SHENTEL®

2012 ANNUAL REPORT

Shenandoah Telecommunications Company

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SHENTEL®
2012 ANNUAL REPORT

LOOKING TO THE FUTURE

Shentel has always operated under the guiding principle that we must serve well to prosper, and we must prosper to serve well. By providing the best possible service to our customers, we will ensure long-term benefits for the company and its shareholders.

In order to continue providing the best service, many exciting projects are planned for 2013. More and more of our customers are growing to depend on mobile devices as their primary source for communication, business connectivity and entertainment. Our Network Vision project, as highlighted on the following page, addresses these consumer needs by providing greater reliability, improved coverage in more places and faster download speeds. This project will enhance our wireless customers' experience and improve our competitiveness. We will continue to offer the most technologically advanced smartphones and other wireless devices which will enable our customers to utilize multiple applications and advanced services.

We must serve well to prosper

Whether wireless or wired, the demand for faster Internet speed continues to rise. Data usage doubles every year on our networks as broadband, rather than traditional video or voice services, becomes our primary product. As our network reliability and broadband capacity increase, we will be able to offer a greater choice of products to both our residential and business customers.

Additional capacity will be added to our wireline and wireless networks. Today we offer speeds up to 50 Mbps with cable high-speed Internet and up to 100 Gbps for our fiber customers. Eventually we will be able to offer speeds up to 25Mbps for our wireless customers.

Technology may constantly change, but Shentel's mission will remain the same. We are committed to enriching the lives of the customers we serve with the highest quality telecommunications services by making major investments in technology, using innovative thinking and delivering high quality local customer service that makes using technology easy.

BRINGING 4G LTE TO OUR CUSTOMERS

As a Sprint PCS Affiliate of Sprint Nextel, Shentel continued its strong growth in 2012. Over 35,000 new wireless customers were added in the past year. As in 2011, the company remains one of the fastest growing publicly traded wireless providers in the country. Shentel ended the year with over 390,000 wireless customers.

In 2011, Sprint began to consolidate multiple network technologies into one new, seamless network. This project, which Sprint is calling "Network Vision," is well under way. It will mean faster data speeds, better signal strength, fewer dropped calls and improved voice quality for all customers on the network.

A big part of Network Vision is the rolling out of 4G LTE service. That stands for Fourth-Generation Long-Term Evolution, and 4G LTE service was launched in 9 of Shentel's 13 markets during 2012, with plans for complete 4G coverage in 2013.

With smartphones and tablets requiring more and more bandwidth for streaming videos, downloading music and emailing large files, this upgrade is necessary for us to stay competitive in the wireless industry.

Shentel has committed to upgrading the network within our service area to maintain compatibility with Sprint's national network, and improve service for our customers. At a cost of nearly $115 million, this will be the largest single capital investment in Shentel history.

Once this project is complete, we will offer 4G LTE service and increase the capacity of the 4G LTE and 3G EVDO networks. 800MHz voice capability will be added, and in-building signal penetration will be improved.

This will be the largest single investment in Shentel history

In 2012, there were 224 cell sites upgraded in Shentel's footprint. More than 200 of those sites are offering 4G LTE service, covering approximately 55% of the population of our PCS market area.

This investment is representative of Shentel's commitment to enriching the lives of the customers we serve with the highest quality telecommunications services.

SHENTEL HAS A NEW LOOK

A very visible change came to Shentel in October of 2012, as the company launched its first brand image change in more than 20 years. While the familiar burgundy color and logo were iconic in Shenandoah County, Virginia – the birthplace and headquarters of Shentel – they did not tell the company story to its newest customers.

Always connected to you.

The Shentel brand now stands out from the competition with colors that are unique in the industry. The bold, new colors and clean, modern design are intended to increase customer awareness. The triangle symbol is representative of the mountains and Shentel's rural roots. They also represent the three business lines: wireline, wireless and cable. The tagline, ***Always connected to you***, evokes the trustworthy, reliable, honest reputation that Shentel brings with it into the future. As awareness increases and the Shentel name is continually reinforced, we expect higher customer interest in our services and increased loyalty. Word travels fast, and as a rural local provider, the importance of referrals is key for sales growth.

The Shentel fleet also was re-designed, turning all company vehicles into mobile billboards, and getting the Shentel message into many rural areas that may not typically be exposed to company advertising campaigns. Our marketing message focuses on the fact that we are the only locally-based telecommunications service provider. It says that we offer products and services to our customers that other companies can't or won't. Only Shentel has the commitment and experience necessary to get the job done.

The new brand is causing current and potential customers to give Shentel a fresh look. It increases top of mind awareness so that potential customers think of Shentel first when considering broadband, video or voice services. Our brand is more than just a logo and bright colors. It is reflective of Shentel's mission: *We are committed to enriching the lives of the customers we serve with the highest quality telecommunications services by making investments in technology, using innovative thinking and delivering high quality local customer service that makes using technology easy.*

LETTER TO THE SHAREHOLDERS

March 8, 2013

Dear Shareholder:

I am pleased to report to you on another year of significant progress for your company. We had many financial and operational achievements during the year, both improving our financial results and reaching many significant milestones in our operational goals. Our performance in these areas continues to be driven by our efforts and work on our strategic initiatives of enhancing and expanding our wireless services, and expanding the size and scope of our cable segment. Progress continues to be made in both these areas, and we are seeing positive results from our efforts.

Christopher E. French

President

Our financial results in 2012 reflect a large improvement over the previous year, despite the lingering effects of the economic downturn that began in 2008 and the initial increase in operating costs due to our current capital construction program. We continued to see solid growth in revenue, with operating revenues reaching a total of $288.1 million, an increase of 14.7% over 2011. Net income increased 25.5% in 2012, reaching $16.3 million. This increase follows a decline in net income from 2010 to 2011, which was primarily due to the large increases in operating expenses from our cable acquisitions and launching prepaid wireless service. Net income in 2012 was driven by the $36.9 million increase in revenue exceeding the $34.6 million increase in operating expenses, and helped by a decrease in interest expense and an improvement in net investment gains.

Two large and unusual financial transactions occurred in the fourth quarter of 2012, but they nearly offset each other. In December 2012, Sprint Nextel determined it had incorrectly calculated certain pass-through costs since the beginning of our participation in its prepaid programs. To correct the errors from July 2010 through September 2012, we received $11.8 million, which was recognized as a reduction of expenses. Offsetting this positive adjustment was an $11.0 million non-cash write-down of cable segment goodwill which we recorded after determining that this goodwill had become impaired. There are many factors that impact the evaluation of goodwill at a point in time, but we remain convinced that the long-term value of our cable segment remains strong.

Operationally, we made significant progress on the upgrade to our wireless network as part of Sprint's Network Vision project. Our participation in this project represents the largest capital investment program in our company's history. We expect to invest a total of approximately $115 million during 2012 and 2013 as we rebuild our wireless network's capacity and capabilities, including adding 4G LTE service. The addition of 4G LTE service will greatly increase the wireless data speeds we can deliver to our PCS customers. During 2012, we completed Network Vision upgrades to 224 of our 516 sites, with 4G LTE service available at 200 of those, covering approximately 55% of the population of our PCS market area. All remaining PCS sites are expected to be upgraded during 2013.

To fund the Network Vision project, we refinanced our existing credit facility and increased the amount of our term loan. The refinancing was completed on favorable terms with a longer duration, and lowered our interest rate in 2012. These favorable terms reflect positively on our business prospects and our creditworthiness as a borrower.

Cable operational highlights during 2012 included the completion of several upgrades and commencement of the final upgrade in our acquired markets. The final market to be upgraded is McDowell County, West Virginia. Due to the extremely poor condition of the existing facilities, we are constructing a completely new, Fiber-to-the-Home broadband network. Completion of this project will bring to an end the system upgrades from our 2008 and 2010 acquisitions, and will allow all of our cable market customers to have access to high speed broadband data, advanced video and voice communications services.

Our cable networks were severely impacted by our region's two unusual storm events during 2012, causing $813 thousand in repair costs. In addition to the physical damage to our cable facilities, our service was negatively impacted in many areas by the extended loss of power. Our employees are to be commended for the many days and long hours they spent to restore service, in many cases while their own homes remained without power.

Two significant trends in our industry are the ongoing decline of access lines and revenues from the traditional local exchange telephone business, and the growing demand for more and faster broadband services on both a fixed and mobile basis. Our efforts and objectives during the past few years have been consistent with these trends and with our current strategic initiatives focused on our wireless and cable segments. These trends make it imperative that our organization further diversify into businesses other than the traditional local exchange telephone business, and that we increase our investment in the growth opportunities in both wireless and cable.

Our wireless segment remains the largest source of growth and profit for our company. It is the largest of our business segments, reflecting the ongoing demand for wireless services. Growth in wireless has increasingly been driven by data usage, a result of the proliferation of smartphone handsets and wireless tablet devices. A key step to securing our ability to continue participating in this segment was taken in February 2012 when we entered into an amendment to our agreement with Sprint Nextel to build a 4G LTE network in our service area. In addition to enabling us to offer 4G services, the amendment gives us access to additional 1900 and 800 MHz spectrum and extends the initial term of the agreement five additional years to 2024.

Changing to the new Network Vision technology not only requires a large capital investment, it also results in additional operating costs. During a transition period we must operate both the old and the new networks. We will also incur increased rent expense for leased tower sites, and add extra backhaul capacity at each base station to handle additional data capabilities. We are diligently working to minimize disruptions in service as we transition to the new network, but temporary outages and service impacts are a necessary part of the conversion. Incurring the cost and inconvenience of the upgrade will bring our company and our customers many benefits. The ability to offer 4G LTE service allows our wireless segment to remain a competitive and relevant provider to meet the continually growing demand for mobile data services. It provides us a more efficient network that can expand more economically and keep pace with customer demand. The new network will also improve the wireless experience for our customers and provide much faster data speeds.

Our significant investment in wireless was based on our confidence in Sprint Nextel's future. We continue to enjoy a strong working relationship with Sprint, and their confidence in us was evidenced by the terms of the amendment. While Sprint has struggled with its 2005 acquisition of Nextel, it has made great strides in improving its customers' experience and is now earning top survey marks for its customer service. Another recent positive event regarding Sprint was the October 2012 announcement that SoftBank Corp. would invest $20.1 billion to control 70% of Sprint, reflecting SoftBank's view of Sprint's potential. We believe this investment will make Sprint a much stronger competitor against its larger rivals Verizon and AT&T, and will also be a positive for our wireless business.

It took many years for our wireless segment to become our largest contributor of growth and profits. Many long-time shareholders will remember the early years of our PCS business, as we invested millions of dollars to build a viable wireless business, and incurred significant startup expenses before we were able to grow a large enough customer base to generate sufficient revenues to cover our expenses and provide a positive return. The expansion of our cable business is following a similar path. We began our cable expansion with our acquisitions in 2008 and 2010, during the worst economic downturn since the Great Depression. Despite this timing, we were well positioned to make the necessary investments, and have since upgraded the acquired networks to now be able to offer advanced telecommunications services. These markets were originally underdeveloped, but had good potential for customer and revenue growth, and were located in proximity to our fiber networks. We have made great progress in improving the customer experience in our new cable market areas, and in establishing ourselves as a reliable and responsive local provider.

The rural cable business presents unique challenges, and the largest of these challenges is the rising cost of programming, particularly sports programming. Programming costs continue to escalate as media giants that own cable networks and TV stations use their dominant market positions to extract ever-increasing fees from distributors such as our rural cable networks. Programmers continue to pay higher and higher amounts to acquire sports programming, then pass these costs on to consumers whether they watch sports or not.

While the size of our cable business has grown, we remain a very small provider, and we are forced to pay higher fees than those paid by the larger providers. This problem is exacerbated by outdated federal rules and regulations which were put in place before the acquisitions between media companies consolidated power into a small number of giant companies. A good example of the results of unbalanced bargaining power is seen in the increases for "retransmission consent" fees. These are fees that our customers are forced to pay for the ability to receive local broadcast signals through their cable service. The broadcasters provide these same signals free to customers "over the air". Despite our networks' delivery of signals to many areas where customers cannot be reached by these over the air signals, and despite the increase in the amount of advertising revenue the broadcasters can collect as a result of our additional customers, we are forced to pay broadcasters to retransmit their signals.

Compounding the cost problem is the practice of the media companies requiring us to pay for and carry additional channels in a bundle in order to gain access to the few popular channels that we think our customers would be most willing to pay for. In addition to requiring us to carry extra channels, the programmers are also able to demand specific placement of their channels in certain programming tiers and channel slots. Our company will continue to advocate for changes to the rules regarding access to content and programming. Without such a change, it is likely that customers will be less and less likely to look to their cable company for their video programming. We believe that cable consumers should have the right to only buy and pay for the channels and programming they want, and not be required to pay for a bundle of content forced on them by the giant media companies. This "a-la-carte" pricing model has many attractive aspects for consumers, but remains opposed by the media companies as it would undermine the lucrative business model that allows them to generate additional revenue from the selling of advertising and to collect excessive programming and retransmission fees.

Despite the challenges, we remain convinced that the ability to offer robust broadband services remains the most important aspect of our cable networks, and best positions us to be the preferred broadband provider for our communities. As a result, our cable segment will only become more important in our efforts to transform into an even better broadband telecommunications company.

It takes a lot of hard and painful work to remake a company from a small rural local exchange telephone company to a multi-state broadband telecommunications company. It doesn't happen overnight, and it doesn't come without significant cost. Shareholders have seen our stock price move up and down over the past few years, although it ended 2012 at $15.31, up from the prior year-end close of $10.48. While our year-to-year financial results and stock price have varied, our commitment to investing in the technology and infrastructure necessary to ensure that our Company has a successful future in telecommunications has not wavered. That commitment also means our Company will look very different from how it looked in the past. If you review just a few select statistics from the last five years, you can see how much our company has changed in this brief period of time. In 2007 we had revenues of $130.6 million, our total assets were $222.5 million, and shareholder equity totaled $151.1 million. In comparison, we ended 2012 with revenues of $288.1 million, total assets of $570.4 million, and shareholder equity of $207.8 million. These numbers represent solid growth, particularly in light of the economic conditions since 2008, and in light of the magnitude of the changes we have undertaken.

An even more vivid indication of how much we've transformed our company is to look at our number and mix of customers. Telephone access lines are now 22,297, down approximately 9% from 24,536 at the end of 2007. Wireless subscribers now total 391,069, up 109% from the year-end 2007 total of 187,303. The number of cable subscribers was only 8,303 at the end of 2007 when we only offered video service in Shenandoah County. At the end of 2012 we served 74,798 subscribers with 114,891 total revenue generating units of video, voice and data services.

Our long-term shareholders recognize how much our company has changed over the years, but we hope that our long-term customers have not seen a change in our commitment to providing quality service. Bringing that same service commitment to our new market areas has been our objective since the beginning of our cable expansion. The cable systems we acquired suffered from not having a local service provider with our long-term view and commitment to service. We have made great strides in establishing ourselves as a local partner to our communities, and continue to work to become their provider of choice.

To help convey the changes we bring to our new areas, as well as the changes we have undergone in our traditional markets, we launched a new logo and brand-positioning initiative in October 2012. The new logo gives our brand an updated look and was developed to signify our connection to the communities we serve as the only locally-based telecommunications service provider. The new brand image recognizes that we are not the same small rural telephone company of our past, but builds on the fundamentals of service that has allowed us to prosper and will be essential for us to remain successful in the future.

The drive of technological and competitive change, coupled with changing consumer demand, made it imperative that our Company adapt in order to remain successful. These changes have not been easy, or quick; and, have come at short-term costs to our financial results and in some cases temporary disruptions to service. As we navigate these changes, our Company has remained true to its motto: "We must serve well to prosper - We must prosper to serve well." Our efforts will continue to place a priority on providing great service to our customers, and to increase the long-term value of our shareholders' investment. We appreciate the support and confidence of our shareholders as we continue to pursue these objectives.

For the Board of Directors,

Christopher E. French

Christopher E. French

President

MANAGEMENT & BOARD

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

Kevin R. Folk
Vice President — Customer Service

Christopher S. Kyle
Vice President — Industry Affairs & Regulatory

Edward H. McKay
Vice President — Engineering & Planning

Raymond B. Ostroski
Vice President — Legal, General Counsel

William L. Pirtle
Vice President — Sales & Marketing

Thomas A. Whitaker
Vice President — Operations

BOARD OF DIRECTORS

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Board Vice Chairman, Lead Independent Director
Attorney-At-Law

Ken L. Burch
Farmer

Tracy Fitzsimmons
President
Shenandoah University

John W. Flora
Attorney-At-Law and Senior Partner
Lenhart Obenshain PC

Christopher E. French
Board Chairman
President & CEO
Shentel

Jonelle St. John
Consultant

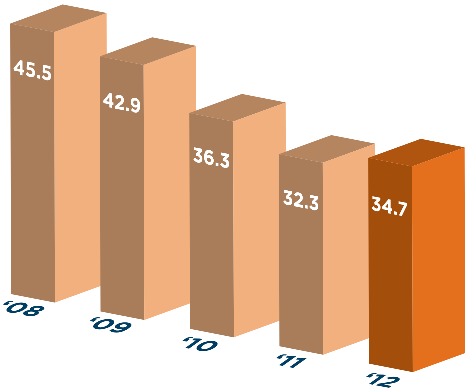
Richard L. Koontz, Jr.
Vice President & COO
Holtzman Oil Corp

Dale S. Lam
President
Strategent Financial, LLC

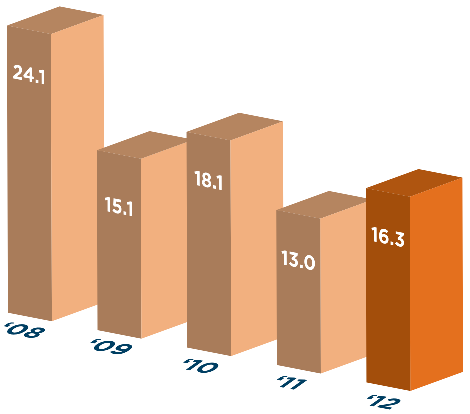
James E. Zerkel II
Vice President
James E. Zerkel, Inc.

SELECTED STATISTICS (UNAUDITED)

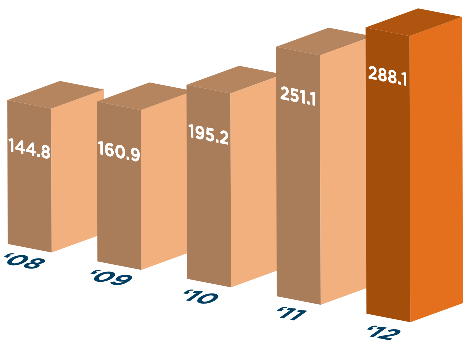
OPERATING INCOME
in millions



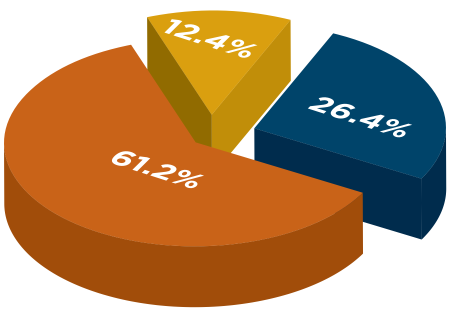
NET INCOME
in millions



REVENUE
in millions



EXTERNAL REVENUE BY SEGMENT FOR 2012
(Approx.)



Wireless
Cable
Wireline

	DEC 31, 2012	DEC 31, 2011	DEC 31, 2010
Retail PCS Subscribers — Postpaid	262,892	248,620	234,809
Retail PCS Subscribers — Prepaid	128,177	107,100	66,956
PCS Market POPS (000) (1)	2,390	2,388	2,337
PCS Covered POPS (000) (1)	2,057	2,055	2,049
CDMA Base Stations (sites)	516	509	496
4G LTE enabled sites (2)	200	-	-
Sites upgraded for Network Vision	224	-	-
EVDO-enabled sites (3)	444	433	381
EVDO Covered POPS (000)	2,029	2,027	1,981
Company-Owned Towers	150	149	146
Non-affiliate Leases on Shentel Towers	216	219	216
Net PCS Subscriber Additions — Postpaid (4)	14,272	13,811	11,989
Net PCS Subscriber Additions — Prepaid (5)	21,077	40,144	17,071
PCS Average Monthly Retail Churn % — Postpaid (6)	1.79%	1.78%	1.89%
PCS Average Monthly Retail Churn % — Prepaid (6)	3.67%	4.33%	4.85%
Cable Segment RGUs (7)	114,891	111,881	105,407
Fiber Route Miles — Cable	2,077	1,990	1,389
Total Fiber Miles — Cable (8)	39,418	34,772	31,577
Telephone Access Lines	22,297	23,083	23,706
Long Distance Subscribers	10,157	10,483	10,667
DSL Subscribers	12,567	12,351	11,946
Dial-up Internet Subscribers	996	1,410	2,190
Fiber Route Miles — Wireline	1,420	1,349	1,267
Total Fiber Miles — Wireline (8)	84,107	78,523	71,118

	2012		2011		2010		2009		2008
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (in thousands, except share and per share data)									
Operating revenues	$	288,075	$	251,145	$	195,206	$	160,935	$	144,778
Operating expenses		253,417		218,855		162,875		117,995		99,312
Operating income		34,658		32,290		36,331		42,940		45,466
Interest expense		7,850		8,289		4,716		1,361		1,009
Income taxes		12,008		10,667		13,393		17,510		17,595
Net income from continuing operations		16,603		13,538		18,774		25,152		26,222
Discontinued operations, net of tax [(a)]		(300)		(545)		(699)		(10,060)		(2,077)
Net income	$	16,303	$	12,993	$	18,075	$	15,092	$	24,145
Total assets		570,740		479,979		466,437		271,725		266,837
Total debt — including current maturities		232,177		180,575		195,112		32,960		41,359
SHAREHOLDER INFORMATION:										
Shares outstanding		23,962,110		23,837,528		23,766,873		23,680,843		23,605,467
Income per share from continuing operations-diluted	$	0.69	$	0.57	$	0.79	$	1.06	$	1.11
Loss per share from discontinued operations-diluted		(0.01)		(0.02)		(0.03)		(0.42)		(0.09)
Net income per share-diluted		0.68		0.55		0.76		0.64		1.02
Cash dividends per share	$	0.33	$	0.33	$	0.33	$	0.32	$	0.30

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 that 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) 4G LTE - Fourth-Generation Long-Term Evolution, the fourth generation of wireless broadband technology.
3) EVDO - Evolution Data Optimized, the third generation of wireless broadband technology.
4) For the twelve months ended.
5) For the 2012 and 2011 periods, additions for the twelve months ended. For the 2010 period, additions since initiation of prepaid offerings in July 2010; excludes prepaid subscribers purchased.
6) PCS Average Monthly Retail Churn is the average of the monthly subscriber turnover, or churn, calculations for the period. It is the average for the twelve months shown, except for prepaid churn in the period ended December 31, 2010, where it is the average for the period July through December, 2010.
7) Revenue generating units are the sum of video, voice and high-speed internet services.
8) 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.

(a) Discontinued operations include the operating results of Shentel Converged Services, Inc. The Company announced its intention to dispose of Shentel Converged Services, Inc. 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 Shentel Converged Services, Inc. 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 Shentel Converged Services, Inc. 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 Shentel Converged Services, Inc. to their current estimated fair value.

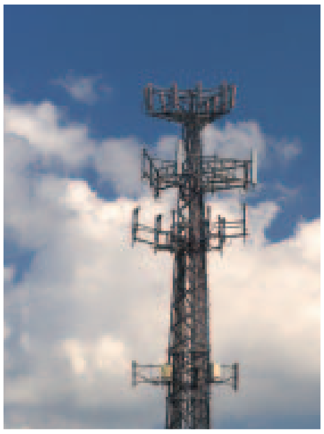
SHENANDOAH TELECOMMUNICATIONS

Subsidiaries

Shenandoah Personal Communications, LLC
Shenandoah Telephone Company
Shentel Converged Services, Inc.
Shenandoah Mobile, LLC
Shenandoah Cable Television, LLC
Shentel Communications, LLC
Shentel Management Company

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

Always **connected** to you.



We must **serve well** to prosper.
We must **prosper** to serve well.

SHENTEL®

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