

Hill-Rom®

.....
Enhancing Outcomes

Introducing the New Hill-Rom...

Day One for the New Hill-Rom

With the sound of The Opening BellSM on April 1, 2008, the *new* Hill-Rom was introduced. After nearly 80 years as Hillenbrand Industries and in conjunction with the spin-off of our funeral services business, we changed our name to Hill-Rom Holdings, Inc. and began trading on the New York Stock Exchange (NYSE) under the symbol HRC as a pure medical technology company focused on innovation and expansion in the global health care market.

The separation of the two operating companies was undertaken because the Board and Management believed that separation would be the best way to unlock value and allow each company to focus on accelerating growth in its respective industry. Further, leadership felt that both companies offered compelling value propositions that should provide attractive returns to their current and future shareholders.

In the months since the separation, Hill-Rom leadership and associates have embraced this opportunity, focusing on growth and innovation, and bringing the right people, processes and technologies to meet the needs of customers throughout the care continuum and around the globe. From acute care settings to extended care and home care, this focused, collaborative approach has set the tone for Hill-Rom to deliver on its promises to customers and to shareholders.

As the *new* Hill-Rom moves forward with our team of approximately 6,800 associates around the world, we seek to deliver value to all our key constituents: patients, caregivers, health care providers and our investing public.

The year 2008 marked our beginning as the *new* Hill-Rom, and we began to show what a more focused company can accomplish. Welcome to the *new* Hill-Rom.



Enhancing Outcomes

Hill-Rom's core mission is all about enhancing outcomes for patients and their caregivers. Our mission is carried out every day in every care setting all around the world. As you move through the pages of this book, you'll get a glimpse of how Hill-Rom delivers on this promise...for patients by providing the technology that helps guard their safety and helps them heal...and, for caregivers through processes and solutions they need to do their best work with the greatest efficiency, safety and effectiveness.

We have invested to accelerate our growth and to find new ways to meet customer needs. We have heightened our emphasis on Research & Development (R&D) and on service. We have put the right people in the right places to tap our expertise in care processes, global sales and distribution channels—all aimed at enhancing outcomes.

At the end of the day, we at Hill-Rom strive to make a difference in the lives of our customers and the patients they serve.



Who We Are

Hill-Rom is a leading worldwide manufacturer and provider of medical technologies and related services for the health care industry. Our portfolio includes patient support systems, safe mobility and handling solutions, non-invasive therapeutic products for a variety of acute and chronic medical conditions, medical equipment rentals, and information technology solutions. Hill-Rom's comprehensive product and service offerings are used by health care providers across the health care continuum and around the world in hospitals, extended care facilities and home care settings to enhance the safety and quality of patient care.



Expanding Options Across the Care Continuum

Liko joined the Hill-Rom family in October of 2008, opening a new door for Hill-Rom to offer a broad range of outcome-enhancing solutions to its customers worldwide. Liko is a leading global manufacturer and provider of patient support systems and other related medical technologies to facilitate the safe movement and transfer of patients. Based in Lulea, Sweden, the company is recognized as one of the world's leading innovators of products and processes in this specialized area.

Liko: A Natural Choice for Hill-Rom

"As we assessed this acquisition, we saw so many similarities between our companies," said Mike Grippo, vice president of corporate development and strategy at Hill-Rom, and leader of the acquisition team. "Liko has a culture devoted to innovative solutions and improving outcomes, right in line with Hill-Rom. Their products extend across the care continuum, from acute care to post acute to home care, and they approach their customers not just with superior products, but with integrated solutions."

"Liko has a culture devoted to innovative solutions and improving outcomes."

—Mike Grippo, Hill-Rom

"Our customers in all parts of the world have been asking for this type of complementary product," said Greg Tucholski, president, International and Surgical, and the senior executive charged with managing the integration of the international components of the company. "In Liko, we saw an opportunity to address our customers' requests while also increasing our presence internationally."

Liko offers high versatility and advanced technology in one of the most highly regarded lines of lifting devices on the market. Versatility is vital because of the complexity of caring for patients with vastly different body types and challenges, across many different care settings.

"Liko also offers Hill-Rom a new avenue for expansion of its work in the safety arena," Tucholski said. "By integrating Liko's 'Safe Lifting' solutions into our existing No Falls™, Clear Lungs™ and Safe Skin™ solutions, we can help our customers provide even better care at the bedside. It's really about opening a new door to enhance outcomes and with Liko, that's a direct fit."





North America Acute Care

Long Hill-Rom's core business, North America Acute Care encompasses the products for which the company is best known: Beds and surfaces. Our hallmark continues to be the integration of these two vital elements. In today's world, beds and surfaces can be highly technical, complex devices that provide therapy and aid in recovery for patients. Our higher acuity patient support systems tightly integrate the bed and surface to yield superior clinical and economic outcomes. As we move forward, we are focused on developing advanced connectivity solutions to the digital information network in the hospital.

Connectivity Enhances Patient Safety

Our flagship ICU product, the TotalCare® patient support system, added several enhancements this year targeting improved patient safety and enhanced outcomes. The TotalCare® Connect bed captures dozens of patient data points through its sensors, such as head elevation and chair position, to help drive protocols to reduce ventilator-associated pneumonia and prevent pressure ulcers. While innovations in surface technology were at the heart of the enhancements, major improvements also were made in the interface technology, making the sophisticated features of the bed easier to access and use.

The VersaCare® TC bed, a bed system offering solutions not only for critical care hospital settings but also for transitional care and step-down settings, has also benefited from such enhancements. Both of these “smart beds” allow data to move from sensors incorporated within the bed to the hospital network and into the patient’s electronic medical record.



Hill-Rom has long offered innovative “nurse call,” or nurse communication systems. These systems enable rapid, targeted communication among caregivers, patients and staff—a critical feature for patient safety. This year a completely new, all-digital NaviCare® Nurse Call system was introduced. This system converts an analog voice to a digital signal that can be sent over the hospital network, getting the right message to the right person at the right time ... all the time.

New Partnerships Spark Innovation

Several innovations in our core product line came through new partner relationships. For example, we launched a strategic relationship this year with Cerner, a leading supplier of health care information technology, to integrate the Cerner Millennium® platform with our TotalCare® and VersaCare® bed systems.

This integration will enable these beds to feed data such as patient weight, siderail position and head elevation into the main hospital information system, increasing patient safety, helping caregivers work more efficiently and improving safety protocols.

Partnerships also added to Hill-Rom’s ability to bring targeted innovation to its broad line of surfaces. Partnering with NanoHorizons, Hill-Rom introduced nanoAg+™ technology that eliminates 99.8 percent of bacteria, mold and mildew on the surfaces. Pure silver nanoparticles are integrated throughout a surface to create this protection, which lasts for the life of the product. The new technology is available on many surfaces, including the Hill-Rom® TempurPedic® medical mattress, a product of our alliance with TempurPedic.

The NaviCare® WatchChild® obstetrical safety solution received an overall upgrade this year and two new relationship agreements further enhanced the benefits of the WatchChild system.

New Surfaces Promote Safety and Efficiency

Hill-Rom's focus also was on enhancing the breadth of offerings in surfaces particularly those that contribute directly to the safety of patients. Introduced at the beginning of the company's fiscal year, Hill-Rom® Envision® E700 surface addresses many of the factors that affect pressure ulcer healing, a key concern in patient safety. For example, its PressureSmart® sensing technology "sees" the patient in real time, automatically adjusting the surface pressure when

New studies show the Envision® E700 surface can reduce pressure ulcer prevalence by 40 percent in six days.*

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the patient sleeps, sits up or gets in and out of bed. It also provides innovative microclimate management that helps regulate the heat and moisture directly under the patient, helping to prevent skin breakdown. The surface is made of modules that we can now use in manufacturing other surfaces, boosting supply chain efficiencies as well as clinical performance.

Innovation extended into other surface lines. The non-powered NP200 wound surface features a resilient Stimulite® "honeycomb" construction that adjusts itself to relieve pressure and offers another option for use in a variety of care settings.



Increasing Focus on Total Patient Environment

As the population grows older and health care challenges evolve, there is an increasing focus on providing complete solutions for customers that address needs within the entire environment surrounding a patient. Hill-Rom's expertise in architectural products is one of the ways to meet the needs within this changing environment. In fact, part of the opportunity with the newly purchased Liko, a company specializing in patient mobility, is to provide an even greater range of devices that streamline and improve the environment around the patient regardless of care setting.

**A Pilot Study of a New Low-Air-Loss Treatment Surface in the Critical Care Setting authored by Jennifer Fimiani, RN, BSN, CWOCN; Emily Schlein, RN, BSN, CWOCN; and Catherine VanGilder, BS, MT, CCRA; and appearing at the 2008 Symposium on Advanced Wound Care.*

Improving Outcomes in the Rental Business

Hill-Rom's rental business offers another opportunity for our customers to create patient-specific clinical solutions at the time they are needed. Bariatric patients, burn patients, the elderly who often are more susceptible to pressure ulcers—all can benefit from the frames, surfaces and integrated technologies designed just for them. Clinicians can order exactly what they need for their specific patients, creating the opportunity for better outcomes.

Revitalizing the rental business has been a key strategic initiative for Hill-Rom. While the overall category grew by 5 percent, our rental business grew nearly 12 percent. Refreshing the fleet and introducing innovative new products helped drive this growth.



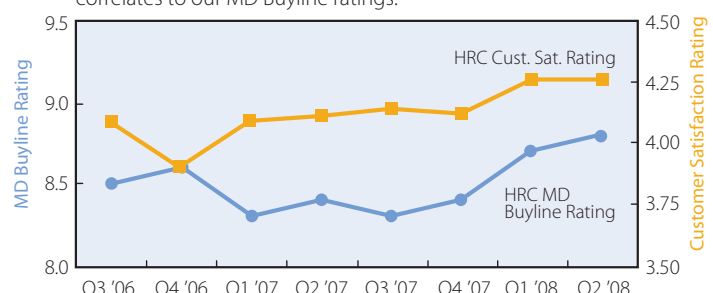
Investments in Sales and Service

Last year, as the North America Acute Care business pushed past \$900 million, we expanded and reshaped our sales force. We brought on 30 new market specialists in our capital area and 34 people into our moveable medical equipment business, freeing up our entire clinical sales team to focus in the therapy rental and ICU areas.

Earlier investments to improve customer satisfaction also paid off this year, as our own customer satisfaction ratings improved and our MD Buyline ratings steadily increased. MD Buyline is an industry source for health care product information. Our MD Buyline ratings for system performance, system reliability, service response time and service repair quality all rose.

Improving Our Customer Satisfaction

Hill-Rom customer satisfaction is improving and the trend correlates to our MD Buyline ratings.



Represents North America Acute Care Capital Beds; MD Buyline rating based on 1–10 scale. HRC Customer Satisfaction based on 1–5 scale. In both cases, higher numbers represent better performance.

Patient Safety at the Forefront

No Falls, Clear Lungs, Safe Skin Programs

Hill-Rom's first Chief Clinical Officer and a seasoned nurse executive, Melissa Fitzpatrick, RN, MSN, FAAN, is leading the company's focus on patient safety, a timely and urgent issue for all who work within health care. Driving the urgency are new rules from the Center for Medicare and Medicaid Services (CMS) that became effective October 1, 2008. These new rules halted reimbursement to hospitals for costs incurred from certain preventable adverse events.

"When you look at the list of preventable adverse events targeted by CMS—pressure ulcers, patient falls, even ventilator-associated pneumonia, which will probably be added in 2009—these are issues where Hill-Rom can really make a difference," Fitzpatrick said.

Using an approach that combines people, process and technology, Fitzpatrick has a broad vision for patient safety. "It all starts with a culture of inquiry," she said. "More than one million patients fall every year. Our job is to say, 'How did that happen and how do we intervene?' Let's get the data, let's share it with the teams, and then let's track performance and improve outcomes."

The average cost per hospitalization for patients who develop Stage III or IV pressure ulcers has been reported to be \$43,180.*

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One of Hill-Rom's goals is to bring technology to the patient bedside and to enable caregivers to use the data from the bed to automate protocols. "The nurse doesn't have to remember, 'Did I put the siderail up? Was the bed exit alarm set?'" said

Fitzpatrick. "There are so many distractions in a nurse's day—this is one less thing to think about. The technology and data are there, within the bed, to enable data driven improvements."

Data also is key to reducing the incidence of pressure ulcers. Hill-Rom has been collecting international pressure ulcer prevalence data for more than 20 years. Fitzpatrick explained, "We know that we must facilitate the progressive mobility of our patients. The more we automate processes and therapies, the more we will enhance clinical outcomes and patient safety."

Finally, the same combination of people, process and technology can be applied to reducing ventilator-associated pneumonia. "Many organizations around the country are reaching zero incidences in this area," Fitzpatrick said. "How are they doing it? They are taking some fundamentally sound, but not difficult, steps. A simple first step is assuring the elevation of the head of the bed to between 30 and 45 degrees. Hill-Rom makes this work even better. . .we can automate that parameter and eliminate the guesswork."

These improvements help keep patients safe, and they help caregivers return to the bedside. "We want to return nurses to the delivery of care," Fitzpatrick said. "That's key to ultimately enhancing outcomes for patients and fulfilling the promise of our profession."

**Source: Center for Medicare & Medicaid Services Office of Public Affairs, April 14, 2008, Fact Sheet for: CMS PROPOSES ADDITIONS TO LIST OF HOSPITAL-ACQUIRED CONDITIONS FOR FISCAL YEAR 2009.*



Melissa Fitzpatrick, RN, MSN, FAAN, Chief Clinical Officer

NO FALLS™



CLEAR LUNGS™



SAFE SKIN™





North America Post Acute Care

This year more than 39 million Americans will be released from acute care facilities. Of this number, more than 23 percent, or about 9 million, will require some type of post acute care and those numbers are growing. Millions of Americans each year are now cared for in the home, in assisted living or skilled nursing facilities, or in hospice settings. All of these patients and their caregivers need technology that is relevant, cost-effective and clinically sound. Increasingly these patients are sicker and older, and their caregivers are fewer and less skilled.

This shift has created a major opportunity for Hill-Rom to leverage the trusted brand it has developed after nearly 80 years in acute care and grow into the post acute care area.

Opening an Opportunity with New Products and Services

With just over 18 months of focused effort, we have seen solid growth in our North America Post Acute Care business. During this period, we introduced eight new products designed to capture the safety and therapeutic features of our acute care products but tailored to the needs of long-term and home care settings.

Post acute care is not a single market—it is many markets and settings, from sophisticated long-term acute care facilities to modest home settings. Yet the needs are the same. Caregivers need to prevent falls, address pulmonary issues and protect patients from pressure ulcers and the complications that can arise from these conditions. Caregivers also need help managing chronic bariatric patients with complex medical conditions in this setting just as in any other.

During the past 10 years, the rate of discharges to home health settings has grown by more than 50 percent.*

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Our growing presence and success is again driven by a combination of people, processes and technologies. With nearly 200 clinicians—respiratory therapists, registered nurses and other specialists—in the field working with caregivers everyday, we help identify at-risk patients and then work to help develop protocols for care. We look at a wide range of needs from how to help patients remain ambulatory to how to provide the right care setting for those who face complex health conditions.

In addition, we have about 190 accredited service centers nationwide that focus on effective training and servicing of Hill-Rom® products as well as more than 250 reimbursement specialists to help with the complexities of payment.

In addition, we have expanded our capabilities to begin to address the needs of families through our Direct-to-Consumer initiative.



**HCUP Facts and Figures, 2006: Statistics on Hospital-based Care in the United States; the Healthcare Cost and Utilization Project sponsored by the Agency for HealthCare Research and Quality (AHRQ).*



A Solution for Respiratory Patients that Enhances Quality of Life

The Vest® Airway Clearance System has made a profound difference in the lives of patients with respiratory conditions that require the clearing of secretions for healthier lung activity. Because The Vest® System makes respiratory therapy automatic and convenient—most users manage it with little help—patients can live more easily with their conditions with less time spent inside hospitals and care facilities. That fact equates to lower costs and improved quality of life.



One young patient, Matt, who has spinal muscular atrophy, is a perfect example. Before using The Vest® System, 22-year-old Matt explained, "I had to schedule my life around people coming to my house to do my therapy. And, I never used to be able to travel because I had to bring my therapist with me."

**The Vest System is recognized
by the industry for
innovation and effectiveness.**

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Before he got The Vest® System, Matt had to have chest percussion therapy to loosen his secretions. He said, "I remember having people pounding on my chest. I remember it hurting!" With The Vest® System, his therapy is much less painful and more efficient, resulting in fewer visits to the hospital. Now, Matt is free to travel and see his friends, enjoying life like other young people his age.

Matt is just one of the thousands of patients who benefit from the innovation and care that Hill-Rom brings to all its technologies and processes.

The Vest® System continues to be recognized by the industry for innovation and effectiveness. This year, The Wrap SPU (single-patient use) Vest and The Vest® System received the 2008 *Therapy Times* most valuable product award for respiratory therapy.



International and Surgical

Strong Growth Around the Globe

Hill-Rom's International and Surgical business focused on introducing innovative new products as well as maximizing an effective sales force, bringing together the people, processes and technologies to address changing global needs.

In the European acute care segment, Hill-Rom increased market share from about 25 percent in 2006 to an estimated 40 percent in 2008. Hill-Rom's business in the Middle East and Asia also experienced strong organic growth. Growth elsewhere in the world, including Asia, continues to be strong, especially in Singapore, Malaysia and Hong Kong.

Much of the success of this business can be attributed to a focus on expanding the product portfolio to meet the needs of customers. In Europe, a corner-

stone of this expansion was the introduction of the AvantGuard® 800 frame, designed specifically to meet medicalized long-term care market needs. A variety of new features within the bed make it easier for patients to move in and out of bed. For example, easy-to-grip side handles and the bed's low height create easier access for patients and also help reduce the risk of

falls. The AvantGuard® 1600 was introduced for the international critical care segment. This bed includes sophisticated technology mobility features such as a one-touch full chair position. User-friendly controls allow patients more autonomy and caregivers easier access to the bed's many features.

Also important to our strength in Europe has been Hill-Rom's focus on developing its sales and distribution channel. Investing in a strong sales force that addresses the needs of customers directly within their own countries has proven to be an effective strategy.

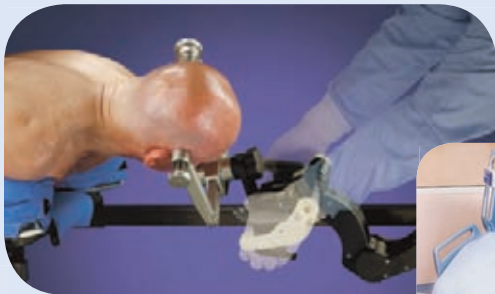
Allen Medical, our surgical division specializing in patient positioning in the surgical setting, also has focused on maintaining a strong sales and distribution channel as well as ongoing innovation in its product line. Allen Medical introduced the C-Flex™ device to facilitate cervical spine surgery. This device helps the surgical team work more safely and efficiently.



- ★ Global Headquarters
- Major Locations
- Manufacturing Sites
- ◆ Innovation Centers

Asia-Pacific Innovation Center Opens

A centerpiece of our efforts in both globalization and innovation, the Asia-Pacific Innovation Center opened in August in Singapore. The center is home base for new Hill-Rom teams focused on research and development for global applications of Hill-Rom products. Teams in Singapore are working on projects that involve microelectronics, embedded software and electromechanical systems. The Singapore center joins the Innovation Center opened last year in Batesville and R&D sites in Montpellier, France and in Pluvigner, France.



Allen Medical C-Flex Device



AvantGuard® 1600 Bed

Hill-Rom is committed to enhancing outcomes for patients and their caregivers. It's our tagline but it's also our passion. Every day, we focus on bringing innovative products into care settings across the continuum, from intensive care to long-term care to home care, and throughout the world. We believe that our unrelenting pursuit toward becoming a high-performing medical technology company that gives health care providers and their patients the tools they need to achieve better outcomes will, in turn, translate to value.

Our performance in 2008 has set us firmly on that path. The metrics and facts captured on this page help to tell our story. The narrative throughout this book provides other insights into how we deliver enhanced outcomes to patients and their caregivers, to our customers and to our shareholders.

Hill-Rom

Number of associates:

More than 6,800 worldwide

Founded:

William A. Hillenbrand founded the company on October 23, 1929

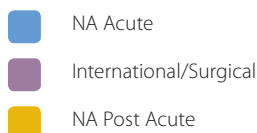
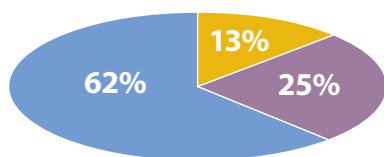
Organization:

Hill-Rom Holdings, Inc.
(NYSE: HRC)

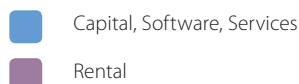
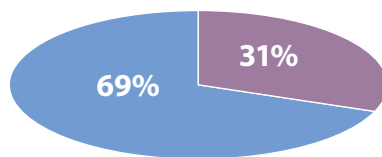
Hill-Rom at a Glance

Today We Have a Balanced Business (2008)

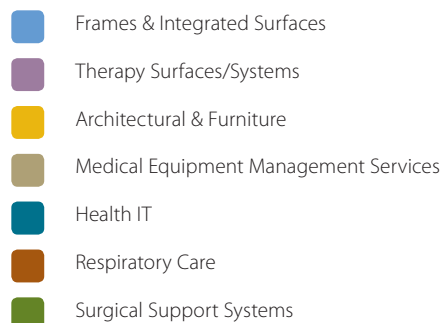
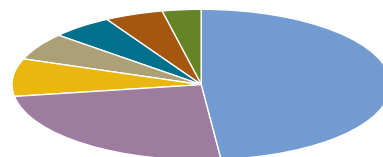
By Business Segment



By Revenue Model



By Product Category





Letter to Shareholders & Form 10-K

Enhancing Outcomes



Dear Fellow Shareholders:

Fiscal 2008 was a transformational year in the life of this company. For the first time, Hill-Rom began operating as an independent, focused, medical technology company, galvanizing the organization to accelerate our “fix and grow” strategies and capturing the attention of our investors and our customers in an entirely new way.

On April 1, 2008, Hillenbrand Industries announced the completion of the separation of its two primary operating companies, Hill-Rom and Batesville Casket Company. With the separation, Hillenbrand Industries changed its name to Hill-Rom Holdings, Inc. and took a new trading symbol, HRC, on the New York Stock Exchange (NYSE). Batesville Casket Company’s parent was renamed Hillenbrand, Inc., and that company began trading under the HI symbol. Leaders from both companies joined together one final time to ring The Opening BellSM on the New York Stock Exchange, a powerful symbol of a new day.

Going forward independently has enabled Hill-Rom to focus squarely on one goal: Building a great medical technology company. Separation has created a clearer line of sight for all our now 6,800 associates toward meeting and exceeding the needs of our customers and building value for our shareholders. As is characteristic of high-performing medical technology companies, we can focus directly on creating a culture of speed, accountability and ownership within Hill-Rom. Most of all, we can unlock the true value of this company for shareholders.

Investors greeted the separation with enthusiasm—Hill-Rom stock soared within the first month after the separation—and investors continued to show their approval in the following months. In spite of turbulent markets beginning in the late summer months, Hill-Rom continued to perform strongly against most market and peer comparisons.

Another indication of the interest in Hill-Rom is the absolute trading volume of our shares. In the six months before separation, the average trading volume of Hillenbrand Industries was slightly under 300,000 shares a day. In the six months following the separation, Hill-Rom alone traded between 600,000 and 700,000 shares a day, and the two

Hill-Rom Strategy

Successfully Executing Our Multi-Year Strategies

Organic Growth Goals 2007–2010

Revenue	6–8%	CAGR
GM	10–13%	CAGR
OI	12–15%	CAGR
EPS	12–15%	CAGR

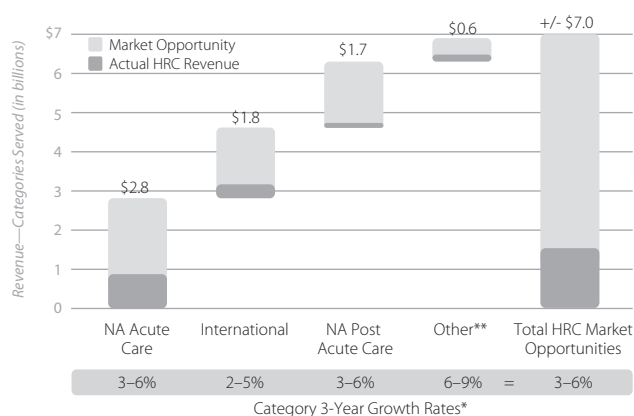


companies together traded nearly a million shares a day. Trading volumes have increased still further since our year-end. While we certainly understand our role is to create shareholder value over the long term, we are pleased and grateful for this phenomenal initial reception, especially in these challenging times.

Executing our long-range strategy for growth

In October 2006, we outlined a strategy and goals for the future for Hill-Rom. Since that time, we have kept that strategy at the forefront as we have moved forward executing for results.

One of our primary steps has been to differentiate the core of our business—our Patient Support Systems. Great strides were made this past year as we introduced a host of new products (especially therapeutic surfaces for bariatrics and difficult wounds) and new technologies that help connect our beds to the digital IT environment. In fact, every major part of our core product platform has now been touched and refreshed. We are seeing these strategies turn into results.



Attractive Growth Categories

*Company forward estimate

**Entrepreneurial Businesses: Health IT, Respiratory Care and Surgical Support Systems

Our North America Acute Care segment revenue grew at 6 percent, and was led by double digit growth in our ICU patient support systems and in our proprietary therapy support system capital and rental products. Our International and Surgical segment revenue grew a remarkable 25 percent, reflecting continued market share gains and a strong sales increase in Europe and certain other regions. Our North America Post Acute Care segment grew nearly 14 percent, reflecting mid-teens growth in our respiratory care business and nearly 40 percent growth in our home care business.

In spite of unanticipated strong inflationary pressures and the high rate of growth of our international business, which carries lower margins, we were able to maintain gross margins in total, and expand rental margins significantly. Our new Monterrey, Mexico plant began shipping fully fabricated products in July, and will become a tailwind for us in 2009. New productivity and cost-out initiatives among our suppliers and our other plants also are expected to take hold in 2009. Our focus on innovation is allowing us to increasingly bring to market compelling technology offerings, which command higher margins. Finally, disciplined expense controls are in place and showing results that we believe will serve us well as we look toward 2009.

These strategies and our achievements toward their execution are based on three simple tenets: Passionate people, proven processes and advanced technology. The new Hill-Rom, enabled by the separation and by the clear road map we have been executing since October 2006, has begun to demonstrate the progress that we can make toward achieving our ambitious goals.

Passionate people: The right team

The key to any successful venture is a dynamic, focused leadership team, all passionate about keeping our promises and achieving our goals.

Since my arrival in 2006, we have been shaping our leadership team to guide the company into the future. Two-thirds of the senior management team have come on board since 2006, with about half coming from outside Hill-Rom, bringing with them solid experience in medical technology, and half coming from within, providing vital continuity and customer knowledge. In 2008, that team has coalesced into a high-performing, creative, driven leadership team.

Passionate people can be found everywhere throughout Hill-Rom. And, this has become even more apparent following our separation, when we seized the opportunity to create a true ownership culture. On April 1, 2008, "Day One" of the new Hill-Rom, all associates became owners as they each received 30 restricted stock units. In addition, we continue to reinforce this approach through rewarding innovation and continuous improvement. Two programs, the President's Innovation Award and the President's Continuous Improvement Award, recognize teams that develop innovative or cost-effective programs that make a difference in our business. Winning teams receive their awards in the form of company stock.

We've also taken a close look at how our sales and marketing teams are staffed, and have added people where needed. In fact, this past year we completed the addition of 34 specialists within our moveable medical equipment

business and 30 new market specialists to maintain our installed base and identify other opportunities in our North America Acute Care division. In 2009, we will continue to make selective additions in our direct channels in all three operating segments.

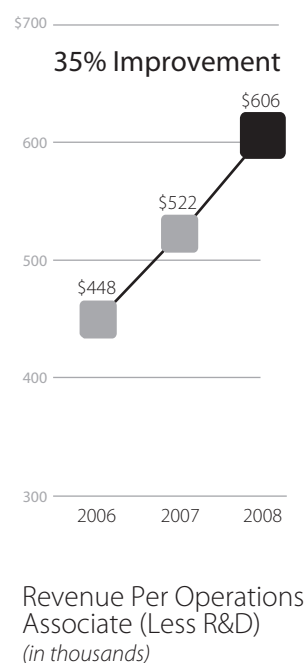
Proven processes: Operational excellence

With the right people in place, developing and defining the right processes takes on new meaning. In 2008, a focus

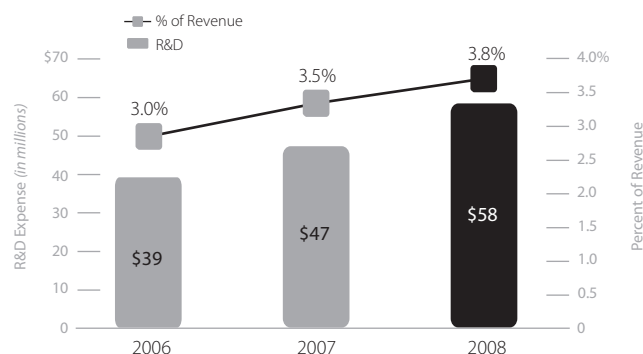
on processes helped translate top-line growth into bottom-line profit. We achieved this in several ways. First, we made strong improvements in direct labor productivity, realizing a 35 percent jump in productivity per manufacturing associate over two years.

Second, we drove down manufacturing overhead. While bringing a major new plant online in Monterrey, Mexico, we still managed to reduce

our worldwide manufacturing overhead from 6 percent to 5.4 percent, a number we expect to push down even further next year. Customer satisfaction also improved through attention to processes. According to MD Buyline ratings, we have improved our system performance, system reliability, service response time and service repair quality significantly, returning to market-leading customer satisfaction in our core hospital capital equipment business.



Improvements in customer satisfaction, billing accuracy and accounts receivable were vital this year in driving our 11.5 percent global growth in the rental business. By improving our rental billing processes, supporting focused teams for collections, and using technology more effectively, we were able to reduce days sales outstanding from over 96 to 82. In post acute care, where complex third-party billing can slow collections, we introduced efficiencies that have brought down our cost per transaction by 25 percent and made improvements to our billing procedures.



R&D Expense
(in millions)

To further fund our investments in research and development and sales channel expansion, and to combat the strong pressures of inflation seen since April, we made the decision in August to streamline our organization, “de-layering” the management structure and helping realign our SG&A costs. As a result of this action, we expect to achieve annual savings of \$14 million. In October, we announced a further cost-reduction effort in our Medical Equipment Management Services rental business. This effort is expected to save an additional \$4 to 5 million annually.

Advanced technology: Accelerating innovation

Our commitment to expanding the scope and quality of research and development investment, which has reached 3.8 percent of sales, is paying off as new products and new technologies continue to enliven our business. Some innovative introductions are completely new, such as the Hill-Rom® 100 Low Bed and the Envision® E700 wound surface. Others are enhancements to core designs, such as TotalCare® Connect, TotalCare® Bariatric Plus, VersaCare® Transitional Care beds, and two additions to the AvantGuard® line sold in Europe.

Key improvements made to our TotalCare bed line enabled us to reverse a decline in intensive care unit (ICU) sales. Once the standard in the ICU, our TotalCare beds had some erosion in market share in recent years. However, with product improvements and the addition of new connectivity technology, strong sales gains were realized in 2008. Key improvements included an Advanced MicroClimate™ technology moisture and humidity control surface, new and easier-to-use controls to adjust the bed and surface functionality through a bright, touch screen display, and new connectivity technology, which allows data to move seamlessly from sensors on the bed to the hospital network and to our NaviCare® patient safety applications software. Hill-Rom’s Safe Skin™, No Falls™ and Clear Lungs™ programs are now facilitated by the connectivity capability of both the TotalCare bed system in the ICU and our mid-level VersaCare bed line in step down and med-surg care. To extend our reach into medicalized long-term care in Europe, a market with greater potential than the European acute care market, we introduced the

AvantGuard® 800 bed, resulting in near doubling of sales in long-term care in Europe.

After many years in the “nurse call” segment, we have totally redesigned our system and at the end of 2008 launched a new, all-digital nurse communications system. NaviCare® Nurse Call offers superior voice quality, better location technology, greater reliability and a user-friendly interface. This new system was much anticipated and is being positively received.

Advances also were made at Allen Medical with the introduction of an innovative attachment to the operating room table that facilitates cervical spine surgery, helping the clinical team work more safely and efficiently. To fully introduce The Vest® Airway Clearance System into acute care, Hill-Rom signed a national agreement with Tri-anim, a leading specialist distributor. We are very excited about this opportunity for our respiratory care business.

Partnerships, alliances and acquisitions

While our entire 11.1 percent growth this past year was organic (9 percent constant currency), we also looked outside our business to grow. On October 2, we announced the acquisition of Liko, one of the world’s leading suppliers of patient lifts and slings. This acquisition represents a direct connection to our mission of enhancing outcomes for patients and their caregivers. Liko offers Hill-Rom one of the closest adjacencies we could have imagined—the intimacy of moving patients safely in and out of bed and around the room. Liko advances our commitment to enhanced outcomes, including the prevention of patient falls and protecting caregivers from injury. A family-owned

business based in Sweden, Liko leverages our global business footprint and extends our presence across the continuum of care throughout the world.

Other alliances also created new opportunities, including an important alliance with Cerner, a leading supplier of health care information technology. This relationship is enabling the integration of our TotalCare® and VersaCare® bed systems with the Cerner Millennium® computing platform. A new partnership with NanoHorizons delivers patient support systems enhanced with revolutionary antimicrobial technology.

Improved key financial measures

Profitable, sustainable growth for Hill-Rom is a top priority. In 2008, we were encouraged by the acceleration in sales. In 2009, we will undertake additional efforts to ensure our sales growth translates to increasing rates of margin growth. In addition to some of the gross margin expansion initiatives described above, we are also focusing on operating expense optimization. Our operating expense as a percentage of sales has stabilized as we continue to invest in sales and marketing while achieving efficiencies in G&A spending. Our cash flow is accelerating as we also strive to gain efficiencies in working capital. We will strive to ensure that our 2009 earnings per share will continue to demonstrate solid results.

Enhancing outcomes

Like every business in this uncertain financial environment, we are being selective in our investments and seeking operating efficiencies with new vigor. And while we believe that health care is likely to be less affected by a recession than many other industries, we do anticipate

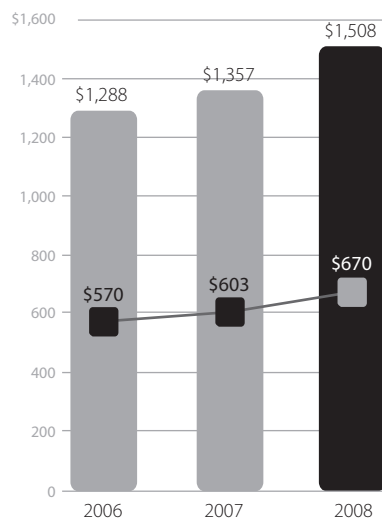
increasing levels of reimbursement pressure and uncompensated care to affect hospitals and other caregivers in some of our major markets. Over the next few years we also expect to see payment models and incentives evolve in the U.S. and other countries.

At the same time, Hill-Rom has never been better positioned to provide solutions for some key issues in health care. Our investments in people, processes and technology are yielding new and affordable solutions in patient and caregiver safety and in the process, returning valuable time to caregivers at the bedside. We believe our value propositions will allow us to compete effectively for scarce capital and discretionary operating funds.

I would like to thank our Board for their confidence in allowing us to move forward as an independent company, and their guidance as we chart our path ahead. And this year especially, I want to thank our gifted and devoted associates for standing together as we tangibly demonstrated that we are turning this company into a valued player in supporting better health care delivery around the world and across the continuum of care.

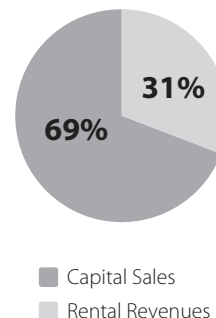


Peter H. Soderberg
President & Chief Executive Officer
Hill-Rom



Revenue and Gross Profit Trends
(in millions)

■ Revenue ■ Gross Profit



2008 Revenues
by Category

Financial Highlights

	Fiscal Year Ended September 30, 2008	Fiscal Year Ended September 30, 2007	Percentage Change 2008 vs. 2007	Fiscal Year Ended September 30, 2006	Percentage Change 2007 vs. 2006
<i>(Dollars in millions except per share data)</i>					
Net Revenues					
Capital sales	\$1,044.0	940.7	11%	862.6	9%
Rental revenues	463.7	415.8	12%	425.7	(2%)
Total Revenues	1,507.7	1,356.5	11%	1,288.3	5%
Gross Profit					
Cost of goods sold	425.4	393.8	8%	361.5	9%
Rental expense	244.1	208.7	17%	208.5	0%
Total Gross Profit	669.5	602.5	11%	570.0	6%
Other operating expenses	543.9	483.0	13%	437.7	10%
Litigation (credits) charge	—	(1.2)	N/A	(2.3)	(48%)
Special charges (credits)	22.8	(0.2)	N/A	5.4	104%
Operating Profit	102.8	120.9	(15%)	129.2	(6%)
Other income (expense), net	(10.5)	(14.7)	(29%)	(13.9)	6%
Income from Continuing Operations					
Before Income Taxes	92.3	106.2	(13%)	115.3	(8%)
Income tax expense	25.2	35.8	(30%)	36.8	(3%)
Income from Continuing Operations	67.1	70.4	(5%)	78.5	(10%)
Income from discontinued operations	48.7	120.2	(59%)	142.7	(16%)
Net Income	\$ 115.8	190.6	(39%)	221.2	(14%)
Income per Common Share from Continuing Operations—Diluted	\$ 1.07	1.13	(5%)	1.28	(12%)
Income per Common Share from Discontinued Operations—Diluted	\$ 0.78	1.94	(60%)	2.32	(16%)
Net Income per Common Share—Diluted	\$ 1.85	3.07	(40%)	3.59	(14%)
Dividends per Common Share	\$ 0.78	1.14	(32%)	1.13	1%
Average Common Shares Outstanding—Diluted (000's)	62,622	62,115	1%	61,577	1%
Shareholders	24,700	19,000	30%	24,200	(21%)
Employees	6,800	9,900	(31%)	9,300	6%

Note: Financial information presented above reflects the results of Hill-Rom Holdings, Inc. on a continuing operations basis with the results of the former funeral services business and Forethought Financial Services reflected in discontinued operations for all periods presented. The spin-off of the funeral services business was completed on March 31, 2008.

Note: Certain per share amounts may not accurately add due to rounding.

See Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements for more information.

Five-Year Summary

	Fiscal Year Ended				
	September 30, 2008	September 30, 2007	September 30, 2006	September 30, 2005	September 30, 2004
<i>(Dollars in millions except per share data)</i>					
Results of Operations (a):					
Net revenues	\$1,507.7	1,356.5	1,288.3	1,278.7	1,189.0
Cost of revenues and operating expenses	\$1,382.1	1,237.0	1,156.0	1,171.6	1,050.5
Litigation (credits) charge (b)	\$ —	(1.2)	(2.3)	358.6	—
Special charges (credits) (c)	\$ 22.8	(0.2)	5.4	34.0	5.5
Operating profit (loss)	\$ 102.8	120.9	129.2	(285.5)	133.0
Other income (expense), net	\$ (10.5)	(14.7)	(13.9)	(23.1)	(24.2)
Income (loss) from continuing operations					
before income taxes	\$ 92.3	106.2	115.3	(308.6)	108.8
% of net revenues	6.1	7.8	8.9	(24.1)	9.2
Income tax expense (benefit)	\$ 25.2	35.8	36.8	(89.2)	42.5
% effective rate (d)	27.3	33.7	31.9	28.9	39.1
Income (loss) from continuing operations	\$ 67.1	70.4	78.5	(219.4)	66.3
% of net revenues	4.5	5.2	6.1	(17.2)	5.6
Income from discontinued operations	\$ 48.7	120.2	142.7	125.3	76.9
Net income (loss)	\$ 115.8	190.6	221.2	(94.1)	143.2

Per Share Data:

Income (loss) from continuing operations—Diluted (a)	\$ 1.07	1.13	1.28	(3.55)	1.06
Net income (loss)—Diluted (a)	\$ 1.85	3.07	3.59	(1.52)	2.28
Cash dividends (e)	\$ 0.78	1.14	1.13	1.12	1.08
Average common shares outstanding—Diluted (000's)	62,622	62,115	61,577	61,774	62,725

(a) Results of Operations and diluted income per share data reflect the results of Hill-Rom Holdings, Inc. on a continuing operations basis with the results of the former funeral services business and Forethought Financial Services reflected in discontinued operations for all periods presented.

(b) Reflects antitrust litigation credits in 2007 and 2006 and charge in 2005.

(c) Special charges (credits) reflect actions taken including streamlining the organization, realignment of certain operations, the write-down of underperforming and rationalized assets, the reversal of prior special charge provisions in excess of requirements, gain on disposition of facilities idled under prior special charges and the retirement of the Company's former CEO (see Note 8 to Consolidated Financial Statements).

(d) Reflects 2008 favorable discrete period tax benefits of \$8.3 million and the 2005 write-off of a deferred tax asset related to our French entities of \$16 million that was originally recognized in 2004.

(e) Reflects reduced dividends for last half of fiscal 2008 following spin-off of funeral services business.

	HRC	HB			
	September, 30 2008	September 30, 2007	September 30, 2006	September 30, 2005	September 30, 2004
Financial Position (g):					
Current assets	\$ 772.3	894.4	763.9	890.5	746.1
Current liabilities	\$ 394.7	339.6	325.2	669.0	308.9
Working capital	\$ 377.6	554.8	438.7	221.5	437.2
Current ratio	2.0	2.6	2.3	1.3	2.4
Equipment leased to others and property, net	\$ 296.8	410.3	369.1	376.6	372.2
Total assets	\$1,689.9	2,117.0	1,952.2	2,229.2	2,069.7
Long-term obligations/debt (f)	\$ 100.3	349.0	347.4	351.5	361.6
Shareholders' equity	\$1,082.6	1,277.8	1,131.7	969.5	1,182.9

Other Data (g):

Capital expenditures (h)	\$ 102.6	135.2	92.6	121.2	124.5
Depreciation, amort. & write-down of intangibles (h)	\$ 112.8	107.3	108.8	114.0	108.1
Net cash provided by operating activities (h)	\$ 270.5	285.3	29.1	239.7	348.6
Employees	6,800	9,900	9,300	9,800	10,100
Shareholders	24,700	19,000	24,200	21,600	17,000
Stock price range—high and low (i)	\$33.46–24.38	67.49–54.57	58.14–44.81	58.01–46.56	72.92–49.40

(f) Reflects long-term obligations, including capital leases.

(g) Financial position and other data reflect the operations of Hill-Rom Holdings, Inc. (HRC) as of and for the year ended September 30, 2008 and Hillenbrand Industries Inc. (HB), our predecessor as of and for the years ended September 30, 2004 through 2007.

(h) Reflects Hill-Rom Holdings, Inc. for full fiscal year 2008 and our former funeral services business for the first half of such year.

(i) Stock price range for the year ended September 30, 2008 reflects only the period April 1, 2008 (the date of the spin) through September 30, 2008.

Shareholder Information

Stock Exchange

Hill-Rom common stock is traded on the New York Stock Exchange (NYSE) under the ticker symbol HRC.



Dividends

Hill-Rom pays quarterly cash dividends near the end of December, March, June and September to shareholders of record in mid-December, mid-March, mid-June and mid-September.

Transfer Agent

If you have questions about your stock certificates—such as lost certificates, registration of certificates, dividend payments or any other stock-related question—please contact our transfer agent. Their information is:

Computershare Investor Services
250 Royall Street
Canton, MA 02021
(312) 360-5328 or (800) 716-3607

Reinvestment of Dividends and Direct Stock Service

Hill-Rom offers its shareholders opportunities to reinvest dividends and to transfer their certificates into electronic accounts. In order to obtain information for these features, administered by our transfer agent, call (800) 716-3607, and select the menu item for BYDSSM.

Annual Meeting

Hill-Rom's annual meeting of shareholders will be held on February 13, 2009, at 10 a.m. EST at:

Hill-Rom
1069 State Route 46 East
Batesville, IN 47006-7520

Auditors

PricewaterhouseCoopers LLP
300 North Meridian Street
Indianapolis, IN 46204
(317) 453-4100

Legal Counsel

Bracewell & Giuliani LLP
711 Louisiana Street, Suite 2300
Houston, TX 77022
(713) 223-2300

New York Stock Exchange Compliance

In 2008, we submitted our Section 303A.12(a) chief executive officer certification to the New York Stock Exchange. We have also filed with the Securities and Exchange Commission, as an exhibit to our most recently filed Annual Report on Form 10-K, the Sarbanes-Oxley Act Section 302 certifications.

Corporate Site on the World Wide Web

www.hill-rom.com

Investor Relations

Requests for the Hill-Rom Annual Report, Form 10-K or other information on the company, should be directed in writing to:

Investor Relations and Corporate
Communications
Hill-Rom
1069 State Route 46 East
Batesville, IN 47006-7520
(812) 931-2199
andy.rieth@hill-rom.com
or by visiting our website at
www.hill-rom.com

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the Company's future plans, objectives, beliefs, expectations, representations and projections. The Company has tried, wherever possible, to identify these forward-looking statements using words such as "intend," "anticipate," "believe," "plan," "encourage," "expect," "may," "goal," "become," "pursue," "estimate," "strategy," "will," "projection," "forecast," "continue," "accelerate," "promise," "increase," "higher," "lower," "reduce," "improve," "expand," "progress," "potential" or the negative of those terms or other variations of them or by comparable terminology. The absence of such terms, however, does not mean that the statement is not forward-looking. It is important to note that forward-looking statements are not guarantees of future performance, and the Company's actual results could differ materially from those set forth in any forward-looking statements. Factors that could cause actual results to differ from forward-looking statements include but are not limited to: the Company's dependence on its relationships with several large group purchasing organizations, whether the Company's new products are successful in the marketplace, changes in customers' Medicare reimbursements, collections of accounts receivable, compliance with FDA regulations, antitrust litigation, potential exposure to product liability or other claims, failure of the Company's announced or future strategic initiatives and restructuring and realignment activities to achieve expected growth, efficiencies or cost reductions, disruptions in the Company's business or other adverse consequences resulting from the recent spin-off of the funeral service business, failure to realize the anticipated benefits of the spin-off, failure of the Company to execute its acquisition and business alliance strategy through the consummation and successful integration of acquisitions or entry into joint ventures or other business alliances, increased costs or unavailability of raw materials, adverse changes in global economic conditions or disruptions of credit markets, labor disruptions, the ability to retain executive officers and other key personnel, and certain tax-related matters. For a more in-depth discussion of these and other factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the period ended September 30, 2008. The Company assumes no obligation to update or revise any forward-looking statements.



Board of Directors

1. ROLF A. CLASSON, 63

Chairman
Retired Chairman Executive Committee,
Bayer HealthCare
Board Member since 2002

2. JOANNE C. SMITH, M.D., 47

Vice Chairperson
President & Chief Executive Officer,
Rehabilitation Institute of Chicago,
Chicago, IL
Board Member since 2003

3. CHARLES E. GOLDEN, 62

Retired Executive Vice President &
Chief Financial Officer,
Eli Lilly and Company, Indianapolis, IN
Board Member since 2002



4. W AUGUST HILLENBRAND, 68

Personal Investments, Batesville, IN
Board Member since 1972

5. EDUARDO MENASCE, 63

Retired President, ESG, Verizon
Communications, New York, NY
Board Member since 2004

6. RONALD A. MALONE, 54

Chairman & Chief Executive Officer of
Gentiva Health Services, Inc.,
Melville, NY
Board Member since 2007

7. PATRICK T. RYAN, 50

Investor, Beverly, MA
Board Member since 2007

8. PETER H. SODERBERG, 62

President & Chief Executive Officer,
Hill-Rom,
Batesville, IN
Board Member since 2002

Company Officers

PETER H. SODERBERG, 62

President & Chief Executive Officer

GREGORY N. MILLER, 45

Senior Vice President, Chief Financial Officer
& Treasurer

PATRICK D. DE MAYNADIER, 48

Senior Vice President, General Counsel
& Secretary

SHERI H. EDISON, 51

Senior Vice President & Chief Administrative
Officer, Assistant General Counsel & Assistant
Secretary

JOHN H. DICKEY, 54

Senior Vice President, Human Resources

GREGORY J. TUCHOLSKI, 47

President, International and Surgical

C. JEFFREY KAO, 41

President, North America Acute Care

EARL V. DECARLI, 52

Group Vice President, Care
Continuum Services

KIMBERLY K. DENNIS, 41

Group Vice President, North America
Post Acute Care

MARK D. BARON, 52

Senior Vice President, Operations &
Product Development

MICHAEL J. GRIPPO, 39

Vice President, Corporate Business
Development, Strategy & Market Research

BLAIR A. RIETH, JR., 50

Vice President, Investor Relations,
Corporate Communications and
Global Brand Development

RICHARD G. KELLER, 47

Vice President, Controller &
Chief Accounting Officer



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