We Build Success

2001 Annual Report

Kimball International, Inc.

Kimball is:

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 Office Furniture product lines serve the business market with casegoods, seating and systems furniture in wood, metal and a variety of other materials, 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.

Kimball business units also produce on a contract basis a variety of 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 stampings and molded plastics for the Company's furniture manufacturing operations as well as for sale to external customers, both domestically and internationally.

Electronic Contract Assemblies Segment

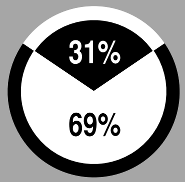
The Electronic Contract Assemblies Segment provides design engineering, manufacturing, packaging and distribution of electronic assemblies, circuit boards, multi-chip modules and semiconductor components on a contract basis to customers in the transportation, industrial, telecommunications, computer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

Financial Highlights

(Amounts in thousands, except for per share data)	**2001**	2000	% Change
Net Sales	**$ 1,261,171**	$ 1,228,412	2.7%
Net Income	**36,251***	48,462	-25.2%
Return on Capital	**7.37%***	9.76%	-24.5%
Earnings Per Share (Diluted)			
Class A	**0.92***	1.19	-22.7%
Class B	**0.94***	1.21	-22.3%
Dividends Declared			
Class A	**0.62**	0.62	0.0%
Class B	**0.64**	0.64	0.0%
Market Price Per Share			
High	**18.31**	21.00	
Low	**12.44**	10.75	
Close	**16.00**	14.75	

* Excludes restructuring and other charges.

Sales by Business Segments



Furniture and Cabinets
$872 Million

Electronic Contract Assemblies
$389 Million

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To our Share Owners:

One Vision; three words: We Build Success. We are establishing Kimball as a world-renowned business partner that builds success for all those who cross our paths, whether as employees, supply partners, customers, Share Owners or community neighbors.

Rarely can a company achieve its Vision and business growth by maintaining a simple, straight path. Sometimes, detours must be taken. Fiscal 2001 was a year of detours for us, a test of our flexibility to positively adapt to changes and challenges. But the destination of our journey remains unchanged – to be the company expected by our Share Owners, customers and employees.

With our Vision, Corporate Goals and Guiding Principles keeping us focused, our Company is able to approach changes and challenges as opportunities; in particular, opportunities to enter this new fiscal year as a leaner company positioned for accelerated growth, increased profitability and greater Share Owner value.

Never have we been more optimistic about Kimball International's strategic positioning to build future success for you. Consider our very significant stock buy-back program.

In fiscal 2001, we purchased 1,350,000 shares of Class B common stock at a cost of $20.1 million. And in the past five years, we have purchased about 4.4 million shares of Class B common stock at a cost of approximately $73 million.

Clearly, we believe our Company is an attractive investment. And clearly, we are committed to you, the Share Owner, and to improving the execution of our business strategies aimed at increasing the return on your investment.

Our foremost goal: build Share Owner value by focusing on and taking advantage of our competitive strengths.

Strategic Initiatives Producing Benefits

As you know, the state of the general economy was slow in fiscal year 2001, and Kimball was not immune. This, along with increased global competition, a sharp decline in the manufacturing sector, customer demand for lower costs and faster response, and changes driven by our markets, proved challenging.

While both of our business segments ended fiscal 2001 with sales volumes higher than the prior year, sales were lower in several principal markets within both segments.

In our Furniture and Cabinets Segment we experienced slower sales in all of our principal markets, except the projection television cabinet market, which remained strong throughout most of the fiscal year. Sales of office furniture, our largest market within the Furniture and Cabinets Segment, were below the prior year as this market experienced a significant slowdown over the second half of our fiscal year, linked to the slow U.S. economy.

In our Electronic Contract Assemblies Segment, sales of significant product lines within our automotive and computer markets were below the prior year. However, overall sales levels increased over the prior year as this segment benefited from our global expansion efforts including a greenfield start-up in Thailand and an acquisition in Poland earlier this fiscal year.

We responded to lower volumes in several of our principal markets by:

- Restructuring our operating capabilities and capacities.
- Eliminating old equipment and software.
- Eliminating non-essential spending.
- Operating with shorter workweeks when warranted.
- Investing for the future.

These decisions were based on our faith in the future, not fear of it. These strategies position us to more quickly respond to customer needs at a lower cost and enable us to maintain our focus on long-term, profitable growth.

We are starting to see benefits from other strategies that have been put into place, too.

- In fiscal year 2001, our Electronic Contract Assemblies Segment expanded our global footprint efforts with the acquisition of an 80,000 square-foot operation in Poznan, Poland. Our manufacturing presence in Poland, Laem Chabang, Thailand, and Reynosa, Mexico, along with the construction of a new 40,000 square-foot Center of Excellence facility in Valencia, California, specializing in microelectronics, have enabled us to keep existing customers,

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

James C. Thyen
President

attract new ones and subsequently grow sales through a diversified customer base.

- In fiscal year 2001, Kimball Office Furniture (KOF) and National Office Furniture (NOF) created focused strategic plans and clearly defined what we call "Brand Propositions" in order to better market product. Early successes have been exciting. KOF and NOF generated a lot of enthusiasm at last June's NeoCon office furniture trade show in Chicago, one of our most successful shows to date.

- In fiscal year 2001, our leadership team was enhanced through succession planning, leadership recruitment and the appointments of new officers. The evolution to Presidents for our three major market areas served by Kimball Electronics Group, Kimball Office Group and Furniture Manufacturing Services supports our global growth strategy and succession planning.

- Our enhanced global procurement strategy continues to help us reduce our raw material and component costs. The creation of a dedicated procurement team brings discipline and consistency to this crucial area as we streamline processes and improve quality and efficiency, along with costs.

Our Business Philosophy Is Intact

All that we do is done in the spirit of maintaining focus on growing our core businesses for the long-term success of your Company and providing the groundwork to expand our reach when it comes to geographical presence, product offerings, key leadership base and sales.

In fiscal year 2001:

- We continued to emphasize quality, reliability, value and speed.

- We continued to develop our people so that they have the tools and knowledge to continuously improve jobs and processes, making quality higher, lead times shorter and costs lower.

- We continued to expand relationships with existing customers, to aspire to be their heroes, so that they can call us their supplier of choice.

- We continued to invest in information technology and use web-based technologies to change and enhance how we work, service customers, interact with suppliers and provide information to employees.

- We continued to be a partner with our suppliers, to expect the same level of excellence that our customers expect from us.

- For the third consecutive year, our selling, general and administrative costs as a percentage of sales declined, further reflecting our commitment to find additional opportunities to reduce our cost structure.

- We continued to seek worldwide opportunities. Customers expect us to be where they need us, whether throughout the U.S. or around the world.

- We continued to develop new products to improve our position in our markets. Within our Furniture and Cabinets Segment, NOF and KOF introduced new casegoods and seating offerings. At this year's NeoCon office furniture trade show, our products earned three high-profile awards, including "Best Of" Gold awards and "Most Innovative Design." Also, Kimball Home Furniture unveiled a new line of distinctive residential furniture, called Vienna, and Kimball Lodging Group (KLG) is seeing growth in the General Services Administration and Educational markets. KLG also continues its association with a well-known chain of hotels and resorts as their supplier of choice for a worldwide renovation program.

- We continued to attract new talent while also providing growth opportunities for current employees.

- We continued to set sales records.

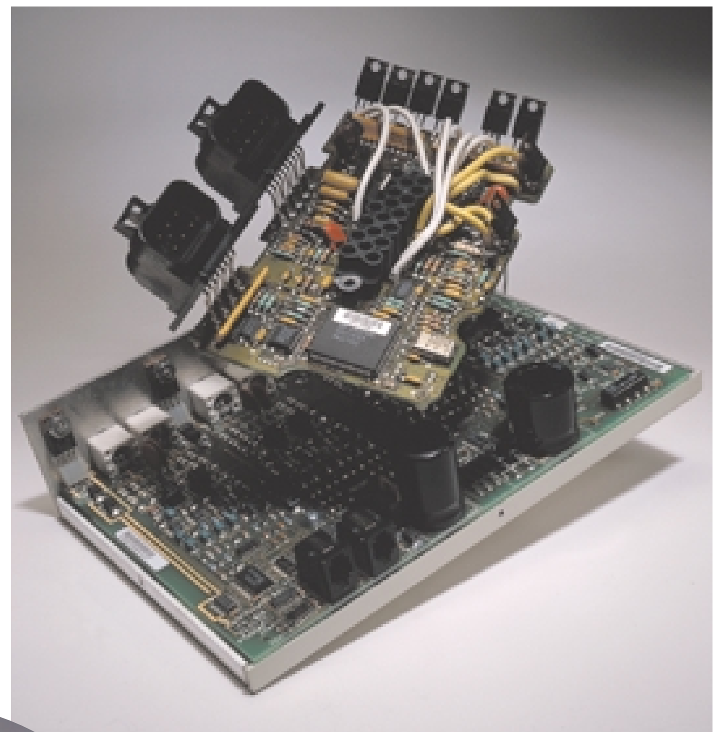
Looking Ahead With Assurance

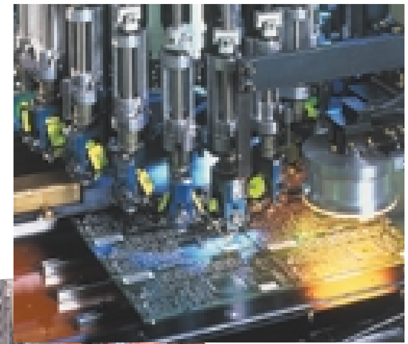
We begin fiscal year 2002 with a renewed commitment and enthusiasm to improving the bottom line and increasing Share Owner value.

We will emerge from the current economic downturn in a strong competitive position. We're excited about the future prospects of our Company and how we will build success for you.

August 1, 2001

1 We Build Success: For Our

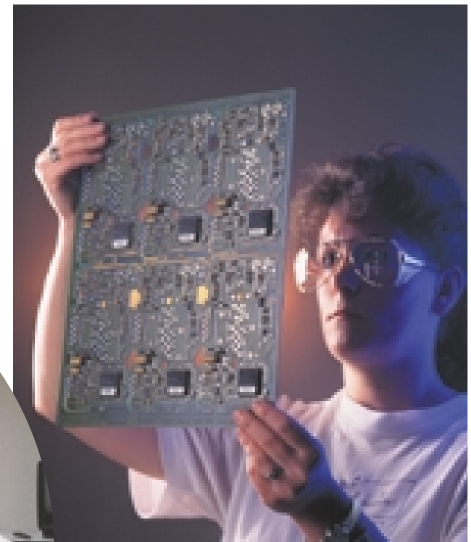




Customers

Treating each customer as the only customer is making the Kimball name synonymous with quality, reliability, value, and speed. Since 1950, we have been the supplier of choice for multiple thousands of customers. Today, the reach of our capabilities, products and services continues to expand to meet the needs of a growing global customer base.

We Build Success



2 We Build

We Build Success

Success: For Our People

Across cultures, boundaries and markets, we are an employer of choice. Worldwide, our people are the Company, valued members in a corporate culture shaped by a strong belief in dignity, diversity, integrity, trust, cooperation, family, and personal growth. Employees share in company success through a compensation philosophy that fosters a spirit of ownership in their Company.

Kimball is more than a job provider. We help make communities better places to live by supporting health and human services, education, religious institutions, arts and culture, and civic and community programs that benefit the elderly, the disabled, children, schools, community centers, and critical services such as local volunteer fire departments. Environmentally, we are recognized as a leader in eliminating pollution generated at the source, using safe substitutes where feasible, maximizing the reclamation and recycling of materials to eliminate any adverse impact on the environment and developing the most sound and technologically advanced forest management practices.

3 We Build Success: For Our

We
Build
Success

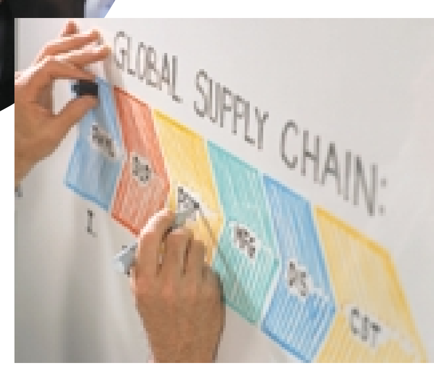
Communities & Environment

4 We Build Success:

We Build Success

For Our Supply Partners & Share Owners

As the beginning partners in all of our processes, our suppliers are an extension of our Company and must share in our commitment to total quality that exceeds our customers' expectations. Naturally, Share Owners are the final beneficiaries of the effectiveness of all our efforts. We are committed to providing exceptional long-term returns to our Share Owners and conducting our business with demonstrated values and integrity to make those Share Owners proud of their Company.



Overview

Net sales of $1,261,171,000 were attained in fiscal year 2001, compared to net sales of $1,228,412,000 in fiscal 2000. Net income and Class B diluted earnings per share for fiscal year 2001 were $16,583,000 and $0.43, respectively, including costs associated with restructuring actions and a one-time charge for impaired goodwill unrelated to the restructuring. Exclusive of restructuring and other charges, net income and Class B diluted earnings per share in fiscal year 2001, were $36,251,000 and $0.94, respectively, compared to net income of $48,462,000 and Class B diluted earnings per share of $1.21 from fiscal year 2000.

In late fiscal year 2001, the Company's Board of Directors approved a plan to restructure certain operations to more closely align the Company's capabilities and capacities with changing market requirements and economic conditions as well as position the Company with a more competitive cost structure vital for overall long-term success. Primary activities of the plan include:

- Closing four furniture and cabinet manufacturing facilities, a Company owned energy center and an administrative office location, all in the United States.
- Exit of an electronics manufacturing facility located in France.
- Scaling of capacities at additional manufacturing locations allowing for consolidation and/or alignment of operations in reaction to, or in anticipation of, changing market conditions.
- Employee transition and other pay for approximately 650 affected hourly and salaried employees.

The activities associated with this restructuring plan are expected to be substantially complete within 12 months from its inception. As a result of the above outlined activities, the Company incurred pre-tax restructuring charges of $25.7 million as of June 30, 2001. Included in the restructuring charge is $11.5 million for asset write-downs, $7.5 million for the impairment of goodwill, $3.4 million for plant closure and other exit costs, and $2.6 million for transition and other employee costs. Also included was a charge of $0.7 million against cost of goods sold for the write-down of inventory. Other unusual charges recorded in fiscal year 2001 include $2.7 million for the impairment of goodwill that was unrelated to the restructuring plan. See note 17 to the consolidated financial statements for more information regarding restructuring and other expense.

The Company also began taking actions in mid fiscal year 2001 to right size its workforce in response to the slowing economy and related lower sales volumes. From January 1 through June 30, 2001, the Company reduced its worldwide workforce by approximately 1,800 employees or 16%. A majority of the costs associated with the reduction in force are included in the restructuring charge. Management estimates that once the restructuring plan is executed, these actions, along with cost reduction efforts already taken, will generate annual pre-tax savings of approximately $35 to $40 million, with part of the savings redeployed into strategic initiatives designed to accelerate top-line revenue growth and quality and efficiency improvements. Management expects the majority of the cost savings resulting from the restructuring activities will begin to be realized in the latter half of fiscal year 2002. The preceding statements are forward-looking statements under the Private Securities Litigation Reform Act of 1995, and are subject to certain risks and uncertainties including, but not limited to, successful execution of the restructuring plan, a significant change in economic conditions, loss of key customers or suppliers within specific industries, or a natural disaster or similar unforeseen events.

Results of Operations

2001 Discussion

Net sales for fiscal year 2001 surpassed 2000 net sales on increases by both of the Company's segments - the Furniture and Cabinets Segment and the Electronic Contract Assemblies Segment. Net income, exclusive of restructuring and other charges, in fiscal 2001 declined from fiscal 2000 for both segments.

Furniture and Cabinets

Product line offerings included in the Furniture and Cabinets Segment are office furniture, residential furniture, lodging and healthcare furniture, store fixtures, furniture and cabinets produced on a contract basis 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.

The Furniture and Cabinets Segment net sales for fiscal year 2001 increased slightly over the record sales recorded in fiscal year 2000. The sales increase over the prior year was led by sales of furniture and cabinets produced on a contract basis, primarily sales of large-screen projection television cabinets, which offset sales declines in other key product lines within this segment.

Sales in the office furniture product line decreased from the sales volumes recorded in fiscal year 2000 largely as a result of an overall slowing in the office furniture industry in the latter half of the fiscal year. Overall price discounting increased slightly in fiscal year 2001 over last year as a result of increased pricing pressures driven by the slowing economy. Sales of casegoods increased over the prior year despite the overall industry reduction while sales of systems and seating products declined from fiscal year 2000. For the fiscal year ending June 2001, both the Company's office furniture sales and the overall industry, as reported by the Business and Institutional Furniture Manufacturer's Association (BIFMA), experienced a low single-digit percentage decline compared to the prior year.

Net sales in the lodging and healthcare product line decreased in fiscal year 2001 from the previous year. Sales of the Company's standard product offerings, which generally carry a higher margin, increased in fiscal year 2001, while sales of custom-made product declined when compared to the prior year. The Company's strategic shift in focus to drive more sales of the generally higher margined standard products proved successful in fiscal year 2001.

Contract furniture and cabinets experienced a double-digit growth rate in net sales in fiscal year 2001, when compared to the prior year, excluding the impact from a mid-year acquisition in fiscal year 2000. Increased sales volume of large-screen projection television cabinets produced on a contract basis was the largest single contributor to the sales growth in this product line. A price increase to one of the Company's projection television cabinet customers also contributed to the overall sales increase compared to the year earlier period.

Net sales in the furniture components product line decreased in fiscal year 2001, compared to the prior year, as an increase in sales volume of laminate product was more than offset by decreases in all other products within this line.

Net income in the Furniture and Cabinets Segment decreased in fiscal year 2001, exclusive of pre-tax restructuring charges of $20.0 million recorded in fiscal 2001, from the prior year despite a slight increase in sales volume (see note 17 to the consolidated financial statements for more information on restructuring). Gross profit, as a percent of sales, declined from fiscal 2000 largely due to an increase in labor and overhead costs, as a percent of sales. Increased depreciation expense along with higher expenditures for freight and utilities associated with higher energy costs were the largest contributors to the increased overhead costs. The furniture components product line and the contract furniture and cabinets line primarily drove the lower gross margins in this segment. Lower sales volumes and continued start-up challenges and associated inefficiencies at the Company's new veneer mill in Chandler, Indiana drove the lower margins within the furniture components line. Lower margins in the contract furniture and cabinets product line was primarily the result of reduced manufacturing efficiencies including those at the Company's projection television cabinet operation in Juarez, Mexico. An overall shift in sales mix to lower margined products within this segment also contributed to the lower overall profitability compared to the prior year. Selling, general and administrative (SG&A) expenses in fiscal year 2001 decreased in both dollars and as a percent of sales compared to the prior year largely from reduced incentive compensation costs, which are linked to company profitability. Exclusive of incentive compensation costs, SG&A expenses decreased, as a percent of sales, from fiscal year 2000 as a result of a continued focus to reign in discretionary spending.

Electronic Contract Assemblies

During fiscal year 2001, the Company continued its strategic global expansion within the Electronic Contract Assemblies Segment with the acquisition of the manufacturing assets of Alcatel located in Poznan, Poland. The Company leases the facility and initially manufactures telecommunications equipment under a supply agreement with Alcatel. The acquisition was accounted for as a purchase and was financed with available cash on hand. The Company also completed and moved into a new microelectronics facility located in Valencia, California during the latter half of fiscal year 2001. The new Valencia facility, which will increase capacity and enhance technical manufacturing capabilities, replaces a previously leased facility in Burbank, California.

Net sales for fiscal year 2001 surpassed the prior year by 6% in the Electronic Contract Assemblies Segment. Excluding acquisitions, comparable sales in the Electronic Contract Assemblies Segment decreased 1% from the previous year. Sales of telecommunication components increased, as a result of the Poznan, Poland acquisition, as did sales of industrial controls compared to sales in fiscal year 2000. Sales of electronic transportation products were relatively flat compared to a year ago while sales of computer related products and medical components declined over the same comparison. Although overall sales of transportation components were relatively flat compared to a year earlier, a significant change in sales mix within this product line occurred during this same period.

Net income in fiscal year 2001 declined from the reported net income in fiscal year 2000, exclusive of fiscal year 2001 pre-tax restructuring charges of $4.2 million and a $2.7 million pre-tax charge for impaired goodwill unrelated to the restructuring plan (see note 17 to the consolidated financial statements for more information on restructuring and other expense). Gross profits were lower in fiscal year 2001, largely as a result of charges for excess and obsolete material related to select contract based customers. Product mix changes within and among the product lines in this segment, resulting partly from a planned diversification of its customer base into a variety of new products, also contributed to the lower gross profitability in fiscal year 2001. The Company plans to continue to strategically diversify this segment's customer base in fiscal year 2002. This 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 change in economic conditions, loss of key customers or significant volume reductions from key contract customers, or a natural disaster or similar unforeseen events. Additionally, charges related to the write-down of custom equipment and working capital associated with a financially unstable contract customer impacted operating results in fiscal year 2001. On the positive side, this segment's recent global expansion initiatives proved successful in fiscal year 2001 with a significant favorable contribution to the prior year net income comparison. Selling, general and administrative expenses decreased in both dollars and as a percent of sales in fiscal year 2001 driven by lower absolute selling expenses and incentive compensation, which is linked to company profitability.

Included in this segment are sales to one customer, TRW, Inc. which accounted for 15% and 17% of consolidated net sales in fiscal year 2001 and 2000, 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 increased globalization, 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 in both dollars and as a percent of sales, 1.0 percentage point, in fiscal year 2001 when compared to fiscal year 2000. This reduction in selling, general and administrative costs is primarily due to lower absolute selling expenses and lower incentive compensation costs, which are linked to company profitability.

Pre-tax restructuring and other charges of $28.4 million were recorded in fiscal year 2001, including $25.7 million associated with the previously described restructuring activities ($0.7 million recorded in cost of goods sold for the write-down of inventory). Also included is a $2.7 million charge for impaired goodwill unrelated to the restructuring. See note 17 to the consolidated financial statements for more information on restructuring and other expense.

Other income decreased from the prior year as lower interest income, caused by lower average investment balances, and higher interest expense, from increased outstanding balances on the Company's revolving credit line, more than offset an increase in miscellaneous income. Contributing to the lower average investment balances, compared to the year earlier, are repurchases of Class B Common Stock for $20 million and $24 million in fiscal years 2001 and 2000, respectively.

The effective income tax rate, excluding the impact from restructuring and other charges, decreased 0.5 percentage point in fiscal year 2001, when compared to fiscal year 2000, primarily as a result of the increase in foreign income with lower tax rates. Excluding the effect from restructuring and other charges, the federal effective tax rate remained flat with the prior year while the state effective tax rate declined. Including restructuring and other, the combined effective tax rate increased over the prior year by 3.5 percentage points.

Fiscal year 2001 net income and Class B diluted earnings per share, inclusive of restructuring and other charges, were $16,583,000 and $0.43, respectively. Excluding restructuring and other charges, fiscal year 2001 net income was $36,251,000 and Class B diluted earnings per share was $0.94 compared to net income of $48,462,000 and Class B diluted earnings per share of $1.21 in fiscal year 2000.

The Company continues to experience a softening in the marketplace for several of its key product lines, which is believed to be associated with the general softness in the overall U.S. economy. Visibility in each of the Company's primary markets is very low and as a result the Company cannot predict when it will see a turnaround.

2000 Discussion

Net sales for the 2000 fiscal year surpassed 1999 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 2000 declined from fiscal year 1999 in both segments.

Furniture and Cabinets

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.

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

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 in 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 fiscal year 1999. 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 contributed to the lower selling, general and administrative costs, as a percent of sales.

Electronic Contract Assemblies

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 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.

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.

Consolidated Operations

Consolidated selling, general and administrative (SG&A) expenses decreased, as a percent of sales, 1.0 percentage point in fiscal year 2000 when compared to fiscal year 1999. This reduction in SG&A 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 compares to 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. Fiscal year 1999 net income and Class B diluted earnings per share, including non-operating gains, were $59,725,000 and $1.47, respectively.

Liquidity and Capital Resources

The Company's aggregate of cash, cash equivalents, and short-term investments decreased from $85 million at the end of fiscal year 2000 to $80 million at the end of fiscal year 2001 as cash used for investing and financing activities, including the repurchase of 1.3 million shares of the Company's Class B Common Stock for $20 million, slightly more than offset cash provided from operating activities during fiscal year 2001. Working capital at June 30, 2001 was $181 million compared to working capital of $190 million at June 30, 2000. The current ratio was 1.9 at both June 30, 2001 and June 30, 2000.

Operating activities generated $102 million of cash flow in fiscal year 2001 compared to $41 million in fiscal year 2000. Net income and non-cash charges to net income, including non-cash restructuring charges, plus a decrease in receivables of $31 million were partially offset by a decline in accrued expenses of $18 million. The Company reinvested $59 million into capital investments for the future, including a new microelectronics manufacturing facility in Valencia, California, facility improvements, production equipment, and improvements to the Company's information technology systems and solutions. The Company expects to continue to invest in resources for leveraging new and improved information technology systems and solutions. Financing cash flow activities were primarily in the form of $25 million in dividend payments and $20 million of Class B Common Stock repurchases. Net cash flow, excluding the purchases and maturities of short-term investments was an outflow of $6 million.

At June 30, 2001, the Company had $28 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 had $35 million of debt outstanding under this credit facility at June 30, 2000. 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, 2001 and does not expect these covenants to limit or restrict the Company's ability to borrow from the credit facility in fiscal year 2002.

The Company anticipates maintaining a strong liquidity position for the 2002 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 section contains forward-looking statements under the Private Securities Litigation Reform Act of 1995, and is subject to certain risks and uncertainties including, but not limited to, a change in economic conditions, loss of key customers or suppliers, availability or increased costs of raw materials or components, or a natural disaster or similar unforeseen events.

Accounting Standards

In July 2001, the Financial Accounting Standards Board issued statement No. 141, Business Combinations (FAS 141), and statement No. 142, Goodwill and Other Intangible Assets (FAS 142). FAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting. Under FAS 142, amortization of goodwill will cease and the goodwill carrying values will be tested periodically for impairment. The Company is required to adopt FAS 142 effective July 1, 2002 for goodwill and intangible assets acquired prior to July 1, 2001. Goodwill and intangible assets acquired after June 30, 2001 will be subject immediately to the goodwill nonamortization and intangible amortization provisions of this statement. The Company currently is evaluating the effect the adoption of FAS 142 will have on its results of operations and financial position.

Effective July 1, 2000, the Company adopted 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 periodically engages in limited derivative activity consisting primarily of forward purchases of foreign currency. The new standard did not have a material effect on the Company's financial condition or results of operations for fiscal year 2001.

Effective with the fourth quarter of fiscal year 2001, the Company changed its income statement classification of shipping and handling fees and costs in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs. As a result of this adoption of EITF 00-10, the Company now reflects all shipping and handling fees billed to customers as sales while the related shipping and handling costs are included in cost of goods sold. Prior to the adoption of EITF 00-10 some fees and costs were netted in selling, general and administrative expenses. Shipping and handling fees and costs for all prior periods presented have been reclassified to conform to the new income statement presentation. The reclassification had no impact on the Company's financial position or net income.

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,
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, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois
August 1, 2001

(Amounts in Thousands, Except for Share Data)	June 30 **2001**	2000
Assets		
Current Assets:		
Cash and cash equivalents	**$ 11,237**	$ 5,223
Short-term investments	**68,746**	79,366
Receivables, less allowances of $6,880 and $4,713, respectively	**150,015**	180,929
Inventories	**117,681**	117,058
Other	**33,808**	30,944
Total current assets	**381,487**	413,520
Property and Equipment, net	**241,952**	248,210
Other Assets	**55,545**	61,921
Total Assets	**$ 678,984**	$ 723,651
Liabilities and Share Owners' Equity		
Current Liabilities:		
Loans payable	**$ 28,914**	$ 37,400
Current maturities of long-term debt	**1,031**	1,021
Accounts payable	**102,025**	102,835
Dividends payable	**6,006**	6,205
Accrued expenses	**57,152**	75,934
Accrued restructuring	**5,445**	–
Total current liabilities	**200,573**	223,395
Other Liabilities:		
Long-term debt, less current maturities	**3,320**	2,599
Deferred income taxes and other	**32,667**	29,130
Total other liabilities	**35,987**	31,729
Share Owners' Equity:		
Common stock-par value $.05 per share:		
Class A - Shares authorized-49,858,000 (49,909,000 in 2000) Shares issued-14,400,000 (14,451,000 in 2000)	**720**	722
Class B - Shares authorized-100,000,000 Shares issued-28,625,000 (28,574,000 in 2000)	**1,431**	1,429
Additional paid-in capital	**8,132**	8,056
Retained earnings	**513,981**	522,041
Accumulated other comprehensive income	**1,436**	326
Less: Treasury stock, at cost:		
Class A - 334,000 shares (172,000 in 2000)	**(5,635)**	(3,144)
Class B - 4,708,000 shares (3,621,000 in 2000)	**(77,641)**	(60,903)
Total Share Owners' Equity	**442,424**	468,527
Total Liabilities and Share Owners' Equity	**$ 678,984**	$ 723,651

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

(Amounts in Thousands, Except for Per Share Data)	**2001**	2000	1999
	Year Ended June 30		
Net Sales	**$1,261,171**	$1,228,412	$1,131,261
Cost of Sales	**968,918**	911,884	812,829
Gross Profit	**292,253**	316,528	318,432
Selling, General and Administrative Expenses	**243,843**	249,406	240,851
Restructuring and Other Expense	**27,695**	–	–
Operating Income	**20,715**	67,122	77,581
Other Income (Expense):			
Interest expense	**(1,441)**	(536)	(476)
Interest income	**3,026**	4,709	6,554
Other, net	**4,621**	3,107	8,715
Other income, net	**6,206**	7,280	14,793
Income Before Taxes on Income	**26,921**	74,402	92,374
Taxes on Income	**10,338**	25,940	32,649
Net Income	**$ 16,583**	$ 48,462	$ 59,725
Earnings Per Share of Common Stock			
Basic:			
Class A	**$0.41**	$1.19	$1.46
Class B	**$0.43**	$1.21	$1.48
Diluted:			
Class A	**$0.41**	$1.19	$1.45
Class B	**$0.43**	$1.21	$1.47
Average Number of Shares Outstanding			
Basic:			
Class A	**14,141**	14,299	14,338
Class B	**24,952**	25,935	26,286
Totals	**39,093**	40,234	40,624
Diluted:			
Class A	**14,141**	14,299	14,338
Class B	**25,010**	26,050	26,501
Totals	**39,151**	40,349	40,839

See Notes to Consolidated Financial Statements

(Amounts in Thousands)	Year Ended June 30 **2001**	2000	1999
Cash Flows From Operating Activities:			
Net income	**$ 16,583**	$ 48,462	$ 59,725
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**47,652**	43,801	39,710
Gain on sales of assets	**(632)**	(1,059)	(3,917)
Restructuring and other	**27,040**	–	–
Deferred income tax and other deferred charges	**(2,301)**	(595)	1,964
Change in current assets and liabilities:			
Receivables	**30,914**	(45,843)	(13,114)
Inventories	**(623)**	(16,800)	(4,816)
Other current assets	**2,900**	(2,510)	(2,529)
Accounts payable	**(827)**	23,374	17,069
Accrued expenses	**(18,411)**	(7,434)	3,936
Net cash provided by operating activities	**102,295**	41,396	98,028
Cash Flows From Investing Activities:			
Capital expenditures	**(46,778)**	(61,124)	(76,568)
Proceeds from sales of assets	**3,130**	2,689	820
Proceeds from sales of divisions/subsidiaries	**–**	–	7,156
Increase in other assets	**(12,482)**	(10,330)	(25,973)
Purchases of held-to-maturity securities	**–**	–	(400)
Maturities of held-to-maturity securities	**–**	400	5,425
Purchases of available-for-sale securities	**(56,316)**	(112,101)	(23,191)
Sales and maturities of available-for-sale securities	**68,433**	146,772	57,080
Net cash used for investing activities	**(44,013)**	(33,694)	(55,651)
Cash Flows From Financing Activities:			
Net change in short-term borrowings	**(8,486)**	31,298	(800)
Net change in long-term debt	**856**	(1,103)	625
Acquisition of treasury stock	**(20,447)**	(24,427)	(17,184)
Dividends paid to share owners	**(24,842)**	(25,558)	(25,784)
Proceeds from exercise of stock options `	**654**	801	986
Other, net	**117**	(284)	(176)
Net cash used for financing activities	**(52,148)**	(19,273)	(42,333)
Effect of Exchange Rate Change on Cash and Cash Equivalents	**(120)**	19	(26)
Net Increase (Decrease) in Cash and Cash Equivalents	**6,014**	(11,552)	18
Cash and Cash Equivalents at Beginning of Year	**5,223**	16,775	16,757
Cash and Cash Equivalents at End of Year	**$ 11,237**	$ 5,223	$ 16,775
Total Cash, Cash Equivalents and Short-Term Investments:			
Cash and cash equivalents	**$ 11,237**	$ 5,223	$ 16,775
Short-term investments	**68,746**	79,366	114,996
Totals	**$ 79,983**	$ 84,589	$ 131,771

See Notes to Consolidated Financial Statements

Consolidated Statements of Share Owners' Equity

(Amounts in Thousands, Except for Share Data)	Common Stock Class A	Common Stock Class B	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Share Owners' Equity
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
Comprehensive income:							
Net income				**16,583**			**16,583**
Net change in unrealized gains and losses on securities					**1,143**		**1,143**
Foreign currency translation adjustment					**(33)**		**(33)**
Comprehensive income							**17,693**
Treasury stock activity (1,332,000 shares)			**57**			**(19,942)**	**(19,885)**
Shares of Class A Common Stock converted to Class B Common Stock (51,000 shares)	**(2)**	**2**	**375**			**(375)**	**–**
Exercise of stock options (83,000 shares)			**(356)**			**1,088**	**732**
Cash dividends:							
Class A ($.62 per share)				**(8,761)**			**(8,761)**
Class B ($.64 per share)				**(15,882)**			**(15,882)**
Amounts at June 30, 2001	**$ 720**	**$ 1,431**	**$ 8,132**	**$ 513,981**	**$ 1,436**	**($83,276)**	**$ 442,424**

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 38% and 45% of consolidated inventories in 2001 and 2000, 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. The Company performs reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

Research and Development: The costs of research and development are expensed as incurred. These costs were approximately, in millions, $14.5 in 2001, $13.5 in 2000, and $11.6 in 1999.

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 is 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, 2001. 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 accounts for its employee stock option plans in accordance with 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 July 2001, the Financial Accounting Standards Board issued statement No. 141, Business Combinations (FAS 141), and statement No. 142, Goodwill and Other Intangible Assets (FAS 142). FAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting. Under FAS 142, amortization of goodwill will cease and the goodwill carrying values will be tested periodically for impairment. The Company is required to adopt FAS 142 effective July 1, 2002 for goodwill and intangible assets acquired prior to July 1, 2001. Goodwill and intangible assets acquired after June 30, 2001 will be subject immediately to the goodwill nonamortization and intangible amortization provisions of this statement. The Company currently is evaluating the effect the adoption of FAS 142 will have on its results of operations and financial position.

Effective July 1, 2000, the Company adopted 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 periodically engages in limited derivative activity consisting primarily of forward purchases of foreign currency. The new standard did not have a material effect on the Company's financial condition or results of operations for fiscal year 2001.

Note 1 Summary of Significant Accounting Policies (continued)

New Accounting Standards (continued): In the fourth quarter of fiscal 2001, the Company changed its income statement classification of shipping and handling fees and costs in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs. As a result of this adoption of EITF 00-10, the Company now reflects all shipping and handling fees billed to customers as sales while the related shipping and handling costs are included in cost of goods sold. Prior to the adoption of EITF 00-10 some fees and costs were netted in selling, general and administrative expenses. Shipping and handling fees and costs for all prior periods presented have been reclassified to conform to the new income statement presentation. The reclassifications had no impact on the Company's financial position or net income.

Note 2 Acquisitions and Dispositions

Acquisitions of Subsidiaries:
In the first quarter of fiscal year 2001, the Company acquired the manufacturing assets of Alcatel located in Poznan, Poland. The Company leases the facility and manufactures telecommunications equipment under a supply agreement with Alcatel. The acquisition was accounted for as a purchase and was financed with available cash on hand. The new facility is not a significant subsidiary, and accordingly, pro forma results of operations have not been provided.

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 operating results.

Note 3 Inventories

Inventories are valued using the lower of last-in, first-out (LIFO) cost or market value for approximately 38% and 45% of consolidated inventories in 2001 and 2000, respectively, including approximately 75% and 80% of the Furniture and Cabinets Segment inventories in 2001 and 2000, respectively. The cost of Electronic Contract Assemblies Segment inventories and the remaining inventories in the Furniture and Cabinets 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 $0.3 million lower in 2001, $1.5 million higher in 2000, and $0.2 million lower in 1999. Additionally, inventories would have been, in millions, $22.1 and $22.7 higher at June 30, 2001 and 2000, respectively, if the FIFO method had been used. During 2001 and 2000, certain inventory quantity reductions caused a liquidation of LIFO inventory values, which increased net income by $0.7 million in 2001 and were immaterial in 2000.

Inventory components at June 30 are as follows:

(Amounts in Thousands)	**2001**	2000
Finished products	**$ 47,693**	$ 31,251
Work-in-process	**17,165**	18,149
Raw materials	**52,823**	67,658
Total inventory	**$ 117,681**	$ 117,058

Note 4 Property and Equipment

Major classes of property and equipment consist of the following:

(Amounts in Thousands)	**2001**	2000
Land	**$ 9,821**	$ 7,326
Buildings and improvements	**186,847**	182,587
Machinery and equipment	**352,016**	335,396
Construction-in-progress	**19,111**	15,399
Total	**$ 567,795**	$ 540,708
Less: Accumulated depreciation	**(325,843)**	(292,498)
Property and equipment, net	**$ 241,952**	$ 248,210

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	5 to 50
Machinery and equipment	2 to 20
Leasehold improvements	Life of Lease

Depreciation and amortization of property and equipment totaled, in millions, $46.9 for 2001, $37.5 for 2000, and $33.4 for 1999.

Note 5 Lease Commitments

Operating leases for certain office, showroom, warehouse and manufacturing facilities, land and equipment, which expire from fiscal year 2002 to 2030, contain provisions under which minimum annual lease payments are, in millions, $6.4, $5.5, $4.0, $2.4, and $0.7 for the five years ended June 30, 2006, respectively, and aggregate $1.6 million from 2006 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, $5.6, $7.4, and $7.1 in 2001, 2000 and 1999, 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, $1,031, $931, $1,559, $476, and $7, respectively, and aggregate $347 thereafter. Interest rates range from 0% to 9.25%. Interest paid was immaterial in the three years ending June 30, 2001. Based upon borrowing rates currently available to the Company, the fair value of the Company's debt approximates the carrying value.

The Company maintains 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, 2001 and June 30, 2000, the Company had $27.5 million and $35.4 million, respectively, of short-term borrowings outstanding under this facility.

Note 7 Retirement Plans

The Company has a trusteed 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 trusteed plan are vested and held for the sole benefit of participants. Total contributions to the Retirement Plans for 2001, 2000 and 1999 were approximately, in millions, $5.0, $9.1, and $10.8, 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 2.7 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 years 2001 and 2000, and 290 in fiscal year 1999.

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 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.

Note 8 Stock Options (continued)

Stock option transactions are as follows:

	Number of Shares	Weighted Average Exercise Price
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
Granted	**816,401**	**16.10**
Exercised	**(253,633)**	**13.16**
Forfeited	**(219,074)**	**18.87**
Expired	**(112,134)**	**13.27**
Options outstanding June 30, 2001	**2,168,116**	**$18.07**
Shares available for future options	**5,106,848**	

Following is a status of options outstanding at June 30, 2001:

	Outstanding Options			Exercisable Options	
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$12.00-$16.00	235,077	3 years	$14.19	161,423	$13.77
$16.00-$20.00	1,527,850	6 years	17.68	539,704	18.06
$20.00-$24.00	405,189	2 years	21.82	405,189	21.82
Total	2,168,116	5 years	$18.07	1,106,316	$18.81

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:

(Amounts in Thousands, Except for Per Share Data)	**Year Ended June 30** **2001**	2000	1999
Net Income			
As Reported	**$16,583**	$48,462	$59,725
Pro Forma	**$13,509**	$46,001	$57,444
Earnings Per Share of Common Stock:			
As Reported:			
Basic:			
Class A	**$0.41**	$1.19	$1.46
Class B	**$0.43**	$1.21	$1.48
Diluted:			
Class A	**$0.41**	$1.19	$1.45
Class B	**$0.43**	$1.21	$1.47
Pro Forma:			
Basic:			
Class A	**$0.33**	$1.13	$1.40
Class B	**$0.35**	$1.15	$1.42
Diluted:			
Class A	**$0.33**	$1.13	$1.40
Class B	**$0.35**	$1.15	$1.42

The weighted average fair value at date of grant for options granted during the years ended June 30, 2001, 2000 and 1999 was $4.38, $5.49 and $3.72 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 38.2% in 2001, 38.5% in 2000 and 34.0% in 1999; risk-free interest rates of 6.1% in 2001, 5.9% in 2000 and 5.4% in 1999; dividend yield of 4.2% in 2001, 3.9% in 2000 and 3.7% in 1999; and an expected life of 4.0 years for 2001 and 3.5 years for 2000 and 1999.

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 due to uncertainty surrounding the utilization of these deferred tax assets. Income tax benefits of $374,000 associated with foreign net operating losses expire in fiscal year 2012. The remaining income tax benefits associated with the foreign net operating losses have no expiration period under current tax laws. The U.S. capital loss carryforward was fully utilized during fiscal year 2001.

The components of the deferred tax assets and liabilities as of June 30, 2001 and 2000, are as follows:

(Amounts in Thousands)	**2001**	2000
Deferred Tax Assets:		
Receivables	**$ 2,803**	$ 1,899
Inventory	**5,100**	4,375
Employee benefits	**6,613**	6,568
Other current liabilities	**5,075**	6,233
Restructuring	**1,944**	–
Goodwill	**3,086**	–
Miscellaneous	**494**	202
Foreign net operating losses	**1,189**	1,784
Capital loss carryforward benefit	**–**	199
Valuation reserve	**(1,189)**	(1,983)
Total asset	**$ 25,115**	$ 19,277
Deferred Tax Liabilities:		
Property & equipment	**$ 14,195**	$ 14,730
Professional fees	**3,878**	1,117
Miscellaneous	**854**	501
Total liability	**$ 18,927**	$ 16,348

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

		Year Ended June 30	
(Amounts in Thousands)	**2001**	2000	1999
United States	**$ 22,536**	$ 73,717	$ 90,674
Foreign	**4,385**	685	1,700
Total income before taxes	**$ 26,921**	$ 74,402	$ 92,374

Taxes on income are composed of the following items:

		Year Ended June 30	
(Amounts in Thousands)	**2001**	2000	1999
Currently Payable:			
Federal	**$ 8,559**	$ 22,110	$ 26,347
Foreign	**2,562**	192	565
State	**2,476**	4,074	5,333
Total current	**13,597**	26,376	32,245
Deferred Taxes	**(3,259)**	(436)	404
Total taxes on income	**$ 10,338**	$ 25,940	$ 32,649

Note 9 Income Taxes (continued)

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

	Year Ended June 30					
(Amounts in Thousands)	**2001**		2000		1999	
	Amount	**%**	Amount	%	Amount	%
Tax computed at statutory rate	**$ 9,422**	**35.0%**	$ 26,041	35.0%	$ 32,331	35.0%
State income taxes, net of federal income tax benefit	**889**	**3.3**	2,648	3.6	3,466	3.7
Foreign tax effect	**1,027**	**3.8**	(240)	(0.3)	(595)	(0.6)
Capital loss benefit	**(199)**	**(0.7)**	(427)	(0.6)	(1,586)	(1.7)
Tax-exempt interest income	**(1,027)**	**(3.8)**	(1,448)	(2.0)	(1,412)	(1.5)
Non-deductible goodwill	**941**	**3.5**	51	0.1	–	–
Other-net	**(715)**	**(2.7)**	(685)	(0.9)	445	0.4
Total taxes on income	**$ 10,338**	**38.4%**	$ 25,940	34.9%	$ 32,649	35.3%

Cash payments for income taxes, net of refunds, were in thousands, $17,413, $29,826 and $28,884 in 2001, 2000 and 1999, 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.

Note 11 Quarterly Financial Information (Unaudited)

Quarterly financial information is summarized as follows:

	Three Months Ended			
(Amounts in Thousands, Except for Per Share Data)	September 30	December 31	March 31	June 30
2001:				
Net Sales	**$ 320,804**	**$ 332,803**	**$ 319,767**	**$ 287,797**
Gross Profit	**76,182**	**79,964**	**70,561**	**65,546**
Net Income	**10,844**	**12,371**	**6,943**	**(13,575)**
Basic Earnings Per Share:				
Class A	**$.27**	**$.31**	**$.17**	**($.35)**
Class B	**.28**	**.32**	**.18**	**(.35)**
Diluted Earnings Per Share:				
Class A	**$.27**	**$.31**	**$.17**	**($.35)**
Class B	**.28**	**.32**	**.18**	**(.35)**
2000:				
Net Sales	$ 284,795	$ 301,037	$ 316,455	$ 326,125
Gross Profit	74,057	80,039	77,871	84,561
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	$ 270,941	$ 285,894	$ 294,638	$ 279,788
Gross Profit	76,237	80,095	84,358	77,742
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

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. Net income in the fourth quarter of fiscal 2001 includes, in thousands, $19,668 for restructuring and other charges.

Net Sales and Gross Profit for all periods presented have been restated to conform with EITF 00-10, Accounting for Shipping and Handling Fees and Costs, as explained in Note 1 - Summary of Significant Accounting Policies.

Note 12 Short-Term Investments

The Company's short-term investment portfolio consists of available-for-sale securities in fiscal year 2001 and 2000. 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, $68,746 and $67,735 at June 30, 2001, compared to $79,366, and $79,852 at June 30, 2000, respectively. Unrealized holding gains and losses at June 30, 2001 were, in thousands, $1,011 and $0, compared to $22 and ($508) at June 30, 2000, respectively. All available-for-sale securities mature within a five year period.

Proceeds from sales of available-for-sale securities were, in thousands, $44,514 and $73,087 for the years ended June 30, 2001 and 2000, respectively. Gross realized gains and losses on the sale of available-for-sale securities at June 30, 2001 were, in thousands, $265 and ($48) respectively, compared to gross realized gains and losses of, in thousands, $107 and ($283) respectively, at June 30, 2000. The cost was determined on each individual security in computing the realized gains and losses.

Note 13 Accrued Expenses

Accrued expenses at June 30 consist of:

(Amounts in Thousands)	June 30 2001	2000
Taxes	$ 157	$ 5,939
Compensation	22,762	25,895
Retirement plan	4,809	8,904
Other expenses	29,424	35,196
Total accrued expenses	$ 57,152	$ 75,934

Note 14 Segment and Geographic Area Information

Effective for the year ended June 30, 1999, the Company adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (FAS 131). The adoption of FAS 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 a contract basis include store fixtures, television cabinets and stands, residential furniture and furniture components. Intersegment sales are insignificant.

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 a variety of industries on a global scale. Intersegment sales are insignificant. Included in the Electronic Contract Assemblies Segment are sales to one customer totaling in millions, $192.2, $205.0 and $178.9 in 2001, 2000 and 1999, respectively, representing 15%, 17% 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 FAS 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.

2001 (Amounts in Thousands)	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
Net Sales	$ 871,835	$ 389,252	$ 84	$1,261,171
Depreciation and Amortization	35,064	12,588	–	47,652
Interest Income	–	–	3,026	3,026
Interest Expense	283	12	1,146	1,441
Taxes on Income	4,580	6,166	(408)	10,338
Net Income (1)	6,925	7,219	2,439	16,583
Total Assets	412,934	192,891	73,159	678,984
Capital Expenditures	25,445	21,333	–	46,778

2000 (Amounts in Thousands)	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
Net Sales	$ 860,721	$ 367,610	$ 81	$1,228,412
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

(Amounts in Thousands)	Furniture and Cabinets	Electronic Contract Assemblies	Unallocated Corporate and Eliminations	Consolidated
	1999			
Net Sales	$ 795,364	$ 335,853	$ 44	$1,131,261
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

(1) Includes after-tax restructuring and other charges of $19.7 million in fiscal year 2001. On a segment basis, the Furniture and Cabinets Segment recorded a $13.2 million restructuring charge, the Electronic Contract Assemblies Segment recorded $5.6 million of restructuring and other charges, and Unallocated Corporate recorded a $0.9 million restructuring charge. See Note 17 of the Consolidated Financial Statements for further discussion.

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.

	Year Ended June 30		
(Amounts in Thousands)	**2001**	2000	1999
Net Sales:			
United States	**$1,124,199**	$1,132,172	$1,047,237
Foreign	**136,972**	96,240	84,024
Total net sales	**$1,261,171**	$1,228,412	$1,131,261
Long-Lived Assets:			
United States	**$ 259,990**	$ 261,792	$ 233,132
Foreign	**30,650**	27,328	26,172
Total long-lived assets	**$ 290,640**	$ 289,120	$ 259,304

Net Sales for all periods presented have been restated to conform with EITF 00-10, Accounting for Shipping and Handling Fees and Costs, as explained in Note 1 - Summary of Significant Accounting Policies.

Note 15 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 and related payment of assumed dividends for all potentially dilutive securities. Earnings per share of Class A and Class B Common Stock are as follows:

		2001	
(Amounts in Thousands, Except per Share Data)	**Class A**	**Class B**	**Total**
Basic Earnings Per Share:			
Dividends declared	**$ 8,761**	**$ 15,882**	**$ 24,643**
Undistributed earnings	**(2,916)**	**(5,144)**	**(8,060)**
Net Income	**$ 5,845**	**$ 10,738**	**$ 16,583**
Average Basic Shares Outstanding	**14,141**	**24,952**	**39,093**
Basic Earnings Per Share	**$ 0.41**	**$ 0.43**	
Diluted Earnings Per Share:			
Dividends declared and assumed dividends on dilutive shares	**$ 8,761**	**$ 15,919**	**$ 24,680**
Undistributed earnings	**(2,925)**	**(5,172)**	**(8,097)**
Net Income	**$ 5,836**	**$ 10,747**	**$ 16,583**
Average Diluted Shares Outstanding	**14,141**	**25,010**	**39,151**
Diluted Earnings Per Share	**$ 0.41**	**$ 0.43**	

Note 15 Earnings Per Share (continued)

(Amounts in Thousands, Except per Share Data)	Class A	2000 Class B	Total
Basic Earnings Per Share:			
Dividends declared	$ 8,863	$ 16,520	$ 25,383
Undistributed earnings	8,202	14,877	23,079
Net Income	$ 17,065	$ 31,397	$ 48,462
Average Basic Shares Outstanding	14,299	25,935	40,234
Basic Earnings Per Share	$ 1.19	$ 1.21	
Diluted Earnings Per Share:			
Dividends declared and assumed dividends on dilutive shares	$ 8,863	$ 16,594	$ 25,457
Undistributed earnings	8,152	14,853	23,005
Net Income	$ 17,015	$ 31,447	$ 48,462
Average Diluted Shares Outstanding	14,299	26,050	40,349
Diluted Earnings Per Share	$ 1.19	$ 1.21	

(Amounts in Thousands, Except per Share Data)	Class A	1999 Class B	Total
Basic Earnings Per Share:			
Dividends declared	$ 8,891	$ 16,752	$ 25,643
Undistributed earnings	12,029	22,053	34,082
Net Income	$ 20,920	$ 38,805	$ 59,725
Average Basic Shares Outstanding	14,338	26,286	40,624
Basic Earnings Per Share	$ 1.46	$ 1.48	
Diluted Earnings Per Share:			
Dividends declared and assumed dividends on dilutive shares	$ 8,891	$ 16,890	$ 25,781
Undistributed earnings	11,917	22,027	33,944
Net Income	$ 20,808	$ 38,917	$ 59,725
Average Diluted Shares Outstanding	14,338	26,501	40,839
Diluted Earnings Per Share	$ 1.45	$ 1.47	

Included in the diluted earnings per share computation are 58,000, 115,000 and 215,000 average shares of Class B common stock representing the dilutive effect of stock options and contingently issuable performance share grants for the twelve months ended June 30, 2001, 2000 and 1999, respectively. Also included in the diluted earnings per share computation are $37,000, $74,000 and $138,000 of Class B assumed dividends payable on those dilutive shares for the twelve months ended June 30, 2001, 2000 and 1999, respectively. A corresponding reduction of undistributed earnings has been allocated evenly over Class A and Class B shares. Antidilutive stock options amounting to 1,960,871 out of 2,268,576 average shares outstanding were excluded from the dilutive calculation for 2001, and 1,377,270 out of 2,020,697 average shares outstanding were excluded from the dilutive calculation for 2000, and 981,902 out of 1,901,947 average shares outstanding were excluded from the dilutive calculation for 1999.

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)		
(Amounts in Thousands)	Foreign Currency Translation Adjustments	Net Change in Unrealized Gains and Losses on Securities	Accumulated Other Comprehensive Income
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
Current year change	**(33)**	**1,143**	**1,110**
Balance at June 30, 2001	**$ 779**	**$ 657**	**$ 1,436**

Note 17 Restructuring and Other Expense

Restructuring:

During the fourth quarter of fiscal year 2001, the Company announced a restructuring plan designed to more closely align its operating capabilities and capacities with changing customer and market requirements and current economic conditions. The plan includes consolidating manufacturing facilities and processes, and scaling capacities at other facilities. The Company expects total pre-tax restructuring costs to be approximately $28-$30 million.

As a result of the plan, the Company recognized pre-tax restructuring charges of $25.7 million in fiscal year 2001. The charges consist of $2.6 million for employee transition and other employee costs paid or to be paid to approximately 650 hourly and salaried employees, $11.5 million for asset write-downs, $7.5 million for goodwill write-offs, $3.4 million for plant closure and other exit costs, and $0.7 million (recorded in cost of goods sold) for inventory write-downs. The write-down of assets and goodwill was required because the carrying value of the long-lived assets affected by the restructuring plan exceeded the projected future undiscounted cash flows, including sales proceeds. Therefore, the Company was required to reduce the carrying value of the long-lived assets to fair value. The estimated fair value was measured by discounted cash flows.

The components of the charges have been computed based on actual cash payments, an estimate of the realizable value of the affected assets and estimated employee transition and other exit costs. The charges have been accounted for in accordance with the guidelines outlined in Emerging Issues Task Force Consensus 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This consensus provides specific guidance as to the appropriate recognition of costs associated with employee termination benefits and other exit costs. These costs may be accrued when, 1) management having the appropriate level of authority, approves the plan prior to the balance sheet date, 2) the plan contains specific detail relating to the actions to be taken, 3) the costs do not benefit future operations in any manner and are not associated with any revenue producing activity, and 4) with respect to transition payments, pertain to employees who have been properly notified of the benefit arrangement prior to the balance sheet date. All other costs that do not meet these criteria must be expensed as incurred.

Within the Furniture and Cabinets Segment, the Company recorded pre-tax restructuring charges of $20.0 million. The plan includes the closing and selling of four manufacturing facilities in the U.S. -- one in North Carolina, one in Kentucky, and two in Indiana. Three other manufacturing facilities in Indiana will scale capacity to allow for consolidation and/or to align with current volume and growth projections to meet changing customer and market requirements.

Within the Electronic Contract Assemblies Segment, the Company recorded pre-tax restructuring charges of $4.2 million, including $0.7 million recorded in cost of goods sold for inventory, primarily related to the estimated loss on the sale of an electronics manufacturing facility in France.

The Company recorded a Corporate pre-tax restructuring charge of $1.5 million primarily related to closing an administrative office location and a Company owned energy center, both located in Indiana, and employee transition costs.

Activities outlined in the restructuring plan began in late fiscal year 2001 and are expected to be completed within 12 months of plan inception.

The restructuring charge, utilization and cash paid to date, and ending reserve balances at June 30, 2001 were as follows:

	2001 Amounts Charged			2001 Amounts Utilized/ Cash Paid	2001 Amounts Adjusted	Reserve at 6/30/01
(Amounts in Thousands)	Cash	Non-Cash	Total			
Transition and Other Employee Costs	$ 2,618	$ –	$ 2,618	$ 1,215	$ –	$ 1,403
Asset and Goodwill Write-downs	–	18,958	18,958	18,958	–	–
Plant Closure and Other Exit Costs	3,421	670	4,091	49	–	4,042
Total	$ 6,039	$ 19,628	$ 25,667	$ 20,222	$ –	$ 5,445

The $5.4 million reserve balance remaining at June 30, 2001 appears adequate, at this time, to cover committed restructuring actions. The Company expects an additional $2-$4 million of pre-tax expensed as incurred items during fiscal year 2002. The Company estimates that once the plan is executed, these actions will reduce its total cost structure through reduced employee costs, manufacturing process costs and facility costs. A portion of these cost savings will be redeployed into strategic initiatives designed to accelerate sales growth and profitability, and improve quality and efficiencies.

Other Expense:

During the fourth quarter of fiscal year 2001, the Company recorded a pre-tax charge of $2.7 million for goodwill impairment within the Electronic Contract Assemblies Segment unrelated to the above described restructuring plan pursuant to the provisions of Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed Of. This charge is included in the Restructuring and Other Expense line item on the Company’s fiscal year 2001 Consolidated Statement of Income.

Eleven-Year Summary Of Financial Condition

(Amounts in Thousands, Except for Per Share Data and Number of Employees)	**2001**	2000	1999	1998
Assets:				
Current Assets	**$ 381,487**	$ 413,520	$ 386,341	$ 412,937
Property and Equipment, net	**241,952**	248,210	221,498	182,798
Other Assets	**55,545**	61,921	53,547	33,903
Total Assets	**$ 678,984**	$ 723,651	$ 661,386	$ 629,638
Liabilities and Minority Interest:				
Current Liabilities	**$ 200,573**	$ 223,395	$ 168,564	$ 153,210
Long-Term Debt, less Current Maturities	**3,320**	2,599	1,730	1,856
Deferred Income Taxes and Other	**32,667**	29,130	26,815	25,949
Minority Interest in Subsidiary	**—**	—	—	—
Total Liabilities and Minority Interest	**236,560**	255,124	197,109	181,015
Share Owners' Equity	**442,424**	468,527	464,277	448,623
Total Liabilities and Share Owners' Equity	**$ 678,984**	$ 723,651	$ 661,386	$ 629,638
Other Financial Data:				
Current Ratio	**1.9:1**	1.9:1	2.3:1	2.7:1
Working Capital	**$ 180,914**	$ 190,125	$ 217,777	$ 259,727
Capital Investments	**$ 59,260**	$ 71,454	$ 102,541	$ 48,672
Long-Term Debt as Percent of Share Owners' Equity	**0.8%**	0.6%	0.4%	0.4%
Book Value Per Share of Common Stock Outstanding	**$ 11.32**	$ 11.65	$ 11.43	$ 10.83
Average Number of Employees	**10,885**	10,088	9,884	9,198
Dividends:				
Total Declared	**$ 24,643**	$ 25,383	$ 25,643	$ 24,812
Per Share Dividends Declared:				
Class A	**$ .62**	$ .62	$ .62	$ .58875
Class B	**$ .64**	$ .64	$ .64	$ .605
Percent of Net Income Declared in Dividends	**148.6%**	52.4%	42.9%	45.1%

Eleven-Year Sources of Revenue

(Amounts in Thousands)	**2001**	2000	1999	1998
Furniture and Cabinets	**$ 871,835**	$ 860,721	$ 795,364	$ 729,513
	69%	70%	70%	69%
Electronic Contract Assemblies	**389,252**	367,610	335,853	326,075
	31%	30%	30%	31%
Unallocated Corporate	**84**	81	44	36
	0%	0%	0%	0%
Total Revenue	**$1,261,171**	$1,228,412	$1,131,261	$1,055,624
	100%	100%	100%	100%

The Sources of Revenue has been restated in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs. Shipping and handling fees billed to customers are reflected as sales for all periods presented.

June 30						
1997	1996	1995	1994	1993	1992	1991
$ 376,773	$ 342,251	$ 306,816	$ 288,238	$ 295,458	$ 275,507	$ 242,726
174,010	174,009	177,130	171,243	152,361	142,304	135,757
30,800	21,965	13,140	11,932	4,886	4,212	4,202
$ 581,583	$ 538,225	$ 497,086	$ 471,413	$ 452,705	$ 422,023	$ 382,685
$ 133,258	$ 122,043	$ 105,046	$ 102,164	$ 100,070	$ 80,769	$ 65,262
2,313	3,016	924	811	2,017	3,157	4,392
23,186	22,152	19,779	17,486	17,277	16,960	17,677
—	—	—	—	—	—	891
158,757	147,211	125,749	120,461	119,364	100,886	88,222
422,826	391,014	371,337	350,952	333,341	321,137	294,463
$ 581,583	$ 538,225	$ 497,086	$ 471,413	$ 452,705	$ 422,023	$ 382,685
2.8:1	2.8:1	2.9:1	2.8:1	3.0:1	3.4:1	3.7:1
$ 243,515	$ 220,208	$ 201,770	$ 186,074	$ 195,388	$ 194,738	$ 177,464
$ 44,747	$ 44,451	$ 37,278	$ 53,213	$ 38,154	$ 33,486	$ 20,358
0.5%	0.8%	0.2%	0.2%	0.6%	1.0%	1.5%
$ 10.20	$ 9.35	$ 8.81	$ 8.29	$ 7.87	$ 7.56	$ 6.97
8,786	8,660	8,589	8,140	7,621	7,641	7,559
$ 22,104	$ 19,775	$ 18,039	$ 17,704	$ 16,454	$ 14,745	$ 13,889
$ .530	$ .470	$ .425	$ .415	$ .385	$ .345	$ .325
$ .535	$ .475	$ .430	$ .420	$ .390	$ .350	$ .330
38.3%	43.9%	43.5%	48.9%	53.8%	38.2%	46.3%

Year Ended June 30						
1997	1996	1995	1994	1993	1992	1991
$ 697,970	$ 658,600	$ 670,476	$ 632,111	$ 555,147	$ 496,520	$ 473,148
69%	70%	73%	76%	75%	79%	84%
316,355	285,209	245,553	204,151	180,464	132,507	92,118
31%	30%	27%	24%	25%	21%	16%
15	54	55	92	65	15	60
0%	0%	0%	0%	0%	0%	0%
$1,014,340	$ 943,863	$ 916,084	$ 836,354	$ 735,676	$ 629,042	$ 565,326
100%	100%	100%	100%	100%	100%	100%

Eleven-Year Summary Of Operations

(Amounts in Thousands, Except for Per Share Data)	**2001**	2000	1999	1998
Net Sales	**$1,261,171**	$1,228,412	$1,131,261	$1,055,624
Cost of Sales	**968,918**	911,884	812,829	756,203
Gross Profit	**292,253**	316,528	318,432	299,421
Selling, General and Administrative Expenses	**243,843**	249,406	240,851	226,945
Product Line Exit Costs	**—**	—	—	—
Restructuring and Other Expense	**27,695**	—	—	—
Operating Income	**20,715**	67,122	77,581	72,476
Other Income (Expense):				
Interest expense	**(1,441)**	(536)	(476)	(424)
Interest income	**3,026**	4,709	6,554	9,458
Other, net	**4,621**	3,107	8,715	5,917
Other income, net	**6,206**	7,280	14,793	14,951
Income Before Taxes on Income	**26,921**	74,402	92,374	87,427
Taxes on Income	**10,338**	25,940	32,649	32,400
Net Income	**$ 16,583**	$ 48,462	$ 59,725	$ 55,027
Percent of Net Sales	**1.3%**	3.9%	5.3%	5.2%
Earnings Per Share:				
Basic:				
Class A	**$ 0.41**	$ 1.19	$ 1.46	$ 1.32
Class B	**$ 0.43**	$ 1.21	$ 1.48	$ 1.33
Diluted:				
Class A	**$ 0.41**	$ 1.19	$ 1.45	$ 1.31
Class B	**$ 0.43**	$ 1.21	$ 1.47	$ 1.32
Average Shares Outstanding:				
Basic	**39,093**	40,234	40,624	41,417
Diluted	**39,151**	40,349	40,839	41,814

The Summary of Operations has been restated in accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs. Shipping and handling fees billed to customers are reflected as sales and shipping and handling costs are included in cost of sales for all periods presented.

Sales, Manufacturing and Service Operations

Furniture and Cabinets

Artec Manufacturing
Jasper, Indiana
Office furniture systems

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

Corporate Logistics Services
Jasper, Indiana
Transportation and fleet operations

Evansville Veneer
Chandler, Indiana
Veneer

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

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 and Cloverport, Kentucky
Lumber

Jackson of Danville
Danville, 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, and veneer faces

Jasper Plastics
Jasper, Indiana
Molded polyurethane, polyester and elastomers

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

Kimball de Mexicali, S.A. de C.V.
Mexicali, Mexico
Projection television cabinets

Kimball Home Furniture
Jasper, Indiana
Residential furniture

Kimball Lodging Group
Jasper, Indiana
Lodging and healthcare furniture

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

Kimball Office Furniture
Jasper, Indiana
High-end office furniture casegoods, systems, seating, and filing sales

Year Ended June 30						
1997	1996	1995	1994	1993	1992	1991
$1,014,340	$ 943,863	$ 916,084	$ 836,354	$ 735,676	$ 629,042	$ 565,326
721,757	689,752	671,655	608,924	529,089	436,916	390,935
292,583	254,111	244,429	227,430	206,587	192,126	174,391
211,590	188,201	182,599	177,326	159,579	144,827	138,315
—	3,400	—	—	—	—	—
—	—	—	—	2,850	—	—
80,993	62,510	61,830	50,104	44,158	47,299	36,076
(551)	(408)	(273)	(202)	(1,200)	(991)	(1,085)
8,484	7,411	5,755	2,240	4,237	7,146	8,580
(360)	4,802	3,483	7,277	6,127	7,260	5,562
7,573	11,805	8,965	9,315	9,164	13,415	13,057
88,566	74,315	70,795	59,419	53,322	60,714	49,133
30,821	29,220	29,356	23,250	22,739	22,086	19,116
$ 57,745	$ 45,095	$ 41,439	$ 36,169	$ 30,583	$ 38,628	$ 30,017
5.7%	4.8%	4.5%	4.3%	4.2%	6.1%	5.3%
$ 1.39	$ 1.08	$ 0.98	$ 0.85	$ 0.72	$ 0.91	$ 0.71
$ 1.40	$ 1.08	$ 0.99	$ 0.86	$ 0.72	$ 0.92	$ 0.71
$ 1.38	$ 1.07	$ 0.98	$ 0.85	$ 0.72	$ 0.91	$ 0.71
$ 1.38	$ 1.08	$ 0.99	$ 0.86	$ 0.72	$ 0.92	$ 0.71
41,450	41,810	42,143	42,330	42,398	42,302	42,329
41,763	41,856	42,148	42,330	42,398	42,302	42,329

Kimball Store Fixtures
Boca Raton, Florida
Store display fixtures

Kimball United Kingdom
London, England
Office furniture casegoods, systems, seating, and filing sales

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

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

National Office Furniture
Jasper, Indiana
Mid-market office furniture casegoods, seating and filing sales

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

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

Transwall
West Chester, Pennsylvania
Floor-to-ceiling systems

Vista Wood Products
Greensburg, Kentucky and Lafayette and Gordonsville, Tennessee
Lumber, dimension wood and furniture components

Electronic Contract Assemblies

Elmo Semiconductuers SARL
Mantes La Jolie, France
Electronic assemblies

Kimball Electronics
Jasper, Indiana
Electronic assemblies

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

Kimball Microelectronics
Valencia, California
Electronic assemblies

Kimball Electronics Poland
Poznan, Poland
Electronic assemblies

Kimball Electronics Thailand
Laem Chabang, Thailand
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, and corporate support services

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

Kimball Flight Operations
Huntingburg, Indiana
Flight services

Kimball Kids
Jasper, Indiana
Employee child development center

Board of Directors

Douglas A. Habig*
Chairman of the Board,
Chief Executive Officer
Director 28 years

Thomas L. Habig* #
Vice Chairman of the Board
Director 51 years

James C. Thyen* # ‡
President
Director 20 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 45 years

Ronald J. Thyen*
Senior Executive Vice President,
Operations Officer,
Furniture and Cabinets, Assistant Secretary
Director 28 years

John T. Thyen
Senior Executive Vice President,
Strategic Marketing
Director 11 years

Brian K. Habig
National Sales and Marketing Manager,
Jackson of Danville
Director 9 years

Jack R. Wentworth+ # ‡
Arthur M. Weimer Professor Emeritus of Business Administration, Indiana University
Director 17 years

Alan B. Graf, Jr.+ # ‡
Executive Vice President and Chief Financial Officer, FedEx Corporation
Director 5 years

Christine M. Vujovich+ # ‡
Vice President, Environmental Policy and Product Strategy, Cummins, Inc.
Director 7 years

Polly B. Kawalek+
Vice President of The Quaker Oats Company and President, Hot Breakfast Division
Director 4 years

Harry W. Bowman+
Former President and Chief Executive Officer of The Stiffel Company
Director 1 year

*** 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 Group

J. Brent Elliott
Executive Vice President,
President, Furniture Manufacturing Services

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

Gregory W. Kuper
Executive Vice President,
Components Group

P. Daniel Miller
Executive Vice President,
President, Kimball Office Group

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

Gary W. Schwartz
Executive Vice President,
Chief Information Officer

J. Keith Beatty
Vice President,
Casegoods 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

Larry J. Knust
Vice President,
Systems Group

Ronald J. Sermersheim
Vice President,
Environment, Health & Safety

Roy W. Templin
Vice President,
Finance and Chief Accounting Officer

Kenneth J. Van Winkle
Vice President,
Global Procurement,
Furniture and Cabinets

Dean M. Vonderheide
Vice President,
Seating Group

Domestic Subsidiary Officers

William N. Dykema
Vice President, General Manager
Kimball Lodging 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

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

Christopher J. Thyen
Vice President,
Casegoods Group

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

Foreign Subsidiary Managers

Dr. Rudolf Arlt
Managing Director,
Bösendorfer, GmbH

Tosak Chobpanich
Managing Director,
Kimball Electronics Thailand, Ltd.

Mark Phillips
Managing Director,
Kimball United Kingdom

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

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

Dividends:

During fiscal year 2001 dividends declared were $24.6 million or $.62 per share on Class A Common Stock and $.64 per share on Class B Common Stock. The dividends by quarter for 2001 compared to 2000 are as follows:

	2001		2000	
	Class A	**Class B**	Class A	Class B
First Quarter	**$0.155**	**$0.16**	$0.155	$0.16
Second Quarter	**$0.155**	**$0.16**	$0.155	$0.16
Third Quarter	**$0.155**	**$0.16**	$0.155	$0.16
Fourth Quarter	**$0.155**	**$0.16**	$0.155	$0.16
Total Dividends	**$0.62**	**$0.64**	$0.62	$0.64

Share Owners:

On June 30, 2001, the Company's Class A Common Stock was owned by approximately 620 Share Owners of record and the Company's Class B Common Stock by approximately 2250 Share Owners of record, of which approximately 360 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:

KBALB NASDAQ LISTED

	2001		2000	
	High	**Low**	High	Low
First Quarter	**$18.313**	**$14.500**	$21.00	$16.75
Second Quarter	**$18.000**	**$13.875**	$19.938	$15.125
Third Quarter	**$15.813**	**$13.375**	$16.75	$10.75
Fourth Quarter	**$16.250**	**$12.438**	$17.50	$11.00

Annual Meeting:

The annual meeting of Share Owners will be held at 9:30 a.m. Eastern Standard Time on October 16, 2001, 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.

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:
Kimball International, Inc.
Hannah Frank
at our corporate headquarters or
E-mail: hfrank@kimball.com

Class B Share Owners:
Mellon Investor Services LLC
P.O. Box 3315
South Hackensack, NJ 07606
or
85 Challenger Road
Ridgefield Park, NJ 07660

Phone: (888) 213-0965
TDD for Hearing Impaired: (800) 231-5469
Foreign Share Owners: (201) 329-8660
TDD Foreign Share Owners: (201) 329-8354
Web Site Address: www.mellon-investor.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 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.

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Kimball® International

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