



• 2 0 0 0 • A N N U A L R E P O R T •

MAINTAINING OUR FOCUS

EXPANDING OUR REACH

Founded in 1950, Kimball International manufactures and markets a broad range of diversified consumer durable products under the family of Kimball brand names. The Company also manufactures products for other companies on an original equipment manufacturer basis.

focus | innovation | commitment | **loyalty** | dedication | progress | integrity | **reach**

The products and processes have changed since Kimball International's beginnings, but the founding principles remain the same—consistently exceeding our customers' expectations and delivering quality products to the world. We have continued to maintain our focus and commitment to our core values. Our passion of **maintaining our focus while expanding our reach** will see us through another successful fifty years.

financial highlights



Kimball International, Inc. is a preeminent manufacturer of furniture, furniture components and electronic assemblies, serving customers around the world. Our customers, both large and small, receive our undivided attention, as we treat every one as the only one. Our touch is felt throughout daily life in both the workplace and in the home.



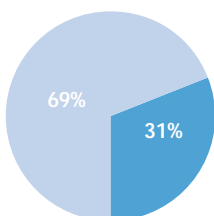
Furniture and Cabinets Segment

The Furniture and Cabinets Segment of Kimball International, Inc.

provides a vast array of products for the office, residential, hospitality and healthcare industries. Kimball's Office Furniture product lines serve the business market with casegoods, seating and systems furniture in both wood and metal, from traditional to contemporary in style, produced and marketed under the family of Kimball brand names. Extensive product lines cover all businesses, from multinational corporations to small start-up companies. Kimball Home supplies the residential market with fine furnishings for the home, as well as home office furniture to meet the specialized needs of the growing work-at-home market. Kimball Lodging and Healthcare designs and manufactures furniture for the hospitality, healthcare and government markets. Kimball Store Fixtures designs, manufactures and installs wood and laminate store display fixtures for some of the largest retail chains in the United States.

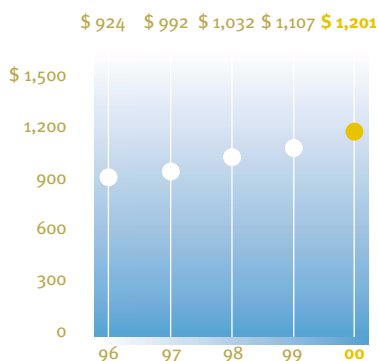
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Sales by Business Segments

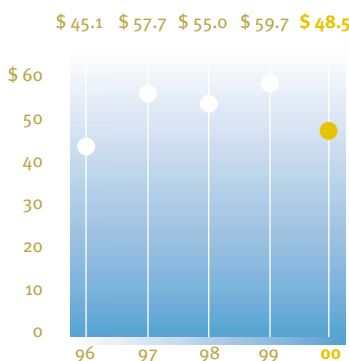


- Furniture and Cabinets Segment
\$833.8 million dollars
- Electronic Contract Assemblies Segment
\$367.1 million dollars

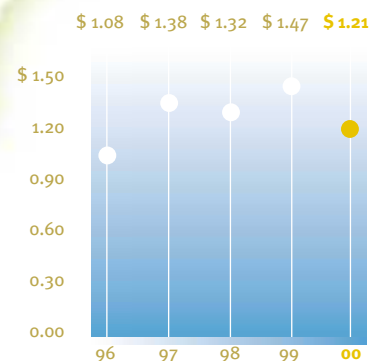
Net Sales *In Millions of Dollars*



Net Income *In Millions of Dollars*



Earnings Per Share Of Common Stock *Diluted Class B*



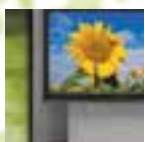
Kimball International, Inc. and Subsidiaries

2000 financial highlights



Electronic Contract Assemblies Segment

The Electronic Contract Assemblies Segment provides design engineering, manufacturing, packaging and distribution of electronic assemblies, circuit boards, multi-chip modules and semiconductor components on a contract basis to customers in the transportation, industrial, telecommunications, computer and medical industries.



Kimball business units also produce a variety of original equipment manufacturer (OEM) products such as home audio systems, television cabinets and stands, store display fixtures, kitchen and bath cabinet components, pool tables and home furnishings which are marketed under some of the world's leading brand names. Kimball offers a variety of products and services such as dimension lumber, plywood, veneer and wood components, metal stamping and molded plastics for the Company's furniture manufacturing operations as well as for sale to external customers, both domestically and internationally.

Share Owner Total Return

Based on \$100 Investment on June 30, 1995 (including reinvested dividends)

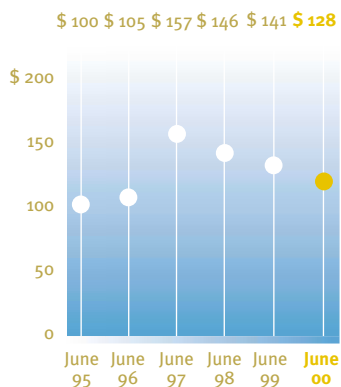


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<i>(Amounts in Thousands, Except for Per Share Data)</i>	2000	1999	% of Change
Net Sales	1,200,945	1,106,967	8.5%
Net Income	48,462	59,725	(18.9%)
Return on Capital	9.76%	12.32%	(20.8%)
Earnings Per Share (Diluted)			
Class A	1.19	1.45	(17.9%)
Class B	1.21	1.47	(17.7%)
Dividends Declared			
Class A	.62	.62	
Class B	.64	.64	
Market Price Per Share			
High	21.00	21.50	
Low	10.75	14.56	
Close	14.75	16.88	

reach
• innovation • *commitment*

reach

focus

focus | innovation | commitment | loyalty | dedication | progress | integrity | reach

e x p a n d i n g

loyalty

quality



to our share owners

Maintaining our focus. Expanding our reach.

This remained the focal point of our endeavors during fiscal 2000. It was a year marked with many milestones and accomplishments and also marked our 50 years of providing the world with superior quality products and service.

After completing a very challenging year, we think it is important that we open this year's message with a brief review of our long-term goals and strategies and a status update on our priorities of focus. Despite disappointing results, we did accomplish a great deal during this past fiscal year, which gives us confidence that our financial performance in fiscal 2001 will improve.

What, as our Vision Statement points out, is Kimball doing to "build success"?

We are positioning your Company:

- 1) For accelerated growth.
- 2) For increased profitability.
- 3) To create greater Share Owner value.

In other words, we have maintained our focus on growing our core businesses for long-term success and provided the groundwork to expand our reach.

What is meant by "maintaining our focus"?

Simple. Despite the temptation to sacrifice our long-term goals for the attainment of short-term results, we remained focused in fiscal 2000. We continued to focus on opportunities for healthy, long-term growth, rather than taking a short-term, "harvesting" approach. We continued to emphasize quality, reliability, value and speed in our markets – the four ingredients to profitable growth. We continued to expand our global footprint and North American operations. We continued to introduce new products and offerings.

These examples boil down to our deeply-held philosophy that "staying the same is not an option" if we want to keep our customers. We must invest in new facilities and products even when profits aren't where we'd like them to be and must invest in future growth opportunities for long-term success building.

What is meant by "expanding our reach"?

We are expanding our reach in different ways. For example, we are expanding our geographical presence domestically and internationally. In response to meeting customers' needs, we opened an electronics facility in Laem Chabang, Thailand. Our new technologically advanced veneer mill in Chandler, Indiana, will open new markets and expand existing ones, both domestically and internationally. We opened our Kimball Electronics Group New Product Introduction Center in Jasper, Indiana, to grow customer relationships through our specialized high-flexibility manufacturing capabilities. We

broke ground for a new microelectronics facility in Valencia, California, to strengthen our west coast based operations. Continuing our acquisition strategy, we acquired Jackson of Danville to bolster our strength in the sales and marketing of seating products to the healthcare and hospitality markets.

Expanding our reach also means expanding our product offerings. Kimball Office Furniture and National Office Furniture introduced a variety of new casegoods and seating products and enhancements at this year's NeoCon office furniture show. Our expansive product lines marketed under our "Power of the Package" umbrella offer customers interfacing and integration opportunities with our diverse range of office furniture product selections.

Kimball Home unveiled more collections for the residential furniture market, including "Mission Viejo" and "Madison Avenue." Kimball Lodging established a relationship with a well-known chain of hotels and resorts during fiscal 2000. More importantly, our association with this company's worldwide renovation program will continue into fiscal 2001. Bösendorfer recently introduced a new piano series, named "Conservatory." Customer interest has been so great that we have had to increase our production to meet demand.

Expanding our reach also means growing our key leadership base. We announced several new officer and business unit manager appointments during fiscal 2000 to further enhance our management team and succession planning. These leaders were selected because of their demonstrated leadership and managerial skills.

We also expanded our reach by increasing our sales during the past year.

Sales in fiscal 2000 reached a record \$1.2 billion, an 8% increase in sales from fiscal 1999. Sales within our Furniture and Cabinets Segment increased 8% to \$833.8 million. Sales of our office furniture product lines registered an increase in fiscal 2000 while establishing a new record for annual sales. Our office furniture sales also exceeded the overall growth rate of the office furniture industry according to the Business and Institutional Furniture Manufacturer's Association, for the twelve-month period ended June 30, 2000. We continued to see robust sales of cabinets produced for large-screen projection televisions and our furniture components product lines

achieved a double-digit sales increase. We are also encouraged by the continued rise in sales of our residential furniture.

Our Electronic Contract Assemblies Segment sales increased 9% to \$367.1 million. Demand for our durable electronics, including components produced for the transportation and medical industries, remained healthy during fiscal 2000. We have been successful in establishing a solid reputation for producing durable electronic components that require high reliability and exacting tolerances.

Staying the same is not an option. At Kimball, we are constantly challenging ourselves to find better low-cost solutions to satisfy the needs of our customers.

Despite record sales, fiscal 2000 did not meet our earnings expectations. Net income in fiscal 2000 was \$48.5 million, a 15% decrease from net income of \$57.1 million in fiscal 1999. Our earnings per diluted share of Class B common stock were \$1.21, a decline of 14% from earnings of \$1.41 per diluted share of Class B common stock in fiscal 1999. Net income in fiscal 1999 excludes a \$2.7 million non-operating gain from the sale of two business units.

Contributing to the decline in our net income were start-up issues at our Juarez, Mexico manufacturing facility. It is important to note that the brunt of the start-up issues occurred during early fiscal 2000 and we have seen an improvement in this facility's financial performance on a sequential basis each quarter throughout fiscal 2000. Start-up costs associated with our electronics facilities in Laem Chabang, Thailand and Jasper, Indiana also impacted our financial results. We expect production to ramp up at these facilities in early fiscal 2001. Softness in the lodging and healthcare markets hampered sales of our lodging and healthcare product lines. We have increased our focus on introducing new product lines to better position us in the lodging and healthcare markets. Competitive pricing pressures affected the net income of our office furniture, lodging and furniture components product lines. Investments in new technology, new product

introductions and a planned diversification of its customer base impacted Kimball Electronics Group's results in fiscal 2000.

Considering the challenges encountered in fiscal 2000, our focus on Kimball's long-term growth strategies has not diminished. We are confident that the many positive efforts being made to grow our business and the progress we have made in reducing our cost structure will result in an improvement in our financial performance in fiscal 2001.

Our selling, general and administrative costs as a percentage of sales declined during fiscal 2000 for the second consecutive year. We are proud of this accomplishment, but we realize that we must continue to find additional opportunities to reduce our cost structure. Our global procurement strategy has been enhanced to help us to reduce our raw material and component costs. Continuous improvement processes on the manufacturing floor are helping us reduce costs and improve efficiency. Labor inefficiencies are being eliminated.

We are continuously driven to create Share Owner value and we are not satisfied with the trend in our stock price. We will have a strong focus on increasing profits in fiscal 2001 and increasing value to our Share Owners. Through dividends and our record setting stock buy-back program, we returned \$50.0 million to our Share Owners in fiscal 2000. In June, your Board of Directors authorized the repurchase of an additional 2,000,000 shares of our common stock as a sign of our long-term confidence.

Fiscal 2000 was a year of maintaining our focus and expanding our reach. Fiscal 2001 will be a year of continued focus and further expansion of our reach with an emphasis on executing our business plans. We are confident that our recent investments and acquisitions will continue to improve our profitability and you can be confident in our commitment to increasing Share Owner value. We would like to thank our 10,000 employees and our Share Owners for their continued loyalty. We also hope you find the insert in this year's annual report regarding your Company's 50th anniversary enjoyable.

August 2, 2000



Thomas L. Habig
Vice Chairman of the Board




Douglas A. Habig
Chairman of the Board,
Chief Executive Officer




James C. Thyen
President



Now in its 50th year, Kimball International, Inc. has grown from a regional cabinetmaker recognized for its quality and craftsmanship for solid wood and veneer casegoods to a multi-national corporation with consolidated sales that exceeded \$1.2 billion in fiscal 2000. The attention to detail that has helped build Kimball's solid reputation for all of its product lines from office furniture to durable electronic contract assemblies provides Kimball a key competitive advantage in all of its markets.

Kimball International is expanding its global reach as part of its strategy to increase its sales growth and profitability.

The achievements of the past and the goals for the future are the result of the direction and insight of Kimball's leaders and its employees, both past and present, and their dedication to success.

For Kimball International, "Maintaining our Focus" was a focal point for the entire Company in fiscal 2000 as it embarked on an ambitious campaign to expand its global reach. Overcoming the temptation to sacrifice its goals of increasing growth, profitability and creating greater Share Owner value for the achievement of short-term results, Kimball continued to maintain its focus during fiscal 2000 on its long-term strategies.

While Kimball offers a very diverse range of products, it is dedicated to selective business segments and their related markets, for these segments and markets exemplify the products and services which Kimball is best at providing. In other words, within these markets are Kimball's existing core competencies and where its focus must be dedicated.

In the best interest of the Company and its Share Owners, Kimball maintains a close, on-going, undivided attention to its markets, measuring and evaluating its performance to ensure the highest level of competitiveness and growth.

Kimball's drive is stronger than ever to be the supplier of choice in its markets, to achieve sales growth ranked among the best in these markets, to understand its capabilities and customer needs, and to come up with solutions that add value and build success for the Company, its people and its Share Owners.

To help achieve its long-term goals of increased sales and profitability, Kimball has its sights now focused on several important markets within the Furniture and Cabinets Segment and the Electronic Contract Assemblies Segment. The Furniture and Cabinets Segment markets include office furniture, lodging and healthcare furniture, residential furniture, products manufactured on an original equipment manufacturer (OEM) basis, furniture components and store display fixtures. The Electronic Contract Assemblies Segment is focused on providing durable electronic components for the transportation, industrial, medical, computer and telecommunications markets.

Today, more than ever before, Kimball's products are finding their way into consumers' lifestyles. Whether it is a Kimball-branded office furniture product, a collection of fine furniture found in the home, an anti-lock braking component providing safety for millions of drivers today or one of many other consumer products produced by Kimball, the Company is rapidly expanding its global reach as part of its strategy to increase growth and profitability.

In fiscal 2000, Kimball took a major step to expand its global footprint. In response to meeting the needs of its customers, Kimball Electronics Group (KEG) opened an electronics manufacturing facility in the Export Zone of Laem Chabang, Thailand. Laem Chabang, located on the eastern seaboard of Thailand, is known as "Detroit of the East" due to the number of automotive manufacturers and suppliers now located in this region

maintaining our focus

During fiscal 2000, Kimball International maintained its focus on executing its long-term business plans and strategies. With its focus on quality, reliability, value and speed in each of the markets it serves, Kimball is well positioned to succeed.



of Thailand. This new facility is fully automated and offers a variety of manufacturing capabilities to support Kimball's global expansion initiatives. KEG is well respected in the transportation market for its durable electronic components, including electronic control units for light and heavy trucks and sport utility vehicles. Also, Kimball will have an international purchasing office located there to lend additional support to its global procurement strategy.

Kimball International unveiled its "Power of the Package"

theme at this year's NeoCon office furniture show along with new casegoods and seating products.

In fiscal 2000, Kimball took an important strategic measure to expand its manufacturing operations and strengthen its vertical integration strategy with the completion of a new, technologically advanced veneer mill located in Chandler, Indiana. The 130,000 square-foot facility will lead to increased yields and efficiency, reduced shipping and handling costs and lower maintenance costs while helping to open new markets both domestically and internationally that Kimball was unable to serve in the past due to age and capacity restraints at its former veneer facility. Kimball provides high-quality wood veneer for a variety of Kimball branded products, including office, lodging and healthcare, and residential furniture, as well as to other customers on a contract basis.

In keeping its commitment to meeting the needs of its customers, Kimball Electronics Group opened a new high-flexibility manufacturing facility located in Jasper, Indiana. The fully automated facility will allow KEG to manufacture high mix/low volume durable electronic assemblies for its customers with the intent to then transfer production to KEG's high volume manufacturing facility located on the same campus in Jasper.

Kimball Electronics Group also announced the groundbreaking for a new 40,000 square foot microelectronics facility in Valencia, California. The new facility will replace KEG's present, smaller

manufacturing operation, which is recognized for its ability to design, manufacture, package and test microelectronic components that must meet demanding standards for high reliability and durability. The new facility will also increase manufacturing capacity and offer expanded capabilities, including board level assembly in a high-flexibility production environment, and serve as a new product introduction center to support KEG's high volume manufacturing facilities located in Jasper, Indiana and Reynosa, Mexico.

Continuing its strategy to grow its business through strategic acquisitions, Kimball acquired Jackson of Danville in November 1999. Jackson of Danville, based in Danville, Kentucky, manufactures custom and fully-upholstered seating products and wood framed chairs for the hospitality and healthcare markets. This acquisition will help Kimball and Jackson of Danville strengthen sales and marketing of seating products to the healthcare and hospitality markets.

In addition to acquisitions and new manufacturing facilities, Kimball also expanded its reach during fiscal 2000 with the introduction of several new products and enhancements to existing product lines in both the Furniture and Cabinets Segment and the Electronic Contract Assemblies Segment.

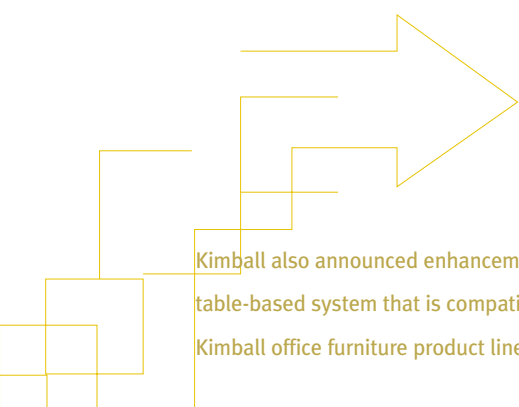
To further market Kimball as a single source supplier of choice in the office furniture market, Kimball Office Furniture unveiled its "Power of the Package" theme at this year's NeoCon office furniture show. "Power of the Package" supports Kimball's focus on offering customers interfacing and integration opportunities with its diverse range of office furniture product selections.

A prime example of Kimball's "Power of the Package" was the introduction of "Change"; contemporary styled modular casegoods promising wide appeal to a variety of users. With features and aesthetics capable of attracting more user-specified options as compared to other direct competitors, "Change" also occupies an attractive moderate price point.

e x p a n d i n g
our reach

*Kimball International
continues to expand its
reach with new products
and new manufacturing
facilities located around
the globe as a sign of its
commitment to serving
its customers wherever
they are located.*





Kimball also announced enhancements to “Skate,” its mobile, table-based system that is compatible with a variety of other Kimball office furniture product lines.

During fiscal 2000, Kimball Electronics Group continued to benefit from further diversification of its customer base and a broadening of its product offerings.

To complement an already impressive portfolio of wood side chairs, Kimball unveiled “Acapella” at this year’s NeoCon. Featuring three distinct visual designs and maple hardwood frames, this collection can be used in any office environment.

National Office Furniture introduced its “Mix-it” seating collection at NeoCon 2000. “Mix-it” is a dynamic, ergonomic management chair. This collection, complete with guest seating, provides a solution for all users in the workplace. In addition, National Office Furniture also introduced a veneer option for its popular “WaveWorks” modular casegoods product.

Kimball continued to expand its impressive collections of residential furniture produced by Kimball Home Furniture. During fiscal 2000, Kimball Home introduced “Mission Viejo,” featuring solid hardwood construction and the distinctive look and feel associated with every Kimball Home collection. At this year’s High Point International Home Furnishings Market, Kimball Home unveiled its latest collection of furniture for the home named “Madison Avenue.” This 40-piece contemporary collection is crafted in cherry veneers and select solid hardwoods as well as metal accents reminiscent of classic design traditions.

To further live up to part of Kimball International’s Vision that states, “our touch is felt throughout daily life,” Kimball Upholstered Products, seeking to increase sales to its outside customers, began producing seating for a manufacturer and assembler of

motorized scooters and chairs for the healthcare industry. These products give those with limited or no capacity to walk the capability to move freely around their total environment.

Kimball Lodging designed and manufactured a complete collection of hospitality furniture for Starwood Lodging and Resorts’ chain of Sheraton Hotels during fiscal 2000. Kimball Lodging provided beds, tables and desks for nearly 8,000 Starwood Sheraton rooms designed specifically for Starwood’s worldwide renovation project.

Kimball Electronics Group continued to benefit from diversification of its customer base and broadening of its manufacturing capabilities during fiscal 2000. KEG continues to enhance its reputation as a top-quality manufacturer of durable electronics for the transportation, industrial and medical markets that require high reliability. Many of the products produced today by KEG ultimately help to make peoples’ lives safer and more fulfilling.

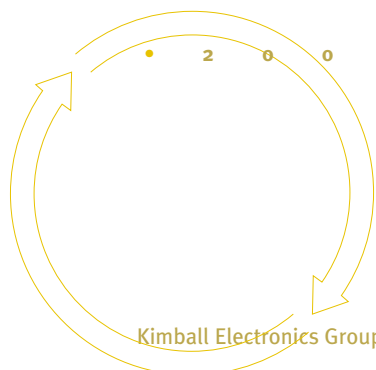
Also playing an important role in KEG’s business strategy is Kimball Electronics Design Services (KEDS). In only its second year in existence, KEDS is making great strides in providing immediate access to world-class design engineering services for its customers from the initial design stage right through to the final stages of testing and production.

A good example of Kimball Electronics Group providing a total solution to meet the needs of one of its customers was the collaboration between KEG, KEDS and its customer in developing a revolutionary disposable hearing aid. Working closely with its customer, KEG and KEDS were able to take the initial design concept, develop the microelectronics circuitry, software and the accompanying prescription selector device used by audiologists, manufacture, test and package the finished product. The disposable hearing aid was launched in May 2000.

Durable electronic components that make automobiles safer, components that help people cope with medical problems, new products and enhancements to existing product lines. Kimball International continues to expand its products and services that touch peoples' lives everyday.

in | *product* **novation**





Kimball Electronics Group is also producing electronic components for an affordable medical device that measures blood insulin levels. This device, which can be purchased at most drug or department stores, was also a joint effort between KEG's engineering and manufacturing teams.

When it comes to Kimball's progress towards achieving its long-term goals and strategies, staying the same is not an option.

In addition to the array of new products that were unveiled by Kimball throughout fiscal 2000, a number of Kimball's business units were recognized for their keen focus on producing a quality product and providing excellent customer service. Every Kimball employee takes great pride in providing customers with outstanding service and quality.

Kimball's Heritage Hills manufacturing facility won the Toshiba Quality Award for the third time in four years, the highest honor achievable by a Toshiba supplier in the production of large-screen projection television cabinets. The award was created to acknowledge companies that rank the highest in their commitment to quality in the manufacturing of large-screen projection television cabinets.

For the fourth consecutive time, Kimball Electronics Group won an award in the 2000 Service Excellence Awards for Contract Electronics Manufacturers in the category of dependability/timely delivery. This is the only contest for contract electronics manufacturers in which the customers themselves rate suppliers in various service areas. The Service Excellence Awards are an exceptional opportunity for KEG to gain additional input from its customers for continuous improvement.

Kimball Lodging captured the Vendor Excellence Award presented by Starwood Hotels and Resorts Worldwide in recognition for its quality and design. Kimball Lodging was one of only four chosen from more than 120 vendors eligible for this honor.

For the second year in a row, Honeywell-Bendix Commercial Vehicle Systems selected Kimball Electronics Group for their "Supplier of the Year" due to accomplishments in quality, delivery, productivity and group support.

In fiscal 2000, Kimball Electronics Group earned the State of Indiana Quality Improvement Award, given in recognition of outstanding leadership and achievement. Winning this award for the third time demonstrates the dedication of Kimball's employees towards continuous improvement.

Developing and adhering to a formal quality system helps Kimball achieve such recognition. Kimball's quality systems were developed to document all production processes and provide its business units with the ability to exceed their customers' expectations by being able to pinpoint opportunities for quality improvement.

Over the last few years, Kimball has been actively involved in quality systems activities. Eighteen Kimball business units, the latest being Jasper Furniture Company and Springs Valley Manufacturing, have quality systems modeled after and registered to ISO 9000, QS9000, or ISO 25 international standards. Kimball has "raised the bar" to use its quality systems effectively for improving quality, customer satisfaction and profitability.

Kimball was also recognized for the quality of its child developmental center, called Kimball Kids. In June, Kimball Kids and Kimball International were honored with the first-ever Indiana Business-Childcare Award. The awards were established by the Indiana Department of Commerce Community Development Division to honor Indiana companies whose support allows parents to work knowing that their children are cared for and safe. Kimball was one of only 24 companies statewide to receive the award. Kimball is especially proud of this award because its corporate culture has historically understood the importance of family life.

commitment to quality

A key ingredient to the success of Kimball International is the long-term relationships that it has established with its customers, suppliers, employees and Share Owners.





Kimball also earned recognition for its commitment to the safety and wellness of its employees when Springs Valley Manufacturing and Artec Manufacturing earned the Indiana Department of Labor Commission's VPP STAR status, a rare achievement when it comes to plant safety in the United States. Since 1982, approximately 600 employers nationwide have achieved this status. It is awarded by the Federal Government's Occupational Safety and Health Administration's Voluntary Protection Program (VPP).

Kimball International builds success for its customers, employees, communities and Share Owners. Why? Simple. It's all about loyalty.

When it comes to Kimball's progress towards achieving its long-term goals and strategies, staying the same is not an option.

Supporting Kimball's progress are the various strategic initiatives and tools that its business units have access to in order to improve Kimball's quality, reliability, value and speed; the key elements that enable Kimball to build success and achieve profitability.

Of course, none of this is possible without a disciplined, undying focus on managing Kimball's cost structure, of which its global procurement effort is a good example. Several commodity teams have reduced costs involving preferred vendors that supply Kimball with various components and materials needed to make its products. These efforts will help Kimball to reduce its cost structure in fiscal 2001.

Another example of Kimball's progress in fiscal 2000 was the implementation of Demand Flow Technology (DFT) by Harpers Manufacturing, Artec Manufacturing and Kimball Upholstered Products to help Kimball achieve increased efficiencies while improving quality. DFT is a manufacturing, quality and design technology strategy driving change and continuous improvement.

Kimball Electronics Group has embraced "Six Sigma," a demanding management system aimed at reducing manufacturing defects. "Sigma" is a statistical term that relates to quality. Six Sigma is the Kimball Electronics Group goal, which means its products and processes will experience only 3.4 defects per million opportunities. With Six Sigma, Kimball Electronics' fundamental objective is customer satisfaction through continuous improvement in quality.

Information technology has always played an important role in Kimball's progress. Information technology is changing the way Kimball designs, develops and builds its products. It is also changing the way Kimball interacts with its customers.

Kimball's willingness to understand the uses of new technology and its willingness to implement that technology to take advantage of its uses have been critical to Kimball's progress...and will continue to shape its future. One of Kimball's latest information technology investments is its decision to utilize SAP as its global enterprise resource planning (ERP) solution. SAP gives Kimball the foundation from a data perspective for its electronic business planning and is a great example of various business units selecting a single solution for the benefit of the whole Company.

Kimball builds success for its customers, employees, communities and Share Owners. Why? Simple. It's all about loyalty.

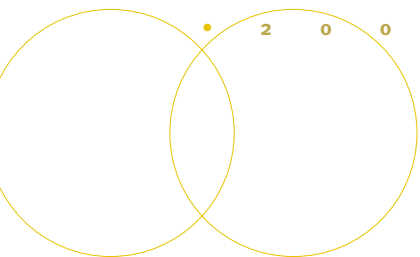
Loyalty to its customers is part of Kimball's heritage. Throughout its history, Kimball has demonstrated its loyalty by establishing long-term relationships with its customers and suppliers. Kimball has relocated manufacturing operations and, in some cases, ventured across the globe to establish new manufacturing facilities in order to be closer to the customer, thus enhancing Kimball's relationship with them.

The dedication of Kimball's employees can be seen in the quality and craftsmanship that is woven into the array of products that it manufactures. Kimball International "Builds Success."

dedication



→ Featured: Variable speed, high efficiency motor control for heating, ventilation and air conditioning (HVAC) applications manufactured by Kimball Electronics Group.



Since the Company was founded 50 years ago, Kimball has demonstrated its loyalty to the many communities it serves and to the employees that reside there. During fiscal 2000, Kimball’s long-standing tradition of community service and corporate citizenship continued.

Kimball’s loyalty to its employees is evident in its “work-friendly” environment, which plays a major role in attracting and retaining valuable people.

Kimball International made a financial grant to help build a new Workforce Development/ Training Center in Batesville, Mississippi. Kimball has operated a metal stamping and assembly facility, Batesville American Manufacturing, in the community since 1969. The new center will provide industrial training for about 100 graduating high school students each year, who might otherwise enter the local workforce without industrial training or skills. The grant is yet another way that Kimball International supports its goal of helping make the communities in which it operates better places to live, one of its key Guiding Principles.

Through participation in the national “Log a Load for Kids” program, Kimball International continued to donate funds to the James Whitcomb Riley Hospital in Indianapolis, Indiana and Camp Riley for Youth With Physical Disabilities in Martinsville, Indiana. “Log a Load for Kids” is a fundraising opportunity for loggers and other forestry industry personnel in conjunction with forestry organizations and associations to raise money for local Children’s Miracle Network Hospitals.

Kimball Office Furniture recently announced their affiliation with the Design With Care program, a cause-related marketing fundraiser for DIFFA (Design Industry Foundation Fighting AIDS). Kimball will donate a portion of the sales of “Definition,” its highly successful and award-winning casegoods product, to DIFFA in the name of design firms nationwide.

Kimball Lodging donated various pieces of furniture, including beds for nurse dormitories to the Princess Margaret Hospital, located in Morant Bay, Jamaica. Kimball International helped provide the financial support and Kimball employees donated their time and skills to construct a Habitat for Humanity home located near Jasper, Indiana late last year.

Loyalty to its employees and their families is another trademark of Kimball. Kimball International continues to support higher education through its scholarship programs. During fiscal 2000, qualified, dependent children of full-time Kimball employees earned college scholarships through the Kimball International Scholarship Program. Kimball’s ongoing Excellence through Education Trust helps Kimball reach a more diverse group of students. Once again in fiscal 2000, Kimball International awarded scholarship money to dozens of students through this trust in support of their efforts to attain a higher education. Since 1963, nearly \$2.4 million in Kimball scholarships have been awarded through these two programs.

Kimball’s loyalty to its employees is also evident in its work-friendly environment, which plays a major role in attracting and retaining valuable people. Kimball strives to be a flexible, family-friendly company. Flexible so that it maintains focus on the “real needs” of its people rather than its policies. Family-friendly so that its policies can accommodate employee needs by balancing work and family issues. Kimball offers various time-off practices – flexible scheduling, flexible vacations – without jeopardizing quick response and quality service to its customers. These innovative employment policies will play an important role in Kimball’s future success as it continues to expand its global reach.

As Kimball International, Inc. celebrates its 50th anniversary, it continues to operate under the same Guiding Principles, Vision and Mission statements that are responsible for the Company’s success and growth. Kimball remains focused on executing its strategies to guarantee its long-term success for the benefit of its customers, employees and Share Owners.

loyalty

The word “Loyalty” takes on a variety of meanings at Kimball International. Whether it involves a customer, supplier, or an employee and their family, Kimball International has always maintained a deep sense of loyalty to all who contributed to its success.

to the customer,
the employee and
the Share Owner



maintaining our focus | expanding our reach

---Featured: “Mission Viejo,” featuring clean, pure, classic lines
manufactured by Kimball Home Furniture

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

Net sales of \$1,200,945,000 reached record levels in fiscal year 2000, topping the prior year by 8%. Net income and Class B diluted earnings per share were \$48,462,000 and \$1.21, respectively, a decrease of 13% and 12%, respectively, from fiscal year 1999, excluding non-operating gains recorded in fiscal year 1999. Fiscal year 1999 non-operating items include a \$1,337,000 after tax gain (\$0.03 per diluted share) on the sale of a stock investment of which the Company held a minor interest and a \$2,674,000 after tax gain (\$0.06 per diluted share) on the disposition of two non-core operating facilities within the Furniture and Cabinets Segment. Including fiscal year 1999 non-operating gains, net income decreased 19% and Class B diluted earnings per share decreased 18% in fiscal year 2000 when compared to the year earlier.

Results of Operations

2000 Discussion

Net sales for fiscal year 2000 surpassed 1999 net sales on increases by both of the Company's segments — the Furniture and Cabinets Segment and the Electronic Contract Assemblies Segment. Net income for fiscal year 2000 declined from fiscal year 1999 in both segments.

Furniture and Cabinets

Product line offerings included in the Furniture and Cabinets Segment are office furniture, home furniture, lodging and healthcare furniture, store fixtures, original equipment manufacturer (OEM) furniture and cabinets and furniture components. The Company's production flexibility allows

it to utilize portions of the available production capacity created by lower volumes within these product lines to support and balance increased production schedules of other product lines within this segment.

In fiscal year 2000, the Company purchased Jackson of Danville, a privately held manufacturer of custom and in-line fully upholstered seating products and wood framed chairs. The acquisition was accounted for as a purchase with operating results included in the Company's consolidated results from the date of acquisition, and was financed with available cash on hand and the Company's Class B Common Stock. The acquisition price and operating results of this acquisition were not material to the Company's fiscal year 2000 consolidated operating results.

The Furniture and Cabinets Segment set a new annual net sales record in fiscal year 2000 with an increase of 8% from the prior year. Sales increased over fiscal year 1999 for all product lines, except lodging and healthcare, within this segment.

Increased volumes in the office furniture product line resulted in record sales in fiscal year 2000. Sales of casegoods, systems, and seating products within the office furniture line all increased over fiscal year 1999. Office furniture sales growth, excluding prior year acquisitions, outpaced the 5% growth in shipments reported by the Business and Institutional Furniture Manufacturer's Association (BIFMA) for the Company's fiscal year ending June 2000.

Net sales of the lodging and healthcare product line decreased in fiscal year 2000 from the previous year. Sales of both the Company's custom-made products and standard product offerings declined in fiscal year 2000 when compared to fiscal year 1999. Product mix continued to shift toward lower margin custom-made products in fiscal year 2000. Lodging and healthcare sales are expected to improve beginning with the first quarter of fiscal year 2001 as evidenced by an increase in open orders as of June 30, 2000 compared with open orders at June 30, 1999. The preceding statement is a forward-looking statement under the Private Securities Litigation Reform Act of 1995 and is subject to certain risks and uncertainties including, but not limited to customer order changes, a downturn in the lodging and healthcare markets, loss of key customers, availability of raw materials, or a natural disaster or similar unforeseen event.

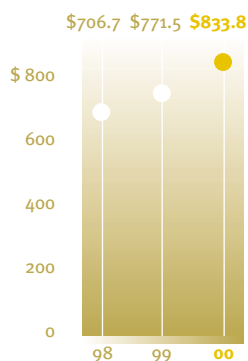
Fiscal year 2000 outside net sales of OEM furniture and cabinets, excluding the acquisition of Jackson of Danville, experienced double-digit growth when compared to 1999. Increased volume of OEM large-screen projection television cabinets, including those produced at the Company's Juarez, Mexico facility, was the largest single contributor to the sales growth.

Outside net sales of furniture components increased in fiscal year 2000 primarily as a result of increased sales of lumber products.

Net income in the Furniture and Cabinets Segment decreased in fiscal year 2000 from fiscal year 1999 despite increased sales. Fiscal year 1999 net income includes an after tax gain of \$2.7 million from the sale of two non-core operating facilities. Gross profit, as a percent of sales, declined from 1999 primarily due to an increase in material costs, as a percent of sales. Lower sales margins on the furniture components and lodging and healthcare product lines contributed to the decline in gross profit in fiscal year 2000 when compared to fiscal year 1999. Also contributing to the reduced gross profitability in fiscal year 2000 were start up costs and inefficiencies early in fiscal year 2000 related to the Company's Juarez, Mexico facility that was acquired in

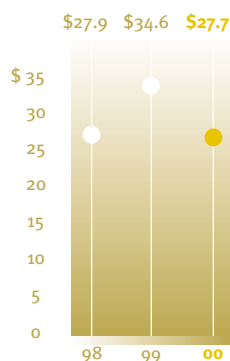
Furniture and Cabinets Segment Net Sales

In Millions of Dollars



Furniture and Cabinets Segment Net Income

In Millions of Dollars



Kimball International, Inc. and Subsidiaries

fiscal year 1999. The Company, however, has seen continued improvement in gross profitability in each quarter of fiscal year 2000 from the Juarez facility and is expecting continued improvement in gross profitability from this facility in fiscal year 2001. The preceding statement concerning the Company's Juarez, Mexico facility is a forward looking statement under the Private Securities Litigation Reform Act of 1995 and is subject to certain risks and uncertainties including, but not limited to, material price changes, unexpected manufacturing inefficiencies, a downturn in the economy or similar unforeseen event. Selling, general and administrative expenses increased in dollars in fiscal year 2000 but decreased as a percent of sales partially resulting from efforts to manage costs. Incentive compensation costs, which are linked to company profitability, decreased in both dollars and as a percent of sales also contributing to the lower selling, general and administrative costs, as a percent of sales.

Electronic Contract Assemblies

Net sales for fiscal year 2000 surpassed the prior year by 9% in the Electronic Contract Assemblies Segment. Sales of electronic transportation products and medical components increased while sales of computer related products declined when compared to the prior year.

In fiscal year 2000, the Company embarked on a number of strategic expansion opportunities in the Electronic Contract Assemblies Segment. In April 2000, the Company announced the opening of a new manufacturing facility

in the export zone of Laem Chabang, Thailand. This fully automated facility will serve the global requirements of its customers and includes future expansion possibilities. In May 2000, the Company announced the opening of a new high-flexibility manufacturing facility located in Jasper, Indiana that will allow the manufacture of high mix/low volume assemblies as well as test capabilities to meet the needs of its customers. The Company also broke ground for a new microelectronics facility located in Valencia, California during June 2000. The new Valencia facility will replace a current facility located in Burbank, California and will increase capacity and expand manufacturing capabilities.

Net income in fiscal year 2000 decreased from the prior year despite higher sales. Gross profits were lower in fiscal year 2000, compared to historic margins that were achieved on more mature product lines, resulting from a planned diversification of its customer base into a variety of new products as well as production of the next generation of anti-lock braking components. Start up costs associated with the new manufacturing facilities in Jasper, Indiana and Laem Chabang, Thailand also contributed to the lower gross profitability in fiscal year 2000. Selling, general and administrative expenses increased in dollars but decreased as a percent of sales in fiscal year 2000 driven by lower incentive compensation which is linked to company profitability.

Included in this segment are sales to

one customer, TRW, Inc. which accounted for 17% and 16% of consolidated net sales in fiscal year 2000 and 1999, respectively. Sales to this customer represent approximately one half of total sales in the Electronic Contract Assemblies Segment.

This segment's investment capital carries a higher degree of risk than the Company's other segment due to rapid technological changes, component availability, the contract nature of this industry and the importance of sales to one customer.

Consolidated Operations

Consolidated selling, general and administrative expenses decreased, as a percent of sales, 1.1 percentage points in fiscal year 2000 when compared to fiscal year 1999. This reduction in selling, general, and administrative costs, as a percent of sales, is primarily due to lower incentive compensation costs which are linked to company profitability as well as lower selling expenses and lower administrative employee compensation costs, as a percent of sales.

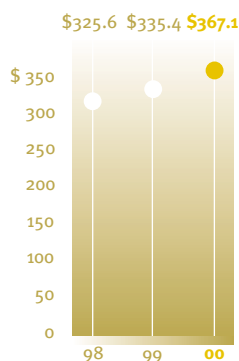
Other income decreased from the prior year on lower interest income caused by lower average investment balances. In addition, fiscal year 1999 results include a \$1,337,000 after tax gain (\$0.03 per diluted share) on the sale of a stock investment of which the Company held a minor interest and a \$2,674,000 after tax gain (\$0.06 per diluted share) on the disposition of two non-core facilities.

The effective income tax rate decreased 0.4 percentage point in fiscal year 2000 when compared to fiscal year 1999. Decreases in both state and federal effective tax rates contributed to the lower overall effective income tax rate.

Fiscal year 2000 net income and Class B diluted earnings per share of \$48,462,000 and \$1.21, respectively, decreased 13% and 12%, respectively, from fiscal year 1999 net income of \$55,714,000 and Class B diluted earnings per share of \$1.38, excluding fiscal year 1999 non-operating gains. Including fiscal year 1999 non-operating gains, net income and Class B diluted

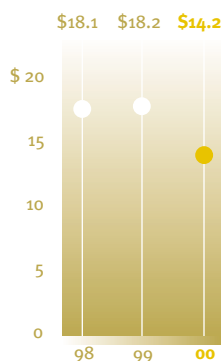
Electronic Contract Assemblies Segment Net Sales

In Millions of Dollars



Electronic Contract Assemblies Segment Net Income

In Millions of Dollars



earnings per share declined 19% and 18%, respectively, from prior year levels of \$59,725,000 and \$1.47, respectively.

1999 Discussion

Net sales for the 1999 fiscal year surpassed 1998 levels on increases by both of the Company's segments — the Furniture and Cabinets Segment and the Electronic Contract Assemblies Segment. Net income for fiscal year 1999 also increased over the prior year in both segments.

Furniture and Cabinets

In fiscal year 1999, the Company completed a number of acquisitions included within the Furniture and Cabinets Segment. In September 1998, the Company acquired the assets and assumed certain liabilities of Transwall, Inc., a privately held manufacturer of stackable panel office furniture systems and floor-to-ceiling products, which increased its already extensive office furniture product offering. In January 1999, the Company purchased the assets and assumed certain liabilities of Southeast Millwork, a privately held manufacturer of store display fixtures. This acquisition provided an entry point for the Company to pursue the store fixtures markets. These two acquisitions were accounted for as purchases with results of operations included in the Company's consolidated results from the date of purchase. In April 1999, the Company purchased a manufacturing facility located in Juarez, Mexico. The results of these acquisitions were not material to fiscal year 1999 consolidated operating results.

The Company also completed the sale of two of its non-core facilities in fiscal year 1999. In May 1999, the Company sold Kimball Furniture Reproductions, a furniture manufacturing facility located in Montgomery, Alabama. In June 1999, the Company sold ToolPro, a carbide cutting tools production operation located in Jasper, Indiana. Proceeds from the divestitures will be used to help fund future acquisitions and general corporate purposes to support the Company's growth strategy. An after tax gain of \$2,674,000 was recorded on these two dispositions.

Fiscal year 1999 net sales increased 9% in the Furniture and Cabinets Segment, including acquisitions, when compared to the prior year. Sales increased for all product lines within this segment.

Increased volumes in the office furniture product line resulted in record sales in fiscal year 1999. Casegoods and systems products within the office furniture line both increased over fiscal year 1998, while sales of seating products declined slightly. Excluding acquisitions, office furniture sales growth outpaced the 2% growth in shipments reported by the Business and Institutional Furniture Manufacturer's Association (BIFMA) for the twelve-month period ending May 1999.

The lodging and healthcare product line experienced increased net sales in fiscal year 1999 over the prior year. Increased sales of the Company's custom-made products more than offset sales declines of standard product offerings. The latter part of the fiscal year showed a general slowing in orders from the lodging industry.

Fiscal year 1999 outside net sales of OEM furniture and cabinets experienced double-digit growth when compared to 1998. Increased volume of OEM large-screen projection television cabinets was the major contributor to the sales growth. Fiscal year 1998 sales of these cabinets were lower due to the relocation of a large customer and its longer than anticipated start up time.

Outside net sales of furniture components increased in fiscal year 1999 primarily as a result of volume increases in furniture component parts, mainly kitchen cabinet doors.

Net income in the Furniture and Cabinets Segment increased in 1999 when compared to 1998. Gross profit, as a percent of sales, decreased from 1998 primarily due to deeper discounting and increased material costs, as a percent of sales. Selling, general and administrative expenses increased in dollars in 1999 but decreased as a percent of sales as focused cost reductions resulted in lower freight, sales incentives and people costs, as a percent of sales.

Electronic Contract Assemblies

Net sales for fiscal year 1999 in the Electronic Contract Assemblies Segment exceeded the prior year by 3%. Sales of electronic transportation products increased while sales of computer related products declined when

compared to the prior year. The Company continued to expand its product line offering in the Electronic Contract Assemblies Segment including components for consumer electronics, appliances, and industrial controls.

Net income in fiscal year 1999 increased slightly over the prior year, primarily due to higher sales volumes. Gross profit, as a percent of net sales, remained relatively consistent in 1999 when compared to 1998. Selling, general and administrative costs increased in dollars but decreased slightly, as a percent of sales, in fiscal year 1999. Net income was also affected by a higher effective state income tax rate.

Included in this segment are sales to one customer, TRW, Inc. which accounted for 16% of consolidated net sales in both fiscal year 1999 and 1998. Sales to this customer represented approximately one half of total sales in the Electronic Contract Assemblies Segment.

This segment's investment capital carries a higher degree of risk than the Company's other segment due to rapid technological changes, component availability, the contract nature of this industry and the importance of sales to one customer.

Consolidated Operations

Consolidated selling, general and administrative expenses decreased, as a percent of sales, 0.2 percentage point in fiscal year 1999 when compared to 1998. The Company focused on reducing costs and continued to review activities and processes to assess where costs could further be reduced in fiscal year 1999 while providing quality products and services to the marketplace.

Other income decreased from the prior year on lower interest income caused by lower average investment balances and a shift in the Company's investment portfolio to a mix more heavily weighted toward tax-free municipal bonds with lower pre-tax interest rates. Partially offsetting the decline in interest income was an increase in miscellaneous income. In fiscal year 1999 the Company recorded a \$1,337,000 after tax gain (\$0.03 per diluted share) on the sale of a stock investment of which the Company held a minor interest and a \$2,674,000 after tax gain (\$0.06

Kimball International, Inc. and Subsidiaries

per diluted share) on the disposition of two non-core facilities. Fiscal year 1998 results include a \$1,008,000 after tax gain (\$0.02 per diluted share) on the sale of real estate and a \$616,000 after tax gain (\$0.01 per diluted share) on the sale of a stock investment of which the Company held a minor interest.

The effective income tax rate decreased 1.8 percentage points in fiscal year 1999 in comparison to 1998. An increase in state tax rates was more than offset by a decrease in the federal effective tax rate as the Company utilized available capital loss carryforwards to offset capital gains.

Net income and Class B diluted earnings per share of \$59,725,000 and \$1.47, respectively, in fiscal year 1999 increased 9% from the prior year levels of \$55,027,000 and \$1.32, respectively.

Liquidity and Capital Resources

The Company's aggregate of cash, cash equivalents, and short-term investments decreased from \$132 million at the end of fiscal year 1999 to \$85 million at the end of fiscal year 2000 due primarily to cash outlays for strategic capital investments and repurchases of the Company's Class B Common Stock. Working capital at June 30, 2000 was \$190 million with a current ratio of 1.9, compared to working capital of \$218 million and a current ratio of 2.3 at June 30, 1999.

Operating activities generated \$41 million of cash flow in fiscal year 2000 compared to \$98 million in fiscal year 1999. Net income and non-cash charges to net income were partially offset by increases in receivables of \$46 million and inventories of \$17 million. The Company reinvested \$71 million into capital investments for the future, including new manufacturing facilities in Chandler, Indiana and Laem Chabang Thailand, computer equipment, production equipment, and office facilities. Financing cash flow activities were primarily in the form of \$26 million in dividend payments and \$24 million of Class B Common Stock repurchases. Net cash flow, excluding the purchases and maturities of short-term investments was an outflow of \$47 million.

At June 30, 2000, the Company had \$35 million of short-term borrowings

outstanding under its \$100 million revolving credit facility that allows for both issuance of letters of credit and cash borrowings. The Company did not have any debt outstanding under this credit facility at June 30, 1999. The credit facility requires the Company to comply with certain debt covenants including debt-to-total capitalization, interest coverage ratio, minimum net worth, and other terms and conditions. The Company is in compliance with these covenants at June 30, 2000 and does not expect these covenants to limit or restrict the Company's ability to borrow from the credit facility in fiscal year 2001. The preceding statement is a forward-looking statement under the Private Securities Litigation Reform Act of 1995 and is subject to certain risks and uncertainties including, but not limited to a downturn in the economy, loss of key customers or suppliers, availability or increased costs of raw materials, or a natural disaster or similar unforeseen event.

The Company anticipates maintaining a strong liquidity position for the 2001 fiscal year and believes its available funds on hand, unused credit line available under the revolving credit facility and cash generated from operations will be sufficient for working capital needs and for funding investments in the Company's future. This statement is a forward-looking statement under the Private Securities Litigation Reform Act of 1995 and is subject to certain risks and uncertainties including, but not limited to a downturn in the economy, loss of key customers or suppliers, availability or increased costs of raw materials, or a natural disaster or similar unforeseen event.

Year 2000 Disclosure

The Company implemented a plan to alleviate any potential problems which may have been caused by the Year 2000 which included inventory assessment, remediation and testing. The Company has not experienced any major interruptions or malfunctions in its operations related to the Year 2000 issue but will continue to monitor throughout the remainder of the calendar year. In addition, the Company has currently not experienced any interruptions caused by a lack of Year 2000 readiness by any of its key suppliers, distributors, customers, public infrastructure suppliers and other vendors.

The total gross cost of Year 2000 compliance approximated \$8.1 million which favorably compares to estimated costs disclosed in the Company's Form 10-K filing for its fiscal year ended June 30, 1999 of \$9 million to \$11 million. Existing information technology resources were redeployed, which accounted for approximately 50% of the total gross costs above. Approximately 30% of the above total gross costs relate to machinery and other fixed assets which were capitalized or in certain situations leased, with the remaining costs being expensed as incurred.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which requires the recognition of all derivatives as either assets or liabilities in the balance sheet and the measurement of those instruments at fair value. The Company did not have any derivative instruments at June 30, 2000, however the Company periodically engages in limited forward purchases of foreign currency and does not expect this new standard to have a material effect on the Company's financial condition or results of operations. This standard will be effective for the Company's fiscal year 2001.

In July 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF Issue 00-10 requires that all amounts billed to a customer in a sale transaction for shipping and handling be classified as revenue. The EITF did not reach a consensus with respect to the classification of costs related to shipping and handling. The Company currently classifies most all shipping and handling revenues and costs, on a net basis, in selling and administrative expense. Accordingly, the Company has determined that EITF Issue 00-10 will require reclassification of shipping and handling revenues and costs, but does not believe EITF Issue 00-10 will impact its financial position or net income. The effective date of this standard is the fourth quarter of the Company's fiscal year 2001.

Report of Management

To the Share Owners of Kimball International, Inc.

The management of Kimball International, Inc. is responsible for the preparation and integrity of the accompanying financial statements and other related information in this report. The consolidated financial statements of the Company and its subsidiaries, including the footnotes, were prepared in accordance with generally accepted accounting principles in the United States and include judgements and estimates, which in the opinion of management are applied on a conservative basis.

The Company maintains a system of internal controls intended to provide reasonable assurance that assets are safeguarded from loss or material misuse, transactions are authorized and recorded properly, and that the accounting records may be relied upon for the preparation of the financial statements. This system is tested and evaluated regularly for adherence and effectiveness by the Company's staff of internal auditors, as well as the independent public accountants in connection with their annual audit.

The Audit Committee of the Board of Directors, which is comprised of directors who are not employees of the Company, meets regularly with management, the internal auditors and the independent public accountants to review the work performed and to ensure that each is properly discharging its responsibilities. The internal auditors and the independent public accountants have free and direct access to the Audit Committee, and they meet periodically, without management present, to discuss appropriate matters.



Douglas A. Habig
Chairman of the Board,
Chief Executive Officer



James C. Thyen
President



Robert F. Schneider
Executive Vice President,
Chief Financial Officer,
Assistant Treasurer

Report of Independent Public Accountants

To the Board of Directors and Share Owners of Kimball International, Inc.

We have audited the accompanying consolidated balance sheets of Kimball International, Inc. (an Indiana corporation) and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of income, cash flows and share owners' equity for each of the three years in the period ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kimball International, Inc. and subsidiaries as of June 30, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.



Arthur Andersen LLP

Chicago, Illinois
August 2, 2000

Consolidated Balance Sheets

Kimball International, Inc. and Subsidiaries

	June 30	
<i>(Amounts in Thousands, Except for Share Data)</i>	2000	1999
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,223	\$ 16,775
Short-term investments	79,366	114,996
Receivables, less allowances of \$4,713 and \$3,816, respectively	180,929	132,284
Inventories	117,058	96,157
Other	30,944	26,129
Total current assets	413,520	386,341
Property and Equipment, net	248,210	221,498
Other Assets	61,921	53,547
Total Assets	\$723,651	\$661,386
Liabilities and Share Owners' Equity		
Current Liabilities:		
Loans payable	\$ 37,400	\$ 3,518
Current maturities of long-term debt	1,021	1,185
Accounts payable	102,835	77,976
Dividends payable	6,205	6,380
Accrued expenses	75,934	79,505
Total current liabilities	223,395	168,564
Other Liabilities:		
Long-term debt, less current maturities	2,599	1,730
Deferred income taxes and other	29,130	26,815
Total other liabilities	31,729	28,545
Share Owners' Equity:		
Common stock-par value \$.05 per share:		
Class A- Shares authorized-49,909,000 (49,945,000 in 1999)		
Shares issued-14,451,000 (14,486,000 in 1999)	722	724
Class B- Shares authorized-100,000,000		
Shares issued-28,574,000 (28,538,000 in 1999)	1,429	1,427
Additional paid-in capital	8,056	6,379
Retained earnings	522,041	498,962
Accumulated other comprehensive income	326	1,312
Less: Treasury stock-at cost:		
Class A- 172,000 shares (156,000 in 1999)	(3,144)	(2,877)
Class B- 3,621,000 shares (2,542,000 in 1999)	(60,903)	(41,650)
Total Share Owners' Equity	468,527	464,277
Total Liabilities and Share Owners' Equity	\$723,651	\$661,386

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

<i>(Amounts in Thousands, Except for Per Share Data)</i>	Year Ended June 30		
	2000	1999	1998
Net Sales	\$1,200,945	\$1,106,967	\$1,032,317
Cost of Sales	873,954	778,551	723,378
Gross Profit	326,991	328,416	308,939
Selling, General and Administrative Expenses	259,864	250,839	236,463
Operating Income	67,127	77,577	72,476
Other Income (Expense):			
Interest expense	(536)	(476)	(424)
Interest income	4,709	6,554	9,458
Other, net	3,102	8,719	5,917
Other income, net	7,275	14,797	14,951
Income Before Taxes on Income	74,402	92,374	87,427
Taxes on Income	25,940	32,649	32,400
Net Income	\$ 48,462	\$ 59,725	\$ 55,027
Earnings Per Share of Common Stock			
Basic:			
Class A	\$1.19	\$1.46	\$1.32
Class B	\$1.21	\$1.48	\$1.33
Diluted:			
Class A	\$1.19	\$1.45	\$1.31
Class B	\$1.21	\$1.47	\$1.32
Average Number of Shares Outstanding			
Basic:			
Class A	14,299	14,338	14,413
Class B	25,935	26,286	27,004
Totals	40,234	40,624	41,417
Diluted:			
Class A	14,299	14,338	14,413
Class B	26,050	26,501	27,401
Totals	40,349	40,839	41,814

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Kimball International, Inc. and Subsidiaries

<i>(Amounts in Thousands)</i>	Year Ended June 30		
	2000	1999	1998
Cash Flows From Operating Activities:			
Net income	\$ 48,462	\$ 59,725	\$ 55,027
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	43,801	39,710	33,806
Gain on sales of assets	(1,059)	(3,917)	(1,986)
Deferred income tax and other deferred charges	(595)	1,964	880
Change in current assets and liabilities:			
Receivables	(45,843)	(13,114)	(9,028)
Inventories	(16,800)	(4,816)	(15,174)
Other current assets	(2,510)	(2,529)	(1,413)
Accounts payable	23,374	17,069	7,844
Accrued expenses	(7,434)	3,936	6,248
Net cash provided by operating activities	41,396	98,028	76,204
Cash Flows From Investing Activities:			
Capital expenditures	(61,124)	(76,568)	(41,313)
Proceeds from sales of assets	2,689	820	1,177
Proceeds from sales of divisions/subsidiaries	—	7,156	3,150
Increase in other assets	(10,330)	(25,973)	(7,359)
Purchases of held-to-maturity securities	—	(400)	(21,415)
Maturities of held-to-maturity securities	400	5,425	46,932
Purchases of available-for-sale securities	(112,101)	(23,191)	(97,120)
Sales and maturities of available-for-sale securities	146,772	57,080	67,517
Net cash used for investing activities	(33,694)	(55,651)	(48,431)
Cash Flows From Financing Activities:			
Net change in short-term borrowings	31,298	(800)	1,846
Net change in long-term debt	(1,103)	625	(494)
Acquisition of treasury stock	(24,427)	(17,184)	(8,323)
Dividends paid to share owners	(25,558)	(25,784)	(24,280)
Proceeds from exercise of stock options	801	986	1,495
Other-net	(284)	(176)	(63)
Net cash used for financing activities	(19,273)	(42,333)	(29,819)
Effect of exchange rate changes on cash and cash equivalents	19	(26)	(15)
Net (Decrease) Increase in Cash and Cash Equivalents	(11,552)	18	(2,061)
Cash and Cash Equivalents at Beginning of Year	16,775	16,757	18,818
Cash and Cash Equivalents at End of Year	\$ 5,223	\$ 16,775	\$ 16,757
Total Cash, Cash Equivalents and Short-Term Investments:			
Cash and cash equivalents	\$ 5,223	\$ 16,775	\$ 16,757
Short-term investments	79,366	114,996	156,010
Totals	\$ 84,589	\$ 131,771	\$ 172,767

See Notes to Consolidated Financial Statements

Consolidated Statements of Share Owners' Equity

	Three Years Ended June 30, 2000						Total Share Owners' Equity
	Common Stock Class A	Common Stock Class B	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	
<i>(Amounts in Thousands, Except for Share Data)</i>							
Amounts at June 30, 1997	\$2,273	\$4,450	\$1,607	\$434,665	\$1,648	(\$21,817)	\$422,826
Comprehensive income:							
Net income				55,027			55,027
Net change in unrealized gains and losses on securities					2,247		2,247
Foreign currency translation adjustment					(186)		(186)
Comprehensive income							57,088
Treasury stock activity (378,000 shares)			74			(8,213)	(8,139)
Shares of Class A Common Stock converted to Class B Common Stock (36,000 shares)	(3)	3	81			(81)	—
Exercise of stock options (117,000 shares)			(312)			1,972	1,660
Cash dividends:							
Class A (\$.58875 per share)				(8,483)			(8,483)
Class B (\$.605 per share)				(16,329)			(16,329)
Change par value from \$.3125 pre stock split to \$.05 post stock split	(1,545)	(3,027)	4,572				—
Amounts at June 30, 1998	\$ 725	\$1,426	\$6,022	\$464,880	\$3,709	(\$28,139)	\$448,623
Comprehensive income:							
Net income				59,725			59,725
Net change in unrealized gains and losses on securities					(2,100)		(2,100)
Foreign currency translation adjustment					(297)		(297)
Comprehensive income							57,328
Treasury stock activity (973,000 shares)			77			(17,094)	(17,017)
Shares of Class A Common Stock converted to Class B Common Stock (22,000 shares)	(1)	1	311			(311)	—
Exercise of stock options (88,000 shares)			(31)			1,017	986
Cash dividends:							
Class A (\$.62 per share)				(8,891)			(8,891)
Class B (\$.64 per share)				(16,752)			(16,752)
Amounts at June 30, 1999	\$ 724	\$1,427	\$6,379	\$498,962	\$1,312	(\$44,527)	\$464,277
Comprehensive income:							
Net income				48,462			48,462
Net change in unrealized gains and losses on securities					(560)		(560)
Foreign currency translation adjustment					(426)		(426)
Comprehensive income							47,476
Treasury stock activity (1,182,000 shares)			1,413			(20,294)	(18,881)
Shares of Class A Common Stock converted to Class B Common Stock (35,000 shares)	(2)	2	27			(27)	—
Exercise of stock options (87,000 shares)			237			801	1,038
Cash dividends:							
Class A (\$.62 per share)				(8,863)			(8,863)
Class B (\$.64 per share)				(16,520)			(16,520)
Amounts at June 30, 2000	\$ 722	\$1,429	\$8,056	\$522,041	\$ 326	(\$64,047)	\$468,527

See Notes to Consolidated Financial Statements.

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of all domestic and foreign subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidation.

Revenue Recognition: Revenue from product sales is recognized when title passes to the customer which is generally when goods are shipped.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts included in the consolidated financial statements and related footnote disclosures. While efforts are made to assure estimates used are reasonably accurate based on management's knowledge of current events, actual results could differ from those estimates.

Cash, Cash Equivalents and Short-Term Investments: Cash equivalents consist primarily of highly liquid investments with original maturities of three months or less at the time of acquisition. Cash equivalents are stated at cost, which approximates market value. Short-term investments are cash investments, primarily municipal bonds and U.S. Government securities with maturities exceeding three months at the time of acquisition. Held-to-maturity securities are stated at amortized cost. Available-for-sale securities are stated at market value, with unrealized gains and losses excluded from net income and recorded net of related tax effect, if any, in Accumulated Other Comprehensive Income, as a component of Share Owners' Equity.

Foreign Currency Translation: Assets and liabilities of foreign subsidiaries (except for Mexico and Thailand operations, whose functional currency is the U.S. dollar) are translated into U.S. dollars at fiscal year-end exchange rates, income statement accounts are translated at the weighted average exchange rate during the year, and the resulting currency translation adjustments are recorded in Accumulated Other Comprehensive Income, as a component of Share Owners' Equity. Financial statements of Mexico and Thailand operations are translated into U.S. dollars using both current and historical exchange rates, with translation gains and losses included in net income.

Inventories: Inventories are stated at the lower of cost or market value. Cost includes material, labor and applicable manufacturing overhead and is determined using the last-in, first-out (LIFO) method for approximately 45% and 51% of consolidated inventories in 2000 and 1999, respectively. Cost of the remaining inventories is determined using the first-in, first-out (FIFO) method.

Property, Equipment and Depreciation: Property and equipment are stated at cost. Depreciation is provided over the estimated useful life of the assets using the straight-line method for financial reporting purposes. Maintenance, repairs and minor renewals and betterments are expensed; major improvements are capitalized.

Research and Development: The costs of research and development are expensed as incurred. These costs were approximately, in millions, \$13.5 in 2000, \$11.6 in 1999, and \$13.1 in 1998.

Medical Care and Disability Benefit Plans: The Company is self-insured with respect to certain medical care and disability benefit plans for approximately 75% of covered domestic employees. The Company carries stop-loss insurance coverage to mitigate severe losses under these plans. The balance of domestic employees are covered under fully insured HMO plans. The costs for such plans are charged against earnings in the year in which the incident occurred. The Company does not provide benefits under these plans to retired employees. Employees of foreign subsidiaries are covered by local benefit plans, the cost of which is not significant to the consolidated financial statements.

Income Taxes: Unremitted earnings of foreign subsidiaries have been included in the consolidated financial statements without giving effect to the United States taxes that may be payable on distribution to the United States because it is not anticipated such earnings will be remitted to the United States. If remitted, the additional United States taxes paid would not be material.

Off-Balance Sheet Risk and Concentration of Credit Risk: The Company engages in financing arrangements with customers on a limited basis and has business and credit risks concentrated in the transportation, computer, telecommunications, consumer electronics and furniture industries. One customer, TRW, Inc., represented a significant portion of consolidated accounts receivable at June 30, 2000. The Company currently does not foresee a credit risk associated with these receivables.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation.

Stock-Based Compensation: The Company continues to account for its employee stock option plans using Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, which results in no charge to earnings when options are issued at fair market value. The Company has adopted the disclosure requirements of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation.

New Accounting Standards: In 1998, the Financial Accounting Standards Board issued Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, which requires the recognition of all derivatives as either assets or liabilities in the balance sheet and the measurement of those instruments at fair value. The Company currently engages in limited derivative activity and currently does not expect this new standard to have a material effect on the Company's financial condition or results of operations. This standard will be effective for the Company's fiscal year 2001.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

New Accounting Standards (continued): In July 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue 00-10 “Accounting for Shipping and Handling Fees and Costs.” EITF Issue 00-10 requires that all amounts billed to a customer in a sale transaction for shipping and handling be classified as revenue. The EITF did not reach a consensus with respect to the classification of costs related to shipping and handling. The Company currently classifies most all shipping and handling revenues and costs, on a net basis, in selling and administrative expense. Accordingly, the Company has determined that EITF Issue 00-10 will require reclassification of shipping and handling revenues and costs, but does not believe EITF Issue 00-10 will impact its financial position or net income. The effective date of this standard is the fourth quarter of the Company's fiscal year 2001.

Note 2 Acquisitions and Dispositions

Acquisitions of Subsidiaries:

In the second quarter of fiscal year 2000, the Company purchased Jackson of Danville, a privately held manufacturer of custom and in-line fully upholstered seating products and wood framed chairs. The acquisition was accounted for as a purchase with operating results included in the Company's Consolidated Statements of Income from the date of acquisition, and was financed with available cash on hand and the Company's Class B Common Stock. The acquisition price and operating results of this acquisition were not material to the Company's fiscal year 2000 consolidated financial position and operating results.

During fiscal year 1999, the Company completed a number of acquisitions related to its core competencies aimed at penetrating new markets and expanding existing markets. In the first quarter, the Company acquired the assets and assumed certain liabilities of Transwall, Inc., a privately held manufacturer of stackable panel office furniture systems and floor-to-ceiling products. In the third quarter, the Company acquired the assets and assumed certain liabilities of Southeast Millwork, a privately held manufacturer of store display fixtures. These acquisitions were accounted for as purchases with operating results included in the Company's Consolidated Statements of Income from the date of acquisition. The results of these acquisitions were not material to fiscal year 1999 consolidated financial position and operating results.

In the fourth quarter of fiscal year 1999, the Company purchased a manufacturing facility located in Juarez, Mexico. The Juarez facility produces projection television cabinets and will provide additional capacity for other manufacturing operations in the future.

Dispositions of Subsidiaries:

The Company sold Kimball Furniture Reproductions, a furniture manufacturing facility located in Montgomery, Alabama, and ToolPro, a carbide cutting tools production operation located in Jasper, Indiana in the fourth quarter of fiscal year 1999. The sale of these subsidiaries generated a \$2.7 million after-tax gain which is included in 1999 consolidated financial position and operating results.

Note 3 Inventories

Inventories are valued using the lower of last-in, first-out (LIFO) cost or market value for approximately 45% and 51% of consolidated inventories in 2000 and 1999, respectively, including approximately 80% and 85% of the Furniture and Cabinet Segment inventories in 2000 and 1999, respectively. The cost of Electronic Contract Assemblies Segment inventories and the remaining inventories in the Furniture and Cabinet Segment are valued using the lower of first-in, first-out (FIFO) cost or market value.

Had the FIFO method been used for all inventories, net income would have been \$1.5 million higher in 2000, \$0.2 million lower in 1999, and \$0.6 million higher in 1998. Additionally, inventories would have been, in millions, \$22.7 and \$20.0 higher at June 30, 2000 and 1999, respectively, if the FIFO method had been used. During 2000 and 1999, certain inventory quantity reductions caused a liquidation of LIFO inventory values, which were immaterial.

Inventory components at June 30 are as follows:

<i>(Amounts in Thousands)</i>	2000	1999
Finished products	\$ 31,251	\$ 33,262
Work-in-process	18,149	14,471
Raw materials	67,658	48,424
Total inventory	\$117,058	\$ 96,157

Note 4 Property and Equipment

Major classes of property and equipment consist of the following:

<i>(Amounts in Thousands)</i>	2000	1999
Land	\$ 7,326	\$ 6,931
Buildings and improvements	182,587	171,504
Machinery and equipment	335,396	291,432
Construction-in-progress	15,399	16,772
Total	540,708	486,639
Less: Accumulated depreciation	(292,498)	(265,141)
Property and equipment, net	\$ 248,210	\$221,498

Kimball International, Inc. and Subsidiaries

The useful lives used in computing depreciation are based on the Company’s estimate of the service life of the classes of property, as follows:

	Years
Buildings and improvements	12 to 50
Machinery and equipment	2 to 20
Leasehold improvements	Life of Lease

Depreciation and amortization of property and equipment totaled, in millions, \$37.5 for 2000, \$33.4 for 1999, and \$29.9 for 1998.

Note 5 Lease Commitments

Operating leases for certain office, showroom, warehouse and manufacturing facilities, land and equipment, which expire from fiscal year 2000 to 2030, contain provisions under which minimum annual lease payments are, in millions, \$5.1, \$4.6, \$3.9, \$3.0, and \$1.5 for the five years ended June 30, 2005, respectively, and aggregate \$1.8 million from 2005 to the expiration of the leases in 2030. The Company is obligated under certain real estate leases to maintain the properties and pay real estate taxes.

Total rental expenses amounted to, in millions, \$7.4, \$7.1, and \$6.7 in 2000, 1999 and 1998, respectively.

Note 6 Long-Term Debt and Credit Facility

Long-term debt is principally obligations under long-term capitalized leases. Aggregate maturities of long-term debt for the next five years are, in thousands, \$1,021, \$850, \$450, \$907, and \$37, respectively, and aggregate \$355 thereafter. Interest rates range from 0% to 9.74%. Interest paid was immaterial in the three years ending June 30, 2000. Based upon borrowing rates currently available to the Company, the fair value of the Company’s debt approximates the carrying value.

In fiscal year 1999, the Company established a five year revolving credit facility that provides for up to \$100 million in borrowings. The Company uses this facility for acquisitions and general corporate purposes. A commitment fee is payable on the unused portion of the credit facility. The interest rate applicable to borrowings under the agreement is based on the London Interbank Offered Rate (LIBOR) plus a margin. The Company is in compliance with debt covenants requiring it to maintain certain debt-to-total capitalization, interest coverage ratio, minimum net worth, and other terms and conditions. At June 30, 2000, the Company had \$35.4 million of short-term borrowings outstanding under this facility. No debt was outstanding under this agreement at June 30, 1999.

Note 7 Retirement Plans

The Company has a trustee defined contribution Retirement Plan in effect for substantially all domestic employees meeting the eligibility requirements. Company contributions are based on a percent of net income as defined in the plan; the percent of contribution is determined by the Board of Directors up to specific maximum limits. The plan includes a 401(k) feature, thereby permitting participants to make additional voluntary contributions on a pretax basis. Payments by the Company to the trustee plan are vested and held for the sole benefit of participants. Total contributions to the Retirement Plans for 2000, 1999 and 1998 were approximately, in millions, \$9.1, \$10.8, and \$10.1, respectively.

Employees of certain foreign subsidiaries are covered by local pension or retirement plans. Annual expense and accumulated benefits of these foreign plans are not significant to the consolidated financial statements.

Note 8 Stock Options

On August 11, 1987, the Board of Directors adopted the 1987 Stock Incentive Program, which was approved by the Company's Share Owners on October 13, 1987. Under this plan, 3,600,000 shares of Class B Common Stock were reserved for incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, and performance share awards available for grant to officers and other key employees of the Company, and to members of the Board of Directors who are not employees. This Stock Incentive Program expired in August 1997, with prior year grants expiring annually through July 2001.

On June 11, 1996, the Board of Directors adopted the 1996 Stock Incentive Program, which was approved by the Company's Share Owners on October 22, 1996. Under this plan, 4,200,000 shares of Class B Common Stock were reserved, in addition to the approximately 2 million remaining shares currently reserved under the 1987 plan, for incentive stock options, nonqualified stock options, stock appreciation rights, and performance share awards available for grant to officers and other key employees of the Company, and to members of the Board of Directors who are not employees. The 1996 Stock Incentive Program is a ten year plan. The number of employees participating in the program was 270 in fiscal year 2000 and 290 in fiscal years 1999 and 1998.

Stock options are priced at the fair market value of the stock at the date of grant. Options granted under the plans generally are exercisable from six months to two years after the date of grant and expire five to ten years after the date of grant. Stock options are forfeited when employment terminates, except in case of retirement, death or permanent disability.

There are 250,000 additional shares reserved for issuance under the Directors’ Stock Compensation and Option Plan which is available to all members of the Board of Directors. Under terms of the plan, Directors electing to receive all, or a portion, of their fees in the form

Notes to Consolidated Financial Statements

Note 8 Stock Options (continued)

of Company stock will also be granted a number of stock options equal to 50% of the number of shares received for compensation of fees. Option prices and vesting are similar to those of the 1996 Stock Incentive Program. The plan is in effect through October 2006.

Stock option transactions are as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding June 30, 1997	1,376,066	\$13.37
Granted	588,889	21.82
Exercised	(225,769)	13.35
Forfeited	(89,170)	14.89
Options outstanding June 30, 1998	1,650,016	16.30
Granted	551,521	18.20
Exercised	(141,993)	13.78
Forfeited	(180,716)	16.57
Expired	(20,871)	14.80
Options outstanding June 30, 1999	1,857,957	17.05
Granted	517,418	19.66
Exercised	(179,050)	12.62
Forfeited	(236,383)	18.19
Expired	(23,386)	12.22
Options outstanding June 30, 2000	1,936,556	\$18.07
Shares available for future options	5,265,511	

Following is a status of options outstanding at June 30, 2000:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$12.00-\$16.00	546,043	1 year	\$13.38	542,190	\$13.38
\$16.00-\$20.00	924,224	6 years	18.96	157,677	18.96
\$20.00-\$24.00	466,289	3 years	21.82	461,505	21.82
Total	1,936,556	4 years	\$18.07	1,161,372	\$17.49

The Company adopted the disclosure requirements of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation (FAS 123). The Company has elected to continue to follow the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its related interpretations; accordingly, no compensation cost has been reflected in the financial statements for its incentive stock options. Had compensation cost for the Company's incentive stock options been determined based on the fair value at the grant dates for awards under those plans consistent with the method of FAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Year Ended June 30		
	2000	1999	1998
Net Income			
As Reported	\$48,462	\$59,725	\$55,027
Pro Forma	\$46,001	\$57,444	\$53,343
Earnings per Share of Common Stock			
As Reported:			
Basic:			
Class A	\$1.19	\$1.46	\$1.32
Class B	\$1.21	\$1.48	\$1.33
Diluted:			
Class A	\$1.19	\$1.45	\$1.31
Class B	\$1.21	\$1.47	\$1.32
Pro Forma:			
Basic:			
Class A	\$1.13	\$1.40	\$1.28
Class B	\$1.15	\$1.42	\$1.29
Diluted:			
Class A	\$1.13	\$1.40	\$1.27
Class B	\$1.15	\$1.42	\$1.28

Kimball International, Inc. and Subsidiaries

The weighted average fair value at date of grant for options granted during the years ended June 30, 2000, 1999 and 1998 was \$5.49, \$3.72 and \$4.84 per option, respectively.

The fair value of the options at the date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 38.5% in 2000, 34.0% in 1999 and 31.7% in 1998; risk-free interest rates of 5.9% in 2000, 5.4% in 1999 and 6.2% in 1998; dividend yield of 3.9% in 2000, 3.7% in 1999 and 2.9% in 1998; and an expected life of 3.5 years for all years.

Note 9 Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation reserve is provided for deferred tax assets relating to foreign net operating losses and U.S. capital loss carryforward benefits, due to uncertainty surrounding the utilization of these deferred tax assets. Income tax benefits associated with the foreign net operating losses have no expiration period under current tax laws, while benefits associated with the U.S. capital loss carryforward all expire during the 2002 fiscal year.

The components of the deferred tax assets and liabilities as of June 30, 2000 and 1999, are as follows:

<i>(Amounts in Thousands)</i>	2000	1999
Deferred tax assets:		
Receivables	\$ 1,899	\$ 1,690
Inventory	4,375	2,311
Employee benefits	6,568	6,690
Other current liabilities	6,233	5,920
Miscellaneous	202	587
Foreign net operating losses	1,784	2,253
Capital loss carryforward benefit	199	627
Valuation reserve	(1,983)	(2,880)
Total asset	\$19,277	\$17,198
Deferred tax liabilities:		
Property & equipment	\$14,730	\$14,366
Miscellaneous	1,618	339
Total liability	\$16,348	\$14,705

The components of income before taxes on income are as follows:

<i>(Amounts in Thousands)</i>	Year Ended June 30		
	2000	1999	1998
United States	\$ 73,717	\$90,674	\$87,327
Foreign	685	1,700	100
Total income before taxes	\$74,402	\$92,374	\$87,427

Taxes on income are composed of the following items:

<i>(Amounts in Thousands)</i>	Year Ended June 30		
	2000	1999	1998
Currently payable:			
Federal	\$ 22,110	\$26,347	\$29,363
Foreign	192	565	224
State	4,074	5,333	3,650
Total current	26,376	32,245	33,237
Deferred Federal	(436)	404	(837)
Total taxes on income	\$25,940	\$32,649	\$32,400

Notes to Consolidated Financial Statements

Note 9 Income Taxes (continued)

A reconciliation of the statutory U.S. income tax rate to the Company's effective income tax rate follows:

<i>(Amounts in Thousands)</i>	2000		Year Ended June 30		1998	
	Amount	%	Amount	%	Amount	%
Taxes computed at statutory rate	\$26,041	35.0%	\$32,331	35.0%	\$30,600	35.0%
State income taxes, net of Federal income tax benefit	2,648	3.6	3,466	3.7	2,373	2.7
Foreign tax effect	(240)	(0.3)	(595)	(0.6)	(35)	—
Capital loss benefit	(427)	(0.6)	(1,586)	(1.7)	—	—
Tax-exempt interest income	(1,448)	(2.0)	(1,412)	(1.5)	(454)	(0.5)
Other-net	(634)	(0.8)	445	0.4	(84)	(0.1)
Total taxes on income	\$25,940	34.9%	\$32,649	35.3%	\$32,400	37.1%

Cash payments for income taxes, net of refunds, were in thousands, \$29,826, \$28,884 and \$28,183 in 2000, 1999 and 1998, respectively.

Note 10 Common Stock

On a fiscal year basis, shares of Class B Common Stock are entitled to an additional \$.02 per share dividend more than the dividends paid on Class A Common Stock, provided that dividends are paid on the Company's Class A Common Stock. The owners of both Class A and Class B Common Stock are entitled to share pro-rata, irrespective of class, in the distribution of the Company's available assets upon dissolution.

Owners of Class B Common Stock are entitled to elect, as a class, one member of the Company's Board of Directors. In addition, owners of Class B Common Stock are entitled to full voting powers, as a class, with respect to any consolidation, merger, sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the Company's fixed assets, or dissolution of the Company. Otherwise, except as provided by statute with respect to certain amendments to the Articles of Incorporation, the owners of Class B Common Stock have no voting rights, and the entire voting power is vested in the Class A Common Stock, which has one vote per share. The Habig family owns directly or shares voting power in excess of 50% of the Class A Common Stock of Kimball International, Inc. The owner of a share of Class A Common Stock may, at their option, convert such share into one share of Class B Common Stock at any time.

If any dividends are not paid on shares of the Company's Class B Common Stock for a period of thirty-six consecutive months, or if at any time the number of shares of Class A Common Stock issued and outstanding is less than 15% of the total number of issued and outstanding shares of both Class A and Class B Common Stock, then all shares of Class B Common Stock shall automatically have the same rights and privileges as the Class A Common Stock, with full and equal voting rights and with equal rights to receive dividends as and if declared by the Board of Directors.

Kimball International, Inc. and Subsidiaries

Note 11 Quarterly Financial Information (Unaudited)

Quarterly financial information is summarized as follows:

<i>(Amounts in Thousands, Except for Per Share Data)</i>	Three Months Ended			
	September 30	December 31	March 31	June 30
2000:				
Net Sales	\$278,402	\$294,275	\$309,495	\$318,773
Gross Profit	76,775	82,468	80,802	86,946
Net Income	11,559	12,227	11,551	13,125
Basic Earnings Per Share:				
Class A	\$.28	\$.30	\$.28	\$.33
Class B	.29	.30	.29	.33
Diluted Earnings Per Share:				
Class A	\$.28	\$.30	\$.28	\$.33
Class B	.29	.30	.29	.33
1999:				
Net Sales	\$264,646	\$280,080	\$288,054	\$274,187
Gross Profit	78,557	83,053	86,433	80,373
Net Income	12,563	14,935	15,189	17,038
Basic Earnings Per Share:				
Class A	\$.31	\$.36	\$.37	\$.42
Class B	.31	.37	.38	.42
Diluted Earnings Per Share:				
Class A	\$.30	\$.36	\$.37	\$.42
Class B	.31	.37	.38	.42
1998:				
Net Sales	\$245,857	\$264,524	\$265,001	\$256,935
Gross Profit	74,280	79,952	77,732	76,975
Net Income	13,029	15,485	13,702	12,811
Basic Earnings Per Share:				
Class A	\$.31	\$.37	\$.33	\$.31
Class B	.31	.38	.33	.31
Diluted Earnings Per Share:				
Class A	\$.31	\$.36	\$.33	\$.30
Class B	.31	.37	.33	.31

Net income in the second quarter of fiscal 1998 was increased by, in thousands, \$1,008 or \$0.02 per share, representing the gain on the sale of real estate. Net income in the third quarter of fiscal 1998 was increased by, in thousands, \$616 or \$0.01 per share, from the gain on the sale of a stock investment of which the Company held a minor interest. Net income in the second quarter of fiscal 1999 was increased by, in thousands, \$1,337 or \$0.03 per share, representing the gain on the sale of a stock investment of which the Company held a minor interest. Net income in the fourth quarter of fiscal 1999 was increased by, in thousands, \$2,674 or \$0.06 per share, representing the gain on the sale of two subsidiaries.

Note 12 Short-Term Investments

The Company's short-term investment portfolio consists of available-for-sale securities in fiscal year 2000 and both available-for-sale and held-to-maturity securities in fiscal year 1999. Fair values are estimated based upon the quoted market values of those, or similar instruments. Carrying costs reflect the original purchase price, with discounts and premiums amortized over the life of the security.

Available-for-sale securities are reported at fair value and consist primarily of government and municipal obligations with fair values and carrying costs of, in thousands, \$79,366 and \$79,852 at June 30, 2000, compared to \$114,597, and \$114,523 at June 30, 1999, respectively. Unrealized holding gains and losses at June 30, 2000 were, in thousands, \$22 and (\$508), compared to \$277 and (\$203) at June 30, 1999, respectively. All available-for-sale securities mature within a four year period.

Proceeds from sales of available-for-sale securities were, in thousands, \$73,087 and \$17,273 for the years ended June 30, 2000 and 1999, respectively. Gross realized gains and losses on the sale of available-for-sale securities at June 30, 2000 were, in thousands, \$107 and (\$283) respectively, compared to gross realized gains and losses of, in thousands, \$172 and (\$2) respectively, at June 30, 1999. The cost was determined on each individual security in computing the realized gain.

Held-to-maturity securities are reported at carrying cost and consist primarily of government obligations with fair value equal to carrying cost. The Company did not have any held-to-maturity securities at June 30, 2000. At June 30, 1999 held-to-maturity securities were, in thousands, \$399. Unrealized holding gains and losses were immaterial at June 30, 1999.

Notes to Consolidated Financial Statements

Note 13 Accrued Expenses

Accrued expenses at June 30 consist of:

<i>(Amounts in Thousands)</i>	June 30	
	2000	1999
Income taxes	\$ 1,027	\$ 2,292
Property taxes	4,912	4,290
Compensation	25,895	31,938
Retirement plan	8,904	10,529
Other expenses	35,196	30,456
Total accrued expenses	\$75,934	\$79,505

Note 14 Segment and Geographic Area Information

Effective for the year ended June 30, 1999, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information. The adoption of SFAS 131 requires the presentation of segment information which is consistent with information utilized by management for purposes of allocating resources and assessing performance. Management organizes the Company into segments based upon differences in products and services offered in each segment. The segments and their principal products and services are as follows:

The Furniture and Cabinets Segment manufactures furniture for the office, residential, lodging and healthcare industries and store display fixtures, all sold under the Company's family of brand names. Other products produced by the Furniture and Cabinets Segment on an original equipment manufacturer basis include store fixtures, television cabinets and stands, audio speaker systems, residential furniture and furniture components. Intersegment sales are insignificant.

The Electronic Contract Assemblies Segment is a global provider of design engineering, manufacturing, packaging and distribution of electronic assemblies, circuit boards, multi-chip modules and semiconductor components on a contract basis to customers in the transportation, industrial, telecommunications, computer, and medical industries. Intersegment sales are insignificant. Included in the Electronic Contract Assemblies Segment are sales to one customer totaling in millions, \$205.0, \$178.9 and \$168.2 in 2000, 1999 and 1998, respectively, representing 17%, 16% and 16% of consolidated net sales.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" with additional explanation of segment allocations as follows. Corporate operating costs are allocated to the segments based on the extent to which each segment uses a centralized function, where practicable. However, certain common costs have been allocated among segments less precisely than would be required for stand alone financial information prepared in accordance with generally accepted accounting principles. Unallocated corporate assets include cash and cash equivalents, short-term investments and other assets not allocated to segments.

The Company evaluates segment performance based upon several financial measures, although the two most common include economic profit, which incorporates a segment's cost of capital when evaluating financial performance, and net income. Pursuant to SFAS 131, net income is reported for each segment as it is the measure most consistent with the measurement principles used in the Company's consolidated financial statements.

Kimball International, Inc. and Subsidiaries

<i>(Amounts in Thousands)</i>	2000			
	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
Net sales	\$833,801	\$367,063	\$ 81	\$1,200,945
Depreciation and amortization	32,972	10,829	—	43,801
Interest income	—	—	4,709	4,709
Interest expense	284	—	252	536
Taxes on income	16,237	9,221	482	25,940
Net income	27,656	14,218	6,588	48,462
Total assets	458,946	181,147	83,558	723,651
Capital expenditures	44,055	17,069	—	61,124

<i>(Amounts in Thousands)</i>	1999			
	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
Net sales	\$771,528	\$335,395	\$ 44	\$1,106,967
Depreciation and amortization	29,763	9,947	—	39,710
Interest income	—	—	6,554	6,554
Interest expense	412	—	64	476
Taxes on income	19,566	11,856	1,227	32,649
Net income	34,569	18,185	6,971	59,725
Total assets	389,725	140,905	130,756	661,386
Capital expenditures	67,141	9,427	—	76,568

<i>(Amounts in Thousands)</i>	1998			
	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
Net sales	\$706,679	\$325,602	\$ 36	\$1,032,317
Depreciation and amortization	25,719	8,087	—	33,806
Interest income	—	—	9,458	9,458
Interest expense	386	—	38	424
Taxes on income	17,917	10,932	3,551	32,400
Net income	27,904	18,050	9,073	55,027
Total assets	331,247	128,165	170,226	629,638
Capital expenditures	29,000	12,313	—	41,313

Geographic Area

The following geographic area data include net sales based on product shipment destination and long-lived assets based on physical location. Long-lived assets include property and equipment and other long-term assets such as software.

<i>(Amounts in Thousands)</i>	Year Ended June 30		
	2000	1999	1998
Net Sales:			
United States	\$ 1,104,705	\$1,022,943	\$ 977,716
Foreign	96,240	84,024	54,601
Total Net Sales	\$1,200,945	\$1,106,967	\$1,032,317
Long-Lived Assets:			
United States	\$ 261,792	\$ 233,132	\$ 199,043
Foreign	27,328	26,172	7,762
Total Long-Lived Assets	\$ 289,120	\$ 259,304	\$ 206,805

Notes to Consolidated Financial Statements

Note 15 Earnings Per Share

Effective December 31, 1997, the Company adopted Financial Accounting Standards Board Statement No. 128, Earnings Per Share. Earnings per share are computed using the two-class common stock method due to the dividend preference of Class B Common Stock. Basic earnings per share are based on the weighted average number of shares outstanding during the period. Diluted earnings per share are based on the weighted average number of shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities. Earnings per share of Class A and Class B Common Stock are as follows:

<i>(Amounts in Thousands, Except Per Share Data)</i>	2000			
	Available Income	Average Shares	Earnings Per Share	
			Class A	Class B
Net income	\$48,462			
Distributed earnings:				
Class A dividends declared	(8,863)		\$.620	
Class B dividends declared	(16,520)			\$.640
Undistributed basic earnings	\$23,079	40,234	.574	.574
Basic Earnings Per Share			\$1.194	\$1.214
Basic Earnings Per Share (rounded)			\$1.19	\$1.21
Dilutive effect of stock options	(74)	115		
Undistributed diluted earnings	\$23,005	40,349	.570	.570
Diluted Earnings Per Share			\$1.190	\$1.210
Diluted Earnings Per Share (rounded)			\$1.19	\$1.21

1,377,270 of the 2,020,697 average outstanding stock options were antidilutive, and were excluded from the dilutive computation for this period.

<i>(Amounts in Thousands, Except Per Share Data)</i>	1999			
	Available Income	Average Shares	Earnings Per Share	
			Class A	Class B
Net income	\$59,725			
Distributed earnings:				
Class A dividends declared	(8,891)		\$.620	
Class B dividends declared	(16,752)			\$.640
Undistributed basic earnings	\$34,082	40,624	.839	.839
Basic Earnings Per Share			\$1.459	\$1.479
Basic Earnings Per Share (rounded)			\$1.46	\$1.48
Dilutive effect of stock options	(138)	215		
Undistributed diluted earnings	\$33,944	40,839	.831	.831
Diluted Earnings Per Share			\$1.451	\$1.471
Diluted Earnings Per Share (rounded)			\$1.45	\$1.47

981,902 of the 1,901,947 average outstanding stock options were antidilutive, and were excluded from the dilutive computation for this period.

Kimball International, Inc. and Subsidiaries

<i>(Amounts in Thousands, Except Per Share Data)</i>	1998			
	Available Income	Average Shares	Earnings Per Share	
			Class A	Class B
Net income	\$55,027			
Distributed earnings:				
Class A dividends declared	(8,483)		\$.58875	
Class B dividends declared	(16,329)			\$.60500
Undistributed basic earnings	\$30,215	41,417	.72953	.72953
Basic Earnings Per Share			\$1.31828	\$1.33453
Basic Earnings Per Share (rounded)			\$ 1.32	\$1.33
Dilutive effect of stock options	(240)	397		
Undistributed diluted earnings	\$29,975	41,814	.71687	.71687
Diluted Earnings Per Share			\$1.30562	\$1.32187
Diluted Earnings Per Share (rounded)			\$ 1.31	\$1.32

468,891 of the 1,685,007 average outstanding stock options were antidilutive, and were excluded from the dilutive computation for this period.

Note 16 Comprehensive Income

Effective July 1, 1998, the Company adopted Financial Accounting Standards Board Statement No. 130, Reporting Comprehensive Income, which establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption had no impact on the Company's net income or Share Owners' Equity. Comprehensive income includes all changes in equity during a period except those resulting from investments by, and distributions to, Share Owners. Comprehensive income consists of net income and other comprehensive income, which includes the net change in unrealized gains and losses on securities, and foreign currency translation adjustments. The Company has elected to disclose comprehensive income in the Consolidated Statements of Share Owners' Equity. Accumulated balances of other comprehensive income are as follows:

	Accumulated Other Comprehensive Income (Net of tax if applicable)		
	Foreign Currency Translation Adjustments	Net Change in Unrealized Gains and Losses on Securities	Accumulated Other Comprehensive Income
Balance at June 30, 1997	\$1,721	\$ (73)	\$ 1,648
Current year change	(186)	2,247	2,061
Balance at June 30, 1998	1,535	2,174	3,709
Current year change	(297)	(2,100)	(2,397)
Balance at June 30, 1999	1,238	74	1,312
Current year change	(426)	(560)	(986)
Balance at June 30, 2000	\$ 812	\$ (486)	\$ 326

Eleven-Year Summary of Financial Condition

<i>(Amounts in Thousands, Except for Per Share Data and Number of Employees)</i>	2000	1999	1998	1997
Assets:				
Current Assets	\$413,520	\$386,341	\$ 412,937	\$376,773
Property and Equipment, net	248,210	221,498	182,798	174,010
Other Assets	61,921	53,547	33,903	30,800
Total Assets	\$723,651	\$661,386	\$629,638	\$581,583
Liabilities and Minority Interest:				
Current Liabilities	\$223,395	\$168,564	\$ 153,210	\$133,258
Long-Term Debt, less Current Maturities	2,599	1,730	1,856	2,313
Deferred Income Taxes and Other	29,130	26,815	25,949	23,186
Minority Interest in Subsidiary	—	—	—	—
Total Liabilities and Minority Interest	255,124	197,109	181,015	158,757
Share Owners' Equity	468,527	464,277	448,623	422,826
Total Liabilities and Share Owners' Equity	\$723,651	\$661,386	\$629,638	\$581,583
Other Financial Data:				
Current Ratio	1.9:1	2.3:1	2.7:1	2.8:1
Working Capital	\$190,125	\$ 217,777	\$259,727	\$243,515
Capital Investments	\$ 71,454	\$ 102,541	\$ 48,672	\$ 44,747
Long-Term Debt as Percent of Share Owners' Equity	0.6%	0.4%	0.4%	0.5%
Book Value Per Share of Common Stock Outstanding	\$ 11.65	\$ 11.43	\$ 10.83	\$ 10.20
Average Number of Employees	10,088	9,884	9,198	8,786
Dividends:				
Total Declared	\$ 25,383	\$ 25,643	\$ 24,812	\$ 22,104
Per Share Dividends Declared:				
Class A	\$.62	\$.62	\$.58875	\$.530
Class B	\$.64	\$.64	\$.605	\$.535
Percent of Net Income				
Declared in Dividends	52.4%	42.9%	45.1%	38.3%

Eleven-Year Sources of Revenue

<i>(Amounts in Thousands)</i>	2000	1999	1998	1997
Furniture and Cabinets	\$ 833,801	\$ 771,528	\$ 706,679	\$676,218
	69%	70%	69%	68%
Electronic Contract Assemblies	367,063	335,395	325,602	315,816
	31%	30%	31%	32%
Unallocated Corporate	81	44	36	15
	0%	0%	0%	0%
Total Revenue	\$1,200,945	\$1,106,967	\$1,032,317	\$992,049
	100%	100%	100%	100%

Kimball International, Inc. and Subsidiaries

June 30

1996	1995	1994	1993	1992	1991	1990
\$ 342,251	\$ 306,816	\$ 288,238	\$ 295,458	\$ 275,507	\$ 242,726	\$ 233,856
174,009	177,130	171,243	152,361	142,304	135,757	140,766
21,965	13,140	11,932	4,886	4,212	4,202	3,361
\$ 538,225	\$ 497,086	\$ 471,413	\$ 452,705	\$ 422,023	\$ 382,685	\$ 377,983
\$ 122,043	\$ 105,046	\$ 102,164	\$ 100,070	\$ 80,769	\$ 65,262	\$ 72,371
3,016	924	811	2,017	3,157	4,392	6,873
22,152	19,779	17,486	17,277	16,960	17,677	18,338
—	—	—	—	—	891	1,050
147,211	125,749	120,461	119,364	100,886	88,222	98,632
391,014	371,337	350,952	333,341	321,137	294,463	279,351
\$ 538,225	\$ 497,086	\$ 471,413	\$ 452,705	\$ 422,023	\$ 382,685	\$ 377,983
2.8:1	2.9:1	2.8:1	3.0:1	3.4:1	3.7:1	3.2:1
\$ 220,208	\$ 201,770	\$ 186,074	\$ 195,388	\$ 194,738	\$ 177,464	\$ 161,485
\$ 44,451	\$ 37,278	\$ 53,213	\$ 38,154	\$ 33,486	\$ 20,358	\$ 20,925
0.8%	0.2%	0.2%	0.6%	1.0%	1.5%	2.5%
\$ 9.35	\$ 8.81	\$ 8.29	\$ 7.87	\$ 7.56	\$ 6.97	\$ 6.59
8,660	8,589	8,140	7,621	7,641	7,559	7,971
\$ 19,775	\$ 18,039	\$ 17,704	\$ 16,454	\$ 14,745	\$ 13,889	\$ 12,218
\$.470	\$.425	\$.415	\$.385	\$.345	\$.325	\$.285
\$.475	\$.430	\$.420	\$.390	\$.350	\$.330	\$.290
43.9%	43.5%	48.9%	53.8%	38.2%	46.3%	28.1%

Year Ended June 30

1996	1995	1994	1993	1992	1991	1990
\$ 638,943	\$ 650,756	\$ 618,243	\$ 541,871	\$ 484,779	\$ 463,085	\$ 490,999
69%	73%	75%	75%	78%	83%	80%
284,639	245,101	204,149	180,464	132,507	92,118	121,937
31%	27%	25%	25%	22%	17%	20%
54	55	92	65	15	60	20
0%	0%	0%	0%	0%	0%	0%
\$ 923,636	\$ 895,912	\$ 822,484	\$ 722,400	\$ 617,301	\$ 555,263	\$ 612,956
100%	100%	100%	100%	100%	100%	100%

Eleven-Year Summary of Operations

<i>(Amounts in Thousands, Except for Per Share Data)</i>	2000	1999	1998	1997
Net Sales	\$1,200,945	\$1,106,967	\$1,032,317	\$992,049
Cost of Sales	873,954	778,551	723,378	692,636
Gross Profit	326,991	328,416	308,939	299,413
Selling, General and Administrative Expenses	259,864	250,839	236,463	218,421
Product Line Exit Costs	—	—	—	—
Restructuring Expense	—	—	—	—
Operating Income	67,127	77,577	72,476	80,992
Other Income (Expense):				
Interest Expense	(536)	(476)	(424)	(551)
Interest Income	4,709	6,554	9,458	8,484
Other, Net	3,102	8,719	5,917	(359)
Other Income, Net	7,275	14,797	14,951	7,574
Income Before Taxes on Income	74,402	92,374	87,427	88,566
Taxes on Income	25,940	32,649	32,400	30,821
Net Income	\$ 48,462	\$ 59,725	\$ 55,027	\$ 57,745
Percent of Net Sales	4.0%	5.4%	5.3%	5.8%
Earnings Per Share:				
Basic:				
Class A	\$1.19	\$1.46	\$1.32	\$1.39
Class B	\$1.21	\$1.48	\$1.33	\$1.40
Diluted:				
Class A	\$1.19	\$1.45	\$1.31	\$1.38
Class B	\$1.21	\$1.47	\$1.32	\$1.38
Average Shares Outstanding:				
Basic	40,234	40,624	41,417	41,450
Diluted	40,349	40,839	41,814	41,763

Manufacturing and Service Operations

Furniture and Cabinets

Artec Manufacturing
Jasper and French Lick, Indiana
Office furniture systems

Batesville American Manufacturing
Batesville, Mississippi
Metal stampings and assemblies, healthcare beds

Corporate Logistics Services
Jasper, Indiana
Transportation and fleet operations

Evansville Veneer
Chandler, Indiana
Veneer

Facilities/Technology Support Group
Jasper, Indiana
Product testing, property and woodlands management, energy production, research in furniture finishes

Furniture Showrooms & Service Centers
New York, Chicago, Boston, Los Angeles, San Francisco, Denver, Atlanta, Dallas, Seattle, Newport Beach, High Point, Post Falls, Tupelo, Jasper, London, Toronto, Vienna
Product display and regional distribution

Greensburg Manufacturing
Greensburg, Kentucky
Lumber, dimension wood, furniture components

Harpers Manufacturing
Post Falls, Idaho
Office furniture casegoods, systems and filing

Heritage Hills
Santa Claus, Indiana
TV and audio cabinets, TV stands, and office furniture

Indiana Hardwoods
Chandler, Indiana
Lumber

Indiana Hardwoods Sawmill
Cloverport, Kentucky
Lumber

Jackson of Danville
Danville and Greensburg, Kentucky
Lodging and healthcare seating

Jasper Furniture Company
Jasper and West Baden, Indiana
Lodging and healthcare casegoods, contract furniture and components

Jasper Laminates
Jasper, Indiana
Flat, molded, postformed and plastic-faced plywood, banded flakeboard, veneer faces

Jasper Plastics
Jasper, Indiana
Molded polyurethane, polyester, elastomers

Kimball de Juarez, S.A. de C.V.
Juarez and Mexicali, Mexico and El Paso, Texas
Projection television cabinets

Kimball Home Furniture
Jasper, Indiana
Residential furniture

Kimball Lodging Group
Jasper, Indiana
Lodging and healthcare furniture

Kimball International, Inc. and Subsidiaries

Year Ended June 30						
1996	1995	1994	1993	1992	1991	1990
\$923,636	\$895,912	\$822,484	\$722,400	\$617,301	\$555,263	\$612,956
664,311	645,591	588,849	512,781	422,563	376,533	409,373
259,325	250,321	233,635	209,619	194,738	178,730	203,583
193,414	188,495	179,981	161,984	146,891	140,154	140,014
3,400	—	—	—	—	—	—
—	—	—	2,850	—	—	—
62,511	61,826	53,654	44,785	47,847	38,576	63,569
(408)	(273)	(202)	(1,200)	(991)	(1,085)	(1,483)
7,411	5,755	2,240	4,237	7,146	8,580	6,989
4,801	3,487	3,727	5,500	6,712	3,062	1,978
11,804	8,969	5,765	8,537	12,867	10,557	7,484
74,315	70,795	59,419	53,322	60,714	49,133	71,053
29,220	29,356	23,250	22,739	22,086	19,116	27,578
\$ 45,095	\$ 41,439	\$ 36,169	\$ 30,583	\$ 38,628	\$ 30,017	\$ 43,475
4.9%	4.6%	4.4%	4.2%	6.3%	5.4%	7.1%
\$1.08	\$0.98	\$0.85	\$0.72	\$0.91	\$0.71	\$1.02
\$1.08	\$0.99	\$0.86	\$0.72	\$0.92	\$0.71	\$1.03
\$1.07	\$0.98	\$0.85	\$0.72	\$0.91	\$0.71	\$1.02
\$1.08	\$0.99	\$0.86	\$0.72	\$0.92	\$0.71	\$1.03
41,810	42,143	42,330	42,398	42,302	42,329	42,391
41,856	42,148	42,330	42,398	42,302	42,329	42,391

Kimball Northeast Manufacturing
West Chester, Pennsylvania
Office furniture, stackable panel and floor-to-ceiling systems

Kimball Office Casegoods Manufacturing
Borden and Salem, Indiana and Fordsville, Kentucky
Office furniture casegoods

Kimball Office Group
Jasper, Indiana and Post Falls, Idaho
Office furniture casegoods, systems, seating and filing

Kimball Store Fixtures
Boca Raton, Florida and Weaverville, North Carolina
Store display fixtures

Kimball U.K.
London, England
Office furniture casegoods, systems, seating and filing

Kimball Upholstered Products
Jasper, Indiana
Office, residential, lodging and healthcare seating

L. Bösendorfer Klavierfabrik GmbH
Vienna and Wiener Neustadt, Austria
Grand and vertical pianos

Lafayette Manufacturing
Lafayette, Tennessee
Lumber, dimension wood

Lafayette Sawmill
Gordonsville, Tennessee
Lumber

Product Design & Research Center
Jasper, Indiana
Product design and development

The Jasper Corporation
Jasper, Indiana
TV and audio cabinets, lodging, office and residential furniture

Transwall
West Chester, Pennsylvania
Office furniture, stackable panel and floor-to-ceiling systems

Electronic Contract Assemblies
Elmo Semiconducteurs SARL
Mantes La Jolie, France
Electronic assemblies

Elmo Semiconductor Corporation
Burbank, California
Electronic assemblies

Kimball Electronics Design Services
Jasper, Indiana
Contract electronic component design services

Kimball Electronics Thailand
Laem Chabang, Thailand
Electronic assemblies

Kimball Electronics
Jasper, Indiana
Electronic assemblies

Kimco, S.A. de C.V.
Reynosa, Mexico and McAllen, Texas
Electronic assemblies

Corporate
Corporate Headquarters
Jasper, Indiana
Executive, administrative and sales offices

Education Center & Corporate Showroom
Jasper, Indiana
Training, product display

Kimball Flight Operations
Huntingburg, Indiana
Flight services

Kimball Kids
Jasper, Indiana
Child development center

Board of Directors

Douglas A. Habig*

Chairman of the Board,
Chief Executive Officer
Director 27 years

Thomas L. Habig*

Vice Chairman of the Board
Director 50 years

James C. Thyen* # ‡

President
Director 19 years

John B. Habig

Chairman of the Board of Directors
of SVB&T Corporation, a Bank Holding
Company of Springs Valley Bank & Trust
Company
Director 44 years

Ronald J. Thyen*

Senior Executive Vice President,
Operations Officer,
Furniture and Cabinets Segment
Director 27 years

John T. Thyen*

Senior Executive Vice President,
Strategic Marketing
Director 10 years

Gary P. Critser* # ‡

Senior Executive Vice President,
Corporate Secretary and Treasurer
Director 10 years

Brian K. Habig

Proposal Center Manager for Kimball
Electronics Group
Director 8 years

Jack R. Wentworth+ # ‡

Arthur M. Weimer Professor Emeritus of
Business Administration, Indiana University
Director 16 years

Alan B. Graf, Jr.+ # ‡

Executive Vice President and Chief
Financial Officer, FedEx Corporation
Director 4 years

Christine M. Vujovich+ # ‡

Vice President, Environmental Policy and
Product Strategy, Cummins Engine
Company, Inc.
Director 6 years

Polly B. Kawalek+

Vice President of The Quaker Oats Company
and President, Hot Breakfast Division
Director 3 years

Harry W. Bowman+

Former President and Chief Executive
Officer of The Stiffel Company, Appointed
to the Board on August 8, 2000

- * Member of the Executive Committee of the Board
- + Member of the Audit Committee of the Board
- # Member of the Compensation Committee of the Board
- ‡ Member of the Stock Option Committee of the Board

Officers

Corporate Officers

Randall L. Catt

Executive Vice President,
Human Resources

Donald D. Charron

Executive Vice President,
President, Kimball Electronics,
Electronics Segment

John H. Kahle

Executive Vice President,
General Counsel, Assistant Secretary

Gregory W. Kuper

Executive Vice President,
Components Group

P. Daniel Miller

Executive Vice President,
President, Kimball Office Group
Furniture and Cabinets Segment

Robert F. Schneider #

Executive Vice President,
Chief Financial Officer,
Assistant Treasurer

Gary W. Schwartz

Executive Vice President,
Chief Information Officer

J. Keith Beatty

Vice President,
Caseloads Group

Gary L. Beckman

Vice President,
Strategic Planning and Quality Systems

Alan B. Hoffman

Vice President,
Corporate Risk

Mona K. Hoffman

Vice President, General Manager,
National Office Furniture

R. Gregory Kincer

Vice President, Assistant Treasurer,
Business Development

Ronald J. Sermersheim

Vice President,
Environmental, Health & Safety

Roy W. Templin

Vice President,
Finance and Chief Accounting Officer

Kenneth J. Van Winkle

Vice President,
Global Procurement
Furniture and Cabinets Segment

Dean M. Vonderheide

Vice President,
Seating Group

Subsidiary Officers

Dr. Rudolf Artl

Managing Director, Bösendorfer

William N. Dykema

Vice President, General Manager,
Kimball Lodging Group

James R. Hampton

Vice President,
Raw Materials

Larry J. Knust

Vice President,
Systems Group

Lawrence J. Kuntz

Vice President, Organization Development,
Electronics Group

George W. Manz

Vice President, Marketing and Sales,
Transwall

Dirk H. Manning

Vice President, Western Sales Manager,
Kimball Office Furniture

James R. McIntyre

Vice President, Sales,
Electronics Group

Mark Phillips

Managing Director,
Kimball United Kingdom

Ronald J. Pronyk

Vice President,
Store Fixture Group

Michael K. Sergesketter

Vice President, Chief Financial Officer,
Electronics Group

Christopher J. Thyen

Vice President,
Lodging/Healthcare Group

Mark D. Valois

Vice President, Northeast Sales Manager,
Kimball Office Furniture

Spiro Vamvakas

Vice President,
Director Design Engineering,
Electronics Group

Don W. Van Winkle

Vice President, Chief Finance and
Administrative Officer,
Kimball Office Group

Scott D. Zinn

Vice President, General Sales Manager,
Kimball Office Furniture

Other Corporate Data

Kimball International, Inc. and Subsidiaries

Dividends:

During fiscal year 2000 dividends declared were \$25.4 million or \$.62 per share on Class A Common Stock and \$.64 per share on Class B Common Stock. The dividends by quarter for 2000 compared to 1999 are as follows:

	2000		1999	
	Class A	Class B	Class A	Class B
First Quarter	\$.155	\$.16	\$.155	\$.16
Second Quarter	\$.155	\$.16	\$.155	\$.16
Third Quarter	\$.155	\$.16	\$.155	\$.16
Fourth Quarter	\$.155	\$.16	\$.155	\$.16
Total Dividends	\$.62	\$.64	\$.62	\$.64

Share Owners:

On July 31, 2000, the Company's Class A Common Stock was owned by approximately 640 Share Owners of record and the Company's Class B Common Stock by approximately 2,390 Share Owners of record, of which approximately 380 also owned Class A Common Stock.

Market Prices:

Kimball International Class B Common Stock is traded on the Nasdaq Stock Market under the symbol: KBALB. High and low price ranges by quarter for the last two fiscal years as quoted by the National Association of Security Dealers (NASDAQ) are as follows:



	2000		1999	
	High	Low	High	Low
First Quarter	\$21.00	\$16.75	\$20.375	\$14.875
Second Quarter	\$19.938	\$15.125	\$21.50	\$14.9375
Third Quarter	\$16.75	\$10.75	\$20.0625	\$14.75
Fourth Quarter	\$17.50	\$11.00	\$18.8125	\$14.5625

There is no active trading market for the Company's Class A Common Stock.

Annual Meeting:

The annual meeting of Share Owners will be held at 9:30 a.m. Eastern Standard Time on October 17, 2000, at the General Office Building, Kimball International, Inc., 1600 Royal Street, Jasper, Indiana. Share Owners are cordially invited to attend.

10-K Report:

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K is available, without charge, upon written request directed to Gary P. Critser, Senior Executive Vice President, Corporate Secretary and Treasurer, at the address below.

Transfer Agent and Registrar of the Common Stock:

Share Owners with questions concerning address changes, dividend checks, registration changes, lost share certificates or transferring shares may contact:

Class A Share Owners:

Hannah Prior
Kimball International, Inc.
1600 Royal Street
Jasper, IN 47549
Phone: (800) 482-1616
E-mail: hprior@kimball.com

Class B Share Owners:

ChaseMellon Shareholder Services L.L.C.
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ 07660
Phone: (800) 851-9677
Internet Address: www.chasemellon.com

Analyst Contact:

Financial analysts with questions concerning the Company may contact Gregory J. Shields, Director of Investor Relations at (812) 482-8353.

Share Owner Contact:

Share Owners with general questions concerning the Company may contact Gary P. Critser, Senior Executive Vice President, Corporate Secretary and Treasurer. All members of management welcome suggestions about the Company and its performance.

Corporate Headquarters:

1600 Royal Street
Jasper, Indiana 47549-1001
Phone: (812) 482-1600

Internet Address:

Additional information on Kimball International is available at www.kimball.com on the Internet.

Private Securities Litigation Reform Act of 1995: This annual report contains forward-looking statements that involve risks and uncertainties regarding Kimball International's operations and future results. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Kimball provides cautionary statements, detailed in the Company's Securities and Exchange Commission filings including, without limitation, the Company's Form 10-K, which identifies specific factors that could cause actual results or events to differ materially from those described in the forward-looking statements.

1600 Royal Street
Jasper, Indiana 47549
812-482-1600
812-482-8500 TDD
www.kimball.com



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maintaining our focus | expanding our reach | www.kimball.com

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