibility to our changing workforce, and avoids the problem of large unfunded liabilities for future pension costs that many other companies and government entities are now confronting.

Our many accomplishments during 2010 are the result of the vision and leadership of our Board of Directors, the hard work of all of our employees (who numbered 636 at the end of the year) and the efforts and direction of our management team. In recognition of their accomplishments and increased responsibilities within our growing organization, four members of our management team were promoted to Vice President positions during the year. These four are: Thomas A. Whitaker, Vice President-Operations; Edward H. McKay, Vice President-Engineering and Planning; Richard A. Baughman, Vice President-Information Technology; and, Christopher S. Kyle, Vice President-Marketing and Sales, Cable. All four have played a key role in the significant growth experienced by our organization over the past few years, and are expected to continue having a positive impact as we improve the returns from our investments.

One of our key objectives for 2011 is to continue executing on our integration plans for our acquired cable networks. All customers have been moved to our existing billing platform, and we have integrated our management of the field workforce and customer care call centers serving these systems. While we have addressed many of the service issues that existed at the time we acquired these systems, we will continue to make the investments necessary to upgrade these systems to allow us to offer a quality triple-play of voice, video and data services. We have been pleased with the increase in customers and RGUs in the markets where upgrades have been completed, and expect continued growth in services as additional markets are addressed.

Another significant matter which will require management's attention during 2011 is determining how our relationship with Sprint Nextel may be affected by its recently announced plans to make changes to its national network. We believe that over time there will be a strong demand for the higher data speeds available with 4G wireless services, but our current agreement does not allow us to develop our own 4G network. At this time, we do not yet have visibility into Sprint Nextel's plans and how they may affect our existing network or the investments needed to remain a seamless part of the Sprint Nextel national network. We believe we will be able to work with Sprint Nextel during the year to obtain this visibility, and to make the mutually beneficial decisions necessary to be able to best serve our customers.

The price of our stock did not perform well during 2010; due in part to the large investments and funding needed for the expansion of our cable and wireless businesses and the fact that the return on these investments is not immediate, but instead comes over a period of years. We also recognize that investors have a vast number of other investment opportunities, and the general market offered attractive returns in 2010 as the economy began to recover from the recession. In contrast to its short term performance, over the five-year period through 2010, our total shareholder return again greatly exceeded the returns of the broad NASDAQ market, and also outperformed the NASDAQ's Telecommunications Index. This information is shown in a table of data and a chart in our Form 10-K. These total return figures include the reinvestment of dividends over the five-year period.

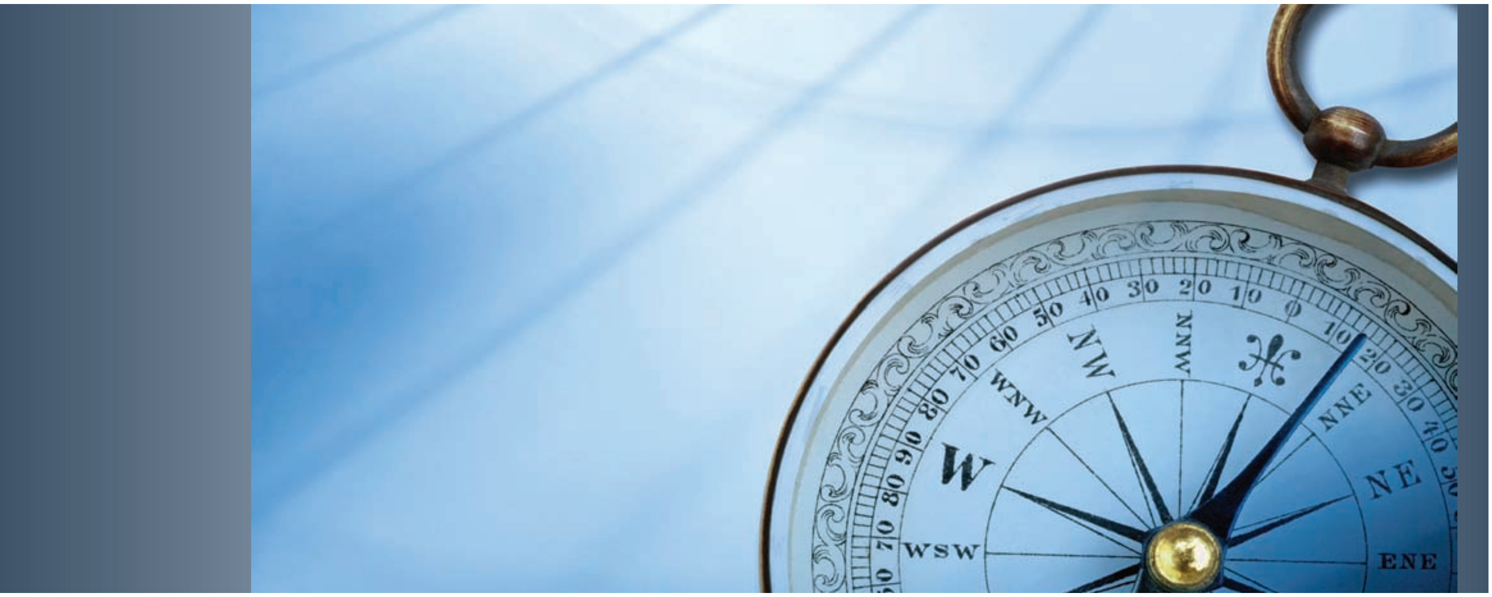
In 2010, the Board of Directors increased the cash dividend to thirty-three cents per share, the fourteenth year of continuous dividend increases. The Company has paid an annual dividend every year since 1960, when its predecessor Shenandoah Telephone Company declared its first dividend.

We accomplished much during 2010, and have many challenges for 2011 and beyond. I am confident in the ability of your Board of Directors, management team, and our employees, to successfully meet these challenges. Our focus 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 for setting our long-term strategic direction and in making our day-to-day business decisions. I appreciate the support shown by our shareholders and ask for your continued support as we work to increase the value of your investment.

For the Board of Directors,

Christopher E. French

Christopher E. French
President



Christopher E. French President & CEO
Earle A. MacKenzie Executive Vice President & COO
Adele M. Skolits Vice President — Finance & CFO
Richard A. Baughman Vice President — Information Technology
David E. Ferguson Vice President — Customer Services
Ann E. Flowers Vice President — Legal, General Counsel
Christopher S. Kyle Vice President — Marketing & Sales, Cable
Edward H. McKay Vice President — Engineering & Planning
William L. Pirtle Vice President — Marketing & Sales, Wireless & Wireline
Thomas A. Whitaker Vice President — Operations

William R. Barbour Director — Industry Relations
Anthony W. Barlage Director — Western Region Operations
Brian P. Brooks Director — Sales, Wireless
Christopher R. DiNapoli Director — Marketing, Wireless & Wireline
Kevin R. Folk Director — Customer Services
William O. Gilliam Director — Eastern Region Operations
Rebecca J. Nucilli Director — Human Resources
Dexter R. Torculas Director — Engineering
William E. Sibert Director — Operations

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Board Vice Chairman
Managing Partner
Arthur & Brown

Ken L. Burch
Farmer

Tracy Fitzsimmons
President
Shenandoah University

John W. Flora
Shareholder
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Shentel

Jonelle St. John
Consultant

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Vice President
Holtzman Oil Corp

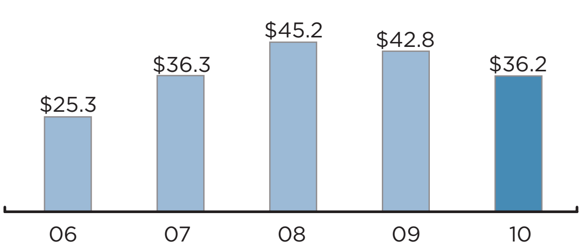
Dale S. Lam
President
Strategent Financial, LLC

James E. Zerkel II
Vice President
James E. Zerkel, Inc.

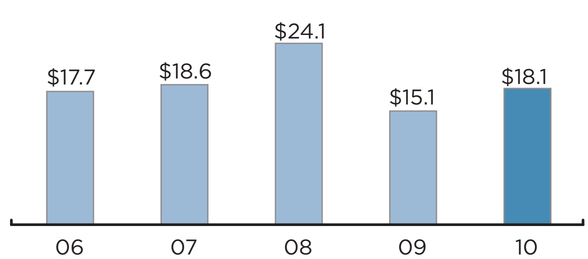
The following table shows selected operating statistics of the Company as of the dates shown:

	DECEMBER 31, 2010	DECEMBER 31, 2009	DECEMBER 31, 2008
Retail PCS Subscribers — Postpaid	235,697	222,818	211,462
Retail PCS Subscribers — Prepaid	66,956	-	-
PCS Market POPS (000) (1)	2,337	2,327	2,310
PCS Covered POPS (000) (1)	2,049	2,033	1,931
CDMA Base Stations (sites)	496	476	411
EVDO-enabled sites	381	334	211
EVDO Covered POPS (000)	1,981	1,940	1,663
Towers	146	140	118
Non-affiliate Cell Site Leases	216	196	183
Net PCS Subscriber Additions — Postpaid (2)	12,879	11,356	24,159
Net PCS Subscriber Additions — Prepaid (3)	17,071	-	-
PCS Average Monthly Retail Churn % — Postpaid (4)	1.89%	2.09%	1.86%
PCS Average Monthly Retail Churn % — Prepaid (4)	4.85%	-	-
Cable Segment RGUs (5)	104,440	24,856	26,183
Telephone Access Lines	23,706	24,358	24,042
Long Distance Subscribers	10,667	10,851	10,842
DSL Subscribers	11,946	10,985	9,918
Dial-up Internet Subscribers	2,190	3,359	4,866
Total Fiber Miles — Wireline	71,118	53,511	46,733
Fiber Route Miles — Wireline	1,267	837	756
Total Fiber Miles — Cable	31,577	4,558	3,860
Fiber Route Miles — Cable	1,389	403	353

OPERATING INCOME
in millions



NET INCOME
in millions



1) 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.

2) For the twelve months ended.

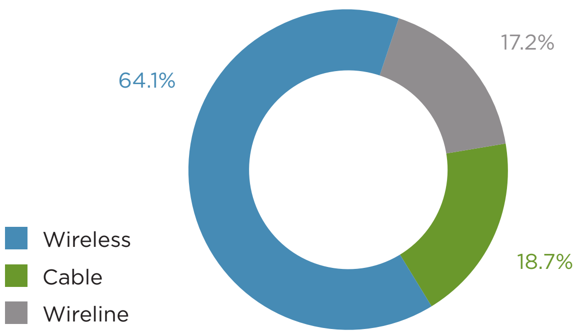
3) Since initiation of prepaid offerings in July 2010; excludes prepaid subscribers purchased.

4) 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, it is the average for the period July through December, 2010.

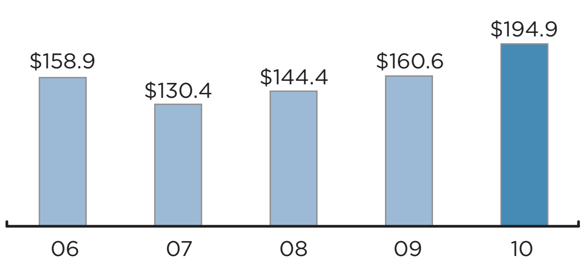
5) The increase in RGUs at December 31, 2010 is primarily due to acquisitions of systems in July and December 2010, covering approximately 69,000 initial RGUs.

	2010	2009	2008	2007	2006
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (in thousands, except share and per share data)					
Operating revenues (a)	$ 194,889	$ 160,616	$ 144,424	$ 130,365	$ 158,894
Operating expenses (a)	162,652	117,789	99,213	94,091	133,565
Operating income	36,237	42,827	45,211	36,274	25,329
Interest expense	4,716	1,361	1,009	1,873	2,362
Income taxes	13,355	17,465	17,494	14,942	14,026
Net income from continuing operations (b)	18,718	25,084	26,069	21,921	20,492
Discontinued operations, net of tax (c)	(643)	(9,992)	(1,924)	(3,361)	(2,729)
Cumulative effect of a change in accounting, net of tax	-	-	-	-	(77)
Net income	$ 18,075	$ 15,092	$ 24,145	$ 18,560	$ 17,686
Total assets	466,437	271,725	266,837	222,512	208,864
Total debt — including current maturities	195,112	32,960	41,359	21,907	26,016
SHAREHOLDER INFORMATION:					
Shares outstanding	23,766,873	23,680,843	23,605,467	23,508,525	23,284,284
Income per share from continuing operations-diluted	$ 0.79	$ 1.06	$ 1.11	$ 0.93	$ 0.88
Loss per share from discontinued operations-diluted	(0.03)	(0.42)	(0.08)	(0.14)	(0.12)
Loss per share from cumulative effect of a change in accounting (d)	-	-	-	-	-
Net income per share-diluted	0.76	0.64	1.03	0.79	0.76
Cash dividends per share	$ 0.33	$ 0.32	$ 0.30	$ 0.27	$ 0.25

EXTERNAL REVENUE BY SEGMENT FOR 2010



REVENUE
in millions



All share and per share figures reflect the three for one stock split effected August 2, 2007.

(a) The decrease in operating revenues and expenses between 2006 and 2007 is due to changes in the settlement of travel and roaming revenues and expenses resulting from the 2007 amendments to the Company's management and affiliation agreements with Sprint Nextel.

(b) The 2006 balance shown includes a gain of $6.4 million, net of tax, relating to the disposition of the RTB stock.

(c) 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.

(d) The cumulative effect adjustment shown above for 2006 represents approximately ($0.003) per share.

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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