

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) **October 16, 2007**

**TEMPUR-PEDIC INTERNATIONAL INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**001-31922**  
(Commission File Number)

**33-1022198**  
(I.R.S. Employer Identification No.)

**1713 Jaggie Fox Way**  
**Lexington, Kentucky 40511**  
(Address of principal executive offices) (Zip Code)

**(800) 878-8889**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Item 2.02 Results from Operations and Financial Condition

On October 18, 2007, Tempur-Pedic International Inc. (the “Company”) issued a press release to announce its financial results for the third quarter ended September 30, 2007, updated guidance for the 2007 fiscal year and a new stock repurchase authorization for \$300 million. This press release is furnished herewith as Exhibit 99.1 and incorporated by reference herein.

The information in this report (including Exhibit 99.1) shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

## Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On October 16, 2007, the Board of Directors of the Company adopted the Second Amended and Restated By-laws of the Company (the “By-laws”) to allow for the issuance of uncertificated shares. By being able to issue uncertificated shares, the Company may now participate in the Direct Registration System, which is currently administered by The Depository Trust Company. The New York Stock Exchange has recently required that all NYSE-listed companies be eligible to participate in the Direct Registration System. The Direct Registration System allows investors to have securities registered in their names without the issuance of physical certificates and allows investors to electronically transfer securities to broker-dealers in order to effect transactions without the risks and delays associated with transferring physical certificates. The amendment to the By-laws also provides that each registered stockholder shall be entitled to a stock certificate upon written request to the transfer agent or registrar of the Company.

The full text of the By-laws, as amended, is filed as Exhibit 3.1 and incorporated herein by reference.

## Item 7.01. Regulation FD Disclosure

The information furnished under Item 2.02 of this Form 8-K, including Exhibit 99.1 furnished herewith, is hereby incorporated by reference under this Item 7.01 as if fully set forth herein.

## Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit	Description
3.1	<a href="#">Second Amended and Restated By-laws of the Registrant</a>
99.1	<a href="#">Press Release dated October 18, 2007, entitled “Tempur-Pedic Reports Third Quarter Earnings”</a>

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 18, 2007

Tempur-Pedic International Inc.

By: /s/ H. Thomas Bryant

Name: H. Thomas Bryant

Title: President and Chief Executive Officer

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## EXHIBIT INDEX

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**TEMPUR-PEDIC INTERNATIONAL INC.**

**SECOND AMENDED AND RESTATED BY-LAWS**

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SECOND AMENDED AND RESTATED BY-LAWS

**Article I. - General.**

**1.1. Offices.**

The registered office of Tempur-Pedic International Inc. (the "Company") shall be in the City of Wilmington, County of New Castle, State of Delaware. The Company may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Company may require.

**1.2. Seal.**

The seal, if any, of the Company shall be in the form of a circle and shall have inscribed thereon the name of the Company, the year of its organization and the words "Corporate Seal, Delaware."

**1.3. Fiscal Year.**

Except as otherwise determined by the Board of Directors, the fiscal year of the Company shall be the period from January 1 through December 31.

**Article II. - Stockholders.**

**2.1. Place of Meetings.**

Each meeting of the stockholders shall be held only upon notice as hereinafter provided, at such place as the Board of Directors shall have determined and as shall be stated in the relevant notice of meeting.

**2.2. Annual Meeting.**

The annual meeting of the stockholders shall be held each year on such date and at such time as the Board of Directors may determine. At each annual meeting the stockholders entitled to vote shall elect such members of the Board of Directors as are standing for election, by plurality vote by ballot, and they may transact such other corporate business as may properly be brought before the meeting. At the annual meeting any business may be transacted, irrespective of whether the notice calling such meeting shall have contained a reference thereto, except where notice is required by law, the Company's Amended and Restated Certificate of Incorporation (as amended and in effect from time to time, the "Charter"), or these by-laws.

**2.3. Quorum.**

At all meetings of the stockholders the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the transaction of business except as otherwise provided by law, the Charter, or these by-laws. Whether or not there is such a quorum at any meeting, the chairman of the meeting or the stockholders entitled to vote thereat, present in person or by proxy, by a majority vote, may adjourn the meeting from time to time without notice other than announcement at the meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting, at which the requisite amount of voting stock shall be represented, any business may be transacted that might have been transacted if the meeting had been held as originally called. The stockholders present in person or by proxy at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

#### **2.4. Right to Vote; Proxies.**

Subject to the provisions of the Charter, each holder of a share or shares of capital stock of the Company having the right to vote at any meeting shall be entitled to one vote for each such share of stock held by him. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy that is dated more than three years prior to the meeting at which it is offered shall confer the right to vote thereat unless the proxy provides that it shall be effective for a longer period. A proxy may be granted by a writing executed by the stockholder or his authorized agent or by transmission or authorization of transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization, or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, subject to the conditions set forth in Section 212 of the Delaware General Corporation Law, as it may be amended from time to time (the "DGCL").

#### **2.5. Voting.**

At all meetings of stockholders, except as otherwise expressly provided for by statute, the Charter, or these by-laws, (i) in all matters other than the election of directors, the affirmative vote of a majority of shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on such matter shall be the act of the stockholders and (ii) directors shall be elected by a plurality of the votes of the shares present in person or by means of remote communication or represented by proxy at the meeting and entitled to vote on the election of directors.

#### **2.6. Notice of Annual Meetings.**

Written notice of the annual meeting of the stockholders shall be mailed to each stockholder entitled to vote thereat at such address as appears on the stock books of the Company at least ten (10) days (and not more than sixty (60) days) prior to the meeting. The Board of Directors may postpone any annual meeting of the stockholders at its discretion, even after notice thereof has been mailed, for any reason or for no reason. It shall be the duty of every stockholder to furnish to the Secretary of the Company or to the transfer agent, if any, of the class of stock owned by him and his post-office address, and to notify the Secretary or transfer agent of any change therein. Notice need not be given to any stockholder who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

#### **2.7. Stockholders' List.**

A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder, and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary and shall be open to examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days before such meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal office of the Company, and said list shall be open to examination during the whole time of said meeting, at the place of said meeting, or, if the meeting held is by remote communication, on a reasonably accessible electronic network and the information required to access such list shall be provided with the notice of the meeting.

#### **2.8. Special Meetings.**

Special meetings of the stockholders for any purpose or purposes, unless otherwise provided by statute, may be called only by the Chairman of the Board of Directors, the President, or a majority of the Board of Directors. Any such person or persons may postpone any special meeting of the stockholders at its or their discretion, for any reason or for no reason, even after notice thereof has been mailed.



## **2.9. Notice of Special Meetings.**

Written notice of a special meeting of stockholders, stating the time, the place, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and the object thereof, shall be sent not less than ten (10) nor more than sixty (60) days before such meeting, to each stockholder entitled to vote thereat, either in paper form or electronic form pursuant to each stockholder's instructions on record with the Company. No business may be transacted at such meeting except that referred to in said notice, or in a supplemental notice given also in compliance with the provisions hereof, or such other business as may be germane or supplementary to that stated in said notice or notices. Notice need not be given to any stockholder who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

## **2.10. Inspectors.**

1. One or more inspectors may be appointed by the Board of Directors before or at any meeting of stockholders, or, if no such appointment shall have been made, the presiding officer may make such appointment at the meeting. At the meeting for which the inspector or inspectors are appointed, he or they shall open and close the polls, receive and take charge of the proxies and ballots, and decide all questions touching on the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes. If any inspector previously appointed shall fail to attend or refuse or be unable to serve, the presiding officer shall appoint an inspector in his place.

2. At any time at which the Company has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an inter-dealer quotation system of a registered national securities association, or (iii) held of record by more than 2,000 stockholders, the provisions of Section 231 of the DGCL with respect to inspectors of election and voting procedures shall apply, in lieu of the provisions of paragraph 1 of this Section 2.10.

## **2.11. Stockholders' Consent in Lieu of Meeting.**

Unless otherwise provided in the Charter, any action required to be taken at any annual or special meeting of stockholders of the Company, or any action that may be taken at any annual or special meeting of such stockholders, may be taken only at such a meeting, and not by written consent of stockholders.

## **2.12. Procedures.**

For nominations for election to the Board of Directors or for other business to be properly brought by a stockholder before a meeting of stockholders, the stockholder must first have given timely written notice thereof to the Secretary of the Company. To be timely, a notice of nominations or other business to be brought before an annual meeting of stockholders must be delivered to the Secretary not less than 120 nor more than 150 days prior to the first anniversary of the date of the Company's proxy statement delivered to stockholders in connection with the preceding year's annual meeting, or if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary, or if no proxy statement was delivered to stockholders by the Company in connection with the preceding year's annual meeting, such notice must be delivered not earlier than 90 days prior to such annual meeting and not later than the later of (i) 60 days prior to the annual meeting or (ii) 10 days following the date on which public announcement of the date of such annual meeting is first made by the Company. With respect to special meetings of stockholders, such notice must be delivered to the Secretary not more than 90 days prior to such meeting and not later than the later of (i) 60 days prior to such meeting or (ii) 10 days following the date on which public announcement of the date of such meeting is first made by the Company. Such notice must contain the name and address of the stockholder delivering the notice and a statement with respect to the amount of the Company's stock beneficially and/or legally owned by such stockholder, the nature of any such beneficial ownership of such stock, the beneficial ownership of any such stock legally held by such stockholder but beneficially owned by one or more others, and the length of time for which all such stock has been beneficially and/or legally owned by such stockholder, and information about each nominee for election as a director substantially equivalent to that which would be required in a proxy statement pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Securities and Exchange Commission thereunder, and/or a description of the proposed business to be brought before the meeting, as the case may be.

## Article III. - Directors.

### **3.1. Number of Directors.**

(a) Except as otherwise provided by law, the Charter, or these by-laws, the property and business of the Company shall be managed by or under the direction of a board of directors. Directors need not be stockholders, residents of Delaware, or citizens of the United States. The use of the phrase "whole board" herein refers to the total number of directors which the Company would have if there were no vacancies.

(b) The number of directors constituting the whole Board of Directors shall be as determined by the Board of Directors from time to time. Members of the Board of Directors shall hold office until the annual meeting of stockholders at which their respective successors are elected and qualified or until their earlier death, incapacity, resignation, or removal. Except as the DGCL or Charter may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or for the removal of one or more directors and for the filling of any vacancy in that connection, any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

(c) If the office of any director becomes vacant by reason of death, resignation, disqualification, removal, failure to elect, or otherwise, the remaining directors, although more or less than a quorum, by a majority vote of such remaining directors may elect a successor or successors who shall hold office for the unexpired term.

### **3.2. Resignation.**

Any director of the Company may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the Board, if any, the President or the Secretary of the Company. Such resignation shall take effect at the time specified therein, at the time of receipt if no time is specified therein and at the time of acceptance if the effectiveness of such resignation is conditioned upon its acceptance. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

### **3.3. Removal.**

Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

### **3.4. Place of Meetings and Books.**

The Board of Directors may hold their meetings and keep the books of the Company inside or outside the State of Delaware, at such places as they may from time to time determine.

### **3.5. General Powers.**

In addition to the powers and authority expressly conferred upon them by these by-laws, the Board of Directors may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the Charter or by these by-laws directed or required to be exercised or done by the stockholders.

### **3.6. Committees.**

The Board of Directors may designate one or more committees; such committee or committees shall consist of one or more directors of the Company, and to the extent provided in the resolution or resolutions designating them, shall have and may exercise specific powers of the Board of Directors in the management of the business and affairs of the Company to the extent permitted by the DGCL and shall have power to authorize the seal of the Company to be affixed to all papers that may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

### **3.7. Powers Denied to Committees.**

Committees of the Board of Directors shall not, in any event, have any power or authority to amend the Charter (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Directors as provided in Section 151(a) of the DGCL, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Company or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease, or exchange of all or substantially all of the Company's property and assets, recommend to the stockholders a dissolution of the Company or a revocation of a dissolution, or to amend the by-laws of the Company. Further, no committee of the Board of Directors shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the DGCL, unless the resolution or resolutions designating such committee expressly so provides.

**3.8. Substitute Committee Member.** To the extent provided in the resolution or resolutions designating such a committee, in the absence or on the disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member. Any committee shall keep regular minutes of its proceedings and report the same to the Board of Directors as may be required by the Board of Directors.

### **3.9. Compensation of Directors.**

The Board of Directors shall have the power to fix the compensation of directors and members of committees of the Board and may delegate this authority to one or more committees. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

### **3.10. Regular Meetings.**

No notice shall be required for regular meetings of the Board of Directors for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

### **3.11. Special Meetings.**

Special meetings of the board may be called by the Chairman of the Board, if any, or the President, on two (2) days notice to each director, or such shorter period of time before the meeting as will nonetheless be sufficient for the convenient assembly of the directors so notified; special meetings shall be called by the Secretary in like manner and on like notice, on the written request of two or more directors.

### **3.12. Quorum.**

At all meetings of the Board of Directors, a majority of the Board of Directors, but not less than 1/3 of the whole board, shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically permitted or provided by statute, or by the Charter, or by these by-laws. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting that shall be so adjourned.

### **3.13. Telephonic Participation in Meetings.**

Members of the Board of Directors or any committee designated by such board may participate in a meeting of the board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

### **3.14. Action by Consent.**

Unless otherwise restricted by the Charter or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or of such committee, as the case may be, consent thereto in writing or by electronic transmission and such consent is filed in paper form with the minutes of proceedings of the Board of Directors or committee.

## **Article IV. - Officers.**

### **4.1. Selection; Statutory Officers.**

The officers of the Company shall be chosen by the Board of Directors. There shall be a President, a Secretary, a Treasurer, and a Chairman of the Board of Directors, and there may be one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, as the Board of Directors may elect. Any number of offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person simultaneously.

### **4.2. Time of Election.**

The officers above named shall be chosen by the Board of Directors at its first meeting after each annual meeting of stockholders. None of said officers need be a director.

### **4.3. Additional Officers.**

The Board of Directors may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

### **4.4. Terms of Office.**

Each officer of the Company shall hold office until his successor is chosen and qualified, or until his earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors.

#### **4.5. Compensation of Officers.**

The Board of Directors shall have power to fix the compensation of all officers of the Company. It may authorize any officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers.

#### **4.6. Chairman of the Board.**

The Chairman of the Board of Directors shall preside at all meetings of the stockholders and directors, and shall have such other duties as may be assigned to him from time to time by the Board of Directors.

#### **4.7. President.**

Unless the Board of Directors otherwise determines, the President shall be the chief executive officer and head of the Company. Unless there is a Chairman of the Board, the President shall preside at all meetings of directors and stockholders. Under the supervision of the Board of Directors, the President shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors to confer any specific power, except such as may be by statute exclusively conferred on the President, upon any other officer or officers of the Company. The President shall perform and do all acts and things incident to the position of President and such other duties as may be assigned to him from time to time by the Board of Directors.

#### **4.8. Vice-Presidents.**

The Vice-Presidents shall perform such of the duties of the President on behalf of the Company as may be respectively assigned to them from time to time by the Board of Directors or by the President. The Board of Directors may designate one or more of the Vice-Presidents as the Executive Vice President and may designate one or more of the Vice-Presidents as the Senior Vice-President, and in the absence or inability of the President to act, such Executive Vice President(s) and/or Senior Vice-President(s) shall have and possess all of the powers and discharge all of the duties of the President, subject to the control of the Board of Directors.

#### **4.9. Treasurer.**

The Treasurer shall have the care and custody of all the funds and securities of the Company that may come into his hands as Treasurer, and the power and authority to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Company in such bank or banks or depository as the Board of Directors, or the officers or agents to whom the Board of Directors may delegate such authority, may designate, and he may endorse all commercial documents requiring endorsements for or on behalf of the Company. He may sign all receipts and vouchers for the payments made to the Company. He shall render an account of his transactions to the Board of Directors as often as the board or the committee shall require the same. He shall enter regularly in the books to be kept by him for that purpose full and adequate account of all moneys received and paid by him on account of the Company. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors. He shall when requested, pursuant to vote of the Board of Directors, give a bond to the Company conditioned for the faithful performance of his duties, the expense of which bond shall be borne by the Company.

#### **4.10. Secretary.**

The Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders; he shall attend to the giving and serving of all notices of the Company. Except as otherwise ordered by the Board of Directors, he shall attest the seal of the Company upon all contracts and instruments executed under such seal and shall affix the seal of the Company thereto and to all certificates of shares of capital stock of the Company. He shall have charge of the stock certificate book, transfer book and stock ledger, and such other books and papers as the Board of Directors may direct. He shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors.

**4.11. Assistant Secretary.**

The Board of Directors or any two of the officers of the Company acting jointly may appoint or remove one or more Assistant Secretaries of the Company. Any Assistant Secretary upon his appointment shall perform such duties of the Secretary, and also any and all such other duties as the Board of Directors or the President or the Executive Vice-President or the Senior Vice-President or the Treasurer or the Secretary may designate.

**4.12. Assistant Treasurer.**

The Board of Directors or any two of the officers of the Company acting jointly may appoint or remove one or more Assistant Treasurers of the Company. Any Assistant Treasurer upon his appointment shall perform such of the duties of the Treasurer, and also any and all such other duties as the Board of Directors or the President or the Executive Vice-President or the Senior Vice-President or the Treasurer or the Secretary may designate.

**4.13. Subordinate Officers.**

The Board of Directors may select such subordinate officers as it may deem desirable. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may prescribe. The Board of Directors may, from time to time, authorize any officer to appoint and remove subordinate officers and to prescribe the powers and duties thereof.

**Article V. - Stock.**

**5.1. Stock.**

The shares of the Company's stock may be certificated or uncertificated and shall be entered in the books of the Company and registered as they are issued. Any certificates representing shares of stock shall be in such form as the Board of Directors shall prescribe, certifying the number and class of shares of the stock of the Company owned by the stockholder. Any certificate issued to a stockholder of the Company shall be numbered and shall certify the holder's name and number and class of shares and shall be signed by both of (i) either the President or a Vice-President, and (ii) any one of the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and shall be sealed with the corporate seal of the Company. If such certificate is countersigned (1) by a transfer agent other than the Company or its employee, or (2) by a registrar other than the Company or its employee, any or all of the signatures on the certificate, including the certificate of the transfer agent and registrar and the corporate seal may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Company, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Company, such certificate or certificates may nevertheless be adopted by the Company and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature shall have been used thereon had not ceased to be such officer or officers of the Company.

## **5.2. Fractional Share Interests.**

The Company may, but shall not be required to, issue fractions of a share. If the Company does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form that shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Company in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the Company and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions that the Board of Directors may impose.

## **5.3. Transfers of Stock.**

Subject to any transfer restrictions then in force, upon the surrender to the Company or the transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, such certificate for shares shall be cancelled, issuance of the equivalent of uncertificated or certificated shares shall be made to the stockholder entitled thereto, and the transaction shall be recorded upon the books of the Company.

Subject to any transfer restrictions then in force, upon the receipt of proper transfer instructions from the registered owner of uncertificated shares, with such proof of authenticity of signature as the Company or its transfer agent or registrar may reasonably require, such uncertificated shares shall be cancelled, issuance of new equivalent uncertificated shares or certificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded upon the books of the Company.

The Company shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof save as expressly provided by the laws of Delaware.

## **5.4. Record Date.**

For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, that shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no such record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

## **5.5. Transfer Agent and Registrar.**

The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

## **5.6. Dividends.**

1. **Power to Declare.** Dividends upon the capital stock of the Company, subject to the provisions of the Charter, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Charter and the laws of Delaware.

2. **Reserves.** Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for such other purpose as the directors shall think conducive to the interest of the Company, and the directors may modify or abolish any such reserve in the manner in which it was created.

## **5.7. Lost, Stolen, or Destroyed Certificates.**

No certificates for shares of stock or uncertificated shares of stock of the Company shall be issued in place of any certificate alleged to have been lost, stolen, or destroyed, except upon production of such evidence of the loss, theft, or destruction and upon indemnification of the Company and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe. Upon production of any required evidence and indemnification, the Company may issue (i) a new certificate or certificates of stock or (ii) uncertificated shares in place of any certificate or certificates previously issued by the Company alleged to have been lost, stolen or destroyed.

## **5.8. Inspection of Books.**

The stockholders of the Company, by a majority vote at any meeting of stockholders duly called, or in case the stockholders shall fail to act, the Board of Directors, shall have power from time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the Company (other than the stock ledger) or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right to inspect any account or book or document of the Company except as conferred by statute or authorized by the Board of Directors or by a resolution of the stockholders.

## **Article VI. - Miscellaneous Management Provisions.**

### **6.1. Checks, Drafts, and Notes.**

All checks, drafts, or orders for the payment of money, and all notes and acceptances of the Company shall be signed by such officer or officers, or such agent or agents, as the Board of Directors may designate.

### **6.2. Notices.**

1. Notices to directors may, and notices to stockholders shall, be in writing and (a) delivered personally, (b) mailed to the directors or stockholders at their addresses appearing on the books of the Company, or (c) delivered by a form of electronic transmission which is consented to by the stockholder or the director to whom the notice is given. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice by electronic transmission shall be deemed to be given (i) if by facsimile telecommunication, when directed to a number at which the stockholder or the director has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder or director has consented to receive notice, (iii) if by a posting on an electronic network together with a separate notice to the stockholder or the director of such specific posting, upon the later of (A) such posting, and (B) the giving of such separate notice, and (iv) if by any other form of electronic transmission, when directed to the stockholder or the director. Notice to directors may also be given by telegram or orally, by telephone or in person.

2. Whenever any notice is required to be given under the provisions of any applicable statute or of the Charter or of these by-laws, a written waiver of notice, signed by the person or persons entitled to said notice, or waiver of notice by electronic transmission by the person or persons entitled to said notice, whether before or after the time stated therein or the meeting or action to which such notice relates, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.



### **6.3. Conflict of Interest.**

No contract or transaction between the Company and one or more of its directors or officers, or between the Company and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or the committee thereof that authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders of the Company entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved, or ratified, by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

### **6.4. Voting of Securities Owned by the Company.**

Subject always to the specific directions of the Board of Directors, (i) any shares or other securities issued by any other corporation and owned or controlled by the Company may be voted in person at any meeting of security holders of such other corporation by the President of the Company if he is present at such meeting, or in his absence by the Treasurer of the Company if he is present at such meeting, and (ii) whenever, in the judgment of the President, it is desirable for the Company to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by the Company, such proxy or consent shall be executed in the name of the Company by the President, without the necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer, provided that if the President is unable to execute such proxy or consent by reason of sickness, absence from the United States or other similar cause, the Treasurer may execute such proxy or consent. Any person or persons designated in the manner above stated as the proxy or proxies of the Company shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by the Company the same as such shares or other securities might be voted by the Company.

## **Article VII. - Indemnification.**

### **7.1. Right to Indemnification.**

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of being or having been a director or officer of the Company or serving or having served at the request of the Company as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such proceeding is alleged action or failure to act in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than permitted prior thereto) (as used in this Article VII, the "DelawareLaw"), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the Indemnitee's heirs, executors, and administrators; provided, however, that, except as provided in Section 7.2 hereof with respect to Proceedings to enforce rights to indemnification, the Company shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board of Directors of the Company. The right to indemnification conferred in this Article VII shall be a contract right and shall include the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any such Proceeding in advance of its final disposition (an "AdvancementofExpenses"); provided, however, that, if the Delaware Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Company of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "FinalAdjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article VII or otherwise.

## **7.2. Right of Indemnitee to Bring Suit.**

If a claim under Section 7.1 hereof is not paid in full by the Company within sixty days after a written claim has been received by the Company, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be twenty days, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. In addition, in any suit brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking the Company shall be entitled to recover such expenses upon a Final Adjudication that the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. Neither the failure of the Company (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Law, nor an actual determination by the Company (including its Board of Directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article VII or otherwise shall be on the Company.

## **7.3. Non-Exclusivity of Rights.**

The rights to indemnification and to the Advancement of Expenses conferred in this Article VII shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, the Charter, agreement, vote of stockholders or disinterested directors or otherwise.

## **7.4. Insurance.**

The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under this Article VII or under the Delaware Law.

## **7.5. Indemnification of Employees and Agents of the Company.**

The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the Advancement of Expenses, to any employee or agent of the Company to the fullest extent of the provisions of this Article VII with respect to the indemnification and Advancement of Expenses of directors and officers of the Company.

## **Article VIII. - Amendments.**

### **8.1. Amendments.**

Subject always to any limitations imposed by the Charter, these by-laws may be altered, amended, or repealed, or new by-laws may be adopted, only by (i) the affirmative vote of the holders of at least a majority of the outstanding voting stock of the Company, provided, that the affirmative vote of the holders of at least 67% of the outstanding voting stock of the Company shall be required for any such alteration, amendment, repeal, or adoption that would affect or be inconsistent with the provisions of Sections 2.11, 2.12 or 3.1, Article VII and this Section 8.1 (in each case, in addition to any separate class vote that may be required pursuant to the terms of any then outstanding preferred stock of the Company), or (ii) by resolution of the Board of Directors duly adopted by not less than a majority of the directors then constituting the full Board of Directors.



## TEMPUR-PEDIC REPORTS THIRD QUARTER EARNINGS

*- EPS Up 44% in Third Quarter*

*- Net Sales Up 22% in Third Quarter*

*- Completed Prior \$200 Million Share Repurchase Authorization*

*- Announces New \$300 Million Share Repurchase Authorization*

*- Company Raises Financial Guidance for 2007*

**LEXINGTON, KY, October 18, 2007**– Tempur-Pedic International Inc. (NYSE: TPX), the leading manufacturer, marketer and distributor of premium mattresses and pillows worldwide, today announced financial results for the third quarter ended September 30, 2007. In addition, the Company increased full year 2007 financial guidance and announced a new share repurchase authorization.

### THIRD QUARTER 2007 FINANCIAL SUMMARY

- Earnings per share increased 44% to \$0.49 per diluted share in the third quarter of 2007 as compared to \$0.34 per diluted share in the third quarter of 2006.
- Net sales rose 22% to \$294.1 million in the third quarter of 2007 from \$240.9 million in the third quarter of 2006. Retail sales increased 27% worldwide.
- Operating income increased 26% to \$67.5 million in the third quarter of 2007 from \$53.7 million in the third quarter of 2006. The increase was principally driven by incremental sales as well as modest operating expense leverage.
- Operating cash flow increased to \$55.7 million in the third quarter of 2007 from \$46.6 million in the third quarter of 2006. The increase was principally driven by net income growth. In addition, capital expenditures were \$3.3 million in the third quarter of 2007, \$2.3 million less than in the third quarter of 2006.
- The Company achieved net sales and unit growth across all products and both geographic segments. Worldwide mattress revenue increased 22%. Worldwide mattress unit growth was 17% led by domestic mattress unit growth of 22%. Pillow sales rose 15% worldwide driven by unit growth of 12%. Domestic pillow units were especially strong, up 23%.

For the third quarter of 2007, the Company reported net income of \$38.8 million as compared to \$28.9 million in the third quarter of 2006. This net income growth of 34% largely resulted from an increase in operating income. Net income results include stock-based compensation expense, which increased 46% to \$1.7 million in the third quarter of 2007.

President and Chief Executive Officer H. Thomas Bryant commented, “Tempur-Pedic delivered outstanding results in the third quarter, with growth across all products and geographic segments. While Tempur-Pedic is already the industry leader for profitability, we believe our year to date financial results are consistent with our goal of ultimately becoming the worldwide bedding leader in terms of both sales and profitability. We are pleased with our year to date results and continue to see abundant opportunities to gain bedding market share around the globe.

“In the third quarter, consumers continued to express their preference for our proprietary TEMPUR® material as we lead the technology shift away from innersprings. Mattress growth was balanced across our product line with excellent results from our existing product line as well as strong contribution from our recently introduced models. While the last several quarters have been challenging for the mattress industry, our sales team has exceeded our goals for slot growth, account productivity and market share gains.

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“We are pleased with our new advertising campaign as it appears to be resonating exceptionally well with our target consumers, especially affluent baby boomers. In fact, the campaign is doing so well that we are in the process of evaluating its use throughout many of our international markets. We anticipate rolling the campaign into Europe in the first quarter.

“Our operations team delivered excellent performance, producing more mattresses than in any other quarter in our history. As previously disclosed, U.S. retail demand exceeded our expectations during the third quarter, which resulted in some product shortages as certain key suppliers were not able to ramp their production as quickly as needed. We addressed this issue through a variety of actions, some of which modestly impacted our gross margins. We are pleased to now be running in a more optimal fashion, having largely eliminated shortages by the end of the quarter.”

#### **Current Share Repurchase Authorization Completed and New Authorization Announced**

During the third quarter of 2007, the Company purchased 6.6 million shares of its common stock at an average price of \$30.48 for a total cost of \$200.0 million. During 2007, the Company has purchased 10.4 million shares of its common stock for a total cost of \$300.0 million.

The Company announced that the Board of Directors has authorized a new share repurchase program of up to an incremental \$300.0 million. Stock repurchases under this program may be made through open market transactions, negotiated purchases, or otherwise, at times and in such amounts as management and a committee of the Board deem appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, financing and regulatory requirements and other market conditions. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. This share repurchase program may be limited, suspended or terminated at any time without prior notice.

Chief Financial Officer Dale Williams stated, “We continue to view share repurchases as an excellent means to return value to shareholders over the long term. During the third quarter we completed the \$200 million share repurchase program we announced on July 19, 2007. We currently anticipate substantial cash flow growth over the next several years and so we are pleased with the Board’s decision to authorize a new buyback program.”

#### **2007 Financial Guidance**

Given the Company’s strong performance through the first three quarters of 2007 and its continued positive outlook for the year, the Company is increasing 2007 full year financial guidance. The Company currently expects net sales for 2007 to range from \$1.105 billion to \$1.115 billion, rather than \$1.065 billion to \$1.085 billion as contemplated by the Company’s prior guidance. This updated guidance reflects an increase of 17% to 18% compared to 2006 net sales of \$945.0 million. The Company currently expects diluted earnings per share for 2007 to range from \$1.74 to \$1.76, rather than \$1.63 to \$1.66 as contemplated by the Company’s prior guidance. This updated guidance reflects an increase of 36% to 38% compared to 2006 diluted earnings per share of \$1.28. Based on the Company’s year to date performance of \$1.22 per diluted share, this guidance would imply diluted earnings per share of \$0.52 to \$0.54 for the fourth quarter of 2007. This guidance reflects year to date performance, incremental earnings resulting from increased sales expectations, shares repurchased through September 30, 2007, and interest on associated borrowings. This guidance does not take into account the anticipated effect of any additional share repurchases.

The Company noted its expectations are based on information available at the time of this release, and are subject to changing conditions, many of which are outside the Company’s control.

#### **Conference Call Information**

Tempur-Pedic International will host a live conference call with President and Chief Executive Officer H. Thomas Bryant and Chief Financial Officer Dale Williams to discuss financial results today, October 18, 2007 at 5:00 p.m. Eastern Time. The dial-in number for the conference call is 888-297-0353. The call is also being webcast and can be accessed on the investor relations section of the Company’s website, [www.tempurpedic.com](http://www.tempurpedic.com).

For those who cannot listen to the live broadcast, a telephone replay of the call will be available from October 18, 2007 at 8:00 p.m. Eastern Time through October 25, 2007. To listen to the replay, dial 888-203-1112, participant code 9844895.

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### **Forward-looking Statements**

This release contains "forward-looking statements," within the meaning of federal securities laws, which include information concerning one or more of the Company's plans, objectives, goals, strategies, and other information that is not historical information. When used in this release, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including without limitation, statements relating to the Company's goal of becoming the worldwide bedding leader, opportunities to gain bedding market share, the rollout of the Company's new advertising campaign, steps taken to address product shortages and expectations regarding the Company's new share repurchase authorization, cash flow growth over the next several years, and net sales and earnings per share for 2007, are based upon current expectations and beliefs and various assumptions. There can be no assurance that the Company will realize these expectations or that these beliefs will prove correct.

There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained in this release. Numerous factors, many of which are beyond the Company's control, could cause actual results to differ materially from those expressed as forward-looking statements. These risk factors include general economic and industry conditions and consumer confidence; uncertainties arising from global events; the effects of changes in foreign exchange rates on the Company's reported earnings; consumer acceptance of the Company's products; industry competition; the efficiency and effectiveness of the Company's advertising campaigns and other marketing programs; the Company's ability to increase sales productivity within existing retail accounts and to further penetrate the US retail channel, including the timing of opening or expanding within large retail accounts; the Company's ability to address issues in certain underperforming international markets; the Company's ability to continuously improve its product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; changes in foreign tax rates; and rising commodity costs. Additional information concerning these and other risks and uncertainties are discussed in the Company's filings with the Securities and Exchange Commission, including without limitation the Company's annual report on Form 10-K under the headings "Special Note Regarding Forward-Looking Statements" and "Risk Factors." Any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to update any forward-looking statements for any reason, including to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

### **About the Company**

Tempur-Pedic International Inc. (NYSE: TPX) manufactures and distributes mattresses and pillows made from its proprietary TEMPUR® pressure-relieving material. It is the worldwide leader in premium sleep, the fastest growing segment of the estimated \$13 billion global mattress market. The Company is focused on developing, manufacturing and marketing advanced sleep surfaces that help improve the quality of life for people around the world. The Company's products are currently sold in over 70 countries under the TEMPUR® and Tempur-Pedic® brand names. World headquarters for Tempur-Pedic International is in Lexington, KY. For more information, visit <http://www.tempurpedic.com> or call 800-805-3635.

### **Investor Relations Contact:**

Barry Hytinen  
Vice President, Investor Relations and Financial Planning & Analysis  
800-805-3635

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**TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Statements of Income**  
(In thousands, except per share amounts)

	Three Months Ended September 30,		Chg %	Nine Months Ended September 30,		Chg %
	2007	2006		2007	2006	
Net sales	\$ 294,094	\$ 240,917	22%	\$ 817,768	\$ 688,465	19%
Cost of sales	152,484	124,894		423,930	354,672	
Gross profit	141,610	116,023	22%	393,838	333,793	18%
Selling and marketing expenses	48,830	41,827		144,630	127,230	
General and administrative expenses	23,628	19,235		68,497	55,521	
Research and development expenses	1,603	1,240		4,278	3,031	
Operating income	67,549	53,721	26%	176,433	148,011	19%
Other expense, net:						
Interest expense, net	(8,261)	(6,728)		(21,394)	(17,402)	
Loss on extinguishment of debt	—	—		(126)	—	
Other expense, net	(33)	(183)		(410)	(142)	
Total other expense	(8,294)	(6,911)		(21,930)	(17,544)	
Income before income taxes	59,255	46,810	27%	154,503	130,467	18%
Income tax provision	20,437	17,947		52,974	48,599	
Net income	\$ 38,818	\$ 28,863	34%	\$ 101,529	\$ 81,868	24%
Earnings per share:						
Basic	\$ 0.50	\$ 0.35		\$ 1.25	\$ 0.96	
Diluted	\$ 0.49	\$ 0.34		\$ 1.22	\$ 0.92	
Weighted average shares outstanding:						
Basic	77,725	82,946		81,522	85,533	
Diluted	79,173	85,681		83,069	88,666	

**TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands, except per share amounts)

	September 30, 2007	December 31, 2006	Chg %
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 23,580	\$ 15,788	
Accounts receivable, net	165,735	142,059	
Inventories	82,065	61,736	
Prepaid expenses and other current assets	13,053	8,002	
Income taxes receivable	—	588	
Deferred income taxes	9,566	9,383	
Total Current Assets	<u>293,999</u>	<u>237,556</u>	24%
Property, plant and equipment, net	208,140	215,428	
Goodwill	198,623	198,207	
Other intangible assets, net	69,014	70,826	
Deferred financing and other non-current assets, net	4,044	3,649	
Total Assets	<u>\$ 773,820</u>	<u>\$ 725,666</u>	7%
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 64,880	\$ 51,220	
Accrued expenses and other	74,364	61,050	
Income taxes payable	15,751	—	
Current portion of long-term debt	282	19,497	
Total Current Liabilities	<u>155,277</u>	<u>131,767</u>	18%
Long-term debt	555,805	341,635	
Deferred income taxes	34,294	38,536	
Other non-current liabilities	330	380	
Total Liabilities	<u>745,706</u>	<u>512,318</u>	46%
Stockholders' Equity:			
Common stock, \$.01 par value; 300,000 shares authorized; 99,215 shares issued as of September 30, 2007 and December 31, 2006	992	992	
Additional paid in capital	280,638	264,709	
Retained earnings	207,797	140,608	
Accumulated other comprehensive income	11,586	3,992	
Treasury stock, at cost; 24,110 and 15,993 shares as of September 30, 2007 and December 31, 2006, respectively	<u>(472,899)</u>	<u>(196,953)</u>	
Total Stockholders' Equity	<u>28,114</u>	<u>213,348</u>	(87)%
Total Liabilities and Stockholders' Equity	<u>\$ 773,820</u>	<u>\$ 725,666</u>	7%

**TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Statement of Cash Flows**  
(In thousands)

	Nine Months Ended September 30,		Chg %
	2007	2006	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 101,529	\$ 81,868	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,326	18,640	
Amortization of deferred financing costs	719	1,479	
Loss on extinguishment of debt	126	—	
Amortization of stock-based compensation	5,081	2,672	
Provision for doubtful accounts	4,541	2,813	
Deferred income taxes	(3,101)	(2,479)	
Foreign currency adjustments	661	243	
Loss on sale of equipment and other	101	207	
Changes in operating assets and liabilities:			
Accounts receivable	(22,585)	(23,696)	
Inventories	(14,228)	18,545	
Prepaid expenses and other current assets	(5,035)	725	
Accounts payable	10,250	5,351	
Accrued expenses and other	10,636	3,986	
Income taxes	25,864	28,926	
Excess tax benefit from stock based compensation	(10,025)	(6,189)	
Net cash provided by operating activities	<b>129,860</b>	<b>133,091</b>	(2%)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for trademarks and other intellectual property	(636)	(699)	
Purchases of property, plant and equipment	(8,181)	(24,159)	
Acquisition of businesses	(5,756)	—	
Proceeds from sale of equipment	135	83	
Net cash used by investing activities	<b>(14,438)</b>	<b>(24,775)</b>	42%
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from long-term revolving credit facility	347,547	152,000	
Repayments of long-term revolving credit facility	(119,293)	(55,000)	
Repayments of long-term debt	(45,416)	(70,622)	
Proceeds from issuance of Series A Industrial Revenue Bonds	15,385	—	
Repayment of Series A Industrial Revenue Bonds	(5,765)	(3,840)	
Proceeds from exercise of stock options	8,078	3,401	
Excess tax benefit from stock based compensation	10,025	6,189	
Treasury stock repurchased	(299,998)	(144,000)	
Dividend paid to stockholders	(17,895)	—	
Payments for deferred financing costs	(1,530)	(698)	
Net cash used by financing activities	<b>(108,862)</b>	<b>(112,570)</b>	2%
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>1,232</b>	<b>1,652</b>	
Increase/(Decrease) in cash and cash equivalents	7,792	(2,602)	
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>15,788</b>	<b>17,855</b>	
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 23,580</b>	<b>\$ 15,253</b>	<b>55%</b>



### Summary of Channel Sales

The Company generates sales through four distribution channels: retail, direct, healthcare and third party. The retail channel sells to furniture, specialty and department stores globally. The direct channel sells directly to consumers. The healthcare channel sells to hospitals, nursing homes, healthcare professionals and medical retailers. The third party channel sells to distributors in countries where Tempur-Pedic International does not operate its own distribution company.

The following table highlights net sales information, by channel and by segment, for the third quarter of 2007 compared to 2006:

(\$ in thousands)

	<b>CONSOLIDATED</b>		<b>DOMESTIC</b>		<b>INTERNATIONAL</b>	
	<b>Three Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<i>By Sales Channel</i>						
Retail	\$ 251,452	\$ 198,659	\$ 177,372	\$ 139,883	\$ 74,080	\$ 58,776
Direct	18,009	20,608	15,140	18,214	2,869	2,394
Healthcare	12,384	10,522	4,222	3,099	8,162	7,423
Third Party	12,249	11,128	3,717	3,250	8,532	7,878
Total	<u>\$ 294,094</u>	<u>\$ 240,917</u>	<u>\$ 200,451</u>	<u>\$ 164,446</u>	<u>\$ 93,643</u>	<u>\$ 76,471</u>

### Summary of Product Sales

A summary of net sales by product is reported below:

(\$ in thousands)

	<b>CONSOLIDATED</b>		<b>DOMESTIC</b>		<b>INTERNATIONAL</b>	
	<b>Three Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<i>Net Sales</i>						
Mattresses	\$ 207,341	\$ 169,334	\$ 149,221	\$ 122,117	\$ 58,120	\$ 47,217
Pillows	34,418	29,934	17,960	14,863	16,458	15,071
Other	52,335	41,649	33,270	27,466	19,065	14,183
Total	<u>\$ 294,094</u>	<u>\$ 240,917</u>	<u>\$ 200,451</u>	<u>\$ 164,446</u>	<u>\$ 93,643</u>	<u>\$ 76,471</u>