

HILLENBRAND, INC.
2008 ANNUAL REPORT

BUILDING

from *the* Strength of Our Core



Company Profile / Hillenbrand, Inc.

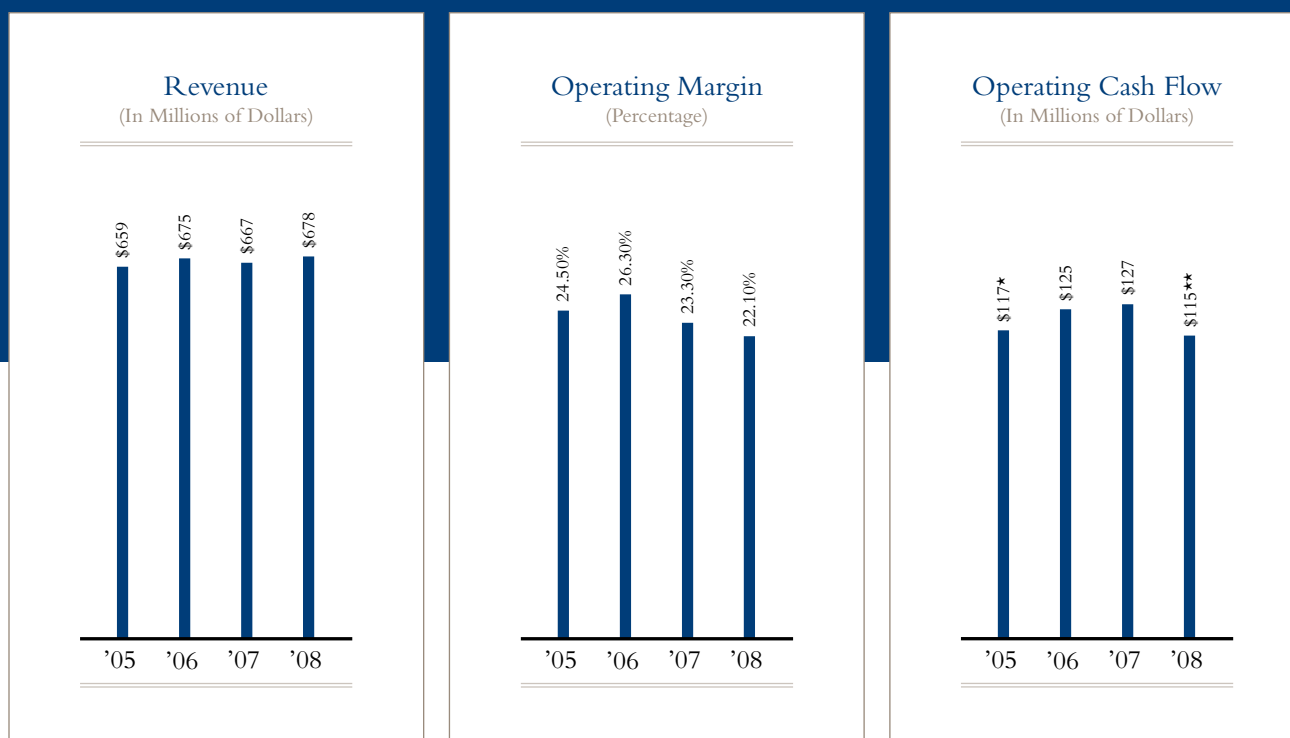
The Hillenbrand name represents a century-old tradition of quality and service. Purchased by John A. Hillenbrand in 1906, the Batesville Casket Company became the foundation of what ultimately became Hillenbrand Industries, a successful and widely respected company. In April 2008, Hillenbrand Industries split the funeral products and medical technology businesses into two separate publicly traded companies, with Batesville Casket Company becoming the core of a new public company, Hillenbrand, Inc.

Batesville has grown from a small, local business into the casket industry leader with six manufacturing plants and more than 80 distribution locations across North America. This growth was, and still is, based on a few simple principles:

- creating innovative products of superior quality,
- providing excellent service,
- forging enduring customer relationships,
- treating our associates with fairness and respect and
- relentlessly pursuing continuous improvement.

Following these principles has enabled Batesville to generate decades of solid financial results.

It has also made Batesville a great place to work — a place where associates want their sons and daughters to become part of this heritage and where we can recruit top talent because of principles-based leadership. Our people take great pride in serving families at a very difficult time in their lives and they live the spirit of our mission: *Helping families honor the lives of those they love®*. For more than 100 years, Batesville has proven that a company can do well while doing good.



Note: 2008 operating margin and operating cash flow reflect costs associated with becoming a separate public company.

*\$28 million, after-tax pension funding **\$13 million, after-tax separation costs



“Regardless of the resources of the company and the capabilities of leadership, *it is performance that ultimately matters*. Our first priority is to meet the financial commitments we make to our shareholders.”

2008 / Building on a Strong Foundation

Kenneth A. Camp, *President and Chief Executive Officer*

After more than a year of planning, we made our debut April 1 as a stand-alone public company. We are pleased that many investors responded well to the company’s offering and I am honored to write to you, our shareholders, with a summary of your company’s first year as Hillenbrand, Inc.

We begin this new phase of Hillenbrand’s history with a strong and stable core business built on an iconic brand. Batesville Casket Company is the leader in a very competitive industry, which is slightly declining. Our efficient manufacturing and distribution system has the scale and scope to produce operating income of more than 20 percent of net sales and to generate strong and predictable cash flows.

Although we have a proven history of operating the casket business effectively and efficiently, our initial challenge with the separation was to be successful as a publicly traded company. This required recruiting highly talented people with the right character, skills and experience to add strength where we needed it. We have completed the recruiting process and now have a relatively small, but exceptionally talented, corporate team that provides careful stewardship over your investment in Hillenbrand. We also have been able to attract a board with a diverse background and an impressive breadth of business experience to serve as your representatives in governance and also to provide business counsel to our leadership team.

2008 Financial Results

Regardless of the resources of the company and the capabilities of leadership, it is performance that ultimately matters. Our first priority is to meet the financial commitments we make to our shareholders. In a year that’s been full of turmoil in the financial,

commodity and energy markets, I’m pleased to say that we have met those commitments with financial results at or above the mid-points of our guidance range.

Our Form 10-K, filed Dec. 9, 2008, covers our financial results in great detail. However, a few highlights of the year show that we achieved FY 2008 net sales of \$678 million, which was \$11 million (1.6 percent) growth over 2007. And despite large increases in energy (primarily diesel fuel) and steel costs during the year, we posted gross margins of 41.4 percent, versus 41.8 percent in 2007. Fortunately, our continuous improvement achievements helped offset much of these costs. This resulted in net income of \$93 million, which was \$6 million less than last year. This decrease in net income was primarily due to one-time costs necessary to complete the separation (and a related increase in the effective income tax rate) and the expenses required to function as a separate stand-alone company.

The resulting diluted earnings per share of \$1.49 was also above the mid-point of the guidance range. Excluding the aggregate effects of separation and antitrust litigation costs of \$0.24 per share, net of tax, the “as-adjusted” net income was \$108 million and diluted EPS was \$1.73. Perhaps most important, your company generated free cash flow of \$92 million for the year (cash flow from operations less what we spent on capital expenditures).

As part of the separation, we borrowed \$250 million and paid that amount to our former parent. Between April 1 and Sept. 30, we repaid \$150 million of these borrowings and exited the year with a debt level of \$100 million. Your management team is willing to use prudent leverage when necessary for the right business opportunities, but we much prefer earning interest to paying it.

“The future is bright, and we’re excited about where the *Hillenbrand heritage* and our *substantial capabilities* will take your company.”

Finally, we took steps to return a meaningful portion of the company’s cash flow to shareholders by establishing dividend and stock repurchase programs. The board has authorized quarterly dividend payments that, at current rates, will exceed \$45 million annually. Additionally, the board authorized a \$100 million share repurchase program. In the final two months of the year, we repurchased more than 288,000 shares at a cost of approximately \$6.25 million.

Our Strategy for Increasing Shareholder Value

We believe that the best measure of an enterprise’s value is the consistent stream of free cash flow it generates. While profit is an accountant’s opinion, cash is a fact. We also believe that a business cannot stand still. Management must continually seek ways to move forward and increase future cash flow streams or the business will not thrive. And therein is our greatest challenge: finding prudent ways to generate growth in shareholder value.

Nurturing the Core Business

Batesville is already the clear leader in the most attractive product segment in the industry. Therefore, the Batesville leadership team is focused on a few areas that can drive organic growth. These key initiatives are:

- increasing sales force coverage and effectiveness,
- launching new consumer-tested products,
- expanding our NorthStar® line of private-label caskets and
- increasing the rate of growth in the Options® cremation products business.

Batesville is an excellent business, and we expect it to continue to generate substantial earnings and cash flow well into the future. This financial strength is the foundation of our current and future success.

A Platform for Growth

Throughout the separation process and into the first months of our new public company status, we conducted a thorough evaluation to

identify and quantify those core competencies upon which we can build a growth platform.

The end result of this process was the identification of several broad competencies we believe can be a solid foundation for future growth. Those competencies are:

- continuous improvement/lean manufacturing,
- high-velocity distribution,
- a culture of execution,
- a deep understanding of the casket industry and
- enduring relationships with our funeral home customers.

The first three competencies are applicable to a wide range of industries and the last two are specific only to funeral service.

From this learning, we then established a robust process to identify growth opportunities within funeral service, as well as in those industries where our “exportable” competencies could add meaningful value in the case of an acquisition or an alliance.

Acquisitions within the casket business pose minimal near-term risk because this is where our deep industry knowledge and the synergy opportunities are strongest. This would be our first choice; however, there are also a limited number of opportunities, most with a minimal size. Expanding into adjacent funeral industry businesses increases the potential opportunity, but adds the risk of dealing with new products and channels. In both cases, there is the added long-term risk of increasing our concentration in an industry that remains dependent on the number of future burials.

More substantial growth, as well as commensurate levels of near-term risk, will come from exporting our core capabilities to other industries. This course of action is dependent on our ability to make an acquired company stronger and more profitable by leveraging our experience in creating and maintaining a lean value chain, implementing continuous improvement and fostering a culture of disciplined execution.

Performance / Financial Highlights

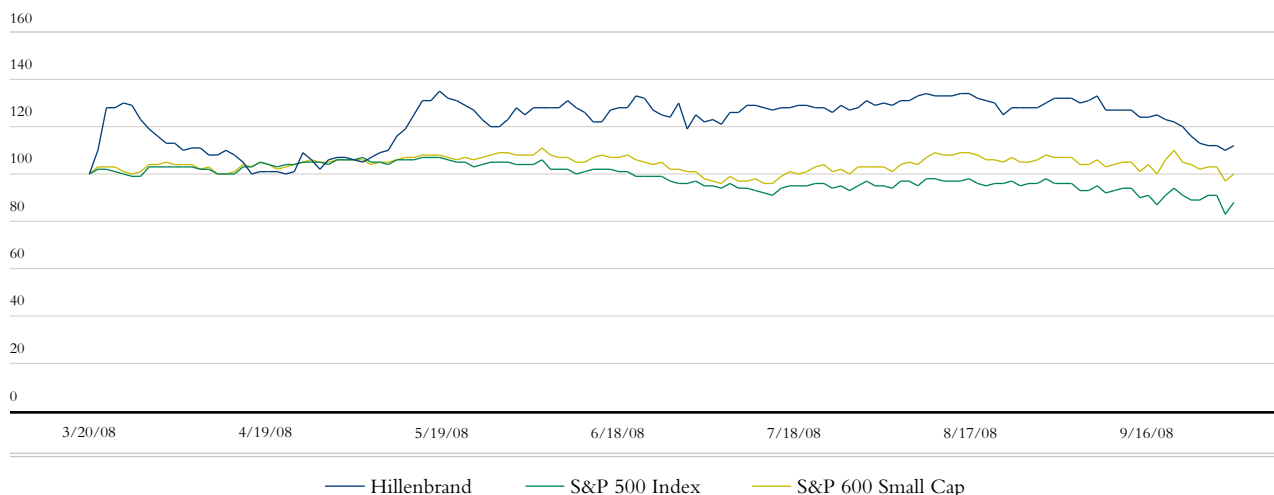
(Amounts in millions, except dividends per common share)

	2008	2007
Net revenues	\$ 678.1	\$667.2
Gross profit	\$ 280.5	\$278.6
Operating profit	\$ 149.6	\$155.6
Net income	\$ 93.2	\$ 99.5
Net cash provided by operating activities	\$ 101.8	\$127.3
Revolving credit facility	\$ 100.0	—
Total shareholders' equity	\$ 288.4	\$180.9
Dividends per common share*	\$ 0.365	—

*Hillenbrand, Inc.'s first dividend as a stand-alone public company was paid June 30, 2008. As a result, there are no dividends reported for the first two quarters of fiscal 2008 or the entire prior year.

Stock Performance

Hillenbrand vs. S&P 500 Index and S&P 600 Small Cap



We have already begun the process of evaluating all three opportunity segments. Many criteria are important to us, but chief among them is that our core competencies must add value, our cultures must be compatible and the acquisition must be rapidly accretive. And even when these criteria align, we will be a disciplined buyer. We will focus on our strengths and stay on the sidelines if the risk/return proposition isn't right for us. When we move forward with an acquisition, it will be because we believe it is right for Hillenbrand, right for the company we are acquiring and, most important, right for our shareholders.

The future is bright, and we're excited about where the Hillenbrand heritage and our substantial capabilities will take your company.

Kenneth A. Camp
President and Chief Executive Officer
Hillenbrand, Inc.

Strategy / Building from the Strength of Our Core

For more than a century, Batesville Casket Company has developed a powerful brand, built upon high-quality products, exceptional service and innovation. Along the way, we have developed core competencies that have delighted our customers and provided us with a strong competitive advantage. Our mixed-model, pull production, one-piece flow manufacturing system, paired with our high-velocity distribution system, creates a supply chain that delivers reliable world-class service. We are able to deliver product to our customers, on time, 99.2 percent of the time. In fact, because customers know they can rely on us, many of them no longer carry inventory.

Our culture of execution and continuous improvement is ingrained throughout the organization, allowing Batesville Casket Company to build a strong foundation of consistent, meaningful cash flow; enduring, exportable core competencies; and a history of success.



The Hillenbrand growth strategy will build on that foundation by making prudent, disciplined acquisitions that use our core competencies to reduce our reliance on the number of burials, increase revenue and grow shareholder value. Over the past decade, our compound annual revenue growth (CAGR) has averaged approximately 2 percent. We intend to double that rate over the next three years by targeting acquisitions in the range of \$100 million to \$200 million, with an expected CAGR of an additional 3 to 5 percent.

That is the focus of the new Hillenbrand, creating a position of strength for our growth strategy that will cultivate the core business, while leveraging its strengths for other business opportunities.



Batesville Casket Company is Our Foundation



Batesville Casket is a company with excellent fundamentals. We have consistently been the leader in casket products in terms of revenue and volume share, generating growth through an ability to maximize the power of our brand. We have continued to produce high-quality, innovative products and services and we're committed to being a highly valued business partner with our customers.

Growth has been challenging in a market where we have seen a slow but steady decline in burials. Although the first wave of "baby boomers" is reaching retirement age, they are living longer, healthier lives than their parents, and it is difficult to predict when that generation will have an appreciable impact on death trends. Current death totals are essentially flat, with burials declining slightly as cremations rise.

In this challenging market, we're focused on a number of strategic initiatives to help us increase the value of each sale, increase our unit volumes and continue to reduce costs.

Continuous Improvement

Continuous improvement (CI) is a way of life for us, reflected in our motto: "Creativity before capital." In fact, our relentless focus on improving operations has driven reductions in costs year after year. Our manufacturing labor costs on a real-dollar basis have declined more than 6 percent annually over the past five years.

The Batesville world-class manufacturing system is modeled on the Toyota lean manufacturing system. By utilizing a high-velocity, mixed-model, pull production system, we are able to maintain



For every casket sold, Batesville Casket Company plants a tree in a national forest in North America. To date, more than 11 million trees commemorate the families we have served in the United States and Canada.



Families who choose cremation can select from many of our Options® products to honor their loved ones, including high-quality jewelry and keepsakes, such as photo frames and vases.



Each year, we host hundreds of customers in our award-winning Customer Business Center. They are offered presentations, manufacturing plant tours and continuing education classes.

Our High-Velocity Supply Chain Delivers *World-Class Service*



the lowest inventory levels in the industry. We are proud that several of our manufacturing facilities have won prestigious awards for manufacturing excellence from *IndustryWeek* and the Association for Manufacturing Excellence.

New Product Development

In 2008, we made investments in building new and more advanced capabilities that will help drive products from concept to market more quickly and efficiently. At the start of fiscal 2009, those efforts were already bearing fruit, as we introduced nine new casket models at the National Funeral Directors Association annual convention.

These effective product development efforts will help us address mix and volume challenges we face in the new year by focusing on areas where there are still opportunities for growth in revenue and profit.

Merchandising

A critical strategy for growing revenue in a declining market is to increase the value of each sale. Our merchandising initiative focuses on partnering with our funeral home customers to provide product selection information to their client families in a simple and concise way. We've learned that when families better understand the features and benefits of our products, they'll often make higher-end selections than they may have purchased otherwise, and they'll be more satisfied with their purchase.

Fully implemented, the ASYST™ platform of signage, visual displays and information guides, combined with the Info Center display system, helps funeral directors raise the average price of caskets they sell, increasing their margins — and ours. Driving increased penetration of fully implemented merchandising systems will be a primary focus for us in 2009, with a concentration on our best accounts.



Innovation is a key part of Batesville Casket's new product development. In October 2008, the company introduced a new wood specie to the industry with the Marsellus Prominence Sycamore casket.



Merchandising helps families make informed decisions, which increases their satisfaction with the purchasing experience. It also allows funeral directors to demonstrate more choices without carrying additional inventory.



The Memorial Appliqué was introduced in 2008, allowing families to include three-dimensional photographs of their loved ones on urns that are displayed in niches at cemeteries and mausoleums.

Sales Force Effectiveness

Batesville's historic strength has long been our relationships with thousands of small, independent funeral homes across North America. Many of these businesses have been family-owned and have been Batesville customers for generations. However, sometimes succession planning means the family chooses to sell its business. We've seen a recent trend where some of these funeral homes are being purchased by what we call regional consolidators. In 2008, we dedicated a team of some of our best sales representatives to focus on this customer group. As a result, we saw a strong double-digit increase in year-over-year revenues in these accounts, and we'll continue to focus on those customers in 2009.

In addition, we plan to increase geographic coverage and call frequency in both key accounts and in underserved areas to continue driving incremental growth.

Cremation

We are the market leader in the cremation products business through our Options® line, and in 2008 we devoted resources to reinforcing that position. Throughout the year, we introduced more than 30 new products, many with a focus on the increasing preference of consumers for personalization.

Another gap we've identified is that families aren't always aware of the array of choices available when they choose cremation, so trade advertisements and a new video will help funeral directors present all the elements of the cremation process. We'll also introduce a revolutionary cremation arrangement process in 2009 that could have a significant impact on family satisfaction and the quality of merchandise sold when a family chooses cremation.

NorthStar®

The distributor channel for caskets is highly competitive and generally focuses on generic products with low price points. We entered this channel in 2005 with our NorthStar® private-label products, which have all the quality and consistency we're known for without the proprietary features of Batesville-branded caskets. This product line enables us to compete against lower-end imported caskets with high-quality products at an attractive price point. While NorthStar® sales are still a small part of our revenue, we believe it will be an important channel for us in the future.

Summary

With these key strategic initiatives, Batesville Casket Company is well-positioned for incremental growth in 2009, even in the face of industry volume declines. We expect our unrelenting focus on operational excellence will continue to ensure healthy margins and drive improvement and consistent cash flow to fuel the Hillenbrand growth strategy.

Above all, we will protect our core business and ensure no steps we take put the core at risk. Further, we are committed to returning a meaningful amount of cash to our shareholders via dividend and share repurchase programs. Finally, we will ensure any acquisition we pursue will provide for increased long-term shareholder value. We are passionate about our core business, our enduring core competencies and our ability to grow shareholder value. We look forward to a very bright and successful future.

Leadership / Board of Directors



(Seated left to right) James A. Henderson, Ray J. Hillenbrand, W August Hillenbrand, Kenneth A. Camp.
(Standing left to right) Thomas H. Johnson, William J. Cernugel, Mark C. DeLuzio, Eduardo Menascé, Stuart A. Taylor II.

Ray J. Hillenbrand^(2,3)
Chairperson, Hillenbrand, Inc.
*Chairperson of Nominating/
Governance Committee*

William J. Cernugel^(1,3)
*Retired Senior Vice President and
Chief Financial Officer,
Alberto-Culver Company*

James A. Henderson^(2,3)
Vice Chairperson, Hillenbrand, Inc.
*Chairperson of Management
Development/Compensation Committee*
*Retired President, Chairman and CEO,
Cummins Inc.*

Mark C. DeLuzio^(2,3)
*President,
Lean Horizons Consulting*

W August Hillenbrand
Hillenbrand Capital Partners

Eduardo Menascé^(1,3)
Chairperson of Audit Committee
*Retired President, ESG,
Verizon Communications*

Thomas H. Johnson^(1,3)
*Chairman,
Johnson Consulting Group*

Kenneth A. Camp
*President and CEO of
Hillenbrand, Inc.*

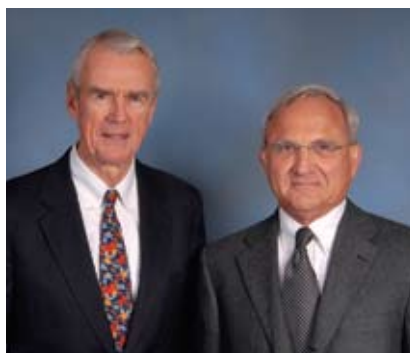
Stuart A. Taylor II^(2,3)
*Chief Executive Officer,
The Taylor Group LLC*

(1) Audit Committee

(2) Compensation and Management Development Committee

(3) Nominating/Corporate Governance Committee

From the Board / Excitement for the Future



To Our Fellow Shareholders:

Thank you for your investment in the new Hillenbrand, Inc. We believe that in future years, all of us as shareholders will look back on our investment in this new stand-alone company as one that has provided a good financial return and put shareholders first. In addition, we will be proud to be part of a company with a high level of integrity and ethics.

When we planned to form our initial board, the two of us, along with our CEO, Ken Camp, defined what we sought in character, experience and expertise within our board. The qualities we sought in every director were:

- impeccable integrity and ethics,
- good chemistry together,
- dedication to long-term interests of the shareholder and
- a passion for the company and its future.

As a group, we also sought:

- NYSE experience at the CEO, CFO, board chairman and board director levels;
- capabilities in chairing board-level committees, including Audit, Management Development/Compensation and Nominating/Governance;
- expertise in long-term strategy, the death care industry, continuous improvement, and acquisition and business integration; and
- diversity.

We believe our current board embodies all these traits and that we have performed well during our first six months. We expect to name some additional independent directors in the months ahead.

The foundation of our new Hillenbrand, Inc. is the century-old Batesville Casket Company, the most respected and valuable organization in its industry. As part of the former Hillenbrand Industries, Inc., Batesville Casket's financial success was used primarily to fund the

growth goals of Hill-Rom, Inc., a sister company in the health care arena. As of April 1, 2008, our financial success will be used totally for the future of the new Hillenbrand, Inc. This combination of a solid operating company and the cash it generates gives us an excellent basis for building a new public company.

We are proud to continue using the Hillenbrand name for our new company — a name that reflects a culture and attitude that drove both Batesville Casket and Hill-Rom to become leaders in their respective industries. This philosophy is still alive at Hillenbrand, Inc.

We have a fine management team in place to build our company's future. Ken Camp has assembled a capable, dedicated and proactive team at the corporate level. Joe Raver and his Batesville Casket Company team are equally capable and dedicated and have a proven record of success. These two groups make our job as a board of directors enjoyable. The board and management understand their respective roles, have total transparency with each other and comprise a quality team. At board meetings, board and management members participate as equals discussing board-responsible items, understanding that the board alone will make the decisions.

We have many challenges ahead of us, including how to use our financial strength for the long-term benefit of our shareholders in the current unstable economic environment — one that should also present even greater opportunities for us if we can define and pursue them successfully. We look forward to working with management to make your company everything it could and should be.

Thank you again for joining us as shareholders. We are excited about the future.

Ray J. Hillenbrand
Chairperson of the Board

James A. Henderson
Vice Chairperson of the Board

Forward-Looking Statement

Certain statements in this presentation 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 ongoing antitrust litigation; the company's dependence on its relationships with several large national providers; continued fluctuations in mortality rates and increased cremations; ongoing involvement in claims, lawsuits and governmental proceedings related to operations; failure of the company's announced strategic initiatives to achieve expected growth, efficiencies or cost reductions; disruptions in the company's business or other adverse consequences resulting from the planned separation of Hillenbrand Industries into two operating companies; 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; competition from nontraditional sources in the funeral services business; volatility of the company's investment portfolio; increased costs or unavailability of raw materials; 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 information statement filed as Exhibit 99.1 to the company's Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on March 18, 2008, and the company's Annual Report on Form 10-K for the year ended Sept. 30, 2008, filed Dec. 9, 2008. The company assumes no obligation to update or revise any forward-looking information.

Hillenbrand Officers

Kenneth A. Camp
President, Chief Executive Officer and Director

Joe A. Raver
*Senior Vice President and Chief Operating Officer,
Batesville Casket Company*

Cynthia L. Lucchese
Senior Vice President and Chief Financial Officer

Paul D. Wilson
Senior Vice President, Human Resources

John R. Zerkle
Senior Vice President, General Counsel and Secretary

Theodore S. Haddad Jr., CPA
Vice President, Controller and Chief Accounting Officer

Mark R. Lanning, CPA
Vice President, Investor Relations, and Treasurer

Hinesh B. Patel
Vice President, Business Development and Strategy

Jan M. Santerre
Vice President, Lean Business

Batesville Casket Company Officers

Joe A. Raver
President and Chief Operating Officer

Richard S. Barnett
Vice President and General Counsel

Diane R. Bohman
Vice President, Logistics

Anthony S. Casablanca
Vice President, Human Resources and Administration

Michael L. DiBease
Vice President, Marketing

Mark A. English
Vice President, Sales

Douglas I. Kunkel
Vice President, Operations

Darryl M. Maslar
*Vice President, Business Information Systems
and Options®*

Christopher R. Ruberg
Vice President, Strategic Planning and New Business

Kenneth B. Urbanski
Vice President, Finance

Investor Relations

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

Mark R. Lanning
Vice President, Investor Relations,
and Treasurer
Phone: (812) 931-6000
Fax: (812) 931-5184
Web site: www.HillenbrandInc.com
E-mail: Investors@HillenbrandInc.com

Transfer Agent

Our transfer agent, Computershare, can help you with a variety of shareholder-related services, including change of address, transfer of stock to another person, lost stock certificates and additional administrative services. Please include your name, address and telephone number with all correspondence, and specify the most convenient time to contact you.

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
Toll-free: (877) 745-9349
Web site: www.computershare.com

Annual Meeting

The annual meeting of shareholders of Hillenbrand, Inc. will be held at 10 a.m. Eastern Standard Time on Wednesday, Feb. 11, 2009, at Hillenbrand's headquarters at One Batesville Boulevard, Batesville, Indiana.

Independent Auditors

PricewaterhouseCoopers LLP
300 N. Meridian Street, Suite 1700
Indianapolis, Indiana 46204
Phone: (317) 453-4100

Corporate Headquarters

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HILLENBRAND, INC.

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