

It's time you got to know us.



2004 Annual Report

## WHO WE ARE

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.

## WHAT WE DO

Kimball International, Inc. provides a vast array of products from its two business segments: the Furniture and Cabinets segment and the Electronic Contract Assemblies segment. The Furniture and Cabinets segment provides furniture for the office, residential and hospitality industries, all sold under the Company's family of brand names. The Furniture and Cabinets segment also provides engineering and manufacturing services which utilize common production and support capabilities on a contract basis to customers in the residential furniture and cabinets, office furniture, and retail infrastructure industries, as well as forest products. The Electronic Contract Assemblies segment provides engineering and manufacturing services which utilize common production and support capabilities to a variety of industries globally.

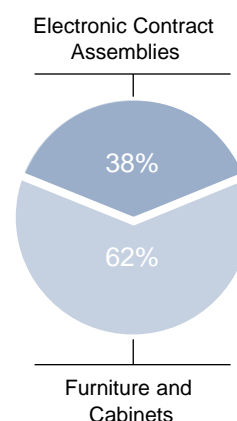
## FINANCIAL HIGHLIGHTS

(Amounts in thousands, except for per share data)

	2004	2003	% Change
Net Sales	\$1,148,638	\$1,154,692	-1%
Net Income	21,685	5,594	288%
Return on Capital	4.59%	1.15%	299%
Cash Flow from Operations	68,892	56,555	22%
Working Capital	192,247	200,781	-4%
Capital Investments	46,248	34,487	34%
Share Owners' Equity	434,611	435,416	0%
Earnings Per Share (Diluted)			
Class A	0.55	0.13	323%
Class B	0.57	0.15	280%
Dividends Declared			
Class A	0.62	0.62	0%
Class B	0.64	0.64	0%
Market Price Per Share			
High	17.55	16.86	
Low	13.03	12.50	
Close	14.75	15.31	

\* Net Income, Return on Capital, Cash Flow from Operations and Earnings Per Share include restructuring and other charges.

## SALES BY BUSINESS SEGMENTS



## TO OUR STAKEHOLDERS:

Because you are already familiar with Kimball International, you know that the Company has a proven history of adaptability. Our strategy, to be market-driven and customer-centered for growth and diversification, achieved even greater clarity and focus in 2004 as our restructuring activities drew to a close. Achieving operational excellence with a high performance culture is what our employees desire and our markets demand. To those less familiar with Kimball, we welcome you with a friendly invitation: "It's time you got to know us."

Our Company is profitable and strong. We are pleased with the year's results, given the global economic "whitewater" in recent years. Our improved operational performance, combined with excellent management of working capital, produced strong cash flow from operations. This enabled us to stay focused on longer term strategies, make prudent capital investments, continue our dividend policy and maintain a very strong balance sheet. Still, there is room for improvement.

Our Electronic Contract Assemblies segment sales results changed moderately while net income increased. We achieved significant progress in diversification. Sales in transportation, industrial controls and medical markets offset the lower sales in the computer and telecommunication markets as planned. Collaboration with the Polish government enabled Kimball to receive offset investment credits for our Poznan operations.

The global Electronic Manufacturing Services (EMS) industry remains very competitive and capacity utilization continues to shift. The United States and European companies are entering a more mature stage, while Asian companies remain on a growth path. Many EMS companies are re-evaluating their business segments. We are seeing some competitors and suppliers less willing to sacrifice margin performance and profitability to attain top line growth. We remain committed to our strategies, and the flawless execution of our core competencies, to grow the success of our targeted customers, and in turn our success.

Our Furniture and Cabinets segment achieved a modest increase in sales and substantially improved operating and net income results. The fourth quarter results confirmed the trend as we emerged from our scaling activities and the benefits of "a new beginning" became evident to many employees.

Our Furniture and Cabinets segment remains very disciplined in developing new products and programs, fueling growth in market share. Both the Kimball Office and National brands are strengthening their positions as market leaders. Kimball Home is continuing to build its reputation for quality and value, especially against the tough reality of global competition. Kimball Hospitality continues to expand business among top line developers and designers who specify our custom furnishings with confidence.

Our flexcel contract furniture operations have shown incredible resiliency, as well as their namesake flexibility, as we complete our facility consolidations and redeployment of

people in response to excess capacity. These actions make your Company stronger and even more focused on market-driven needs. We are effectively positioned for success. Our restructuring, announced two years ago, is nearly complete and has been handled with respect and compassion for our people and our communities, in keeping with our Guiding Principles. Finally, responding to the shift in the world's demand for wood components, our forest products have seen a marked international sales increase, driven mostly by European and Asian purchasers.

We begin fiscal year 2005 with pride in the past year's accomplishments, discipline for effective execution and optimism for the future. Your Company is clearly focused on its business plans. We are aligned to pursue excellence and improve all we do, to meet and exceed our customer commitments, and to continue to develop and grow our people, thus building future sustained success.

Our employees, past and present, have shown

tremendous dedication to building successful relationships with our customers in each market where we have chosen to compete by proactively responding to their need for product and service excellence. Our worldwide footprint of capabilities continues to expand, bringing success and opportunities. With that success, we continue to strengthen our reputation as the employer of choice and the supplier of choice in communities across the globe.

We remain blessed with a Board of Directors, executive leaders and employees of very high character and integrity supporting the entire Kimball organization. Continued improvement in our governance policies is evident and detailed again this year in our proxy.

We are abundant with caring, capable, committed and hard-working people. To learn more about how everyone on the Kimball team is working to build success, we invite you to read the enclosed Form 10-K. It's time you got to know us.

James C. Thyen  
President and  
Chief Executive Officer

Douglas A. Habig  
Chairman of the Board



Douglas A. Habig

James C. Thyen

We are always developing and introducing new products.



Wow Chairs, National



Kimball Office and National are well positioned for growth. We've introduced several award-winning new products, strengthened our dealer network, enhanced our brands and invested in our people with training, new support tools and motivation.

We are positioned for growth.

In our Electronic Contract Assemblies segment, additional "follow on" business from existing customers is proving to be one of the greatest indicators of our performance. Despite tremendous cost pressures resulting from the industry's excess global capacities, we are building relationships with new customers among transportation, industrial controls and medical companies. At the same time, our diversification efforts among targeted customers indicate significant growth potential.

Passenger Safety Sensor Module, Kimball Electronics



Delano™ Seating, Kimball Office





Developers and designers who have gotten to know us rely upon our reputation for transforming great ideas into beautiful room furnishings. Kimball Hospitality has a record of great success in Las Vegas. Several thousand rooms feature our top line casegoods, including 3,000 rooms in one of the newest resorts. Kimball Hospitality's team extended outside the reach of our normal product offering, creating a beautiful vanity in wood and marble for some of Las Vegas' most luxurious baths. Building success for every customer has led to more opportunities in Las Vegas and other markets.

Luxury Guest Room Vanity, Kimball Hospitality

Here at Kimball, our focus is on the future.

Home Theater System, flexcel



We continue to build strong customer relationships.

Personal modular home theater systems represent one area in which our flexcel manufacturing operations are serving customers and focusing on building new markets. Our customers and global business partners know that we are responsive. Our brand promise is rapid, customized contract manufacturing solutions. Our commitment to outstanding quality, reliable delivery and service nurtures long term customer relationships, proving our worth as a silent partner.



Sophisticate Series Bedroom Furnishings, Kimball Home

Style. Value. Experience. It's more than just an ad campaign, it is a three-word description of the Kimball Home brand. Benefiting from its quality reputation, Kimball Home received prime show floor placement and exposure in the nation's largest home furnishings store, the new 450,000 square-foot Nebraska Furniture Mart, located in Kansas City.

We are providing  
renewable resources  
for the world.



Our forest products sales and productivity have both seen substantial improvements over the last year. Sales are increasing to overseas markets and customers, with a rapidly growing appreciation and preference for our value-added products. The introduction of marketing materials in European and Asian languages has shown our serious dedication to these markets and has provided sales growth.

Customer Service



We are an employer of  
choice in our communities.

Those that have gotten to know us view Kimball as an employer of choice. That means more than just providing good, quality work environments for our employees. It's about providing a culture where our people can best serve our customers and realize their own potential. It's about being a sought-after place to work and a responsible corporate citizen that helps our communities improve their quality of life. Guided by a consistent set of principles and a singular Kimball culture, we think globally and act locally all across the world.



Chair Frame Production,  
flexcel - 11th Ave.

## BOARD OF DIRECTORS

**Harry W. Bowman+ #**  
Retired; Former President and Chief Executive Officer of The Stiffel Company  
Director 4 years

**Alan B. Graf, Jr.+ #**  
Executive Vice President and Chief Financial Officer, FedEx Corporation; Also Director of Nike, Inc. and Mid-America Apartment Communities, Inc.  
Director 8 years

**Brian K. Habig**  
Self-employed; Former Human Resources Manager, flexcel – Danville, A Seating Manufacturing Division of Kimball International  
Director 12 years

**Douglas A. Habig\***  
Chairman of the Board  
Director 31 years

**John B. Habig\***  
Chairman of the Board of Directors of SVB&T Corporation, a Bank Holding Company  
Director 48 years

**Polly B. Kawalek+ #**  
Senior Vice President and President, Quaker Foods, PepsiCo Beverages and Foods  
Director 7 years

**Geoffrey L. Stringer+**  
Retired; Former Executive Vice President, Bank One Corporation and Chief Executive Officer, Bank One Capital Corporation  
Director 1 year

**James C. Thyen\***  
President, Chief Executive Officer  
Director 22 years

**John T. Thyen**  
Retired; Former Senior Executive Vice President, Strategic Marketing, Kimball International  
Director 14 years

**Ronald J. Thyen\***  
Retired; Former Senior Executive Vice President, Operations Officer, Assistant Secretary, Kimball International  
Director 31 years

**Christine M. Vujovich+ #**  
Vice President, Marketing and Environmental Policy, Cummins, Inc.  
Director 10 years

**Dr. Jack R. Wentworth+ #**  
Retired; Arthur M. Weimer Professor Emeritus of Business Administration, Indiana University; Former Dean of the Kelley School of Business, Indiana University  
Director 20 years

\* Member of the Executive Committee of the Board

+ Member of the Audit Committee of the Board

# Member of the Compensation Committee of the Board

## OFFICERS

### Corporate Officers

**Randall L. Catt**  
Executive Vice President, Human Resources

**Donald D. Charron**  
Executive Vice President, President, Kimball Electronics Group

**J. Brent Elliott**  
Executive Vice President, President, flexcel

**John H. Kahle**  
Executive Vice President, General Counsel, Secretary

**P. Daniel Miller**  
Executive Vice President, President, Furniture Brands Group

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

**Gary W. Schwartz**  
Executive Vice President, Chief Information Officer

**Barry L. Cook**  
Vice President, President, Forest Products Group

**T. Randall Iles**  
Vice President, General Manager, Kimball Office

**R. Gregory Kincer**  
Vice President, Business Development, Assistant Treasurer

**Larry J. Knust**  
Vice President, Contract Furniture Operations, flexcel

**Ronald J. Sermersheim**  
Vice President, Environmental, Health & Safety

**Donald W. Van Winkle**  
Vice President, General Manager, National Office Furniture

**Dean M. Vonderheide**  
Vice President, Safety and Environment

### Domestic Subsidiary Officers

**J. Keith Beatty**  
Vice President, Engineering & Technology  
flexcel

**John S. Dick**  
Vice President, Chief Financial Officer, flexcel

**William N. Dykema**  
Vice President, General Manager, Kimball Hospitality

**Jeffrey L. Fenwick**  
Vice President, Marketing, flexcel

**Lisa L. Gutierrez**  
Vice President, Sales, National Office Furniture

**Sherril L. Lueken**  
Vice President, Chief Financial Officer, Furniture Brands Group

**Kent F. Mahlke**  
Vice President, Global Supply Chain Management, flexcel

**Dirk H. Manning**  
Vice President, West Division, Kimball Office

**Shaun Mannix**  
Vice President, General Manager, Transwall

**Mark Phillips**  
Vice President, East Division, Kimball Office

**Dwaine R. Saalman**  
Vice President, South Central Division, Kimball Office

**Stanley C. Sapp**  
Vice President, General Manager, Kimball Home

**Michael K. Sergesketter**  
Vice President, Chief Financial Officer, Kimball Electronics Group

**Wendell D. Sloan, Jr.**  
Vice President, Operations–Entertainment, flexcel

**Kevin R. Smith**  
Vice President, North American Operations, Kimball Electronics Group

**Spiro Vamvakas**  
Vice President, European Operations, Kimball Electronics Group

### Foreign Subsidiary Managers

**Kampol Tatiyakavee**  
Managing Director, Kimball Electronics Thailand, Ltd.

**Mario Piratello**  
General Manager, Kimco S.A. de C.V.

**Zygmunt Witort**  
General Manager, Kimball Electronics Poland, Sp. Zo. o.

Design: Black & White Design, Louisville, Kentucky

## OTHER CORPORATE DATA

Kimball International, Inc. and Subsidiaries

### Annual Meeting:

The annual meeting of Share Owners will be held at 9:30 a.m. Eastern Standard Time on October 19, 2004, 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 Robert F. Schneider, Executive Vice President, Chief Financial Officer and Treasurer at our corporate headquarters.

### Common Stock:

Kimball International Class B Common Stock is traded on the NASDAQ



Stock Market under the symbol: KBALB.

### Transfer Agent and Registrar of the Class A and B Common Stock:

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

National City Bank  
Corporate Trust Operations  
PO Box 92301  
Cleveland, OH 44193-0900  
Phone: (800) 622-6757  
TDD Line: (800) 622-5571  
Internet Address:  
www.nationalstocktransfer.com  
E-Mail Address:  
shareholder.inquiries@nationalcity.com

### Analyst Contact:

Financial analysts with questions concerning the Company may contact Robert F. Schneider, Executive Vice President, Chief Financial Officer and Treasurer at our corporate headquarters.

### Share Owner Contact:

Share Owners with general questions concerning the Company may contact John H. Kahle, Executive Vice President, General Counsel, Secretary at our corporate headquarters. All members of management welcome suggestions about the Company and its performance.

### Corporate Headquarters:

Kimball International, Inc.  
1600 Royal Street  
Jasper, Indiana 47549-1001  
(812) 482-1600  
(800) 482-1616 (Toll Free)  
(812) 482-8500 (TDD for Hearing Impaired)

### Internet Address:

Additional information on Kimball International is available at [www.kimball.com](http://www.kimball.com) on the Internet.

### Private Securities Litigation Reform Act of 1995:

This document 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.

## KIMBALL FACILITIES, CUSTOMERS AND SUPPLIERS



● SALES, MANUFACTURING AND SERVICE FACILITIES

■ CUSTOMERS AND SUPPLIERS



Kimball International, Inc.  
1600 Royal Street  
Jasper, IN 47549  
812-482-1600  
812-482-8500 TDD  
[www.kimball.com](http://www.kimball.com)