

A one of a kind company...



FINANCIAL HIGHLIGHTS

	2008	2007	% Change
OPERATING REVENUES (1)	\$230,373,000	\$174,257,000	32%
NET INCOME (2)	\$ 18,933,000	\$ 62,940,000	-70%
BASIC EARNINGS PER SHARE (2)	\$ 1.34	\$ 4.35	-69%
NUMBER OF EMPLOYEES (1)	918	763	20%

PRO FORMA STATISTICS (3)

FIBER AND HFC MARKETABLE HOMES	232,400	205,200	13%
TOTAL MARKETABLE HOMES	304,200	283,900	7%
BROADBAND RESIDENTIAL REVENUE GENERATING RGUs (4)	221,000	198,500	11%
BROADBAND BUSINESS SUBSCRIBERS	6,500	5,800	12%
TOTAL CONSOLIDATED RESIDENTIAL VOICE RGUs (5)	117,500	122,700	-4%
TELECOM RESIDENTIAL VOICE RGUs	54,000	69,200	-22%
TELECOM BUSINESS SUBSCRIBERS	9,200	9,800	-6%

(1) Operating revenues and the number of employees do not include discontinued operations.

(2) Net income and basic earnings per share include income from discontinued operations and net gain on sale.

(3) Pro forma statistics are adjusted only for the timing of the Everest Broadband acquisition consummated on February 13, 2008. For comparability purposes, the statistics are presented as if the acquisition occurred effective January 1, 2007.

(4) Broadband Residential RGUs represent the sum of video, voice and data subscribers, excluding additional outlets. DVR and HDTV subscriptions do not result in additional RGUs.

(5) Total Residential Voice RGUs represent the total company residential voice customers served by the Broadband and Telecom company segments.

for one of a kind customers...

“ I was impressed with SureWest; enough that I’ve told quite a few people and had it installed at my house personally because of the service we received at DPR. Kudos to SureWest. Good job! ”

*Aaron Dube, Business Customer
DPR Construction, Inc.*

“With our SureWest fiber services, we have never been let down. We have been able to increase our productivity and reduce our expenses significantly. SureWest customer service has been exemplary. Having a single point of contact with SureWest is money in the bank.”

*Jim Pagluica, Business Customer
All Business Machines*

“SureWest is awesome. The TV picture is crystal-clear and very crisp. The customer service has been outstanding. It doesn’t get any better than SureWest!”

*Jeff Major
Residential Triple-Play Customer*



Dear Fellow Shareholders,

SureWest employees have spent the last several years successfully transforming the company from a local telephone business into a one of a kind broadband service provider. In 2008, due to the hard work and commitment of your employees, we completed several growth initiatives signifying our transition to a full service Internet, TV and telephone provider offering superior broadband services in the markets we serve. As a result, at the end of the second quarter of 2008, revenues from the Broadband segment exceeded revenues from the traditional Telecom segment for the first time in our company's history. Broadband segment revenues were \$135 million in 2008, representing 59% of overall company revenues ... and growing.

This is an important measure for us because we are subject to the significant loss of telephone access lines that is so common in the telecommunication industry today due to wireless and new voice competition. We embarked on this important and strategic transformation to protect your investment and to ensure our ability to grow shareholder value in the years to come.

SureWest is at the forefront of the digital age, having designed and deployed a superior fiber-to-the-home network capable of delivering voice, video and data services faster and with higher quality than any of our competitors in the Sacramento market. We also have the most advanced cable network in the areas we serve in Kansas City and have been expanding our fiber-to-the-home network in that footprint to continue distinguishing ourselves from the competition.

This year, we are focusing on improving our network capabilities and customer service levels, both of which are critical to our success. SureWest provides broadband services in some of the most competitive markets in the United States. Our sophisticated customer base understands and desires the capability of our superior network, and we are very fortunate to have dedicated professional employees who are experienced in winning customers away from the competition.

By transforming the company and creating this solid foundation, SureWest is well-positioned to meet future market demands as a one of a kind company focused on providing a superior customer experience across an advanced network with clear **focus**, **differentiation** and **commitment**.

for one of a kind employees...



"I feel very proud to be a part of the superior service we provide our customers. Each employee truly strives to exceed customer expectations with every experience. It is genuinely an honor to be a part of the SureWest Family."

*Bre Chapman
Lead Customer Service Rep*

"SureWest epitomizes a local success story. The company encourages corporate cost savings, employee wellness and employee driven initiatives."

*Krista Bernasconi
Director,
Government Affairs*

"I love my job and enjoy coming to work. Not only do employees work together, but we are also friends. We care about our jobs and the success of the company, while also caring for each other."

*Kristen M. Szymanski
Billing Provisioning Specialist*

"SureWest cares about ethics. As the internal audit manager, I know how important that is to the success of any company. SureWest encourages honesty, openness and fairness."

*Byron Matson
CIA Internal Audit Manager*

FOCUS

Beginning last year, the economic environment has proven to be one of the most tumultuous and unpredictable in history. Fortunately for SureWest, the actions we have taken over the last three years are allowing us to better absorb many of the effects of the drastic downturn in the economy. During 2008, we took steps to secure more favorable long-term financing and pushed out our debt maturities until the spring of 2012, allowing us to continue with our normal growth plans in spite of the disrupted credit markets. We also took the difficult step of placing a hard freeze on the company's defined benefit retirement plan. That decision in the spring of 2007 is representative of our philosophy to take action when it is clear that it is in the best interest of shareholders.

This same philosophy led the Board of Directors to take action in selling our Directories yellow page business in 2007 and our Wireless cell phone assets in 2008, generating millions of dollars for reinvestment in our network expansion. We also made the decision to change our long-standing practice of paying a cash dividend to shareholders and to invest available cash into our network expansion program. Having taken these pragmatic but difficult steps during relatively more advantageous economic times, we are positioned to continue our successful growth trajectory during these times of national economic distress.

In February 2008, we completed our agreement to purchase Everest Broadband in Kansas City, effectively doubling our Broadband revenue generating units (RGUs). With the purchase of these assets, we anticipated the benefits of diversifying our revenue streams to a location outside California. This factor

has proven to be very beneficial to our shareholders, as the Kansas City economy held up significantly better than that in the Sacramento area of Northern California. Unemployment in the Sacramento area was nearly 9% at the end of 2008 and has since surpassed 10%. However, it was only 6% in Kansas City. Real estate foreclosures in California ranked #2 nationwide in December 2008 while the Kansas City metropolitan area reported a much lower foreclosure rate and ranked #36 nationwide.

“We began to realize the benefits from the Kansas City transaction soon after the acquisition. Looking at growth on a pro forma basis for a comparison that captures Kansas City results prior to the acquisition, we successfully grew residential subscribers by 6% and business subscribers by a remarkable 32% during the year.”

In new build areas where we are just beginning to market SureWest fiber services in Kansas City, we are seeing accelerated customer growth that is nearly double our forecasted penetration rates. It is obvious why we are excited by the significant residential and business growth opportunities in the Kansas City market.

During 2008, total shareholder return for most public companies was drastically impacted by the events taking place in the larger economy. SureWest was not immune to those impacts. Economic challenges were further exacerbated by proposed changes to how the telecommunications industry is regulated, and by proposed changes to various subsidies afforded to many



“While SureWest is growing, other telecommunication companies are making cuts.”

Sacramento Business Journal, Dec. 12, 2008

“As usual, SureWest is demonstrating leadership in the telecom space. They are creating a reason for customers to stay with them, not leave them. They are meeting their cable and VoIP providers head on.”

Telecompetitor - Aug. 7, 2008

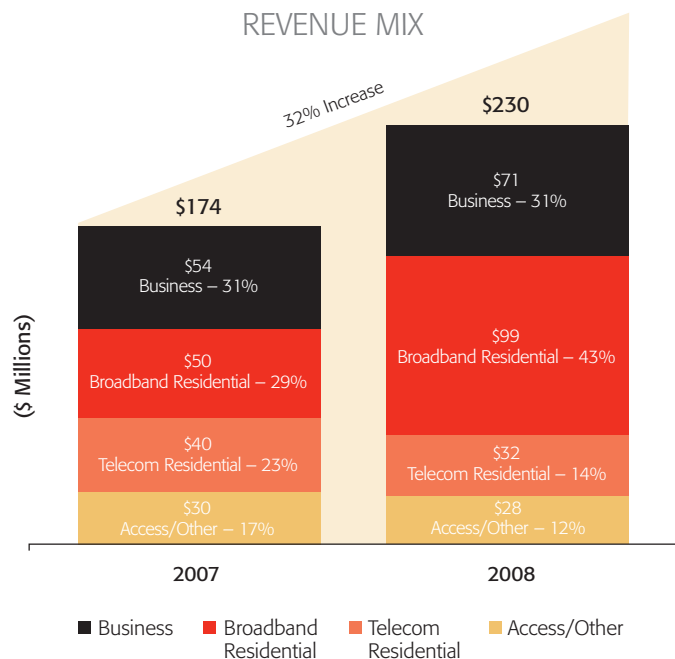
smaller telecommunications companies. Our 52-week stock price performance ending December 31, 2008 resulted in a 33% decline, which was disappointing, but comparatively positive in relation to indexes representing companies similar to ours such as the Dow Jones U.S. Telecommunications Index, which declined 42%, and the Russell 2000, which declined 35%.

Despite our successful results and growth in Broadband, national economic conditions made day-to-day operations more challenging relative to customer acquisition and marketable home penetration. These conditions also made transactions such as our Wireless and Wireless Tower asset sales significantly more difficult to accomplish. We are very proud of the successful efforts of our employees during these difficult economic times. The number of transactions across all industries slowed in 2008, with many deals failing due to the dire condition of capital markets, making our Kansas City acquisition and the Wireless divestiture all the more noteworthy. Disciplined and focused execution was also a factor in our ability to refinance \$30 million in short-term debt to a long-term credit facility at rates that were considerably more favorable than those made available to our peers.

Of note during 2008 was that our Kansas City acquisition and continued internal subscriber growth helped us reach an historic achievement of serving 100,000 residential Broadband customers. Additionally, our commercial business revenues grew by 29% to \$71 million from \$54 million, making up 31% of total revenue for the company in 2008.

“ SureWest is a one of a kind company because we are in a strong financial position today. The focus we have placed on our core broadband business, coupled with our ability to significantly reduce costs in non-core areas, has effectively placed us in a position of financial strength as we evaluate opportunities to grow our revenues. ”

These opportunities will come from potential acquisition of other network assets, and increased penetration and expansion within our Sacramento and Kansas City markets.



“The SureWest Foundation collaborates with us on projects to ensure our mission to serve the needs of the youth of our communities is met.”

*Machel Miller-Presley
Executive Director,
North Roseville REC Center, Inc.*

“Contributions from the SureWest Foundation have helped us enhance the quality of life for all who live and work in our community.”

*Leilani Vierra
CEO, Placer SPCA*

...for one of a kind community.

DIFFERENTIATION

A primary benefit of being a SureWest customer is our commitment to a state-of-the-art network that sets us apart from the competition. We deliver our services over advanced platforms capable of outperforming networks anywhere we serve. Our fiber-based system allows customers to upload and download data at the same speeds and we believe we offer the fastest symmetrical Internet connection in the country at up to 50 megabits per second in each direction. Our extensive bandwidth becomes more critical each day as consumers continue to increase their Internet usage for such things as uploading and downloading video content. We are also very proud to offer over 50 discreet HD channels on our TV service, which is one of the highest numbers of HD channels delivered by any provider in the country.

“ Another key area of differentiation for SureWest is the best-in-class service we deliver to our customers. Third-party customer satisfaction surveys have ranked SureWest #1 in recent years in both our Sacramento and Kansas City markets, and we are driven to continually improve our performance in this area. ”

We feel we can greatly enhance the overall experience of our customers and plan to be vastly superior to our competition in 2009 and beyond. Maintaining current customers is just as important to shareholder value as adding new ones.

Enhancing the customer experience through new services and new products continues to be a major focus. In 2008, we launched the SureWest Pro program that provides customers with direct access to a highly-skilled SureWest employee upon installation. This program better educates and supports new customers and, as a result, we find that customer calls are reduced by over 60 percent within 30 days of installation due to the outstanding customer experience provided by the SureWest Pro. The SureWest NexTech program was also launched in 2008 and provides customers with fee-based home networking and home entertainment system installation. SureWest’s distinct advantage of having one of our skilled technicians in a customer’s

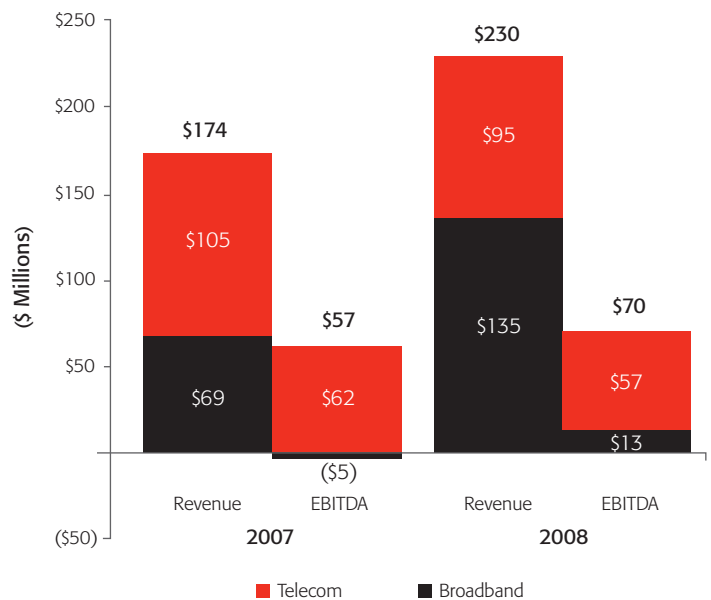
home offering such services as surround sound set-up and TV wall mounting has helped improve the satisfaction levels of our customers.

SureWest products are designed to increase revenue and enhance our customers’ experience. The most significant product launched in 2008 was our Voice over Internet Protocol (VoIP) Digital Phone service, which has been a major factor in helping to offset access line declines that every company in the telecommunications industry is experiencing. Overall, the company added over 13,000 new Digital Phone customers in 2008, resulting in a net loss of only 4% (5,200) of its overall residential voice subscribers compared to a loss of 5% (6,700) in 2007. The fact that we slowed voice line losses in 2008 speaks highly of our advanced network and our ability to create new revenue opportunities through differentiation.

To expand our Sacramento business services, we utilized existing office space to create a new data center offering business clients storage and back-up space for their networks. It is already generating significant monthly revenue and continues to grow. Because of this success, we are expanding our data center space in Sacramento and adding a data center facility in an existing Kansas City office location.

REVENUE AND EBITDA

Revenue +32%/EBITDA +22%



EBITDA represents income (loss) from operations excluding taxes, depreciation and amortization and all other non-operating income/expenses.

COMMITMENT

SureWest is committed to growing the business, developing employees and giving back to the community with the goal of building long-term shareholder value through investing in the operating and strategic needs of our company and preserving our strong balance sheet. Compared to 2008, we are reducing our level of capital expenditures in 2009 to \$55-60 million to enhance our overall financial flexibility in order to support additional strategic moves in the future. Moving in this direction supports our commitment to growing the company at the best value for our shareholders.

Employee performance and survey results provide assurance that the SureWest team is aligned with the company's goal to grow your investment. Our annual employee survey resulted in a continued rise in overall employee satisfaction. Our 2008 results reveal a growing level of employee satisfaction for the third year in a row coupled with an increased understanding by our employees of the importance of our business plan to increase shareholder value.

SureWest and our employees also take pride in the active role we play in the charitable community. Over the last several years, we are very proud to say that employees at SureWest have donated over \$3 million to local charities through our employee-run SureWest Foundation. A Foundation presence was recently launched in Kansas City, providing employees in that region with a more direct avenue to make a positive

impact in their community. In 2009 alone, employees in Sacramento have already committed over \$175,000 of their own money to local charitable organizations. This is a record participation level for us, with more to come in Kansas City.

As evidenced by our clear **focus, differentiation and commitment**, SureWest is a one of a kind company in which employees, customers and shareholders alike can be proud.

“ We have the financial flexibility and strategic plan to grow the business through further penetration and expansion of our superior networks or through network acquisition, all while remaining diligently focused on generating the best value for our shareholders. SureWest truly is your *one of a kind* company for 2009 and beyond. ”

Sincerely,



Kirk C. Doyle
Chairman of the Board



Steven C. Oldham
President & CEO



SHAREHOLDER SERVICES

Questions about stock-related matters including account changes, stock transfer and other requests for assistance with regard to your stock ownership should be directed to our transfer agent:

American Stock Transfer and Trust Company
59 Maiden Lane
New York, NY 10038
Telephone: 1.866.662.3948
info@amstock.com

ANNUAL MEETING INFORMATION

The Annual Meeting of Shareholders of SureWest Communications will be held at 10:00 a.m., May 13, 2009 at 8150 A Industrial Avenue, Roseville, California.

EXECUTIVE OFFICES

The Executive Offices of SureWest Communications are located at 8150 A Industrial Avenue, Roseville, California.

REQUESTS FOR INFORMATION

Shareholders may obtain without charge another copy of the company's Form 10-K Annual Report filed with the Securities and Exchange Commission (SEC) by writing to:

Investor Relations
SureWest Communications
P.O. Box 969
Roseville, California 95661-0969
(916) 786-1111
investor@surewest.com or by visiting the SEC's Edgar dataset at www.sec.gov.

SureWest will furnish any exhibit to the 2008 Form 10-K upon request.

INFORMATION ON THE INTERNET

Information about SureWest Communications including financial information and the company's Form 10-K is available on the Internet. Visit our Web site at www.surewest.com

BOARD OF DIRECTORS

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Realtor
Kirk Doyle Realty

Steven C. Oldham

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Executive Officer
SureWest Communications

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Gibson & Gibson, Inc.

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Vice President,
Administration

Darla J. Yetter

Corporate Secretary and
Assistant to the President

William E. Peterson

Assistant Secretary



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