

this is Kimball



2003 Annual Report



WHO WE ARE

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

WHAT WE DO

Kimball International, Inc. provides a vast array of products from its two business segments: the Furniture and Cabinets segment and the Electronic Contract Assemblies segment. The Furniture and Cabinets segment provides furniture for the office, residential, hospitality and healthcare industries, all sold under the Company's family of brand names. Other products produced by Kimball on a contract basis include television cabinets and stands, residential furniture, retail infrastructure products and forest products. The Electronic Contract Assemblies segment provides engineering and manufacturing services to a variety of industries on a global scale.

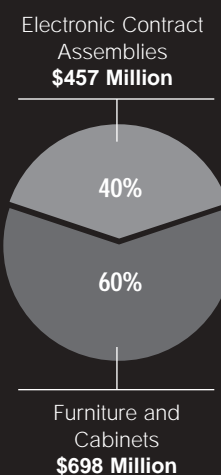
FINANCIAL HIGHLIGHTS

(Amounts in thousands,
except for per share data)

	2003	2002	% Change
Net Sales	\$1,154,692	\$1,172,504	-1.5%
Net Income	5,594	34,500	-83.8%
Return on Capital	1.15%	7.07%	-83.7%
Earnings Per Share (Diluted)			
Class A	0.13	0.89	-85.4%
Class B	0.15	0.91	-83.5%
Dividends Declared			
Class A	0.62	0.62	0.0%
Class B	0.64	0.64	0.0%
Market Price Per Share			
High	16.86	17.76	
Low	12.50	10.54	
Close	15.31	16.39	

* Net Income, Return on Capital and Earnings Per Share include restructuring and other charges.

SALES BY BUSINESS SEGMENTS



TO OUR STAKEHOLDERS:

Kimball is here. Despite prolonged economic challenges and reductions in demand triggered by a soft economy, increasing global competition and the uncertainties associated with war, Kimball International continued to generate cash flow from operations in fiscal year 2003, produced profits, and continued to maintain a solid balance sheet with little long-term debt.

Our balance sheet and healthy liquidity position enabled us to stay focused on long-term strategies as we continued to make prudent capital investments in equipment and technology during these difficult times. These investments are instrumental to future sales growth and improved operating margins.

Our strong financial position is, in part, a result of our quick and proactive efforts to scale our operations to current market demands. Our employees have worked hard at executing the restructuring plan announced last December. A total of six underperforming manufacturing facilities were exited since the announcement, improving our cash flow and positioning Kimball's cost structure favorably for the future.

The turbulent economy and its impact on our sales and net income notwithstanding, many other positive events are occurring throughout your Company. Both *Fortune* and *Forbes* magazines recognized Kimball for its competitive strength in each publication's high-profile list of the nation's leading businesses.

In the Electronic Contract Assemblies business segment, we expanded our base of global customers, both new and existing. Kimball is well established in the automotive components market, and this year, over 12 million vehicles worldwide will include Kimball components.

We are making advancements in the small engines and industrial controls markets as well. Kimball is now making ignition control modules for increasingly popular recreational vehicles such as ATVs, motorcycles and personal watercraft. Fiscal year 2003 also saw a strengthening of our Electronic Contract Assemblies' global operations through an emphasis on technology, information and business integration.

In the Furniture and Cabinets business segment, we are building strong brand recognition among specifiers and customers alike. Once again, Kimball Office was awarded prestigious "Best of NeoCon" awards for excellence in new product design.

Kimball Office continues to invest in market research and new product development, even while our major competitors have constrained activity in this area. Our commitment to developing and offering new products has proven critical in maintaining the loyalty and enthusiasm of our dealers— this at a time when distribution is critical to success in the office and home furnishings industry.

As a result, our National office furniture brand has realized notable growth in both market share and revenue, even while the overall office furniture industry has experienced a dramatic and prolonged decline. Yet the world's demand for wood products remains high. To meet these demands, our Forest Products Group has undertaken a number of improvements in its operations, lowering costs and raising both productivity and efficiency as well as pursuing worldwide opportunities through expanded export channels.

Through our flexcel operations, the contract furniture manufacturing arm of Kimball International, we have shown we remain committed and responsive to customer-driven needs in products, quality and performance. We are not limited by any furniture or cabinet product type or market. Our flexibility, acceleration and excellence enable us to bring our capabilities to bear across a variety of markets.

In closing, Kimball is here... wherever our global customers need us to be. But we also remain here, strong and visible, among our employees, our communities and our Share Owners. Times and markets may change, but our Guiding Principles do not. We remain committed to sound business practices, ethical behavior and achieving success for all who hold a stake in our Company. If you wish to learn more about our actions over the past year, we invite you to read the enclosed Form 10-K.

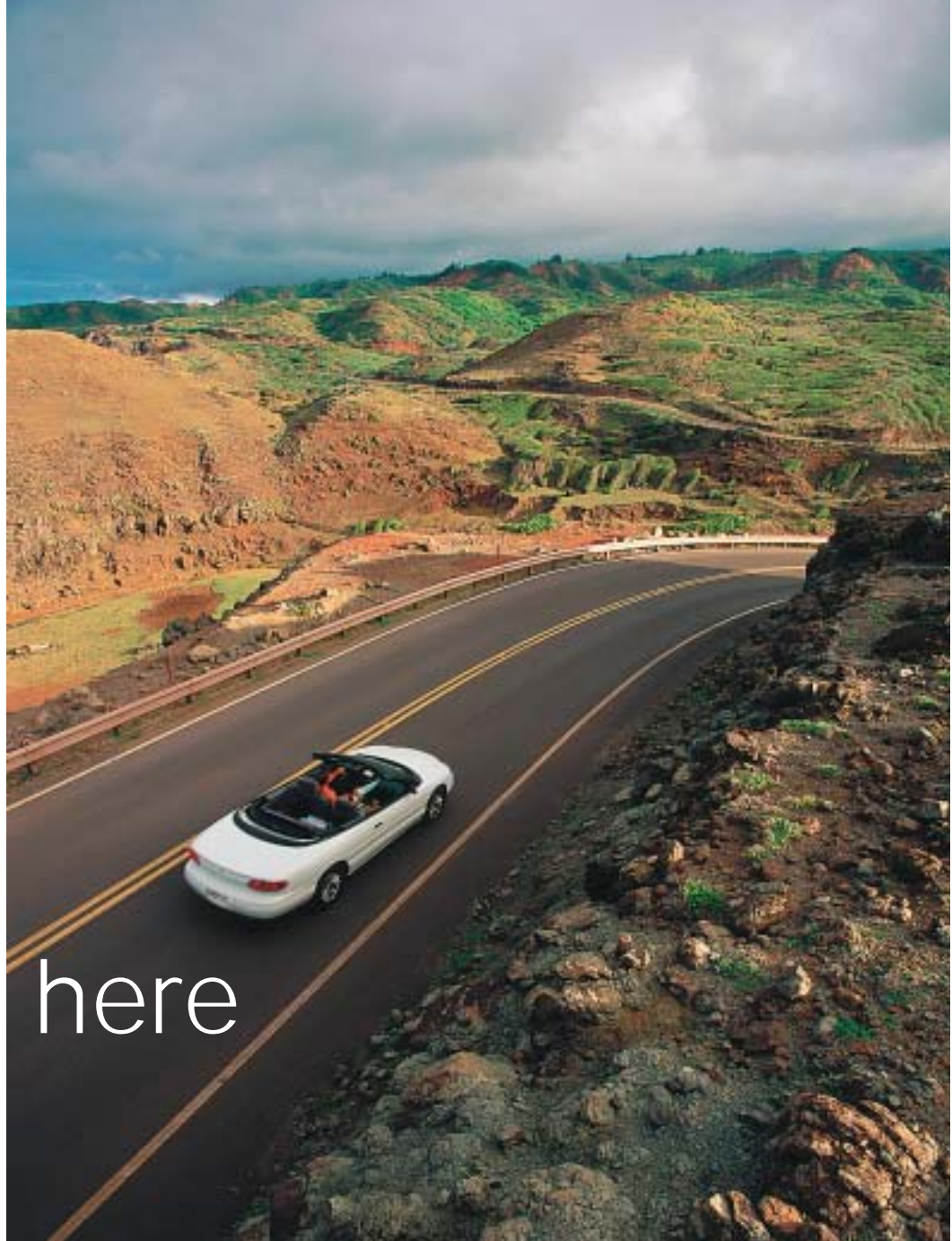


Douglas A. Habig (left)
and James C. Thyen

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

James C. Thyen
President

We are in a lot of places you might not expect. This year, over 12 million vehicles worldwide will contain our electronic components. From brake control systems that make dealing with commuter traffic easier, to sensors that make driving more stable and provide more efficient, sensitive passenger safety systems, we are providing more automotive electronics than ever before. In addition, we provide electronics for telecommunications systems, including chargers for radios and cell phones used by police, fire departments and emergency responders.



Kimball is here

Pictured below is a Harley-Davidson aftermarket Performance Ignition Control Module, which is manufactured by Kimball Electronics.



The increasing popularity of recreational vehicles such as ATVs, motorcycles and personal watercraft has created a growing market for our engine control and ignition modules. This is a natural extension of our existing automotive market and should provide additional business growth.



High-quality wood veneers are in great global demand amid the trend toward cost-effective veneered furniture. Veneers also allow for unique and creative designs such as the Kimball Home Elegance collection which feature tops and drawer fronts using select cherry veneers and walnut inlay with a symmetrical book match or cathedral pattern framed by ash burl borders.



There is something very satisfying in taking raw hardwood from our forests and through the efforts of many craftsmen, turning it into a beautiful piece of furniture. While hardwood trees take many years to mature, and creating sustainable forests is a long-term effort, selective harvesting of trees benefits the woodlands. Storms, disease, insects and other factors can shorten the life of any tree. Responsible woodlands management creates trees that are stronger, healthier and better suited to be harvested for fine, quality furniture while maintaining the long-term health of the forest environment.

and here

The **hardwood forests** of the Midwest and the Appalachian chain provide much of the raw materials for many Kimball products. We pride ourselves in being leaders in responsible, sustainable forest management techniques. This allows us to use high quality, beautiful woods in our products and to meet the increasing demand for wood raw materials and veneers for other manufacturers and for export. It also enables us to protect a valuable resource for future generations.





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From Wall Street to Main Street, for global corporations and small start-ups, from the mailroom to the executive suite, we provide a variety of products that businesses use every day. From office casegoods, seating and systems furniture, to custom banking products like check-writing kiosks and teller stations, to electronic components in personal computers, Kimball products are found in many companies and businesses around the world. Many of our products are branded with our name, but many of them are not. As a major OEM manufacturer, we are sometimes only part of the products you buy and use. We help companies around the world build success.

Innovation in office furniture design has led to several "Best of NeoCon" awards in recent years for Kimball Office. This year our new Xsite system was the latest recipient of that award. Xsite is width-adjustable in three-inch increments, making it easy to adapt to architectural elements and easy to construct workspaces in the sizes and shapes needed. Opposite sides of the same frame can have two distinct looks. Performance tiles turn empty space into storage and display areas. And Xsite is compatible with other Kimball Office products, allowing designers complete planning freedom.



Kimball provides design, engineering, manufacturing, packaging and distribution of contract electronics circuit boards, subassemblies and components for a variety of manufacturers in the automotive, telecommunications, medical and computer industries. The personal computer on your desk may have a Kimball component in it.





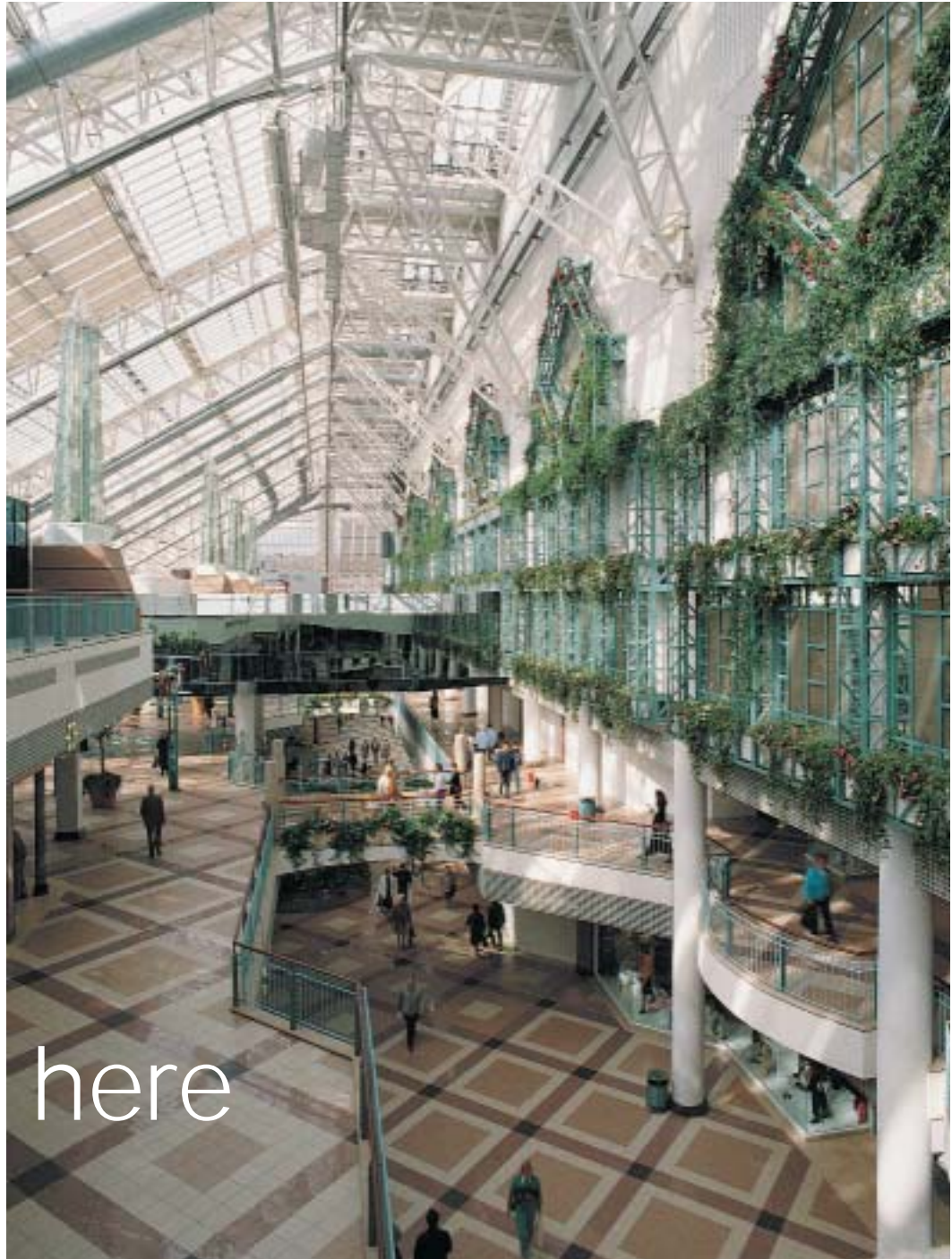
A major cruise line ship's atrium highlights our capability in using very upscale wood, fabric, plastic and metal materials in creative and unusual ways. Kimball made the counter tops and display cases for the ship; as well as a showcase kiosk in a gift shop; and wall cases, TV stands, a reception area and computer stations. Kimball is able to apply its expertise and capabilities in building retail fixtures for this industry and meet the very strict maritime fire ratings code.



Elegance is a new Kimball Home bedroom collection with relaxed English styling. It captures the essence of European antiques that are treasured by families for a lifetime. Elegance has been very well received by our current dealer base. But more importantly, our new collections have opened doors for us at major retailers and department stores.

The proliferation of name brands, along with an increasing emphasis on retail shopping in today's consumer society, has led to a dependence on image as a product differentiator. How product is displayed and the retail setting is as important as the product itself. The ambiance of the trendy new restaurant may be more important than the quality of the food or the service. The trend toward more national and international distribution and an increased emphasis on franchising has resulted in more demand for store furnishings, signage, fixtures, and displays. Custom designs that create the correct image combined with larger projects with shorter deadlines, demand manufacturers who can handle large, diverse projects. Kimball provides one source from concept through installation for a variety of major brand name companies.

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The developed countries of the world have an aging population that controls a majority of the wealth. Those baby-boomers are impacting two market segments— travel/leisure and healthcare. The hospitality market should benefit from those baby-boomers who have more discretionary income after their children leave home or after they retire. And the aging of this group will dictate that the demands on healthcare facilities will increase, requiring new or upgraded facilities. We have been aggressively targeting these two markets as major growth opportunities. Some of the largest new hotels in Las Vegas and Atlantic City, as well as a Florida-based theme park and other destination resort and urban center hotels, have used our furnishings in over 20,000 guest rooms in the past year.

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The use of new technology such as computer-generated design/engineering, allows us to conceive, prototype and sell new products much more quickly than in the past. It allows us to interact with our customers and respond to their needs with less investment of time and costs. The hospitality market provides opportunities for both standard as well as the custom furnishings which our rapid prototyping capability enables us to deliver.



Healthcare patient room furniture design is moving toward more “home-like” furnishings. The less sterile looking environment helps make patients and their families more comfortable. The demand for long-term care will continue to increase.





Variable-speed, high efficiency motor controls for GE made by Kimball Electronics for heating, ventilation and air conditioning (HVAC) applications are being used more frequently in homes to reduce energy consumption. In many areas of the world, as well as the United States, reducing energy usage is not just a cost reducing factor, but may be mandated by laws and regulations, especially during peak usage periods.

A dynamic and growing segment of the residential industry is home entertainment cabinetry. Recently introduced, Maple Creek II Tall Wall easily accommodates 36", 32", or 27" TVs, and a variety of other electronic components. Designed for today's electronic needs, it still has a traditional style that many consumers want. This console has two removable pull-out CD/DVD storage trays and two large storage drawers for tapes or games. And the lower pier doors are shipped with interchangeable speaker panels and wood panels.



and also here

Low interest rates have encouraged homeowners to buy larger, more expensive homes, to remodel, or to refinance, lowering their mortgage payments. The resulting investment in home improvement and furnishings, and the trend toward more electronics and computers in the home, provide growth opportunities in several areas. Electronic controls for heating and cooling systems and appliances, big-screen TV cabinets, traditionally-styled entertainment furniture designed for use with home electronics, kitchen and bath cabinets, and high-quality home furnishings for the living room, dining room, bedroom, and home office, are some of the products we provide for the residential market.



BOARD OF DIRECTORS

Douglas A. Habig*

Chairman of the Board,
Chief Executive Officer
Director 30 years

James C. Thyen*

President,
Director 22 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 47 years

Ronald J. Thyen*

Senior Executive Vice President,
Operations Officer,
Assistant Secretary (Retired)
Director 30 years

John T. Thyen

Senior Executive Vice President,
Strategic Marketing
Director 13 years

Brian K. Habig

Self-employed
Director 11 years

Jack R. Wentworth+ #

Arthur M. Weimer Professor Emeritus of
Business Administration, Indiana University
Director 19 years

Alan B. Graf, Jr.+ #

Executive Vice President and Chief
Financial Officer, FedEx Corporation
Director 7 years

Christine M. Vujovich+ #

Vice President, Marketing and
Environmental Policy, Cummins, Inc.
Director 9 years

Polly B. Kawalek+ #

Senior Vice President and President,
Quaker Foods,
PepsiCo Beverages and Foods
Director 6 years

Harry W. Bowman+ #

Former President and Chief Executive
Officer of The Stiffel Company
Director 3 years

Geoffrey L. Stringer

Former Executive Vice President,
Bank One Corporation and Chief Executive
Officer, Bank One Capital Corporation
Director Elected 6/10/03

* Member of the Executive Committee of
the Board

+ Member of the Audit Committee of the Board

Member of the Compensation Committee
of the Board

OFFICERS

Corporate Officers

Randall L. Catt

Executive Vice President,
Human Resources

Donald D. Charron

Executive Vice President,
President,
Kimball Electronics Group

J. Brent Elliott

Executive Vice President,
President, flexcel

John H. Kahle

Executive Vice President,
General Counsel, Secretary

P. Daniel Miller

Executive Vice President,
President, Furniture Brands Group

Robert F. Schneider

Executive Vice President,
Chief Financial Officer,
Treasurer

Gary W. Schwartz

Executive Vice President,
Chief Information Officer

Barry L. Cook

Vice President,
President, Forest Products Group

Mona K. Hoffman

Vice President, General Manager,
National Office Furniture

T. Randall Iles

Vice President, General Manager,
Kimball Office

R. Gregory Kincer

Vice President, Business Development,
Assistant Treasurer

Larry J. Knust

Vice President,
Contract Furniture Operations,
flexcel

Ronald J. Sermersheim

Vice President,
Environmental, Health & Safety

Dean M. Vonderheide

Vice President, Continuous
Improvement and Innovation,
flexcel

Domestic Subsidiary Officers

Stephen B. Ashman

Vice President,
Global Supply Chain Management,
flexcel

J. Keith Beatty

Vice President,
Engineering & Technology
flexcel

Gary L. Beckman

Vice President, Quality Manager,
flexcel

John S. Dick

Vice President, Chief Financial Officer,
flexcel

William N. Dykema

Vice President, General Manager,
Kimball Hospitality

Jeffrey L. Fenwick

Vice President, Marketing,
flexcel

Dirk H. Manning

Vice President, West Division,
Kimball Office

Shaun Mannix

Vice President, General Manager,
Transwall

Mark Phillips

Vice President,
East Division,
Kimball Office

Dwaine R. Saalman

Vice President, South Central Division,
Kimball Office

Stanley C. Sapp

Vice President, General Manager,
Kimball Home

Michael K. Sergesketter

Vice President, Chief Financial Officer,
Kimball Electronics Group

Spiro Vamvakas

Vice President,
European Operations,
Kimball Electronics Group

Don W. Van Winkle

Vice President, Chief Finance and
Administrative Officer,
Furniture Brands Group

Foreign Subsidiary Managers

Tosak Chobpanich

Managing Director,
Kimball Electronics Thailand, Ltd.

Mario Piratello

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

Zygmunt Witort

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

OTHER CORPORATE DATA

Kimball International, Inc. and Subsidiaries

Annual Meeting:

The annual meeting of Share Owners will be held at 9:30 a.m. Eastern Standard Time on October 21, 2003, at the General Office Building, Kimball International, Inc., 1600 Royal Street, Jasper, Indiana. Share Owners are cordially invited to attend.

10-K Report:

A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K is available, without charge, upon written request directed to Robert F. Schneider, Executive Vice President, Chief Financial Officer and Treasurer at our corporate headquarters.

Common Stock:

Kimball International Class B Common Stock is traded on the Nasdaq Stock Market under the symbol: KBALB.



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

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

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

Analyst Contact:

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

Share Owner Contact:

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

Corporate Headquarters:

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

Internet Address:

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

Private Securities Litigation Reform Act of 1995:

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

SALES, MANUFACTURING AND SERVICE OPERATIONS

Furniture and Cabinets Segment

Showrooms & Service Centers

New York, Chicago, Boston, Los Angeles, San Francisco, Denver, Atlanta, Dallas, High Point, Washington, D.C. and Jasper
Product display and regional distribution

Kimball Home

Jasper, Indiana
Residential furniture

Kimball Hospitality

Jasper, Indiana
Lodging and healthcare furniture

Kimball Office

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

National Office Furniture

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

Transwall

West Chester, Pennsylvania
Floor-to-ceiling systems

flexcel-Logistics

Jasper, Indiana
Transportation and fleet operations

Product Design & Research Center

Jasper, Indiana
Product research, design, development, and testing

flexcel-Jasper 15th Street

Jasper, Indiana
Office furniture systems

flexcel-Post Falls

Post Falls, Idaho
Office furniture casegoods, systems and filing

flexcel-Santa Claus/Nashville

Santa Claus, Indiana and Nashville, Tennessee
TV and audio cabinets, TV stands, projection TV cabinets, and office furniture

flexcel-Jasper Power Drive

Jasper, Indiana
Molded polyurethane, polyester and elastomers

flexcel-Jasper 16th and 30th Streets

Jasper, Indiana
Lodging and healthcare casegoods, contract furniture and components

flexcel-Jasper Cherry Street

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

flexcel-11th Avenue/Danville

Jasper, Indiana and Danville, Kentucky
Office, residential, lodging, and healthcare seating

flexcel-Juarez, S.A. de C.V.

Juarez, Mexico and El Paso, Texas
Projection TV cabinets

flexcel-Mexicali, S.A. de C.V.

Mexicali, Mexico
Projection TV cabinets

flexcel-Borden

Borden, Indiana
Office furniture casegoods

flexcel-Salem

Salem, Indiana
Office furniture casegoods

flexcel-Fordsville

Fordsville, Kentucky
Office furniture casegoods

Evansville Veneer

Chandler, Indiana
Veneer

Indiana Hardwoods

Chandler, Indiana, Gordonsville and Lafayette, Tennessee and Cloverport and Greensburg, Kentucky
Lumber mills and lumber yards

Electronic Contract Assemblies Segment

Kimball Electronics Jasper

Jasper, Indiana
Electronic assemblies

Kimball Electronics Auburn

Auburn, Indiana
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

Administrative, Shared, and Support Services

Corporate Headquarters

Jasper, Indiana
Executive, administrative and sales offices, and corporate support services

Education Center & Corporate Showroom

Jasper, Indiana
Training and product display

Kimball Travel and Guest Services

Huntingburg and Jasper, Indiana
Flight services and guest relations

Kimball Kids

Jasper, Indiana
Employee child development center



Kimball
International

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