

LYNCH INTERACTIVE CORPORATION

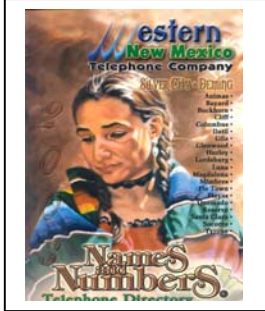
2003 ANNUAL REPORT

The Lynch Family
Date of Arrival



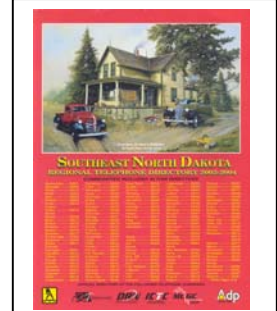
Western
New
Mexico
Telephone
Company

(1989)



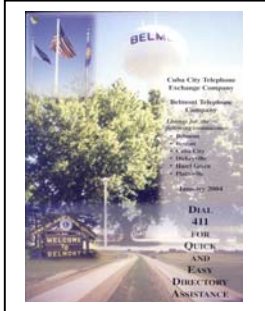
Inter-
Community
Telephone
Company

(1991)



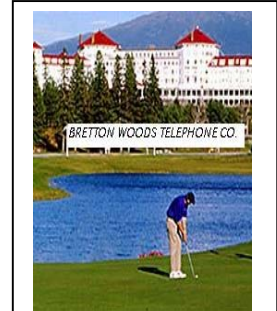
Cuba City/
Belmont
Telephone
Companies

(1991)



Bretton
Woods
Telephone
Company

(1992)



California-Oregon
Telecommunications
Company
(Expected October 2004)

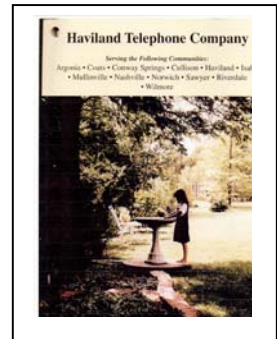
J.B.N.
Telephone
Company

(1993)



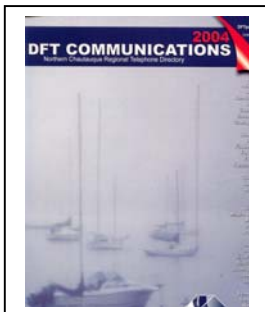
Haviland
Telephone
Company

(1994)



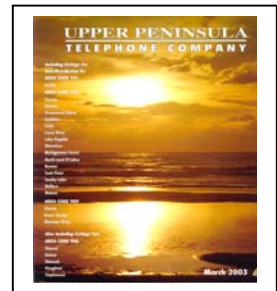
Dunkirk &
Fredonia
Telephone
Company

(1996)



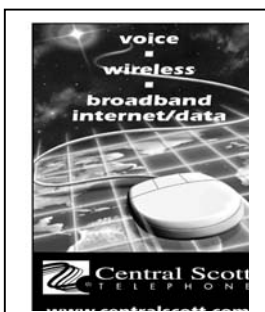
Upper
Peninsula
Telephone
Company

(1997)



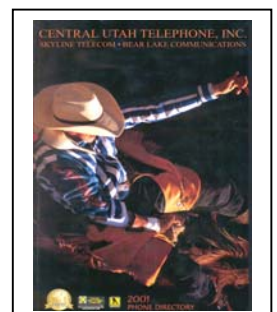
Central
Scott
Telephone
Company

(1999)



Central
Utah
Telephone
Company

(2001)



FINANCIAL HIGHLIGHTS

(In thousands of dollars, except for share amounts)

	For the Year Ended December 31,				
	2003	2002	2001	2000	1999
Operations					
Revenues	\$87,453	\$86,304	\$79,352(c)	\$ 66,983	\$ 59,011
EBITDA before corporate expenses(g)(h)	43,239	41,920(f)	41,274	34,699	31,443
Depreciation & Amortization	20,278	19,339	18,268	15,781	14,115
Capital Expenditures	22,731	23,782	20,524	17,196	11,742
Consolidated					
Income (Loss) from Continuing Operations	\$7,390(a)	\$3,761(b)	\$ 2,534(d)	\$ 5,031(e)	\$ (9,047)(a)
Per Share	2.65(a)	1.34(b)	0.90(d)	1.78(e)	(3.21)(a)
Net Income (Loss) (i)	7,390	1,873	1,148	2,365	(9,216)
Per Share (i)	2.65	0.67	0.41	0.84	(3.27)
Working Capital (Deficit)	\$7,225	\$(13,039)	\$ (8,860)	\$ 6,802	\$ 12,082
Current Ratio	1.2 to 1	.7 to 1	.9 to 1	1.2 to 1	1.2 to 1
Total Assets	\$252,186	\$249,639	\$279,348	\$240,410	\$253,969
Shareholders' Equity	\$29,887	\$ 22,632	\$ 24,517	\$ 19,391	\$ 20,211
Price Per Share (j):					
High	\$28.00	\$70.50	\$79	\$65 1/2	\$60
Low	19.50	22.80	34 1/2	43 1/2	25 1/2
At December 31 Stock Price	23.85	26.50	69	43 1/2	49 15/16
Shares O/S (j):	2,779,951	2,792,651	2,820,051	2,821,666	2,824,366

- (a) In 2003, the Company sold its holding in Sunshine for a cash loss of \$14 million. In 1999, we reflected a \$10.2 million or \$3.63 per share, after-tax reserve for impairment on its investment in Sunshine and, in 2003, incorporating this and previous reserves for impairment, we recorded a \$2.6 million after-tax book gain or \$.92 per share.
- (b) Includes a \$3.6 million, or \$1.19 per share, after-tax reserve impairment for an investment by the Company in a spectrum license holder offset by a \$2.5 million, or \$0.90, per share after-tax gain on sale of a minority interest in a cellular provider.
- (c) Includes \$2.8 million administrative fee.
- (d) Also, includes a \$1.3 million or \$0.44 per share after-tax reserve of the Company's interest in Spinnaker Industries, Inc.
- (e) Includes \$2.6 million or \$0.88 per share after-tax gain on redemption of the Company's preferred stock in East/West Communications, Inc.
- (f) Includes a \$0.9 million write-off of receivables of MCI/WorldCom and Global Crossing.
- (g) EBITDA is earnings before interest, taxes, depreciation and amortization. EBITDA is a widely accepted financial indicator of value and ability to incur and service debt. EBITDA before corporate expenses is presented because the Company utilizes this metric for valuing potential acquisitions. Neither EBITDA nor EBITDA before corporate expenses are substitutes for multimedia operating profit (\$21.6 million, \$21.2 million, \$21.5 million, \$17.5 million, \$16.1 million for five years ended December 31, 2003, respectively).
- (h) Excludes corporate expenses of \$4.5 million, \$3.3 million, \$3.0 million, \$3.7 million and \$2.1 million for each of the five years ended December 31, 2003, respectively.
- (i) The Company's holdings in The Morgan Group, Inc. (70.2% equity ownership; 80.8% voting control) were spun off to shareholders on January 24, 2002.
- (j) Common shares began trading on September 1, 1999, adjusted to reflect a 2 for 1 stock split, which occurred on September 11, 2000.

LYNCH INTERACTIVE CORPORATION
STATISTICS -- VIDEO, VOICE & DATA – December 31, 2003

Operation	Access Lines/Subscribers								Population		Telephony	
	Wireline	Cable	ISP	DSL	Alarm	Paging	CLEC	LD Resale	Cellular	PCS	Other	LD MOU(2)
Western New Mexico	6,974		2,892	14		98			30,656	256,801		17,218
Inter-Community	2,746		1,159	70					4,617			1,280
Cuba City	1,810			61								1,477
Belmont	889			23								492
Bretton Woods	855		166	63								1,624
J.B.N.	2,697			38				1,638				3,691
CLR Video		2,576	17									--
Haviland	3,815	155	1,092	310				2,522				5,825
Giant Communications			1,563	357			896	544				--
Dunkirk & Fredonia	12,412		10,057	1,057	6,712	527	4,790	4,867				12,382
Upper Peninsula	7,252		456									8,667
Central Scott	6,209		711	262		10	13	1,771		21,321		8,399
Central Utah	7,486		1,527	573				3,741		102,720		13,760
Lynch 3G (Lower 700 MHz)											1.7m	
Betapage (Paging)(1)											76.8m	
PTPMS (39GHz)(1)											26.6m	
PTPMS (GuardBand)(1)											9.2m	
TOTAL - 12/31/03	53,145	2,731	19,640	2,828	6,712	635	5,699	15,083				74,815

December 31, 2002	53,963	3,008	21,395	1,580	6,500	731	5,087	14,716				79,625
Increase/Decrease	(1.5%)	(9.2%)	(8.2%)	79.0%	3.3%	(13.1%)	12.0%	2.5%				(6.0%)

(1) A Lynch Subsidiary has a 49.9% interest in these companies.

(2) Long distance minutes of use, defined as Originating Interstate/InterLATA.

Chief Executive Officer's Letter

Dear Partners:

Last year started off on a rugged note. The stock market continued to suffer the lingering effects from what we described in our Annual Reports of the past two years... "First, the bubble associated with the sharp decline in the stock market, notably NASDAQ which plunged from 5,048 to 1,950. The second bubble related to the billions of dollars spent on capital expenditures, particularly by the telecom industry, and how the absence of these expenditures will impact overall economic growth; and finally, the third bubble related to pressure on the U.S. dollar from our soaring trade deficit." Added to these lingering woes was President Bush's plan to invade Iraq.

The good news at the time was that Chairman Greenspan and his colleagues at the Federal Reserve Bank were hard at work inflating the system and using all the monetary tools in their power to provide ballast to the economy. It was working, but slowly.

Starting around mid-March, and with the quick success in Baghdad, President Bush and Congress implemented a massive fiscal initiative which helped propel the stock market as well as jumpstart economic activity. As the year ended, equity prices were up sharply and economic activity was accelerating. The first improvement in over three years for equities.

Economic Outlook for 2004

My comments from Barron's Year End Roundtable summarize my outlook for 2004... The economy will be up 4% in '04 as exports pick up, inventory is rebuilt and capital spending is fueled by rising business confidence. Earnings will rise sharply because of productivity gains and the effect of the strong euro on reported earnings. Interest rates will move up to 2% on the short end and 5% on 10-year Treasuries, which presents a headwind. Investors will focus on exports to China, commodities and old age, but we'll also need to watch the five Ds – the dollar, deficits, dividends, deals and democrats. Powerful fiscal stimulus has been added to enlightened monetary policy. Now we need reforms in energy, utilities, telecom, television and tort law. All of this sets the tone for a further gain in the market for the year. The first half is strong. Then we worry about '05...

Lynch Interactive – About Us

How did we do? Our stock, which plunged in 2002 to \$26.50 per share from \$69.00 per share, continued to slip and closed in 2003 at \$23.85 per share. We suffered from the lingering fall out from woes of the telecom and cable industry (bankruptcy at WorldCom, Global Crossing, Leap Wireless, Adelphia), new concern over the implications of Voice over Internet Protocol (VoIP) - (much more about this later) - and the impact of VoIP on access fees, universal service funding and so on.

In addition, along with other companies, we were impacted by rising costs associated with Sarbanes/Oxley, both economic costs and drain on management.

All in all, 2003 at Lynch Interactive proved to be a year of walking waist high through mud. We managed to get through the year but we struggled. It was a year of frustrations:

- Failure to purchase three companies that we bid on, one of which was particularly appropriate for Lynch Interactive and on which we thought we had an agreement. This was based in Kinderhook, New York. It was subsequently bought by Fairpoint at a price not too dissimilar from what we offered, approximately 9.3 times EBITDA. My visit to the company was fruitless.
- We attempted to purchase a system in Massachusetts. Again, no runs, no hits, no errors – and no deal.
- On the management front, we had some churn in the executive level as COO, Joe Farina, elected for personal reasons to spend more time with his family.
- We realized a cash loss on our Sunshine holdings of over \$14 million.

What now?

First, we continue to believe our shares are undervalued on an intrinsic basis. We started buying shares (our stock is now up to \$33.60 as I write this report) and bought 5,300 since January 1, 2003. We will buy more.

Secondly, we announced a stock purchase agreement with Cal/Ore. This will add 2,500 lines to our system. It also provides us the opportunity to focus again on clustering our systems.

Third, we received our final payment on the sale of our investment in Sunshine. Our total cash back from Sunshine has been about \$8 million versus our cash investment of some \$22 million over twelve years ago. This gives us liquidity. We would have enjoyed significant return had we invested in the stock market! And with less angst. So much for this lore. Simply stated, Sunshine was a good idea at the time of our investment, but the problems at Leap Wireless, Nextwave, and the lack of interest in small wireless opportunities removed any hope that Sunshine could build out its system. The good news is that we got some money back and it will help finance our Cal/Ore acquisition. Since we wrote down our investment from an accounting point of view, we will add \$3.6 million to our GAAP book value.

Fourth, Evelyn Jerden, who has been with Lynch Interactive since 1989, stepped up to the plate when I asked her to be Senior Vice President – Operations and is assisting your CEO and all of us at Lynch Interactive with her knowledge of the changing regulatory environment, her understanding of the people in Lynch Interactive, and her acting as a project manager on many opportunities that each of our ten, and soon to be eleven, telcos have.

Our Outlook for 2004

We plan to add to our companies. But buying our stock is a better vehicle than doing deals. We are selling at half the price of what we have to pay to acquire other companies.

Corporate Governance

Sarbanes/Oxley – We continue to feel the ripple effect of the problems at WorldCom, Adelphia, Global Crossing and so on. Our financial costs, which are more definable, that is, outlays for D&O insurance, legal, accounting and internal compliance have risen sharply. In addition, management's time now becomes more focused on "learning the new rules" as opposed to focusing on taking risks, adding jobs and growing our enterprise.

In addition to these financial costs, the new rules on corporate governance have resulted in Vincent Tese and Fred Salerno, our Chairman, resigning from the Board of Directors as they elected to reduce the number of corporate boards that they serve without running afoul of limits being set (Fred serves on the boards of Akamai Technologies, Inc., The Bear Stearns Companies Inc., Consolidated Edison Company, Popular, Inc., Viacom Inc. and Gabelli Asset Management Inc. and Vincent serves on the boards of The Bear Stearns Companies Inc., Bowne and Company, Inc., Cablevision, Inc., Custodial Trust Co., Gabelli Asset Management Inc., Intercontinental Exchange, Mack-Cali Realty Corp., Magfusion, Inc., National Wireless Holdings, Inc., and Xanboo, Inc.). Both will remain available to your Chief Executive Officer and will be a source of valuable help. We thank them for their service.

Also as I am writing this letter, David Mitchell has indicated that he will no longer serve us as a director. Again David was President of the Telephone Group of Rochester Telephone when I first met him fifteen years ago. He has provided solid observations on dynamics occurring in the telecom world. We thank him for his advice and counsel. He will continue to be available.

During the year, we shared with our partners that our directors enjoyed notable success in their own right. Dan Lee became Chairman and Chief Executive Officer of Pinnacle Entertainment, Inc., an entertainment-based gaming company headquartered in Las Vegas, Nevada, and Paul Evanson, whom you remember as President and Chief Operating Officer of Lynch eleven years ago, became Chairman, President and Chief Executive Officer of Alleghany Energy. I recommend to our shareholders that they should look at both of those companies as they are run by quite capable executives who have their shareholders interest foremost in mind.

Joining our Board of Directors is Marc Gabelli, and Morris Berkowitz, who has been associated with Lynch for many years. Marc is President of Gabelli Group Capital Partners, Inc., a private company, and brings to our board a global perspective and an in-depth knowledge of media. Morris, a former Director of Lynch Corporation, has been a "director emeritus" of our company since our spin-off in 1999. He has proven to be a valuable advisor on a variety of matters and we appreciate his "new presence" as a director of Lynch Interactive.

We thank our shareholders for their long-term support and we will continue to drive the intrinsic value of our enterprise and work on ways to narrow the spread between the public price and the private market value.

As always, we are cognizant of the needs of our "stakeholders:" our equity owners, directors, professional staff and the communities in which we are job creators.

Mario J. Gabelli

Perspective from the New Senior Vice President – Operations



Dear Shareholders,

This is my first annual report since Mario Gabelli asked me to become the Senior Vice President – Operations for Lynch Interactive Corporation in September 2003.

While new in this role, I am one of the “old timers” working with Lynch Interactive. I have had the pleasure of being involved with the Lynch Interactive family since participating in the due diligence team for Lynch Interactive’s first Incumbent Local Exchange Carrier (ILEC) acquisition of Western New Mexico Telephone Company in 1989. Most recently, I served as the Vice President of Regulatory Affairs for Lynch Interactive.

Part of my background includes being a member of the Rural Task Force (RTF) created by the Federal–State Joint Board on Universal Service, which in 2000 recommended the Universal Service Fund (USF) mechanisms adopted by the Federal Communications Commission (FCC) for rural LECs (RLECs). The eighteen member RTF was composed of competitive LECs, wireless carriers, a state regulator, ILECs, consumer advocates, interexchange carriers, including AT&T, and other interested parties. In this industry the small RLECs, whose cost to provide service is significantly greater than the much larger ILECs, need to be represented and adequately compensated for their efforts. Without vital communications service, the rural areas of our country, which produce crops, livestock and minerals, would wither and die.

I am proud of my efforts representing RLECs over the years and continue to advocate their interests in areas such as the following:

- Proposed Universal Service Fund reform
- Voice Over Internet Protocol (VoIP) regulation
- Intercarrier Compensation and Access Charge reform

I am also pleased to report that significant efforts have been made to expand communications among our operating companies in order to improve sharing of technical and operational information regarding items such as Local Number Portability (LNP), the Communications Assistance for Law Enforcement Act (CALEA), Sarbanes-Oxley compliance and next generation switching equipment. In Lynch Interactive’s decentralized, customer-focused structure, I act as a catalyst to spur growth initiatives, cross-pollinate ideas, facilitate coordination between organizations, create teams to solve common problems, and take advantage of synergies.

Because of the very rapidly changing environment, we are trying to identify ways to maximize our capabilities and minimize risk. For that reason, we continue to be very actively involved in telecommunications industry associations to insure that the FCC considers RLEC issues as regulatory changes are undertaken.

I am looking forward to an exciting but challenging year and would like to thank all of our shareholders, lenders, employees and managers for their continued support. I’m proud to be affiliated with so many fine people in the Lynch Interactive family.

Evelyn C. Jerden
Senior Vice President – Operations

Report of Chief Financial Officer

WHO WE ARE

Lynch Interactive's goal is to grow the intrinsic value of the company by 25% annually. The concept of intrinsic value is a long-term prescription for managing an enterprise based on the cash flow generating ability of a business and the collateral value of its assets. We look to achieve this growth in intrinsic value through acquisitions, both strategic and opportunistic, and development of internal opportunities. We also look to optimize growth by structuring transactions in the most efficient manner, from both a tax and financing perspective.

The mainstays of our business are RLECs that provide local wire line telephone service to rural regions in nine states: Iowa, Kansas, Michigan, New Hampshire, New Mexico, New York, North Dakota, Utah and Wisconsin. All of our operations have a local customer focus and provide high level of service. This operating philosophy not only enhances our reputation in the eyes of the state public service commissions, but also provides us with opportunities to expand the scope of services we offer.

In our view, the RLEC sector contains the following dynamics:

- Dependable revenues
- Favorable regulatory treatment
- Access to low-cost capital
- High-quality plant
- Strong reputations in their regions

Dependable revenues - The revenue stream from rural telephone companies is very dependable. Telephone service has been and we believe will continue to be a basic necessity for survival in today's world. Moreover, enhanced services such as Caller ID, and new ventures, including CLEC operations, personal communications services (PCS), cable television, and Internet services make our revenues that much more steady and provide an opportunity for growth.

Access to low-cost capital - Rural telephone companies have access to low-cost capital, particularly low-interest-rate debt, with the aid of federal agencies or cooperatives, including the Rural Utilities Services Administration, which has been providing low-cost financing to telephone companies since 1949, the Rural Telephone Bank, a federal agency that offers both variable-rate and fixed-rate plans for loan funds advanced to borrowers, the Rural Telephone Finance Cooperative, which is a privately-owned bank that serves exclusively rural telephone operators, and The National Bank for Cooperatives, a \$20 billion financial institution owned by its customers, which are about 2,000 local, regional and national agricultural co-ops and rural utility systems across the United States.

High-quality telephone plant - Rural telephone companies have generally used their rate-of-return regulatory support mechanisms to maintain high-quality plant. As a result, many rural telephone companies have state-of-the-art plant and equipment such as 100% digital switches and fiber interoffice facilities.

Strong reputations in their regions - Reputation is perhaps the most compelling intangible asset of most rural telephone companies. These rural telephone companies have had a presence in the areas they serve for many years, have developed strong relationships with their customers, and have a commitment to excellent service in the community. In most cases, these rural telephone companies are significant employers, sponsors of community activities, and important local taxpayers.

Despite the long-term favorable dynamics of our current operating environment, there are challenges. Many of our companies experienced declines in access lines and lower minutes of use in 2003. While the regulatory mechanism in which we operate mitigates the effects of these declines the trend can be disturbing. The reasons for declines are in some cases cyclical in nature and in other cases represent a fundamental change in the industry. For instance, access lines are lost when a customer switches from a regular telephone line to a higher-priced DSL line, eliminating the need for a second telephone line. Often times, the customer that switched to a DSL line will also subscribe to our Internet service. Another example is the increased use of wireless phones and e-mail, which is reducing our overall calling traffic. Under the current regulatory model, we are not always appropriately compensated for usage when, for instance, VoIP and wireless calls access our network. We will continue to work within our industry associations, USTA and NTCA, under the leadership of Evelyn Jerden.

Our operating philosophy is a management/shareholder partnership. We provide local management teams with an opportunity to acquire an interest in their respective business. It is our belief that managerial independence promotes efficiency and longevity of financial success. Incentive compensation plans, coupled with stand-alone financing, reward management for operating their companies as entrepreneurs. As a result, operating expenses and capital expenditures are incurred only as prudently necessary. Moreover, each unit is self-motivated to attain high levels of customer satisfaction achieved through significant interaction between the operation and the consumer. Such satisfaction not only increases the value of local management's investment, but also adds to the value of Lynch Interactive.

Despite the managerial independence that our subsidiaries enjoy, it is essential that Lynch Interactive and each operating unit strive to achieve the same goals: to increase intrinsic value and shareholder wealth. Therefore, we maintain constant communication with each of our operating units as to the direction of the overall economy and, more specifically, the future of the industry in which they operate. Each business is empowered with the ability to leverage off their current operations and accelerate growth. The people at corporate allocate cash, provide long-term strategic vision to these businesses, support the efforts of these businesses to grow via acquisitions and provide overall financial guidance.

For the year ended December 31, 2003, Interactive's operations generated \$43 million of EBITDA. We foresee good growth in these numbers in 2004, to \$44 million, and over the course of the year we will look to lay the foundation for continued growth. Private transactions for telephone companies have historically been valued at between 7 to 9 times EBITDA, somewhat down from previous years, but such value is still not recognized in the public market value of our Company.

At December 31, 2003, we had cash and cash equivalents of \$27 million and total debt of \$179 million. Below is a summary of our other assets.

Broadcasting - Lynch Interactive owns 50% of Station WOI-TV (70th largest market), which serves Des Moines, Iowa, and a 25% interest in Station WHBF-TV (92nd largest market), which serves the Quad-Cities markets in Rock Island and Moline, Illinois, and Davenport and Bettendorf, Iowa. While these stations are currently feeling the pinch of reduced advertising from a slow-down in the economy, from a long-term perspective, we continue to believe that network affiliated broadcasters provide significant service to their communities and that Lynch Interactive will ultimately receive long-term value from its ownership in these properties.

Wireless - Lynch Interactive owns a 10 MHz PCS license for the Basic Trading Area (BTA) covering Las Cruces, New Mexico, and the 10 MHz PCS license in the Logan, Utah BTA. Both have both been built out sufficiently to meet the FCC requirement of service coverage to at least one-quarter of the population in their respective BTAs. The Las Cruces BTA covers a population of approximately 257,000 and the Logan BTA covers a population of approximately 103,000.

Lynch Interactive continues to own 21% and 17% interests in New Mexico RSA 3 and 5, respectively, which have licenses that cover a population of 96,000 and 62,000, respectively. Additionally, Lynch Interactive has investments in three minority-controlled entities that own spectrum that was purchased in the Lower 700 MHz Band (which it acquired in 2002 and 2003), the 700 MHz Guard Band, the 39 GHz and the Paging FCC Auctions. Operation of these licenses is still in the early stage of development and Lynch Interactive's ultimate realization depends on how the licenses can be developed and/or liquidated.

WHERE WE ARE GOING

To leverage the favorable industry dynamics, our growth strategy is two fold: successful acquisitions and organic growth.

Acquisitions - As noted, part of our growth strategy is predicated on successful acquisitions. To that end, we are very interested in hearing from principals or their representatives regarding acquisition candidates that meet our criteria. We would welcome letters from you with a brief description of the business to be sold along with the material terms upon which the seller will do the deal. Where such companies are brought to us through a broker, we will pay finders fees for the deals that we consummate. Our primary focus has been and will continue to be in the rural telephone industry.

In considering a potential acquisition, we look for value oriented investments and we apply strict rate of return criteria. We will only participate in "friendly" transactions that will enable us to employ our management/shareholder partnership philosophy.

Organic Growth - To complement our growth through acquisitions, we will continue to expand our efforts in "non-regulated" activities. To date these efforts have included: Internet service providers, security systems, cable television, wireless services, data transport, paging, long-distance reselling, competitive local exchange carrier operations (wire line telecommunications services outside of our regulated territory), and other telecommunications equipment and services. We have made inroads, but there is much to be done. Our companies are in the enviable position of having dynamic organizational skills and a strong technological resource and often are located adjacent to an area that is not receiving acceptable service from the current incumbent local exchange carrier. Each of our fourteen RLEC's presents a unique set of opportunities and challenges. Determining and implementing the most promising opportunity is critical. Here again, we will use a strict rate of return criteria. Limited capital resources will initially be put "at risk" and expansion will be fueled by profitable operating activities.

On the regulated side, we will continue to invest in and provide the services necessary to facilitate our community's ability to thrive and grow in these challenging economic times. We will continually expand service offerings to our customers, providing them the ability to efficiently access markets. Our long-term success is clearly tied to our customers' ability to grow, create jobs and prosper. In one such example, Branch and Eddie Cox of our Central Utah Telephone Company are working with the Utah Office of Economic Development to bring broadband capability to a Native American Reservation in an effort to spur industrial development in that region.

TELEPHONE COMPANY ACTIVITIES

The following are highlights of what is happening in each of our telephone operations. Lynch Interactive is very pleased with the activities of our operating companies and congratulate them on their successes in 2003 and look forward to another exciting and eventful year in 2004.

Western New Mexico Telephone Company

Western continues to expand the operational reach of broadband service offerings through additional Digital Loop Carrier (DLC) installations. Although serving some of the most rural territory in the nation can be a challenge, the company is continually looking to provide customers with more advanced telecommunications features. Current efforts include analyzing soft switch platforms to determine the most cost-effective manner to improve customer service and meet the demands of legislators, regulators and data conscious customers in our remote service territory.

Inter-Community Telephone Company

Inter-Community Telephone Co. is fortunate to be located near the Fargo, North Dakota/Moorhead, Minnesota metropolitan area. Many people find it cheaper to commute to a job in the metro area than to pay the higher taxes and fees associated with living in a larger town. Several of the communities we serve have new housing developments that help draw people to our service area.

ICTC continues to deploy DSL service in all nine of its exchanges. For customers with very long local loops a service called High Speed Voice & Data Line is being deployed. Customers with loops up to nine-mile long are now able to receive high-speed data service. These services are often not available in many of the larger cities in North Dakota.

Belmont & Cuba City Telephone Companies

During 2003, Cuba City Telephone Exchange and Belmont Telephone Company underwent a leadership change. Dick Kiesling resigned as Chairman and President per our original agreement. We will sorely miss Dick's day-to-day management skills but he will continue to remain, along with his sister, Dolores Deitrick, on the Board of Directors of both companies and provide valuable insight. Norm Harvey is our new President and Deborah Egli is the General Manager. They are both doing a terrific job and continue the excellent services of these companies.

Both communities have seen several new businesses start up this year. Housing starts are continuing and the average time on market for existing home sales is extremely short.

Bretton Woods Telephone Company

The community of Bretton Woods continues to thrive with the completion of both the Appalachian Mountain Club's new two million dollar Highland Center facility and the Phase Two expansion of the Bretton Woods Ski Area. Infrastructure work has begun on another new upscale condominium development that is indicative of the growth of this area.

Haviland, J.B.N. Telephone Companies

Haviland Telephone, located in south central Kansas, completed another 392 miles of its telephone plant modernization program during 2003. During the year, five of the twelve exchanges were completely rebuilt, replacing 25 to 50-year-old facilities. This modernization promises lower maintenance costs, fewer subscriber troubles, and enables DSL service to every customer in these exchanges. The modernization program in all twelve exchanges should be complete during 2004.

In addition, the company completed installation of an important fiber optic cable tying all exchanges in the eastern and western portions of our service territory together. This will permit remote monitoring and repair for electronic equipment, provide additional administrative functionality for the company, and reduce the reliance on other companies for service between the two clusters of exchanges.

JBN Telephone Company provides a full range of CLASS features and advanced services, DSL, along with local Internet access and Interactive TV, to schools in its service area. The company has two redundant fiber rings that provide uninterrupted service to over 2,700 customers in fifteen exchanges located in northeast and north central Kansas.

Our Kansas CLEC continued to expand in both product offerings and locations served. The company now has local telephone and long distance customers in over 125 Kansas communities. The wireless Internet network was also expanded by deploying high-speed wireless service to five communities in northeast Kansas that are currently served by our cable TV subsidiary Giant Communications, formerly known as CLR Video. This allows bundling of local and long distance telephone service, dial up or broadband services, and cable TV services in those communities.

The cable TV company also began offering cable modem service in the last quarter of 2003 and is now providing the service to 20% of its subscribers in the first community to be upgraded. The company will continue upgrading plant facilities in 2004 in order to offer cable modem service to more of its subscribers, as well as offer a greater number of programming options.

WESTERN NEW MEXICO
Very Large Array Telescope
near Magdalena and Datil, NM¹



DUNKIRK & FREDONIA



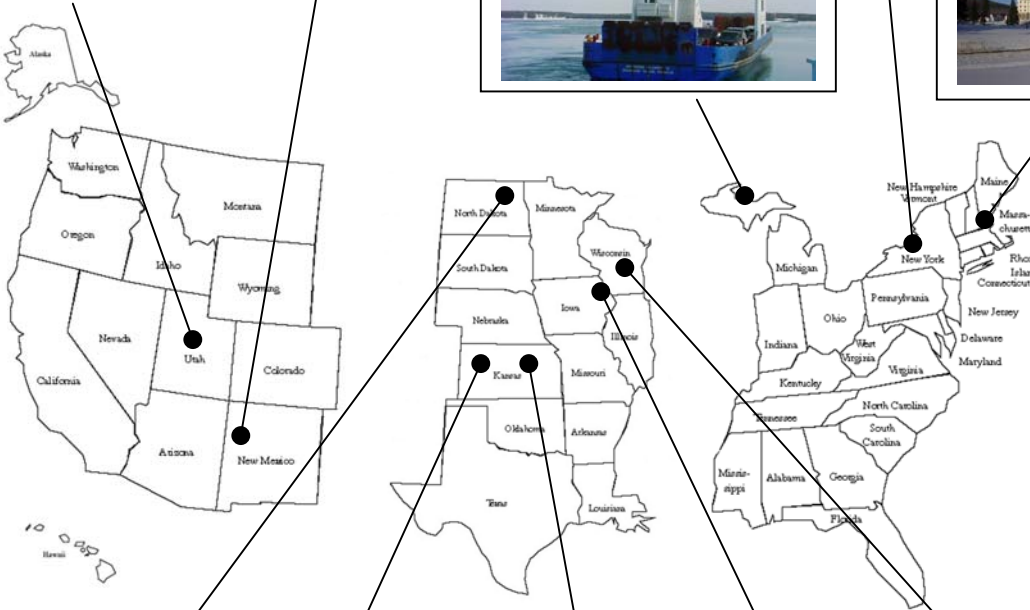
CENTRAL UTAH
Staff on 100th
Anniversary of
Company



BRETTON WOODS
Mt. Washington Hotel



UPPER PENINSULA
Drummond Islander IV



INTER-COMMUNITY
Grain Elevator
Complex
Ayr, North
Dakota



J.B.N.
Sand & Fox
Casino



CUBA CITY
BELMONT
Distance
Learning Lab
Cuba City
High School



HAVILAND
Mullinville Round
Barn (Built in
1909)



CENTRAL SCOTT
Scott County
Library²

1. Image courtesy of NRAO/AU
2. Central Scott donated \$50,000 to the library foundation towards construction of this building

Dunkirk & Fredonia Telephone Company

DFT continues the tradition of providing traditional regulated services, along with growing the deregulated services including competitive local, long distance, Internet, paging, and security services.

In March 2003, Dunkirk & Fredonia Telephone Company was awarded a commendation by the New York State Public Service Commission for outstanding customer service for the 14th consecutive year. Cassadaga Telephone Corporation also received the same award for the 10th consecutive year.

DFT Local Service Corporation, our CLEC, continued to increase both lines and revenues. At year-end, lines had increased to 4,790 and revenues had grown by 16%. Fiber projects were completed or are underway to the City of Jamestown and in Dunkirk, NY. DFT Select One Long Distance provides long distance service outside of our regulated service area and serves 2,697 customers.

Cassadaga Telephone Corporation is upgrading its legacy switch with a next generation digital soft switch. The new switch will not only provide stand-alone switching capability and enhanced services to the Cassadaga exchange, but will also allow our CLEC to provide facilities-based switching services. Cassadaga also implemented a computer aided design system to provide more cost-effective and efficient sharing of the information between all of the internal departments.

Upper Peninsula Telephone Company

In 2003, the Upper Peninsula Telephone Company completely renovated the company's largest exchange, including installation of a new switching platform and fiber optic cable, significantly enhancing the company's operations in Lower Michigan. An initiative also began in the Upper Peninsula to connect the company's second largest exchange to the neighboring communities served by the company with interexchange fiber optic facilities. The company intends to interconnect stand-alone exchanges and continue improving the availability of service offerings to customers with the focus on being prepared for the rapidly changing operating environment.

Central Scott Telephone Company

This past year has been an exciting one for Central Scott Telephone Company and its CLEC subsidiary CS Technologies. With the completion of the fiber build into the city of Bettendorf, Iowa, we are now ready connect our network with the City of Bettendorf's fiber network. While this project will be ongoing as the community develops, we will complete the first phase in early 2004. Our expansion into the City of Bettendorf is showing great promise with the signing of a long-term contract to provide Internet access for all the schools on the Iowa side of the Quad City area.

The City of Davenport and its downtown business area continue to show growth with several new business opportunities. We are currently providing a very large Internet connection to a Davenport customer and are looking forward to many more.

Central Utah Telephone

May 4, 2003, marked the 100th year anniversary of Central Utah Telephone. Over 1,000 people attended a ribbon cutting ceremony and open house. Dignitaries included the Governor's Chief Information Officer, State Senators, State Regulatory Officers and many industry colleagues. The Cox family was involved with the company at its inception and continue their fine stewardship under Lynch Interactive.

Central Utah Telephone continues to expand its broadband operations. The USDA has awarded an \$850,820 Rural Development Grant to the company to deploy broadband connectivity to the Skull Valley Goshute Indian Tribe. This will bring fiber optics, a technical facility, technical training, and the creation of high tech jobs to the reservation. In 2003 the company placed over 45 miles of fiber optic cable, continued improvements to existing plant, and made DSL service available to all of its serving exchanges. The company also acquired cable television properties adjacent to its telecommunications operations and now serves over 1,200 new CATV subscribers.

The company will continue its build out of fiber transmission facilities. This will include a joint project with the Utah Educational Network in which fiber optic cable will be taken to each high School and middle School in Central Utah's service area. Plans include aggressively marketing broadband products and value added services in all of its telecommunications and CATV communities.

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Salvatore Muoio
Managing Member of S. Muoio & Co. LLC

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Carmine Ceraolo
Assistant Controller

Carole L. Rau
Executive Assistant

**Transfer Agent & Registrar
For Common Stock**
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59 Maiden Lane
New York, NY 10038

Investor Relations Contact
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Trading Information
American Stock Exchange
Common Stock
Symbol -LIC

Annual Meeting
Our annual meeting of shareholders
will be held on May 13, 2004 at 8:30 a.m.
Greenwich Library
101 W. Putnam Avenue
Greenwich, CT 06830

Forward Looking Information

This Annual Report contains forward-looking information. It should be recognized that such information are estimates or forecasts based upon various assumptions, including the expected operating performance of the Company's businesses and the economy and financial markets as it impacts the Company's businesses. As a result such information is subject to uncertainties, risks and inaccuracies, which could be material.



1890



1920



1940



1960



2000



2004

Lynch Interactive Corporation

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