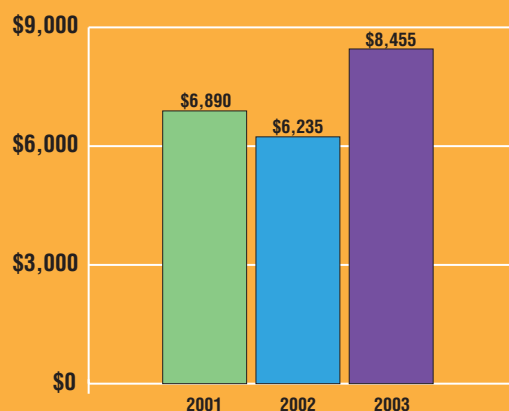


Solid • Strong • Strategic
HickoryTech Corporation 2003 Annual Report

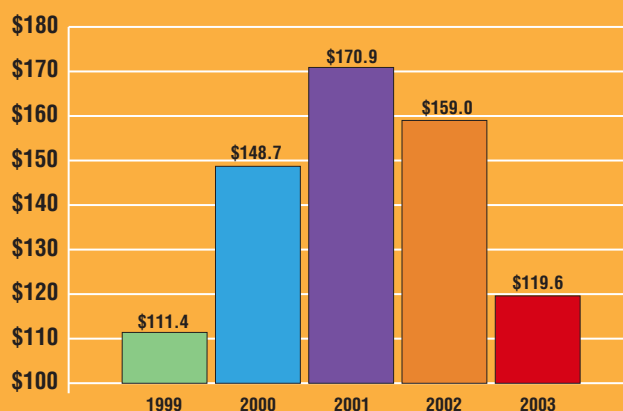
Income from Continuing Operations

in thousands



Debt

in millions



2003 Achievements

- Increased income from continuing operations by 35.6% to \$8,455,000
- Grew Telecom Sector revenues by 6% to \$75,346,000
- Reduced debt by \$39.4 million to \$119,612,000
- Decreased interest expenses 17.6% to \$6,103,000
- Lowered costs and expenses by 1.2% to \$72,713,000
- Expanded broadband (lines in service) by 86.5% to 7,407 lines
- Achieved positive operating cash flow in Communications Services
- Maintained dividend payment
- Divested wireless business to focus on core telecom growth
- Retired approximately 1 million shares resulting from wireless divestiture
- Enhanced customer-centric culture, structure and processes
- Established goals of building volume and scope in the future

HickoryTech 2003 – Solid, Strong, Strategic

In 2003, HickoryTech made significant progress, strengthening the company financially and implementing strategic processes, improvement initiatives and realignment measures. The divestiture of its wireless operations enabled the company to focus on the success of its core telecom business. The result is a company that is solid, strong and strategic – the theme of this year's annual report.

About the Company

HickoryTech Corporation (NASDAQ: HTCO) is a diversified communications company headquartered in Mankato, Minnesota, with over 400 employees and operations in Minnesota and Iowa. HickoryTech is in its 107th year of operation in the local telephone exchange business, providing a full array of telecommunications products and services to business and residential customers, including competitive local, long distance, Internet and broadband services. From this base, it has expanded into information solutions (IT support and telecom billing software) and enterprise solutions for businesses (networking equipment and data management solutions; communications installation and service). To learn more about HickoryTech Corporation, visit the company's Web site at www.HickoryTech.com.

Financial Overview

(Dollars in Thousands, Except Per Share Amounts)

	2003	% Change	2002	% Change	2001
Operating Revenues					
Telecom Sector	\$75,346	6.0%	\$71,108	7.1%	\$66,364
Information Solutions Sector	3,199	(24.7)%	4,249	4.0%	4,085
Enterprise Solutions Sector	14,347	(9.1)%	15,781	(22.5)%	20,374
Total Operating Revenues	92,892	1.9%	91,138	0.3%	90,823
Costs and Expenses					
Costs of Products Sold, Enterprise Solutions	10,216	(4.0)%	10,638	(21.6)%	13,562
Cost of Services, excluding Asset Impairment, Depreciation and Amortization	33,471	1.4%	32,998	6.9%	30,867
Selling, General and Administrative Expenses, excluding Depreciation and Amortization	13,159	(8.7)%	14,408	20.7%	11,939
Depreciation and Amortization	15,867	4.3%	15,209	22.9%	12,372
Asset Impairment	-	-	316	-	-
Total Costs and Expenses	72,713	(1.2)%	73,569	7.0%	68,740
Operating Income	20,179	14.9%	17,569	(20.4)%	22,083
Other Income (Expense)					
Other Income	62	(80.6)%	320	(14.0)%	372
Interest Expense	(6,103)	(17.6)%	(7,405)	(31.8)%	(10,854)
Total Other Income (Expense)	(6,041)	(14.7)%	(7,085)	(32.4)%	(10,482)
Income before Income Taxes	14,138	34.9%	10,484	(9.6)%	11,601
Income Taxes	5,683	33.7%	4,249	(9.8)%	4,711
INCOME FROM CONTINUING OPERATIONS	\$8,455	35.6%	\$6,235	(9.5)%	\$6,890

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

(21,230)

(22,862)

1,848

NET INCOME (LOSS)

(\$12,775)

(\$16,627)

\$8,738

Earnings Per Share

Diluted Earnings Per Share -

Continuing Operations

\$0.61

\$0.44

\$0.49

Diluted Earnings (Loss) Per Share -

Discontinued Operations

(1.53)

(1.62)

0.13

(\$0.92)

(\$1.18)

\$0.62

Weighted Average Common and Equivalent Shares Outstanding

13,961,282

14,075,684

14,001,478

Year-End Information

Shares Outstanding at End of Year

12,967,811

13,983,929

13,935,308

Total Debt, Short-Term and Long-Term

\$119,612

\$159,040

\$170,901

See SEC Form 10-K Annual Report for full financial statements.



The fundamental strength of our business and the effectiveness of our strategies, as well as our ability to manage expenses and contain costs, show clearly in the growth of our operating revenues and income from continuing operations.

To Our Valued Shareholders, Employees, Customers, Communities, and Partners:

Solid, strong, strategic. That is how industry analysts have described HickoryTech, and we agree. These three words characterize the company and its performance in 2003, as well as its outlook for the future.

We are *solid* because of the initiatives we undertook to increase our effectiveness and efficiency, to reduce debt and to enhance shareholder value. We are *strong* because our core telecom business delivered on financial and operational expectations, and continued to perform with increasing strength throughout the year. We are *strategic* based on our decision to sell our wireless operation and to channel our resources into our core voice and broadband operations in order to take advantage of future opportunities. Our focus in 2003 was internal – on making a strong company stronger and positioning it for the future. And in the process, our core telecom operation attained its goals and made significant progress for the year.

2003 goals – creating opportunities for success

2003 was indeed challenging. The still slumping business economy and the dynamic telecommunications environment challenged us to become better, to add as much efficiency to our operations as possible, and to implement internal operating

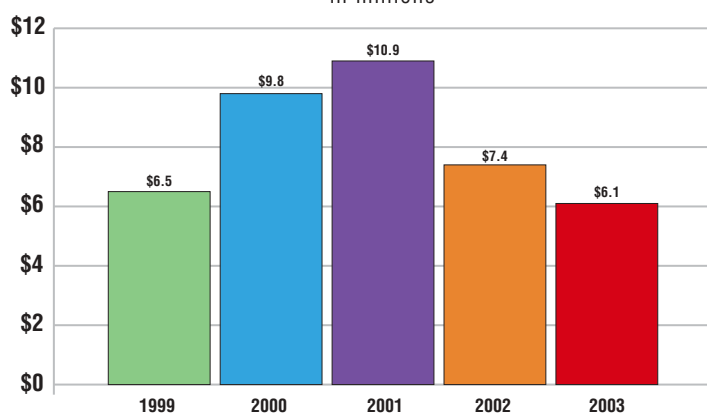
processes that would serve as navigational tools going forward. One of our goals for the year was to strengthen our customer-focused culture with greater operational efficiencies and effectiveness. We also wanted to improve and extend our products and services to position the company for growth in 2004 and beyond, to enhance the interaction of the board with management, and ultimately, to increase shareholder value. We succeeded on all fronts.

Strategic initiatives pave the way for growth

To achieve our goals, we developed both long- and short-term strategic processes and plans. We put in place the day-to-day processes that would take our overall corporate fitness to desired levels. We further benefited by the separation of the board Chair position from that of the CEO, which helps ensure that all of our activities are in the best interests of shareholders. In addition, we augmented our existing board structure with a new finance committee. All committees now have a specific charter and responsibilities built upon best board practices. This new structure enables management to focus on the day-to-day operations in close communication with the board, and enables the board to continually focus on shareholder value.

A seamless linkage extends throughout our operations. We re-engineered segments of the company to strengthen the effectiveness of our operations, to help all departments and activities achieve greater alignment, and to ensure that employees are accountable, and working together cohesively. We implemented an overall operating process, which is supported by a tactical play book for each customer service component – complete with operational metrics. This comprehensive process enables individuals to take the appropriate steps to ensure that goals are met, and to make the proper adjustments if the “play” changes. We restructured our business and divested our wireless operations, allowing HickoryTech to sharpen its focus on our profitable core wireline and broadband business. We also realigned our organization, enabling us to be more customer-centric in the solutions we provide. By locking in interest rates, we reduced our exposure to interest expense increases going forward and put ourselves in a favorable position to leverage our resources in order to take advantage of profitable opportunities that may lie ahead.

Interest Expense
in millions



2003 results show significant improvement

The fundamental strength of our business and the effectiveness of our strategies, as well as our ability to manage expenses and contain costs, show clearly in the growth of our operating revenues and income from continuing operations.

For the year ended December 31, 2003, the company reported Income from Continuing Operations of \$8.5 million, or \$0.61 per diluted share, an increase of 35.6 percent over

\$6.2 million or \$0.44 in 2002. Revenues for 2003 were \$92.9 million compared to \$91.1 million in 2002, an increase of 1.9 percent. Operating Income in 2003 was \$20.2 million, a 14.9 percent increase over \$17.6 million in 2002.

Total Costs and Expenses of \$72.7 million declined 1.2 percent from \$73.6 million in 2002 due primarily to productivity gains, lower incentive compensation, fewer employees and a reduction in bad debt expense from other telecommunications carriers.

While the net loss in 2003 of \$12.8 million, or \$0.92 per share, follows a net loss of \$16.6 million, or \$1.19 per share, in 2002, the losses in both years were associated with impairment charges mainly related to assets in the wireless business. As already mentioned, our Income from Continuing Operations was \$0.61 per share—a 35.6 percent increase over 2002.

We continued our dividend payment trend in 2003, paying out \$0.44 per share. The company's dividend payout in relation to its price per share is a key differentiator for HickoryTech compared to industry peers.

Building strength in Telecom

The overall Telecom Sector, whose revenues represent over 80 percent of HickoryTech's total, grew by \$4.2 million in 2003 – an increase of approximately 6 percent from last year. This was primarily driven by growth in Communications Services, broadband and data services, and by increased Incumbent Local Exchange Carrier (ILEC) network access. It was a breakthrough year for Communications Services, which generated a positive operating cash flow, validating our business strategy. It was also a successful year for the ILEC business and, in total, the Telecom Sector has achieved results that were above expectations. Overall broadband penetration continued to grow rapidly with the addition of 3,436 Digital Subscriber Lines (DSL) lines during the year. Total DSL lines of 7,407, at the end of 2003 reflects an increase of 86.5 percent from 2002. This growth rate in DSL shows the continuing strong demand for bandwidth by both our residential and business customers.

Telecom Sector gains were partially offset by declines in both the Enterprise Solutions and Information Solutions Sectors. Enterprise Solutions brought in operating revenues of \$14.3 million, down 9 percent from \$15.8 million the previous year, in which the sector completed the installation of the telecommunications system for Best Buy's new corporate campus, believed to be one of the largest U.S. installations in 2002. Information Solutions reported revenues of \$3.2 million, down nearly 25 percent from \$4.2 million in 2002. Results in both of these sectors reflected continuing soft economic conditions.

Debt reduction, interest rate protection and wireless sale bode well for the future

In 2003, we took advantage of lower interest rates and implemented interest rate protection on the majority of our debt balance. We were able to reduce our debt \$39.4 million – from \$159 million to \$119.6 million. The combination of these actions had an immediate beneficial impact on the level of interest expense in 2003 and should have a positive effect in the future.

On December 16, 2003, we announced that we had finalized the sale of our wireless business to Western Wireless Corporation in exchange for a value of approximately \$25 million, plus additional considerations. The purchase price consisted of \$16.3 million in cash and over one million shares of HickoryTech common stock held by Western Wireless that were returned to HickoryTech and immediately retired. The transaction reduced the total number of HickoryTech shares outstanding by approximately 7.4 percent. Cash proceeds from the sale were applied to debt reduction. The effect of the wireless sale and the operation of the wireless business for eleven and one-half months of 2003, as well as for all prior years, has been classified as discontinued operations in our financial statements.

We believe the decision to sell the wireless business was strategic and was implemented at the right time. The transaction made HickoryTech financially stronger and will make our prospects for increased earnings per share stronger as well. With the sale behind us, we can focus on the growth of our core wireline and broadband businesses.

Poised for volume and scope in 2004 and beyond

Now that we have enhanced strength and improved fundamentals, we are poised to take advantage of opportunities for organic and strategic growth. Our goals for 2004 and beyond are to continue our improvement initiatives, to become even more effective and efficient, to build greater volume in our business with more customers generating new revenues, and to increase our scope, that is, the breadth of our products and market presence. We will continue to protect our market share with new and existing products based on our core strengths; make targeted investments, in high potential areas; and leverage business growth opportunities in strategic markets. And we will focus our corporate strategies on building greater shareholder value.

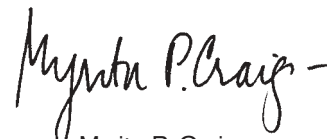
HickoryTech enjoys a very solid presence as a rural telecom provider with a regional thrust and a 40 percent business customer base in its ILEC markets, which sets us apart from others in our industry. We are seeing this trend develop in our Competitive Local Exchange Carrier (CLEC) business as well. We enjoy the advantages of brand loyalty, a solid operations base, untapped new market potential, and phenomenal service. Throughout the company, the HickoryTech team is engaged in achieving company goals and in maintaining the integrity that defines all that we do.

In 2004, we are ready to take the company to the next level of success. Operationally and financially, we will be even stronger. Based on that strength, we will have alternatives available to us that we haven't had in the past. We are *solid*, *strong* and *strategic*. We thank you for the role you have played in HickoryTech's success.

Sincerely,



John E. Duffy
President & CEO



Myrita P. Craig
Chairman



60%
Residential

40%
Business

Through three separate ILEC companies, HickoryTech provides local telephone service, long distance, DSL and Internet to 23 communities in Minnesota and Iowa.



Trends that Drive our Industry – an Interview with HickoryTech Executives

The HickoryTech executive team discusses industry trends that affect the company, and strategies they have implemented to address the challenges and opportunities those trends present.

What current and future industry trends are having the greatest effect on companies like HickoryTech?

The telecom market and the associated regulatory, technology and competitive landscapes are more complex, changing at a faster pace with more competitors than ever before. Most of the dynamic changes in the industry first impact companies like the Regional Bell Operating Companies (RBOCs) in metropolitan areas such as Minneapolis and St. Paul, where there are greater opportunities and a lower cost of doing business.

HickoryTech's Telecom Sector operates in rural markets. Although we may not be immediately affected by the changes, we need to prepare ourselves, control our costs and be competitive in the products and services we offer. We must continue to keep abreast of the changes in the marketplace and challenges of being in a rural market, serve on rural telephone associations to influence favorable industry rulings, anticipate change and make the appropriate adjustments. The future is hard to predict, but change has always been a part of this business. It is more critical than ever that we be diligent and disciplined in our planning, with a strong focus on today's business and an eye to the future.

What do you have to do to address competition?

First, the whole organization must be customer-centric, taking excellent care of our customers and providing communication solutions that add value. We need to continue with the improvement initiatives that make us the most effective and efficient provider of communication services in our markets.

We must embrace new technologies that will enable us to build the volume – more customers and revenue, and the scope – new and additional services, of our business. And finally, we must leverage our position and brand as an excellent local provider and active member of the communities which we serve.

What dynamic changes are occurring in the industry?

Technological change has always been dynamic in the telecommunications industry and the pace of that change has continued to increase. HickoryTech has taken advantage of change to better serve our customers and create shareholder value. For example, a few years ago the Internet posed some new challenges and opportunities for HickoryTech. At that time we embraced the new technology and started our own Internet business. As the need for higher speed Internet became a reality, we implemented DSL services to address those needs. These new lines of business have developed into very viable service offerings for our customers.

HickoryTech plans to continue to embrace new technology, such as Voice over Internet Protocol (VoIP) as a customer solution. An example of embracing this new technology is HickoryTech's MetroLAN Service, in which our Telecom Sector and Enterprise Solutions Sector collaborated to provide a multi-site VoIP network and hardware solution for the Mankato Clinic. (See story on page 8). Embracing change is critical, whether it is technologically driven or service driven, and this is key to keeping and growing our customer base. We anticipate a continued need to adapt.

How is HickoryTech different from others in the industry?

HickoryTech differentiates itself as a solutions provider. We have a long legacy of service and of understanding our customers. There are several additional ways in which we're different from other Rural Local Exchange Carriers (RLECs): We serve a regional trading area and have a stronger business base than our peers. Most RLECs have a 20 percent business and 80 percent residential customer base, while HickoryTech's ILEC has a 40 percent business and 60 percent residential customer base. We are continuing to expand VoIP capability, which also makes us unique. In contrast to national players, who play a price vs. quality game, we are able to provide high quality solutions at a competitive price.

Another attribute that sets us apart from our peers is that our dividend and dividend yield are solid. Recent tax rulings on dividends further benefit our shareholders.

What about substitution? What effect is it having on the industry and on HickoryTech?

We have had some substitution or line loss similar to the rest of the industry. However, substitution is driven by a multitude of factors. First, there's the continued weak economy that brought about reduced spending on the part of business and residential customers. Second, there are the nationwide competitive dial-up Internet providers, who are using fewer special circuits as their business decreases. Third, some residential customers are using wireless as their primary or secondary line. Fourth, in our case, a major reason for line loss is our own aggressive DSL expansion programs to upgrade and provide excellent quality Internet service to our embedded customer base, which sometimes displaces second lines. This proactive approach has a mitigating effect on our line loss. For example, our DSL line gain exceeded our access line losses for 2003.

What are HickoryTech's fundamental strengths?

Operationally we're very solid, financially we're very strong, and strategically we're poised to take advantage of change. We are strong because our core telecom business has delivered on its operational and financial expectations and continued to perform with increasing strength throughout the year. We are solid because of the improvement initiatives we

implemented to increase our effectiveness with our customers. Finally, we are strategic – based on our decision to sell our wireless operations. This aided us in the reduction of debt and allowed us to channel our resources to our core voice and broadband opportunities – all of which support improved shareholder value.

What opportunity does video service represent for the company?

Our strategy is to focus on providing the best broadband capabilities in the markets we serve. For selected markets, video may also be a part of the broadband mix. We have already deployed video in St. Peter, Minnesota and will continue to replicate that successful model in targeted CLEC markets because it provides a valuable service to the customer. It also gives us the advantage of additional pull-through of voice and data services, which are the main focus of our business.

What are the next investment and growth opportunities for the company?

Building volume and scope in our business is critical and we have a detailed plan to do just that. The first strategy is to protect market share in our ILEC markets by robust fiber backbone improvements, and an Internet Protocol (IP) switch and aggressive marketing of services. Next, we will make targeted investments within our CLEC markets by completing our voice and data overbuild networks in selected communities with high growth potential in both residential and business markets. We will also offer video services in selected communities in order to facilitate greater penetration of all services, such as DSL, voice, and long distance service. Finally, we will leverage business growth opportunities in strategic markets – that is, offer IP-based network, Centrex and Customer Premise Equipment (CPE) solutions to medium and large customers.

So the future continues to hold potential?

The future does continue to hold potential for HickoryTech. We are a 107-year-old company, and we have adapted to many technology and industry changes. The industry will continue to change, and we have a qualified, experienced team with a deep understanding of this business. We have a solid foundation and a vision for our future. We believe in HickoryTech and our ability to succeed in the future.



Mankato Clinic

Founded in 1916, the Mankato Clinic has grown into a large physician-owned, multi-specialty regional group practice. With 102 physicians, physicians' assistants and nurse practitioners, and a total of over 700 employees, Mankato Clinic provides medical services to patients at its main facility in Mankato, with satellite clinics at seven southwestern Minnesota sites. The Mankato Clinic is HickoryTech's first MetroLAN customer. This successful installation was achieved through collaboration between the Telecom and Enterprise Solutions Sectors.

"For the Mankato Clinic organization, HickoryTech's MetroLAN Service has been a silver bullet. It provides us with the increased bandwidth we needed, while lowering our per-unit bandwidth costs. With the service's bandwidth, QoS capabilities, and inherent any-to-any connectivity, we can do more—including implementing VoIP—than we were able to do before. Also, as the service is based on Ethernet, I can provide our remote clinics with a higher level of support, with less effort and less support equipment. MetroLAN has been pure up-side for us."

Bob Norman
MIS Director
Mankato Clinic

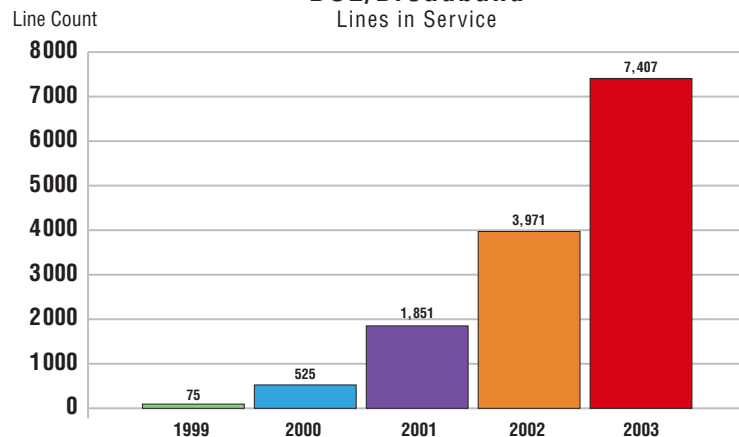
Business Sectors

Progress in Operations

The three business sectors of HickoryTech—Telecom, Information Solutions and Enterprise Solutions—employ a wide range of technologies and address distinct markets. "By working together on shared corporate goals, we have built HickoryTech into a solid, strong and strategic communications company," John Duffy, President and CEO comments. In 2003, each sector solidly managed the business for efficiency and effectiveness, strengthened its product and service offerings, and strategically focused itself in support of HickoryTech's future.

With market growth rebounding in some segments of the economy and others expected to improve in 2004, HickoryTech's business sectors have followed different competitive strategies. In all markets, technology continued to advance at a rapid pace despite the economic downturn. At the same time, increased use of personal computers with more sophisticated applications has relentlessly driven up market demand for bandwidth or greater communication capacity. In today's competitive environment, customers have developed high expectations. HickoryTech has responded by augmenting its technologies, while improving quality and upgrading performance. All of the company's business sectors are committed to providing the most advanced solutions that bring value to the customer. And, HickoryTech remains committed to providing excellent customer service – a differentiating characteristic in all of its markets.

DSL/Broadband
Lines in Service



Dual focus: Residential and business customers

With its roots in telephony, HickoryTech has always had a strong presence in providing communications services to customers, with hallmark customer service—and a long record of involvement in the communities in which it operates.

In recent years, with deregulation and technology advances, data communications has become a large user of bandwidth. HickoryTech has responded to the demand for these higher capacity requirements with services such as DSL, VoIP and complex high-speed data networks. The company's data network revenue has grown 36 percent in the past year.

The customer bases of the Information Solutions Sector and the Enterprise Solutions Sector are comprised exclusively of businesses. Business telephony use is growing as a result of the integration of voice and data technology as well as the ongoing shift from a manufacturing-based economy to an information-based economy. Today's knowledgeable workforce remains critically dependent on PCs, the Internet and other high-bandwidth technologies. This bodes well for HickoryTech's business.

Strength in expanded product and service offerings

In 2003, the Telecom Sector made dramatic progress in expanding its broadband penetration. 3,971 DSL subscribers at the beginning of the year grew to 7,407 at year-end, a gain of 86.5 percent. Engineering, Marketing, Sales and Service played an important part in this success as the sector expanded its DSL offerings from one plan to three. For entry-level users, DSL Lite was introduced—a low-priced package with popular features to encourage dial-up users to make the switch to broadband. DSL Prime continued to be the preferred package offered. And for high-bandwidth users, DSL Pro was added with higher speed and more advanced features – also at an attractive price. “Our strategy is to make broadband available and affordable, giving our customers the ability to choose higher speed products as their needs change,” says John Finke, President of the Telecom Sector. “We intend to be the dominant broadband provider in our region.”

The Telecom Sector continued to enlarge its DSL footprint by expanding into additional communities and into rural subdivisions, while shortening its time to market, lowering the capital investment required to provide service, and improving overall product quality.

The sector achieved an increase of 11.9 percent in overall Internet customers, bringing the combined total of DSL and dial-up users of HickoryTech's Internet to 16,132 at the end of 2003. More importantly, DSL customers increased from 26 percent of total Internet customers at the end of 2002 to over 45 percent one year later.



Scholarship America

Since 1958, Scholarship America®, a nonprofit organization based in Saint Peter, Minnesota, has distributed more than \$1 billion to nearly one million students, making it the nation's largest private-sector scholarship and educational support organization. In 2003, the Telecom Sector installed a complete HickoryTech network for Scholarship America, consisting of local telephone service, local data service, and high-speed Internet.

“Scholarship America elected to convert to HickoryTech local service for several reasons. HickoryTech is competitive in the marketplace, while keeping pace with current technology. The company has the ability to bundle multiple services as a single vendor and, as a local telecommunications service provider, ensures that the needs of Scholarship America are satisfied.”

Fred Vogel

*Executive Vice President-Finance
& Administration
Scholarship America*



TBayTel

TBayTel, in Thunder Bay, Ontario, is Canada's largest independent telephone company, providing its customers with the full spectrum of telephony services from local voice and long distance, to high-speed Internet connectivity. Its wireless division, TBayTel Mobility, supports the region's largest cellular coverage area and is a current software customer of HickoryTech's Information Solutions Sector.

"SuiteSolution is the tool that will enable Mobility to move forward with many of its business initiatives. SuiteSolution has customized TBayTel content, features and business requirement applications that will dramatically enhance the way in which Mobility does business today and will improve speed of delivery. Specifically, it will allow efficiencies in running billing in-house, a new improved front-end customer service interface, enhanced efficiencies with respect to service order processing, end-user designed reporting capability, decreased system down-time and the means of automating many procedures and functions."

Kevin Burns

Division Manager
Business and Consumer Markets
TBayTel

The Telecom Sector also introduced optional long distance calling plans for residences, that provide the benefits of a bundled plan along with a customer selected calling area. The calling plans added were Minneapolis/St. Paul, regional Minnesota and Iowa plans, as well as a competitively priced national interstate plan – each for an attractive fixed rate. As a result of this and other innovations, Telecom increased its long distance customer count in 2003 from 35,566 to 40,366, an increase of 13.5 percent. "ILEC long distance penetration has reached 46 percent and CLEC long distance penetration is 80 percent," Finke notes. "We continue to increase our long distance market share, due to the optional calling plans and brand loyalty, resulting in growth in ILEC penetration."

The Telecom Sector also introduced local number portability (LNP) in many of its CLEC communities, allowing customers to keep their phone number as they change to HickoryTech. "The implementation of LNP not only allows us to gain new customers, but allows us to transition additional customers to our overbuilt facilities," Finke says. "This allows us to reduce costs as well as provide better service to those customers. During 2003, we achieved an overall 51 percent penetration of overbuild lines to homes passed in our CLEC communities. These communities are in various stages of maturity. We currently have four communities with penetration rates above 65 percent, and another three communities above 44 percent. The remaining communities are in the 24 to 43 percent range and have continued to improve in the majority of the markets."

The Enterprise Solutions Sector continued to focus on three target areas: VoIP, call centers, and call center management software. The sector differentiates itself from competitors through the knowledge and skill sets needed to integrate hardware, software and communication networks. The Enterprise Solutions team makes customer call centers work by creating the right networks and infrastructure. With VoIP, a customer can use its existing data network for both voice and data, saving costs. In addition, the combined network provides a bonus of unique features and capabilities. Enterprise Solutions is a national distributor for voice and data solutions produced by Nortel Networks and Cisco Systems.

In 2003, the Information Solutions Sector introduced SuiteSolution® 2.0, an enhanced version of its billing and customer management system with wireless functionality. SuiteSolution automates the entire order process for a communications company, capturing customer requests and housing customer information such as service choices and service history in a single database. The system also initiates service activation without human intervention. "SuiteSolution eliminates dual entry in the billing and provisioning systems," says Lane Nordquist, President of the Information Solutions Sector. "This is the ultimate goal of operational support services."

Solid management for efficiency and effectiveness

Enterprise Solutions measures its progress in technical effectiveness through two key external programs: Cisco System's partnership program for IP distributors and Nortel Network's distributor certification program which is based on customer satisfaction surveys. In 2003, the Enterprise Solutions Sector achieved "Premium Partner Certification" with IP Telephony Specialization from Cisco Systems and was awarded the designation of "Premium Partner Advantage" by Nortel Networks. In the Nortel qualification process, Enterprise Solutions' customer satisfaction scored in the top seven percent of all distributors in the country. "These widely published certification programs are an important tool used by customers in selecting a provider," Jon Anderson, President of the Enterprise Solutions Sector, comments. "They are one of the reasons we are seeing an increase in the number of requests from our prospective customers."

Continuous improvement characterized the Telecom Sector's initiatives to improve productivity and reduce costs. A team of employees worked on streamlining processes and procedures in 2003. As a result of their efforts, the DSL trouble reporting process improved efficiency by over 30 percent. Customer needs are now addressed in a shorter time and at a lower cost. The sector has continued to focus on reducing costs and improving service throughout its organization, by using cross-functional teams to review and manage processes and procedures.

The Information Solutions Sector worked on achieving system efficiencies, driving down costs, and improving quality in 2003. The result was an improvement in operational efficiencies. The sector also announced plans to outsource its mainframe operations and invoice production. The mainframe outsourcing is expected to achieve targeted savings.

Strategic positioning for the future

The Telecom Sector focused on three business segments: general, medium and strategic accounts. "Our sales, marketing and product management organizations are developing solutions that are targeted at each of these markets," Finke notes. "We realize that customers have different needs and are working to provide solutions for those specific market niches. As part of this process, we are redefining the lines between marketing, sales, and customer care. This further transitions customer care into a sales and service organization. The changes provide our customers with multiple sales channels depending on what best fits their business need."

The Enterprise Solutions Sector continued to unfold its convergence strategy. "Five years ago, we were a voice company, and we acquired a data company," Anderson says. "We converged voice and data and merged the skills into three



Project SOCRATES

Project SOCRATES, a distance education learning network, provides Internet access, with data transfer and video conferencing capability, to thousands of students and library patrons at 68 sites in south central Minnesota. Project SOCRATES was sponsored by the State of Minnesota to equip smaller schools and public libraries that otherwise might not have connectivity. The project was created through the effort of the Telecom Sector, combining Internet Protocol and frame relay technologies.

"HickoryTech has delivered high quality services above and beyond contract requirements. The company has a highly qualified staff who are receptive and responsive to concerns and requests for service enhancement, while at the same time providing continuing reliable, efficient and effective network services for all participant sites. Telecommunications and Internet access services are an integral part of K-12 education and public library service, and must be reliable and available on demand 24 hours per day, 7 days a week. HickoryTech has met this challenge."

Dale K. Carrison

Director

Project SOCRATES

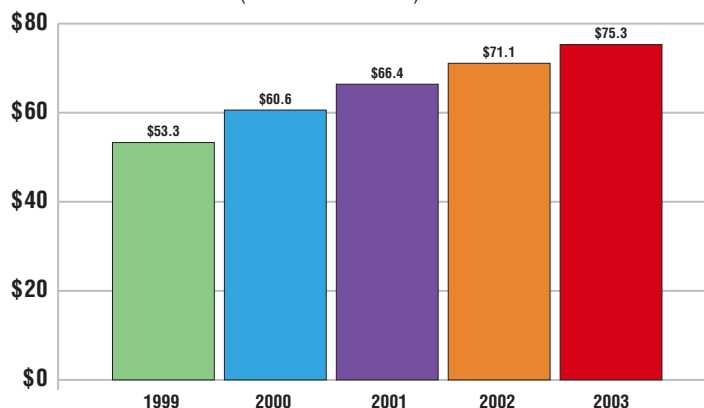


Northern Tool and Equipment

At Northern Tool and Equipment's state-of-the-art call center in Burnsville, Minnesota, with its satellite center in Pequot Lakes 100 miles to the north, 200 customer service representatives handle approximately 12,000 calls a day, generating approximately \$1 million in daily sales. Supporting this process is a Nortel Networks top-of-the-line Symposium network server. The Enterprise Solutions Sector installed this system, integrated the supporting software, created custom middleware, and does ongoing maintenance and system support.

The system provides on-line connectivity to Northern Tool's mainframe database. When a call comes in, the customer's records pop up on the agent's screen, with all relevant information including specifications of past purchases—everything needed to process the order expeditiously. If customers need to check something before ordering, the system allows them to get back to the same representative whenever they call back.

Telecom Sector Revenue
(without wireless) in millions



areas of expertise: VoIP, the call center, and the underlying software. Industry analysts in the '90s all said this convergence of voice and data was going to happen and it is finally a reality."

The Information Solutions Sector reorganized in 2003 around providing superior customer service and support. Now all departments collaborate to ensure that customer requirements are satisfied and to provide ongoing support of our customers' needs.

Focus on major opportunities

Each of HickoryTech's three sectors added important new business and enterprise customers in 2003.

The Telecom Sector created a voice network for South Central Technical College enabling seamless communications between its North Mankato and Faribault campuses. "Our focus is to continue to capitalize on the opportunities created as a result of the expanded footprint created by our CLEC strategy," Finke said.

In addition, the Telecom Sector introduced a new product called MetroLAN, an Ethernet-based network to provide wide-area-network connectivity. "This service gives customers complete IP-based solutions for their businesses," Finke observes, "and it provides connectivity within, between and even outside our core communities." The first customer on this innovative network was the Mankato Clinic (see story on page 8). Telecom collaborated with Enterprise Solutions, combining the expertise of the two sectors in creating a complete Ethernet network using IP-based switching for both voice and data within and between all Mankato Clinic's remote locations, including Waseca and St. Peter, Minnesota.

Enterprise Solutions created a state-of-the-art Call Center for Northern Tool capable of handling 12,000 calls daily and generating over a million dollars on a typical day (see story on this page). For The Minnesota Wild the sector manages a private branch exchange (PBX) with VoIP to support all existing voice communications.

Information Solutions contracted to activate SuiteSolution at the headquarters of an existing customer—TBayTel in Thunder Bay, Ontario (see story on page 10). With its service and system enhancements, SuiteSolution enables TBayTel to create efficiencies and support automation of many critical functions.

Advancing in 2004

HickoryTech's business sectors are each poised for success in 2004 by following their strategic plans, applying their technical expertise and resources to emerging opportunities.

In 2004, The Telecom Sector will continue to focus on supplying bandwidth in response to ever increasing demand. The sector will also continue the strategy of bundling services. These strategies are designed to maximize value for customers and increase market penetration in areas served. The sector will also pursue Ethernet/IP network opportunities for businesses and multi-dwelling units. The Telecom Sector and the Enterprise Solutions Sector will continue to collaborate to pursue IP-based network and CPE sales in strategic markets.

Enterprise Solutions plans to increase its base through new sales of IP PBX, and data products. The sector will continue to pursue its goal of building market share on national accounts, while increasing the number of existing customers who also contract for maintenance support.

The Information Solutions Sector will continue to provide support to HickoryTech, while marketing and selling its carrier access billing system (CABS) and SuiteSolution systems to a growing base of outside telecommunications customers. "In addition, the sector has developed a number of software enhancements in response to customer requests," Nordquist says. "These are now part of the software offering on the shelf for other customers."

Operations positioned for the future

HickoryTech's strategy for future growth is based on providing customer solutions. The company will expand its suite of communications services, create value-added products, and increase broadband penetration throughout its networks. These initiatives will be supported, as always, by excellent customer service.

The three business sectors, Telecom – Information Solutions – Enterprise Solutions, are well positioned to support this growth, based on strength in technology, effective operations, and a customer-centric market focus.

Northern Tool and Equipment is a purveyor of equipment for businesses, farms and home workshops, with over 5 million customers worldwide. The company merchandises via catalog, on-line and through a chain of stores nationally.

"Northern Tool and Equipment has had a long-standing relationship with HickoryTech because the Enterprise Solutions Sector has taken the time to understand our growing needs. Enterprise Solutions offers top-of-the-line solutions that meet our varied demands, along with award-winning service and employees that take the time to go above and beyond. This has been invaluable. We hope our partnership with HickoryTech will continue in the years to come."

Brian Fenner

Telecommunications Manager
Northern Tool and Equipment

Telecom Sector Communities Served

ILEC

Minnesota

Amboy
Beauford
Butternut
Cambria
Eagle Lake
Garden City
Good Thunder
Judson
Lake Crystal
Lehillier
Madison Lake
Mankato
Mapleton
North Mankato
Pemberton
Rapidan
Skyline
St. Clair
Vernon Center

Iowa

Akron
Bancroft
Boyden
Chatsworth
Craig
Doon
Hawarden
Hull
Ireton
Lakota
Rock Rapids
Rock Valley
Sibley
West Akron*
Westfield
West Hawarden*

CLEC

Minnesota

Cleveland
Ellendale
Faribault
Janesville
Kasota
New Richland
Nicollet
Northfield
St. Peter
Waseca

Iowa

Waukee
Select West Des Moines locations
Select Urbandale locations

These Telecom Sector communities are served by thirty-four ILEC and CLEC telephone exchanges.

* South Dakota Communities served by Iowa Telephone Exchange.

Board of Directors

HickoryTech's Board of Directors provides a broad perspective of the marketplace, representing the areas of telecommunications, manufacturing, service, retail and business consultation.

Myrita P. Craig, Chairman of the Board

Chief Executive Officer

Sapientia Consulting Inc. (Management Consulting)

Chair, Governance/Nominating Committee; member, Compensation Committee

Robert D. Alton, Jr.

Retired Chairman, President and Chief Executive Officer
HickoryTech

Chair, Corporate Development Committee; member, Finance Committee

Lyle T. Bosacker

Management Consultant and President

CEO Advisors, Inc. (Information Systems Planning)

Chair, Audit Committee; member, Compensation Committee

John E. Duffy

President and Chief Executive Officer

HickoryTech

James H. Holdrege

Retired General Manager and Chief Operating Officer

Electric Machinery Company (Manufacturing)

Chair, Compensation Committee; member, Audit, Corporate Development and Finance Committees

Lyle G. Jacobson

President and Chief Executive Officer

Katolight Corporation (Manufacturing)

Member, Audit, Finance and Governance/
Nominating Committees

R. Wynn Kearney, Jr.

Orthopaedic Surgeon

Orthopaedic & Fracture Clinic, P.A. of Mankato (Health Care)

Member, Audit, Corporate Development and
Governance/Nominating Committees

Starr J. Kirklin

Retired President

U.S. Bank Mankato (Banking)

Chair, Finance Committee; member, Compensation,
Corporate Development and Governance/
Nominating Committees

Robert E. Switz

Chief Executive Officer and President

ADC Telecommunications, Inc. (Telecommunications)

Member, Audit, Corporate Development and Finance
Committees

Robert K. Else

President

EI Microcircuits (Manufacturing)

Robert Else retired from the Board effective December 31st, 2003. HickoryTech's Board would like to thank Bob for his contributions during his term from 1990 through 2003.

HickoryTech Board Committees

Audit Committee

Lyle T. Bosacker, Chair
James H. Holdrege
Lyle G. Jacobson
R. Wynn Kearney, Jr.
Robert E. Switz

Compensation Committee

James H. Holdrege, Chair
Lyle T. Bosacker
Myrita P. Craig
Starr J. Kirklin

Corporate Development Committee

Robert D. Alton, Jr., Chair
James H. Holdrege
R. Wynn Kearney, Jr.
Starr J. Kirklin
Robert E. Switz

Finance Committee

Starr J. Kirklin, Chair
Robert D. Alton, Jr.
James H. Holdrege
Lyle G. Jacobson
Robert E. Switz

Governance/Nominating Committee

Myrita P. Craig, Chair
Lyle G. Jacobson
R. Wynn Kearney, Jr.
Starr J. Kirklin

Officers

John E. Duffy

President and Chief Executive Officer

Jon L. Anderson

Vice President

David A. Christensen

*Vice President, Chief Financial
Officer, Treasurer and Secretary*

John W. Finke

Vice President

Mary T. Jacobs

Vice President

F. Ernest Lombard

Vice President

Lane C. Nordquist

Vice President

Common Stock Prices

Quarterly market price information for two years ended 2003 is as follows:

Year	Qtr.	High	Low	End of Qtr.
2003	4th	\$12.20	\$10.76	\$11.47*
	3rd	\$12.35	\$10.82	\$11.60*
	2nd	\$11.48	\$8.43	\$11.21*
	1st	\$10.61	\$7.90	\$ 8.97*
2002	4th	\$13.34	\$ 8.39	\$ 9.53*
	3rd	\$16.05	\$11.21	\$13.25*
	2nd	\$17.79	\$12.75	\$15.00*
	1st	\$17.85	\$13.14	\$16.27*

*Price is last day ending price.

High/Low prices above are end-of-day highs and lows, and do not reflect intraday high and low prices.

Common Stock Dividends

Dividends in 2003 and 2002 were as follows:

	2003	2002
First Quarter	.11	.11
Second Quarter	.11	.11
Third Quarter	.11	.11
Fourth Quarter	.11	.11

Year 2004 Dividend Schedule

QTR	Record Date	Payable Date
1st	Feb. 15, 2004	March 5, 2004
2nd	May 15, 2004	June 5, 2004
3rd	Aug. 15, 2004	Sept. 5, 2004
4th	Nov. 15, 2004	Dec. 5, 2004

Website

The HickoryTech home page address is:
<http://www.HickoryTech.com>

Nasdaq Listing

HickoryTech's common stock is listed on the Nasdaq Stock Market under the ticker symbol HTCO. Typical newspaper listings are "HickoryTech HTCO" or "Hickory".

Transfer Agent, Registrar and Dividend Disbursing Agent

Wells Fargo Bank, N.A., Shareowner Relations,
161 N. Concord Exchange, St. Paul, MN 55075.
Telephone: 1-800-468-9716.

For information about accounts, stock certificates, transfers or dividend checks, contact Wells Fargo Bank Stock Transfer, Shareowner Relations.

Annual Meeting

The Annual Meeting of HickoryTech Corporation shareholders will be held at 2:00 P.M. (central time) on the fourth Monday in April (April 26, 2004) at the Mankato Civic Center in downtown Mankato, located at the corner of Riverfront Drive and Hickory Street, Mankato, Minnesota.

Shareholder Relations

General information about HickoryTech or its reports may be obtained by contacting Shareholder Services at Corporate Headquarters or by calling 507-387-3355.

Investor Relations

Information requests from members of the investment community and the news media should be addressed to Public Relations Services (507-387-3355) at Corporate Headquarters.



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Mankato, Minnesota

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800-326-5789
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