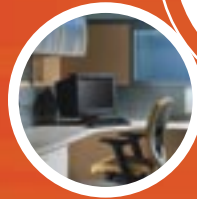


Kimball International Annual Report 2005

moving forward



who we are

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

what we do

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

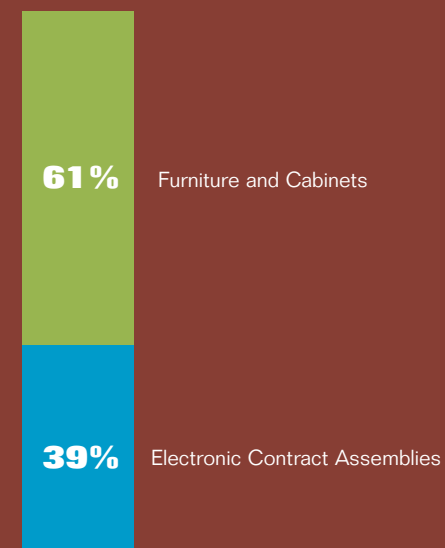
financial highlights

(Amounts in thousands, except for per share data)

	2005	2004	% Change
Net Sales	\$1,124,212	\$1,120,725	0.3%
Income from Continuing Operations	18,930	24,634	-23.2%
Return on Capital	4.12%	5.22%	-21.1%
Cash Flow from Operations	64,707	68,892	-6.1%
Working Capital	203,668	192,247	5.9%
Capital Investments	33,665	46,248	-27.2%
Share Owners' Equity	428,226	434,611	-1.5%
Earnings Per Share from Continuing Operations (Diluted)			
Class A	0.48	0.63	-23.8%
Class B	0.50	0.65	-23.1%
Dividends Declared			
Class A	0.62	0.62	0.0%
Class B	0.64	0.64	0.0%
Market Price Per Share			
High	15.40	17.55	
Low	11.22	13.03	
Close	13.20	14.75	

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

sales by business segments



to our share owners

Your Company is moving forward. Fiscal 2005 has been an important year for Kimball International. We made significant investments during the year to grow and diversify our business in our primary markets. And these investments have resulted in many new and promising relationships with customers that currently, and in the future, will bring increased opportunities, sales and earnings to Kimball. At the same time, we made difficult choices to exit markets that do not show near-term profitability. During the year, we exited the Kimball brand residential furniture market along with a wood veneer business. Both of these businesses had been a part of the Kimball family for a long time, but we must move forward. All of these changes are important, and strategic, as we focus our resources on our core businesses. We are positive and enthusiastic about the opportunities that will come from this greater focus on our core markets. ■ Consolidated Net Sales for the fiscal year reached \$1,124,000,000, which was up slightly from fiscal 2004. Earnings though were down due to increases in many commodity costs, from fuel to steel to flakeboard, among many others, along with a product mix shift to lower margin products and manufacturing inefficiencies. We fought hard during the year to minimize these costs within our supply chain, and where possible, passed some of them on to customers in the form of higher sales prices. But in the end, our gross profit as a percentage of sales declined, and was the primary driver of our lower profitability. We are dedicated to improving our gross profit percentage, and are taking many actions to improve our manufacturing efficiencies, and as required by our markets, consolidating facilities with excess capacity into others as we have with our Mexicali, Mexico large-screen television cabinet operation. ■ All of these changes, from the investment in growing customer relationships to greater focus on our core markets to exiting

facilities with excess capacity, have been funded internally with our very strong balance sheet. During fiscal 2005, we

continued our trend of positive cash flow from operations; our long-term debt is virtually nonexistent at less than

\$400,000 and our balance sheet remains rock solid. We are fortunate to have the financial strength to make the

investments and difficult choices required by our markets. ■ In our Electronic Contract Assemblies segment,

we are moving to strengthen our global reach as a supplier and partner. We are building upon our reputation in

automotive electronics as we expand our package of value to include additional engineering services that will

help us attract new automotive customers, as well as new customers in other growth industries that likewise

rely on suppliers with processes and capabilities that yield extremely high quality and reliability. The Electronics

Manufacturing Services Industry though continues to have significant excess manufacturing capacity that is adding to

pricing pressure. We doubt this pressure will lessen any time soon, and so we are very committed to our Six Sigma and

Lean Manufacturing initiatives to remove costs from our global manufacturing and supply chain. With our excellent

capabilities and package of value, we remain enthusiastic about our opportunities. ■ Our Furniture and Cabinets

segment sharpened its focus in fiscal 2005 with the exit of both the Kimball brand residential furniture and a wood

veneer slicing operation. We were pleased to see that income from continuing operations increased dramatically

in this segment over fiscal 2004 in spite of the many challenges with higher commodity costs. It is evidence

we are seeing benefits from our prior restructurings, but the level of profitability still is not where we believe it

should be. This portion of your Company must improve at a faster rate, and with our sharpened focus we are

confident it will. ■ Extraordinary dedication to our customers has resulted in notable accomplishments during fiscal

2005, of which every Kimball employee can take great pride. Our customers and our suppliers have recognized us for

outstanding service, quality, and responsiveness with numerous awards and recognition. We are very appreciative, but will never

be complacent as we continually seek out better ways to build our customers' success. ■ Our journey is not complete, but

the road before us displays many opportunities for the growth of your Company...moving forward. ■ To better understand how

Kimball International is moving forward, we invite you to read the enclosed Form 10-K.



James C. Thyen
President and
Chief Executive Officer



Douglas A. Habig
Chairman of the Board

furniture and cabinets

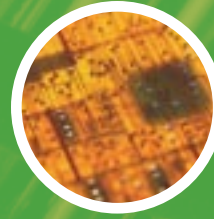


Our Furniture and Cabinets segment is moving forward, strengthening its positioning and appeal to its specified markets.

The Kimball Office and National brands continue to demonstrate their positions as significant players. A new showroom in Chicago was unveiled in June, at the time of the office furniture industry's largest trade show, bringing several key marketing advantages. In May, a total renovation of the Jasper showroom was completed, bringing that facility up to the high standards of design and product presentation expected by visiting customers. Both of these new sales tools represent significant investments in future business and growth plans.

Kimball Hospitality is moving forward, expanding our quoting activity among hotel owners and developers. We are also seeing increases in orders from this market which offers substantial opportunity.

Our flexcel contract manufacturing operations have continued to demonstrate their ability to adapt to market shifts and changes in customer demands, while remaining true to their commitments to provide the best total cost, best quality package to meet customers' needs, regardless of location.



In our Electronic Contract Assemblies segment, we continue the expansion of our global customer base. We are confidently facing the realities and challenges of building future business in low cost geographies, as demanded by our customers. With a view to the future, we are moving forward, pursuing further diversification of our customer base and portfolio, while remaining true to our core strengths. We are experiencing continued competitive pricing pressures which are tightening our margins. We have made progress in reducing costs through our variable cost productivity initiatives and we applaud our team in their efforts. Teamwork and a focus on excellence continues to bring success, as evidenced by receipt of the prestigious OSHA Voluntary Protection Program (VPP) Star status award for outstanding safety, recently awarded to both of the Jasper electronics facilities.



contract electronics

board of directors

Harry W. Bowman +
Retired; Former President and
Chief Executive Officer of The Stiffel Company
Director 5 years

Gary P. Crister +
Retired; Former Senior Executive Vice President,
Secretary and Treasurer, Kimball International
Director 1 year

Alan B. Graf, Jr. + ^
Executive Vice President and Chief Financial Officer,
FedEx Corporation; Also Director of Nike, Inc. and
Mid-America Apartment Communities, Inc.
Director 9 years

Brian K. Habig
Self-employed; Former Human Resources Manager,
flexcel – Danville, A Seating Manufacturing Division
of Kimball International
Director 13 years

Douglas A. Habig *
Chairman of the Board
Director 32 years

John B. Habig *
Chairman of the Board of Directors of SVB&T
Corporation, a Bank Holding Company
Director 49 years

Polly B. Kawalek + #
Retired; Former Senior Vice President and President,
Quaker Foods, PepsiCo Beverages and Foods
Director 8 years

Geoffrey L. Stringer # ^
Retired; Former Executive Vice President,
Bank One Corporation and Chief Executive Officer,
Bank One Capital Corporation
Director 2 years

James C. Thyen *
President, Chief Executive Officer
Director 23 years

John T. Thyen
Retired; Former Senior Executive Vice President,
Strategic Marketing, Kimball International
Director 15 years

Ronald J. Thyen *
Retired; Former Senior Executive Vice President,
Operations Officer, Assistant Secretary,
Kimball International
Director 32 years

Christine M. Vujovich ^
Vice President, Marketing and
Environmental Policy, Cummins, Inc.
Director 11 years

Dr. Jack R. Wentworth # ^
Retired; Arthur M. Weimer Professor Emeritus
of Business Administration, Indiana University;
Former Dean of the Kelley School of Business,
Indiana University
Director 21 years

* Member of the Executive Committee
of the Board

+ Member of the Audit Committee of the Board

Member of the Compensation Committee
of the Board

^ Member of the Governance and
Nominating Committee of the Board

officers

corporate officers

Randall L. Catt
Executive Vice President,
Human Resources

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

J. Brent Elliott
Executive Vice President,
President–flexcel

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

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

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

Gary W. Schwartz
Executive Vice President,
Chief Information Officer

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

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

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

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

Michelle R. Schroeder
Vice President,
Corporate Controller

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

Dean M. Vonderheide
Vice President, Safety,
Environment & Facilities

domestic subsidiary officers

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

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

Jeffrey L. Fenwick
Vice President, Marketing,
flexcel

Steven T. Korn
Vice President, Business Development,
Kimball Electronics Group

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

Kent F. Mahlke
Vice President,
Global Supply Chain Management–
Contract Manufacturing,
flexcel

Dirk H. Manning
Vice President, Strategic Accounts,
Kimball Office

Shaun Mannix
Vice President, General Manager,
Transwall

Kevin D. McCoy
Vice President, Sales,
National Office Furniture

Dwaine R. Saalman
Vice President, Division Sales Manager,
Kimball Office

Stanley C. Sapp
Vice President, General Manager,
Kimball Hospitality

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

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

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

David E. White
Vice President, Sales,
Kimball Office

Zygmunt Witort
Vice President, European Operations,
Kimball Electronics Group

foreign subsidiary managers

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

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

Jesus N. Prado
General Manager,
flexcel–Juarez, S.A. de C.V.

Kampol Tatiyakavee
Managing Director,
Kimball Electronics Thailand, Ltd.

Design: Black & White Design, Louisville, Kentucky

other corporate data

Kimball International, Inc. and Subsidiaries

Annual Meeting:

The annual meeting of Share Owners will be held at 9:30 a.m. Eastern Standard Time on October 18, 2005, at the General Office Building, Kimball International, Inc., 1600 Royal Street, Jasper, Indiana. Share Owners are cordially invited to attend.

10-K Report:

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

Common Stock:

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



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

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

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

Analyst Contact:

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

Share Owner Contact:

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

Corporate Headquarters:

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

Internet Address:

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

Private Securities Litigation Reform Act of 1995:

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

KIMBALL FACILITIES, CUSTOMERS AND SUPPLIERS



- SALES, MANUFACTURING AND SERVICE FACILITIES
- CUSTOMERS AND SUPPLIERS



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