

**Hill-Rom Holdings, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
(Dollars in millions, except per share data)

	Quarter Ended September 30		Year Ended September 30	
	2017	2016	2017	2016
<b>Net revenue</b>				
Product sales and service	\$ 643.5	\$ 613.0	\$ 2,358.1	\$ 2,263.4
Rental revenue	94.8	93.0	385.6	391.8
Total revenue	<u>738.3</u>	<u>706.0</u>	<u>2,743.7</u>	<u>2,655.2</u>
<b>Cost of revenue</b>				
Cost of goods sold	330.2	313.4	1,235.8	1,209.4
Rental expenses	45.6	45.9	187.3	188.8
Total cost of revenue	<u>375.8</u>	<u>359.3</u>	<u>1,423.1</u>	<u>1,398.2</u>
<b>Gross profit</b>				
Product sales and service	313.3	299.6	1,122.3	1,054.0
Rental	49.2	47.1	198.3	203.0
Total gross profit	<u>362.5</u>	<u>346.7</u>	<u>1,320.6</u>	<u>1,257.0</u>
<i>As a percentage of sales</i>	<i>49.1%</i>	<i>49.1%</i>	<i>48.1%</i>	<i>47.3%</i>
Research and development expenses	31.5	32.0	133.7	133.5
Selling and administrative expenses	223.9	212.8	876.1	853.3
Special charges	<u>(6.3)</u>	<u>8.4</u>	<u>37.4</u>	<u>39.9</u>
<b>Operating profit</b>	113.4	93.5	273.4	230.3
Other income (expense), net	(23.1)	(13.6)	(90.4)	(81.2)
Loss on extinguishment of debt	—	(10.8)	—	(10.8)
Income tax expense	<u>21.2</u>	<u>17.7</u>	<u>50.7</u>	<u>15.5</u>
<b>Net income</b>	69.1	51.4	132.3	122.8
Less: Net loss attributable to noncontrolling interests	<u>(0.3)</u>	<u>(0.3)</u>	<u>(1.3)</u>	<u>(1.3)</u>
<b>Net income attributable to common shareholders</b>	<u>\$ 69.4</u>	<u>\$ 51.7</u>	<u>\$ 133.6</u>	<u>\$ 124.1</u>
<b>Diluted earnings per share</b>	\$ 1.03	\$ 0.77	\$ 1.99	\$ 1.86
<b>Average common shares outstanding - diluted (thousands)</b>	67,368	66,862	67,225	66,596
<b>Dividends per common share</b>	\$ 0.18	\$ 0.17	\$ 0.71	\$ 0.67

**Hill-Rom Holdings, Inc. and Subsidiaries**  
**Revenue Constant Currency**  
**(Dollars in millions)**

	<b>Quarter Ended</b>		<b>Change As</b>	<b>Constant</b>	<b>U.S.</b>	<b>OUS</b>			
	<b>September 30</b>				<b>Reported</b>	<b>Currency</b>	<b>Change As</b>	<b>Change As</b>	<b>Constant</b>
	<b>2017</b>	<b>2016</b>					<b>Reported</b>	<b>Reported</b>	<b>Currency</b>
Product sales and service	\$ 643.5	\$ 613.0	5.0 %	3.9 %	3.6 %	7.7 %	4.5 %		
Rental revenue	<u>94.8</u>	<u>93.0</u>	1.9 %	1.5 %	1.1 %	9.9 %	5.0 %		
<b>Total revenue</b>	<b>\$ 738.3</b>	<b>\$ 706.0</b>	<b>4.6 %</b>	<b>3.6 %</b>	<b>3.2 %</b>	<b>7.8 %</b>	<b>4.5 %</b>		
Patient Support Systems	\$ 371.1	\$ 382.3	(2.9)%	(3.8)%	(2.0)%	(5.3)%	(8.7)%		
Front Line Care	245.4	211.5	16.0 %	15.5 %	10.0 %	33.9 %	31.8 %		
Surgical Solutions	<u>121.8</u>	<u>112.2</u>	8.6 %	6.6 %	9.7 %	7.2 %	3.0 %		
<b>Total revenue</b>	<b>\$ 738.3</b>	<b>\$ 706.0</b>	<b>4.6 %</b>	<b>3.6 %</b>	<b>3.2 %</b>	<b>7.8 %</b>	<b>4.5 %</b>		

OUS - Outside of the U.S.

	<b>Year Ended</b>		<b>Change As</b>	<b>Constant</b>	<b>U.S.</b>	<b>OUS</b>			
	<b>September 30</b>				<b>Reported</b>	<b>Currency</b>	<b>Change As</b>	<b>Change As</b>	<b>Constant</b>
	<b>2017</b>	<b>2016</b>					<b>Reported</b>	<b>Reported</b>	<b>Currency</b>
Product sales and service	\$ 2,358.1	\$ 2,263.4	4.2 %	4.6 %	4.7 %	3.2 %	4.4 %		
Rental revenue	<u>385.6</u>	<u>391.8</u>	(1.6)%	(1.3)%	(1.1)%	(5.1)%	(2.6)%		
<b>Total revenue</b>	<b>\$ 2,743.7</b>	<b>\$ 2,655.2</b>	<b>3.3 %</b>	<b>3.7 %</b>	<b>3.6 %</b>	<b>2.7 %</b>	<b>4.0 %</b>		
Patient Support Systems	\$ 1,423.9	\$ 1,437.2	(0.9)%	(0.6)%	0.2 %	(3.9)%	(2.8)%		
Front Line Care	885.3	809.7	9.3 %	9.7 %	8.0 %	12.8 %	14.0 %		
Surgical Solutions	<u>434.5</u>	<u>408.3</u>	6.4 %	7.2 %	8.1 %	4.7 %	6.4 %		
<b>Total revenue</b>	<b>\$ 2,743.7</b>	<b>\$ 2,655.2</b>	<b>3.3 %</b>	<b>3.7 %</b>	<b>3.6 %</b>	<b>2.7 %</b>	<b>4.0 %</b>		

OUS - Outside of the U.S.

**Hill-Rom Holdings, Inc. and Subsidiaries**  
**Reconciliation: Earnings Per Share**  
(Dollars in millions, except per share data)

	Quarter Ended September 30, 2017					Quarter Ended September 30, 2016				
	Gross Margin	Operating Margin	Income Before Income Taxes	Income Tax Expense	Diluted EPS	Gross Margin	Operating Margin <sup>1</sup>	Income Before Income Taxes	Income Tax Expense	Diluted EPS <sup>1</sup>
GAAP Basis	49.1 %	15.4 %	\$ 90.3	\$ 21.2	\$ 1.03	49.1%	13.2%	\$ 69.1	\$ 17.7	\$ 0.77
Adjustments:										
Acquisition and integration costs	0.3 %	0.6 %	4.4	1.7	0.04	0.1%	0.7%	5.2	1.6	0.05
Acquisition-related intangible asset amortization	— %	3.8 %	28.2	7.5	0.31	—%	3.4%	23.8	7.0	0.25
Field corrective actions	(0.1)%	(0.1)%	(0.5)	(0.1)	(0.01)	—%	—%	0.1	—	—
Litigation settlements and expenses <sup>2</sup>	— %	(1.6)%	(11.9)	(4.3)	(0.11)	—%	—%	—	—	—
Special charges	— %	1.2 %	8.8	4.8	0.06	—%	1.2%	8.4	2.9	0.08
Debt refinancing	— %	— %	—	—	—	—%	—%	12.9	4.7	0.1
Gain on disposition	— %	— %	—	—	—	—%	—%	(10.1)	(3.7)	(0.1)
Adjusted Basis	<u>49.3 %</u>	<u>19.3 %</u>	<u>\$ 119.3</u>	<u>\$ 30.8</u>	<u>\$ 1.32</u>	<u>49.2%</u>	<u>18.6%</u>	<u>\$ 109.4</u>	<u>\$ 30.9</u>	<u>\$ 1.18</u>

<sup>1</sup> Total does not add due to rounding

<sup>2</sup> Fiscal 2017 includes favorable litigation settlement of \$15.1 million which was recognized as Special charges in our Condensed Consolidated Statements of Income

	Year Ended September 30, 2017					Year Ended September 30, 2016				
	Gross Margin	Operating Margin <sup>1</sup>	Income Before Income Taxes	Income Tax Expense	Diluted EPS	Gross Margin	Operating Margin	Income Before Income Taxes	Income Tax Expense	Diluted EPS <sup>1</sup>
GAAP Basis	48.1 %	10.0 %	\$ 183.0	\$ 50.7	\$ 1.99	47.3%	8.7%	\$ 138.3	\$ 15.5	\$ 1.86
Adjustments:										
Acquisition and integration costs	0.2 %	0.9 %	23.5	9.7	0.21	0.8%	1.5%	38.9	11.3	0.41
Acquisition-related intangible asset amortization	— %	4.0 %	108.4	34.2	1.10	—%	3.6%	95.9	31.7	0.96
Field corrective actions	— %	— %	—	(0.2)	—	—%	—%	0.2	(0.1)	—
Litigation settlements and expenses <sup>2</sup>	— %	(0.3)%	(9.4)	(3.4)	(0.09)	—%	—%	—	—	—
Special charges	— %	1.9 %	52.5	10.3	0.63	—%	1.5%	39.9	13.4	0.40
Foreign tax law change	— %	— %	—	(2.2)	0.03	—%	—%	—	—	—
Foreign valuation allowance	— %	— %	—	—	—	—%	—%	—	19.5	(0.29)
Debt refinancing	— %	— %	—	—	—	—%	—%	12.9	4.7	0.12
Gain on disposition	— %	— %	(1.0)	(0.4)	(0.01)	—%	—%	(10.1)	(3.7)	(0.10)
Adjusted Basis	<u>48.3 %</u>	<u>16.3 %</u>	<u>\$ 357.0</u>	<u>\$ 98.7</u>	<u>\$ 3.86</u>	<u>48.1%</u>	<u>15.3%</u>	<u>\$ 316.0</u>	<u>\$ 92.3</u>	<u>\$ 3.38</u>

<sup>1</sup> Total does not add due to rounding

<sup>2</sup> Fiscal 2017 includes favorable litigation settlement of \$15.1 million which was recognized as Special charges in our Condensed Consolidated Statements of Income

**Hill-Rom Holdings, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(Dollars in millions)

	<b>September 30, 2017</b>	September 30, 2016
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 231.8	\$ 232.2
Trade accounts receivable, net of allowances	579.3	515.1
Inventories, net	284.5	252.0
Other current assets	70.6	82.8
Total current assets	<u>1,166.2</u>	<u>1,082.1</u>
Property, plant and equipment, net	355.4	350.0
Intangible assets		
Goodwill	1,759.6	1,584.4
Other intangible assets and software, net	1,144.0	1,143.3
Other assets	<u>103.5</u>	<u>102.6</u>
<b>Total Assets</b>	<b><u>\$ 4,528.7</u></b>	<b><u>\$ 4,262.4</u></b>
<b>Liabilities</b>		
Current Liabilities		
Trade accounts payable	\$ 167.9	\$ 136.0
Short-term borrowings	188.9	210.1
Other current liabilities	301.9	316.2
Total current liabilities	<u>658.7</u>	<u>662.3</u>
Long-term debt	2,120.4	1,938.4
Other long-term liabilities	<u>384.0</u>	<u>425.8</u>
<b>Total Liabilities</b>	<b><u>3,163.1</u></b>	<b><u>3,026.5</u></b>
Total Shareholders' Equity Attributable to Common Shareholders	1,358.2	1,227.2
Noncontrolling interests	<u>7.4</u>	<u>8.7</u>
<b>Total Shareholders' Equity</b>	<b><u>1,365.6</u></b>	<b><u>1,235.9</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 4,528.7</u></b>	<b><u>\$ 4,262.4</u></b>

**Hill-Rom Holdings, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
(Dollars in millions)

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Net income	\$ 132.3	\$ 122.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	82.0	86.2
Amortization	20.4	26.9
Acquisition-related intangible asset amortization	108.4	95.9
Loss on extinguishment of debt	—	10.8
Provision for deferred income taxes	(32.8)	(0.5)
Loss on disposal of property, equipment leased to others, intangible assets and impairments	24.7	1.9
Pension contribution to master pension plan	—	(30.0)
Gain on sale of businesses	(1.0)	(10.1)
Stock compensation	23.0	23.1
Excess tax benefits from employee stock plans	—	(3.6)
Change in working capital excluding cash, current debt, acquisitions and dispositions:		
Trade accounts receivable	(42.5)	(15.8)
Inventories	(14.9)	21.3
Other current assets	15.0	27.7
Trade accounts payable	21.6	(0.5)
Accrued expenses and other liabilities	(32.3)	(73.0)
Other, net	7.2	(1.9)
Net cash provided by operating activities	<u>311.1</u>	<u>281.2</u>
<b>Investing Activities</b>		
Capital expenditures and purchases of intangible assets	\$ (97.5)	\$ (83.3)
Proceeds on sale of property and equipment leased to others	15.1	2.2
Payment for acquisition of businesses, net of cash acquired	(311.4)	(25.3)
Proceeds on sale of businesses	5.8	10.3
Other	(1.4)	(1.6)
Net cash used in investing activities	<u>(389.4)</u>	<u>(97.7)</u>
<b>Financing Activities</b>		
Proceeds from borrowings on long-term debt	\$ 300.0	\$ 530.4
Payment of long-term debt	(73.2)	(767.9)
Borrowings on Revolving Credit Facility	180.0	156.9
Payments on Revolving Credit Facility	(325.8)	(20.0)
Borrowings on Securitization Program	124.5	—
Payments on Securitization Program	(45.4)	—
Debt issuance costs	(5.1)	(2.3)
Purchase of noncontrolling interest of former joint venture	—	(0.4)
Payment of cash dividends	(46.6)	(43.8)
Proceeds from exercise of stock options	17.8	6.2
Proceeds from stock issuance	5.0	3.8
Excess tax benefits from employee stock plans	—	3.6
Treasury stock acquired	(60.6)	(8.4)
Net cash provided by (used in) financing activities	<u>70.6</u>	<u>(141.9)</u>
Effect of exchange rate changes on cash	7.3	(2.2)
<b>Net Cash Flows</b>	<b>(0.4)</b>	<b>39.4</b>
<b>Cash and Cash Equivalents</b>		
At beginning of period	232.2	192.8
At end of period	<u>\$ 231.8</u>	<u>\$ 232.2</u>