

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) **January 22, 2009**

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 January 22, 2009, Tempur-Pedic International Inc. (the "Company") issued a press release to announce its financial results for the fourth quarter, ended December 31, 2008 and the full year, ended December 31, 2008. The Company also issued full year 2009 guidance for net sales and earnings per share. A copy of 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 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 |
|----------------------|---|
| 99.1 | Press Release dated January 22, 2009, entitled "Tempur-Pedic Reports Fourth Quarter and Full Year Earnings" |

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: January 22, 2009

Tempur-Pedic International Inc.

By: /s/ Dale E. Williams

Name: Dale E. Williams

Title: Executive Vice President, Chief
Financial Officer & Secretary

EXHIBIT INDEX

| Exhibit | Description |
|-------------|---|
| <u>99.1</u> | Press Release dated January 22, 2009, entitled "Tempur-Pedic Reports Fourth Quarter and Full Year Earnings" |



TEMPUR-PEDIC REPORTS FOURTH QUARTER AND FULL YEAR EARNINGS
- Reports Fourth Quarter Adjusted EPS of \$0.17; GAAP EPS of \$0.01

LEXINGTON, KY, January 22, 2009 – Tempur-Pedic International Inc. (NYSE: TPX), the leading manufacturer, marketer and distributor of premium mattresses and pillows worldwide, today announced financial results for the fourth quarter and year ended December 31, 2008. The Company also announced financial guidance for 2009.

FOURTH QUARTER FINANCIAL SUMMARY

- Adjusted earnings per share (EPS) were \$0.17 per diluted share in the fourth quarter of 2008 as compared to GAAP EPS of \$0.52 per diluted share in the fourth quarter of 2007. GAAP EPS in the fourth quarter of 2008 was \$0.01, and reflects the tax provision related to the previously announced repatriation of foreign earnings. The Company reported adjusted net income of \$12.7 million for the fourth quarter of 2008 as compared to GAAP net income of \$39.9 million in the fourth quarter of 2007. GAAP net income in the fourth quarter of 2008 was \$1.1 million. For additional information regarding adjusted EPS and adjusted net income (which are non-GAAP measures), please refer to the reconciliation and other information included in the attached schedule.
 - Net sales declined 35% to \$189.1 million in the fourth quarter of 2008 from \$289.0 million in the fourth quarter of 2007. Net sales in the domestic segment declined 39%, while international segment net sales declined 27%. On a constant currency basis, international segment net sales decreased 19%.
 - Mattress units declined 31% globally. Mattress units declined 39% domestically and 21% internationally. Pillow units declined 37% globally. Pillow units declined 48% domestically and 24% internationally.
 - Gross profit margin was 43.0% as compared to 48.8% in the fourth quarter of 2007. The gross profit margin declined as a result of increased commodity costs, fixed cost de-leverage related to lower production volumes, and a significant net sales decline in the higher margin Direct channel, partially offset by efficiencies in manufacturing productivity.
 - Operating profit margin was 13.4% as compared to 23.4% in the fourth quarter of 2007. Operating profit margin decline resulted from gross profit margin declines and operating expense de-leverage related to lower sales levels. The Company reduced operating expenses by \$17.3 million to \$56.0 million in the fourth quarter of 2008 from \$73.3 million in the fourth quarter of 2007.
 - Reflecting the Company's continued focus on generating cash, operating cash flow increased to \$29.5 million in the fourth quarter of 2008 from a use of \$3.5 million in the fourth quarter of 2007.
 - During the quarter, the Company reduced Total debt by \$99.4 million to \$419.3 million. As of December 31, 2008, the Company's ratio of Funded debt to EBITDA was 2.44 times, well within the covenant in its credit facility, which requires that this ratio not exceed 3.00 times. For additional information about EBITDA and Funded debt (which are non-GAAP measures), please refer to the reconciliation and other information included in the attached schedule.
 - During the quarter, the Company executed the first phase of its previously announced repatriation of foreign earnings. Currently, the Company anticipates repatriating approximately \$150.0 million, up from the previously announced \$140.0 million. The Company has recorded an \$11.6 million tax provision associated with the entire \$150.0 million repatriation initiative.
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FULL YEAR 2008 FINANCIAL SUMMARY

- Adjusted earnings per share (EPS) were \$0.94 per diluted share for the full year 2008 as compared to GAAP EPS of \$1.74 per diluted share for the full year 2007. GAAP EPS was \$0.79 for the full year 2008, and includes the tax provision effect related to the previously announced repatriation of foreign earnings.
- Net sales declined 16% to \$927.8 million for the full year 2008 from \$1,106.7 million for the full year 2007. Net sales in the domestic segment declined 21%, while international segment net sales declined 6%. On a constant currency basis, international segment net sales decreased 11%.
- Operating cash flow was \$198.4 million for the full year 2008 up from \$126.4 million for the full year 2007.
- For the full year 2008, the Company lowered Total debt by \$182.7 million to \$419.3 million.

Chief Executive Officer Mark Sarvary commented, "During the fourth quarter we executed well in a challenging environment. While consumer spending worsened, we responded quickly to improve earnings. At the same time we substantially improved our balance sheet through a focus on working capital and other cash generating initiatives, including our repatriation. As a result we enter 2009 well positioned financially."

Mr. Sarvary concluded, "As we continue to face this challenging economic environment our goal is to further strengthen our competitive position. Across our operations, we are taking steps to improve margins and reduce costs. At the same time we are focused on a series of strategic initiatives to drive sales in the short term and to position us for growth when the economy recovers."

Chief Financial Officer Dale Williams commented, "In this economic environment, sales visibility is low. We have established our 2009 sales guidance assuming unit volumes will not improve from the fourth quarter rate coupled with a modest benefit from seasonality and price increases. We are positioned to improve gross margins through productivity and easing commodity costs. We project we will remain in compliance with the covenants in our credit facility."

2009 Financial Guidance

The Company issued full year 2009 guidance for net sales and earnings per share. It currently expects net sales for 2009 to range from \$770 million to \$790 million. It currently expects EPS for 2009 to range from \$0.70 to \$0.90 per diluted share. 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 to discuss financial results today, January 22, 2009 at 5:00 p.m. Eastern Time. The dial-in number for the conference call is 888-203-7667. The call is also being webcast and can be accessed on the investor relations section of the Company's website, www.tempurpedic.com.

For those who cannot listen to the live broadcast, a telephone replay of the call will be available from January 22, 2009 at 8:00 p.m. Eastern Time through January 29, 2009. To listen to the replay, dial 888-203-1112, participant code 4171447.

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. These forward-looking statements include, without limitation, statements relating to the Company's plans to repatriate foreign earnings and further improve financial flexibility and its business; the Company's initiatives to drive sales and position the Company for growth; and the Company's expectations regarding net sales and earnings per share for 2009. All forward looking statements 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, financial and industry conditions, particularly in the retail sector, as well as consumer confidence and the availability of consumer financing; the Company's ability to reduce expenses to align with reduced sales levels; 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 and expand its product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; changes in foreign tax rates, including the ability to utilize tax loss carry forwards; 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 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

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Income
(In thousands, except per share amounts)

| | Three Months Ended December 31, | | | Twelve Months Ended December 31, | | |
|---|------------------------------------|------------|-------|-------------------------------------|--------------|-------|
| | 2008 | 2007 | Chg % | 2008 | 2007 | Chg % |
| Net sales | \$ 189,121 | \$ 288,954 | (35)% | \$ 927,818 | \$ 1,106,722 | (16)% |
| Cost of sales | 107,752 | 147,966 | | 526,861 | 571,896 | |
| Gross profit | 81,369 | 140,988 | (42)% | 400,957 | 534,826 | (25)% |
| Selling and marketing expenses | 34,444 | 48,944 | | 172,350 | 193,574 | |
| General, administrative and other expenses | 21,604 | 24,363 | | 94,743 | 97,138 | |
| Operating income | 25,321 | 67,681 | (63)% | 133,864 | 244,114 | (45)% |
| Other expense, net: | | | | | | |
| Interest expense, net | (5,493) | (9,090) | | (25,123) | (30,484) | |
| Other expense, net | (324) | (220) | | (1,319) | (756) | |
| Total other expense | (5,817) | (9,310) | | (26,442) | (31,240) | |
| Income before income taxes | 19,504 | 58,371 | (67)% | 107,422 | 212,874 | (50)% |
| Income tax provision | 18,449 | 18,441 | | 48,554 | 71,415 | |
| Net income | \$ 1,055 | \$ 39,930 | (97)% | \$ 58,868 | \$ 141,459 | (58)% |
| Earnings per common share: | | | | | | |
| Basic | \$ 0.01 | \$ 0.53 | | \$ 0.79 | \$ 1.77 | |
| Diluted | \$ 0.01 | \$ 0.52 | | \$ 0.79 | \$ 1.74 | |
| Weighted average common shares outstanding: | | | | | | |
| Basic | 74,833 | 74,815 | | 74,737 | 79,831 | |
| Diluted | 74,920 | 76,190 | | 74,909 | 81,256 | |

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)

| | December 31, 2008 | December 31, 2007 | Chg % |
|--|----------------------|----------------------|-------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 15,385 | \$ 33,315 | |
| Accounts receivable, net | 99,811 | 163,730 | |
| Inventories | 60,497 | 106,533 | |
| Prepaid expenses and other current assets | 9,233 | 11,133 | |
| Deferred income taxes | 11,888 | 11,924 | |
| Total Current Assets | 196,814 | 326,635 | (40)% |
| Property, plant and equipment, net | 185,843 | 208,370 | |
| Goodwill | 192,569 | 198,286 | |
| Other intangible assets, net | 66,823 | 68,755 | |
| Deferred financing costs and other non-current assets | 4,482 | 4,386 | |
| Total Assets | \$ 646,531 | \$ 806,432 | (20)% |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 41,355 | \$ 56,206 | |
| Accrued expenses and other current liabilities | 65,316 | 66,080 | |
| Income taxes payable | 7,783 | 4,060 | |
| Current portion of long-term debt | — | 288 | |
| Total Current Liabilities | 114,454 | 126,634 | (10)% |
| Long-term debt | 419,341 | 601,756 | |
| Deferred income taxes | 28,371 | 29,645 | |
| Other non-current liabilities | 11,922 | 259 | |
| Total Liabilities | 574,088 | 758,294 | (24)% |
| Stockholders' Equity: | | | |
| Common stock, \$.01 par value; 300,000 shares authorized; 99,215 shares issued as of December 31, 2008 and December 31, 2007 | 992 | 992 | |
| Additional paid in capital | 291,018 | 283,564 | |
| Retained earnings | 281,422 | 241,812 | |
| Accumulated other comprehensive (loss)/income | (12,590) | 13,550 | |
| Treasury stock, at cost; 24,382 and 24,681 shares as of December 31, 2008 and December 31, 2007, respectively | (488,399) | (491,780) | |
| Total Stockholders' Equity | 72,443 | 48,138 | 51% |
| Total Liabilities and Stockholders' Equity | \$ 646,531 | \$ 806,432 | (20)% |

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

| | Twelve Months Ended December 31, | |
|---|-------------------------------------|------------------|
| | 2008 | 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 58,868 | \$ 141,459 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 32,756 | 33,414 |
| Amortization of deferred financing costs | 1,060 | 1,029 |
| Amortization of stock-based compensation | 8,041 | 6,728 |
| Bad debt expense | 8,110 | 5,997 |
| Deferred income taxes | 2,423 | (8,961) |
| Foreign currency adjustments | (1,183) | 423 |
| Loss on sale of equipment | 666 | 324 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 51,231 | (20,536) |
| Inventories | 45,758 | (38,216) |
| Prepaid expenses and other current assets | 1,695 | (3,226) |
| Accounts payable | (15,676) | 1,861 |
| Accrued expenses and other current liabilities | 535 | 3,532 |
| Income taxes | 4,110 | 2,533 |
| Net cash provided by operating activities | <u>198,394</u> | <u>126,361</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for trademarks and other intellectual property | (870) | (1,057) |
| Purchases of property, plant and equipment | (10,494) | (16,149) |
| Acquisition of businesses, net of cash acquired | (1,529) | (5,805) |
| Proceeds from sale of equipment | 384 | 140 |
| Proceeds from escrow settlement | 7,141 | — |
| Net cash used by investing activities | <u>(5,368)</u> | <u>(22,871)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from long-term revolving credit facility | 127,383 | 420,547 |
| Repayments of long-term revolving credit facility | (251,536) | (146,293) |
| Repayments of long-term debt | (1,359) | (45,488) |
| Proceeds from Series A Industrial Revenue Bonds | — | 15,380 |
| Repayments of Series A Industrial Revenue Bonds | (57,785) | (5,760) |
| Proceeds from the issuance of common stock | 695 | 8,175 |
| Excess tax benefit from stock based compensation | 399 | 11,073 |
| Treasury stock repurchased | — | (319,884) |
| Dividends paid to stockholders | (17,933) | (23,811) |
| Payments for deferred financing costs and other | (14) | (1,581) |
| Net cash used by financing activities | <u>(200,150)</u> | <u>(87,642)</u> |
| NET EFFECT OF EXCHANGE RATE CHANGES ON CASH | <u>(10,806)</u> | <u>1,679</u> |
| (Decrease) increase in cash and cash equivalents | <u>(17,930)</u> | <u>17,527</u> |
| CASH AND CASH EQUIVALENTS, beginning of period | <u>33,315</u> | <u>15,788</u> |
| CASH AND CASH EQUIVALENTS, end of period | <u>\$ 15,385</u> | <u>\$ 33,315</u> |

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 fourth quarter of 2008 compared to 2007:

(\$ in thousands)

| | CONSOLIDATED | | DOMESTIC | | INTERNATIONAL | |
|-------------|--|-------------------|--|-------------------|--|-------------------|
| | Three Months Ended December 31, | | Three Months Ended December 31, | | Three Months Ended December 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Retail | \$ 157,652 | \$ 238,556 | \$ 93,332 | \$ 153,498 | \$ 64,320 | \$ 85,058 |
| Direct | 10,098 | 18,996 | 8,496 | 16,084 | 1,602 | 2,912 |
| Healthcare | 10,638 | 15,434 | 3,226 | 4,897 | 7,412 | 10,537 |
| Third Party | 10,733 | 15,968 | 3,342 | 4,295 | 7,391 | 11,673 |
| Total | <u>\$ 189,121</u> | <u>\$ 288,954</u> | <u>\$ 108,396</u> | <u>\$ 178,774</u> | <u>\$ 80,725</u> | <u>\$ 110,180</u> |

Summary of Product Sales

A summary of net sales by product is reported below:

(\$ in thousands)

| | CONSOLIDATED | | DOMESTIC | | INTERNATIONAL | |
|------------|--|-------------------|--|-------------------|--|-------------------|
| | Three Months Ended December 31, | | Three Months Ended December 31, | | Three Months Ended December 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Mattresses | \$ 124,755 | \$ 196,614 | \$ 75,695 | \$ 129,054 | \$ 49,060 | \$ 67,560 |
| Pillows | 25,990 | 41,020 | 10,591 | 19,987 | 15,399 | 21,033 |
| Other | 38,376 | 51,320 | 22,110 | 29,733 | 16,266 | 21,587 |
| Total | <u>\$ 189,121</u> | <u>\$ 288,954</u> | <u>\$ 108,396</u> | <u>\$ 178,774</u> | <u>\$ 80,725</u> | <u>\$ 110,180</u> |

Summary of Channel Sales

The following table highlights net sales information, by channel and by segment, for the full year of 2008 compared to 2007:

(\$ in thousands)

| | CONSOLIDATED | | DOMESTIC | | INTERNATIONAL | |
|-------------|-------------------------------------|---------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | Twelve Months Ended December 31, | | Twelve Months Ended December 31, | | Twelve Months Ended December 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Retail | \$ 781,105 | \$ 919,913 | \$ 500,513 | \$ 625,904 | \$ 280,592 | \$ 294,009 |
| Direct | 47,597 | 79,748 | 39,666 | 68,865 | 7,931 | 10,883 |
| Healthcare | 47,087 | 50,846 | 15,276 | 15,725 | 31,811 | 35,121 |
| Third Party | 52,029 | 56,215 | 15,249 | 14,855 | 36,780 | 41,360 |
| Total | <u>\$ 927,818</u> | <u>\$ 1,106,722</u> | <u>\$ 570,704</u> | <u>\$ 725,349</u> | <u>\$ 357,114</u> | <u>\$ 381,373</u> |

Summary of Product Sales

A summary of net sales by product is reported below:

(\$ in thousands)

| | CONSOLIDATED | | DOMESTIC | | INTERNATIONAL | |
|------------|-------------------------------------|---------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | Twelve Months Ended December 31, | | Twelve Months Ended December 31, | | Twelve Months Ended December 31, | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Mattresses | \$ 631,308 | \$ 768,530 | \$ 412,295 | \$ 535,706 | \$ 219,013 | \$ 232,824 |
| Pillows | 117,900 | 142,114 | 50,772 | 68,342 | 67,128 | 73,772 |
| Other | 178,610 | 196,078 | 107,637 | 121,301 | 70,973 | 74,777 |
| Total | <u>\$ 927,818</u> | <u>\$ 1,106,722</u> | <u>\$ 570,704</u> | <u>\$ 725,349</u> | <u>\$ 357,114</u> | <u>\$ 381,373</u> |

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Reconciliation of Adjusted Net income, Adjusted Earnings per share,
EBITDA to Net Income and Funded debt to Total debt
Non-GAAP Measures
(In thousands, except per share amounts)

The Company provides information regarding Adjusted Net income, Adjusted Earnings per share, EBITDA and Funded debt which are not recognized terms under GAAP (Generally Accepted Accounting Principles) and do not purport to be alternatives to Net income as a measure of operating performance or Total debt. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies. A reconciliation of Adjusted Net income, Adjusted Earnings per share and EBITDA to the Company's Net income and Earnings per share and a reconciliation of Funded debt to Total debt are provided below. Management believes that the use of these non-GAAP financial measures provides investors with additional useful information with respect to the impact of the repatriation of foreign earnings. Management also believes that the use of EBITDA and Funded debt provides investors with useful information with respect to the terms of the Company's credit facility.

Reconciliation of Adjusted Net income to Net income

The following table sets forth the reconciliation of the Company's reported Net income for the twelve months ended December 31, 2008 to the calculation of Adjusted Net income for the three and twelve months ended December 31, 2008:

| | Three Months Ended December 31, 2008 | Twelve Months Ended December 31, 2008 |
|---|---|--|
| GAAP Net income | \$ 1,055 | \$ 58,868 |
| Plus: | | |
| Tax provision related to repatriation of foreign earnings | 11,631 | 11,631 |
| Adjusted Net income | <u>\$ 12,686</u> | <u>\$ 70,499</u> |
| GAAP Earnings per share, diluted | \$ 0.01 | \$ 0.79 |
| Tax provision related to repatriation of foreign earnings | 0.16 | 0.15 |
| Adjusted Earnings per share, diluted | <u>\$ 0.17</u> | <u>\$ 0.94</u> |

Reconciliation of EBITDA to Net income

The following table sets forth the reconciliation of the Company's reported Net income for the twelve months ended December 31, 2008 to the calculation of EBITDA for the twelve months ended December 31, 2008:

| | Twelve Months Ended December 31, 2008 |
|-----------------------------|--|
| GAAP Net income | \$ 58,868 |
| Plus: | |
| Interest expense | 25,123 |
| Income taxes | 48,554 |
| Depreciation & Amortization | 40,797 |
| EBITDA | <u>\$ 173,342</u> |

Reconciliation of Funded debt to Total debt

The following table sets forth the reconciliation of the Company's reported Total debt to the calculation of Funded debt:

| | As of December 31, 2008 |
|-------------------------------|--|
| GAAP basis Total debt | \$ 419,341 |
| Plus: | |
| Letters of credit outstanding | 2,871 |
| Funded debt | <u>\$ 422,212</u> |

Calculation of Funded debt to EBITDA

| | As of December 31, 2008 |
|-------------|--|
| Funded debt | \$ 422,212 |
| EBITDA | <u>173,342</u> |
| | <u>2.44 times</u> |