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 18, 2005**

TEMPUR-PEDIC INTERNATIONAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-31922**	**33-1022198**
(State or other jurisdiction of incorporation)	(Commission File No.)	(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))

Item 1.01. Entry into a Material Definitive Agreement.

The information set forth in Item 2.03 is hereby incorporated into Item 1.01 by reference.

Item 1.02. Termination of a Material Definitive Agreement.

The information set forth in Item 2.03 is hereby incorporated into Item 1.02 by reference.

Item 2.02. Results of Operations and Financial Condition.

On October 20, 2005, Tempur-Pedic International Inc. issued a press release to announce its financial results for the third quarter ended September 30, 2005, including certain non-GAAP financial results. This press release includes reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measures and is furnished herewith as Exhibit 99.1 and incorporated by reference herein.

The information in this item (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing 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 2.03. Creation of a Direct Financial Obligation.

On October 20, 2005, Tempur-Pedic International Inc. (the “Company”) issued a press release announcing, among other things, that it had entered into a credit agreement, dated as of October 18, 2005 (the “Credit Agreement”), with Tempur-Pedic, Inc., Tempur Production USA, Inc., Dan-Foam ApS, certain other subsidiaries of Tempur-Pedic International, Inc., Banc of America, N.A., as administrative agent, Nordea Bank Denmark A/S, Suntrust Bank, and Fifth Third Bank.

On October 18, 2005, the Company used proceeds from the Credit Agreement to pay off amounts outstanding under its Third Amended and Restated Credit Agreement, dated as of August 26, 2004 (the “GE Agreement”), as amended, by and among the Company, several of its subsidiaries named therein, General Electric Capital Corporation and the other agents and lenders named therein. The Company repaid an aggregate of approximately $156,500,000 outstanding under the GE Agreement. The GE Agreement was terminated upon repayment.

The Credit Agreement consists of domestic and foreign credit facilities that provide for the incurrence of indebtedness up to an aggregate principal amount of $340 million. The domestic credit facility is a five-year, $200 million revolving credit facility. The foreign credit facilities consist of a $30 million revolving credit facility and $110 million delayed-draw term loan. The various credit facilities will bear interest at a rate equal to the Credit Agreement’s applicable margin, as determined in accordance with a performance pricing grid set forth in the Credit Agreement, plus one of the following indexes: (i) LIBOR and (ii) for U.S. dollar-denominated loans only, a base rate (defined as the higher of (a) the Bank of America prime rate and (b) the Federal Funds rate plus .50%). The Credit Agreement is guaranteed by Tempur-Pedic International Inc., Tempur World, LLC and Tempur World Holdings, LLC. The maturity date of the Credit Agreement is October 18, 2010.

Upon occurrence of an event of default, the lenders have the right to terminate the commitments under the Credit Agreement, and/or declare the unpaid principal amounts of all outstanding loans and all interest accrued and unpaid immediately due and payable. The Credit Agreement specifies that events of default include, without limitation, the following (subject to grace periods in certain instances): (i) the Company’s failure to pay amounts due under the Credit Agreement (including principal and interest) after any applicable grace periods, (ii) the breach of a representation or warranty made by the Company in the Credit Agreement or related documents, (iii) the breach of a covenant in the Credit Agreement or related documents, (iv) the Company's failure to perform obligations with respect to other material indebtedness, (v) certain insolvency or bankruptcy proceedings with respect to the Company and its subsidiaries, (vi) the failure to pay, or comply with, certain material judgments, (vii) the Credit Agreement or any related document document becoming invalid, and (viii) certain "changes of control" with respect to the Company and its subsidiaries.

The Credit Agreement contains certain negative and affirmative covenants and requirements affecting the Company and its subsidiaries. Subject to certain exceptions and qualifications set forth in the Credit Agreement, these covenants include, without limitation, the following: (i) delivery of financial statements, SEC filings, compliance certificates and notices of default, material litigation, material governmental proceedings or investigations, ERISA and environmental proceedings and material changes in accounting or financial reporting practices; (ii) compliance with laws; (iii) payment of obligations; (iv) preservation of existence; (v) maintenance of books and records and inspection rights; (vi) use of proceeds; (vii) maintenance of insurance; (viii) joinder of certain subsidiaries as guarantors and pledge of collateral; (ix) limitation on liens, mergers and consolidations; (x) limitation on sale or disposition of assets; (xi) limitation on incurrence and existence of other indebtedness; (xii) limitations on investments (including loans and advances); (xiii) limitations on certain acquisitions; (xiv) limitation on transactions with affiliates and (xv) the maintenance of certain financial covenants, including Debt to EBITDA and Fixed Change Coverage ratio covenants.

The Credit Agreement's proceeds will be used (i) to repay the GE Agreement, (ii) to finance up to a $170 million dividend distribution by Dan-Foam ApS, (iii) to provide credit support for the bond financing of the Company's new plant in Albuquerque, New Mexico, (iv) for working capital, capital expenditures and other lawful corporate purposes, and (v) to pay fees and expenses in connection with the Credit Agreement.

Item 7.01. Regulation FD Disclosure.

On October 20, Tempur-Pedic International Inc. issued a press release to announce (i) its financial results for the third quarter ended September 30, 2005, (ii) the entry into a credit agreement with a group of lenders led by Banc of America, N.A., (iii) the Company's plans to repatriate approximately $115 million of undistributed foreign earnings during the fourth quarter of 2005 under the provisions of the American Jobs Creation Act, (iv) the Company's intention to enter into a bond financing that is expected to close before the end of October 2005, and (v) that the Company's Board of Directors has authorized the repurchase of up to $80 million of shares of the Company's common stock.

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.

The information in this item (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing 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 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit	Description
99.1	Press Release dated October 20, 2005, titled "Tempur-Pedic International Third Quarter 2005 Net Sales Rise 13% to $206.1 Million"

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 20, 2005

Tempur-Pedic International Inc.

By: /s/ Robert B. Trussell, Jr.
Name: Robert B. Trussell, Jr.
Title: Chief Executive Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Press Release dated October 20, 2005, titled “Tempur-Pedic International Third Quarter 2005 Net Sales Rise 13% to $206.1 Million”

Exhibit 99.1

TEMPUR-PEDIC INTERNATIONAL THIRD QUARTER 2005 NET SALES RISE 13% TO $206.1 MILLION

– ***Company Announces Share Repurchase Program*** –

LEXINGTON, KY, October 20, 2005 – Tempur-Pedic International Inc. (NYSE: TPX), the market-leading manufacturer, marketer and distributor of premium mattresses and pillows worldwide, today announced net sales and earnings for the third quarter ended September 30, 2005, the adoption of a share repurchase program, a refinancing of the Company's senior credit facility on improved terms and a plan to repatriate foreign earnings.

Highlights

- Net sales rose 13% to $206.1 million from $181.7 million in the third quarter of 2004. Retail channel sales worldwide increased 19%. Sales in the international retail channel were especially strong, increasing 31%.
- The Company's Board of Directors authorized an $80 million share repurchase program.
- The Company closed on a new $340 million global senior credit facility with improved terms.
- The Company is in process of completing the repatriation of $115.0 million of foreign earnings related to the American Jobs Creation Act of 2004 and expects this to be completed by the end of October 2005.

Pro forma net income rose 3% to $24.4 million, or $0.24 per diluted share, from $23.7 million, or $0.23 per diluted share, in the third quarter of 2004. The Company reported net income under Generally Accepted Accounting Principles (GAAP) of $17.4 million, or $0.17 per diluted share, compared to $22.4 million, or $0.22 per diluted share, in the third quarter of 2004, a decrease of 22%. GAAP results include a one-time tax charge of $0.06 per fully diluted share for the repatriation of foreign earnings related to the American Jobs Creation Act of 2004.

Chief Executive Officer Robert B. Trussell, Jr. commented, "Our financial results for the third quarter are in line with the top end of the range we provided in September 2005 and represent strong continued growth in our net sales compared to 2004. As we discussed last month, the retail environment softened during the third quarter related to macro-economic factors that adversely affected net sales growth in our U.S. business. However, our international business showed considerable strength as a result of our new marketing initiatives and product launches."

President H. Thomas Bryant added, "We continued expanding our furniture retail channel, adding approximately 270 net furniture stores in the U.S. and 190 net stores internationally. Our international results reflect continued strong demand for our premium products across our international markets. Sales growth in our U.S. retail established accounts slowed significantly in the third quarter. As we announced in September, based on our lowered growth expectations for the second half we expect annualized established account growth of 20 - 25% for 2005. Moreover, like many other companies in the furniture industry, during the third quarter we began experiencing impact on our net income from the rising costs of certain raw materials and fuel surcharges on transportation costs.

"We have been accelerating the rollout of our newest mattress models in the U.S. 'The EuroBed *by* Tempur-Pedic™,' which we began shipping in July, is already in approximately 24% of our retail accounts. 'The OriginalBed *by* Tempur-Pedic™,' which began shipping in late August, is in approximately 28% of our retail accounts. To date, retailer and consumer reaction to our new products has been excellent, and we continue to expect 'The OriginalBed *by* Tempur-Pedic™' to considerably broaden our universe of consumers and expand our market share.

"The Company's other new product initiatives are also proceeding well. We launched our Scandinavian Bed Collection, which was previously available only in the Nordic region, throughout Europe and the reception has been excellent. In September, we also launched a new pillow collection exclusively for Japan.

"Within our manufacturing and supply chain operations, we are focusing our efforts on generating productivity improvements and cost reductions. For example, we have made use of several new sourcing and procurement initiatives, which we believe will result in additional cost savings and help us manage raw materials costs in the coming quarters. Regarding raw materials, we have not experienced a supply interruption to date in part because we source raw materials from multiple suppliers on a global basis and manufacture our own TEMPUR® material."

For a complete discussion of pro forma adjustments, see the Supplemental Information included later in this press release.

Share Repurchase Program

The Board of Directors authorized the repurchase of up to $80 million of shares of the Company's common stock. 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 Company noted it will not purchase shares from insiders. 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.

Financings

The Company closed on a new global senior credit facility with Bank of America, N.A. as lead agent. The total facility is $340 million, comprised of a U.S. revolver of $200 million, a European revolver of $30 million and a European five-year term loan of $110 million. The terms of the new agreement include an approximately 100-basis point reduction in the interest margin charged on outstanding borrowings compared to the prior credit facility as well as favorable changes to the financial and non-financial covenants. The Company anticipates taking a one-time, non-cash write-off of approximately $3.5 million in the fourth quarter related to deferred financing charges from its prior credit facility.

In addition to the refinancing of its senior credit facility on more favorable terms, the Company expects to complete an industrial revenue bond financing for its New Mexico facility under construction. Under the terms of the proposed financing, Bernalillo County, New Mexico will issue $75 million of Taxable Variable Rate Industrial Revenue Bonds, supported by a letter of credit issued under the Company's new U.S. revolver. The closing of this financing is subject to completion of documentation and satisfaction of closing conditions and is expected to occur by the end of October 2005.

Repatriation of Earnings

The Company is in the process of repatriating approximately $115 million in foreign earnings related to the American Jobs Creation Act of 2004 (the Act). The Company expects this will be completed by the end of October 2005. Subject to obtaining certain foreign tax rulings, the Company expects to repatriate up to an additional $55 million in the fourth quarter of 2005, for a total $170 million repatriation plan. In the third quarter, the Company recorded a one-time charge related to the tax expense of approximately $6.5 million, or $0.06 per fully diluted share, for the repatriation plan which was finalized in the third quarter. Proceeds from the repatriation will be reinvested in its U.S. operations consistent with the objectives of the Act. Planned uses include, among others, investment in its new Albuquerque production facility, U.S.-based advertising, hiring and training, and capital investment.

2005 Guidance

The Company is confirming the full-year 2005 guidance it provided on September 19, 2005 for net sales and pro forma diluted net income per share. It currently expects net sales for 2005 to range between $845 million – $855 million and pro forma diluted net income per share to range from $1.05 - $1.07. It currently expects GAAP diluted earnings per share to range from $0.94 – 0.96 versus its previous guidance of $1.04 – 1.06. The change in guidance for GAAP diluted earnings per share takes into account a total charge of approximately $0.10 per share for the effects of the tax provision for the repatriation and the write-off of deferred financing costs related to the Company's prior credit facility. The Company notes that its guidance for pro forma and GAAP diluted earnings per share do not assume any benefit from a potential reduction in shares outstanding related to its share repurchase plan.

The Company notes that 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 Chief Executive Officer Robert Trussell, Jr., President H. Thomas Bryant, and Chief Financial Officer Dale Williams to discuss third quarter financial results today, October 20, 2005 at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time). The dial-in number for the conference call is 706-634-0167. The call is also being webcast, and can be accessed at http://www.tempurpedic.com/ir.

For those who cannot listen to the live broadcast, a replay of the call will be available from October 20, 2005 at 8:00 p.m. Eastern Time through October 27, 2005. To listen to the telephone replay, dial 706-645-9291, conference ID #1229662.

An archived webcast will also be available on the Tempur-Pedic International investor relations website at http://www.tempurpedic.com/ir.

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, management's expectations regarding its net sales and pro forma and GAAP net income for the full year 2005, anticipated sales growth in established accounts, the rollout and market acceptance of new products, plans to increase sales and reduce costs, the Company's intention to repurchase shares of its common stock from time to time under its share repurchase program, the planned industrial revenue bond financing and expectations regarding earnings repatriations, 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; consumer acceptance of the Company’s products; industry competition; the efficiency and effectiveness of the Company’s advertising campaign and other marketing programs; the Company’s ability to further penetrate the US retail furniture channel, continuously improve its product line, maintain efficient, timely and cost-effective production and delivery of its products, and manage its growth; rising commodity costs; the market price for the Company’s common stock prevailing from time to time; the nature of other investment opportunities presented to the Company from time to time; and the inability to obtain foreign tax rulings required to complete an additional repatriation of foreign earnings. 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 “Business-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 Swedish Mattresses and Neck Pillows™ made from its proprietary TEMPUR® pressure-relieving material: a visco-elastic material that conforms to the body to provide support and help alleviate pressure points. Products are currently sold in 60 countries under the TEMPUR® and Tempur-Pedic® brand names. World headquarters for Tempur-Pedic International are in Lexington, KY.

For more information, visit http://www.tempurpedic.com or call 800-805-3635.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	**2004**	**Chg %**	**2005**	**2004**	**Chg %**
Net sales	**$206,095**	$181,737	13%	**$621,089**	$486,460	28%
Cost of sales	**103,577**	85,657		**305,793**	228,228	
Gross profit	**102,518**	96,080	7%	**315,296**	258,232	22%
Selling and marketing expenses	**41,590**	34,911		**124,708**	101,519	
General and administrative expenses	**17,483**	17,683		**51,849**	48,974	
Research and development expenses	**627**	651		**1,944**	1,381	
Operating income	**42,818**	42,835	0%	**136,795**	106,358	29%
Other income (expense), net:						
Interest expense, net	**(5,079)**	(6,220)		**(15,306)**	(17,865)	
Loss on extinguishment of debt	**—**	—		**(717)**	(5,381)	
Other income (expense), net	**(160)**	(175)		**167**	21	
Total other expense	**(5,239)**	(6,395)		**(15,856)**	(23,225)	
Income before income taxes	**37,579**	36,440		**120,939**	83,133	
Income tax provision	**20,211**	14,029		**51,971**	32,006	
Net income	**$ 17,368**	$ 22,411	-23%	**$ 68,968**	$ 51,127	35%
Earnings per share:						
Basic	**$ 0.18**	$ 0.23		**$ 0.70**	$ 0.52	
Diluted	**$ 0.17**	$ 0.22		**$ 0.67**	$ 0.50	
Weighted average shares outstanding:						
Basic	**99,090**	97,763		**98,770**	97,601	
Diluted	**103,346**	103,036		**103,171**	102,933	

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

	September 30, 2005 (Unaudited)	December 31, 2004	Chg %
ASSETS			
Current Assets:			
Cash and cash equivalents	**$ 52,401**	$ 28,368	
Accounts receivable, net	**116,408**	93,804	
Inventories	**87,159**	66,162	
Prepaid expenses and other current assets	**9,982**	12,523	
Income taxes receivable	**—**	4,136	
Deferred income taxes	**9,140**	8,853	
Total current assets	**275,090**	213,846	29%
Property, plant and equipment, net	**182,851**	138,457	
Goodwill	**201,234**	200,810	
Other intangible assets, net	**74,418**	76,122	
Deferred financing and other non-current assets, net	**8,960**	10,388	
Total assets	**$ 742,553**	$ 639,623	16%
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	**$ 38,193**	$ 34,771	
Accrued expenses and other	**56,694**	55,600	
Income taxes payable	**23,540**	—	
Current portion of long-term debt	**3,178**	8,758	
Total current liabilities	**121,605**	99,129	23%
Long-term debt	**304,136**	280,913	
Deferred income taxes	**43,149**	43,771	
Other non-current liabilities	**1,823**	2,189	
Total liabilities	**470,713**	426,002	11%
Stockholders' Equity:			
Common stock - $.01 par value, 300,000 shares authorized, 99,204 and 98,194 shares issued and outstanding, respectively	**992**	982	
Additional paid in capital	**255,328**	253,134	
Deferred stock compensation - net of amortization of $11,741 and $9,429, respectively	**(2,767)**	(5,079)	
Retained earnings (deficit)	**16,345**	(52,623)	
Accumulated other comprehensive income	**1,942**	17,207	
Total stockholders' equity	**271,840**	213,621	27%
Total liabilities and stockholders' equity	**$ 742,553**	$ 639,623	16%

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

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004	Chg %
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 68,968**	$ 51,127	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**18,815**	16,938	
Amortization of deferred financing costs	**1,804**	2,432	
Loss on extinguishment of debt	**717**	—	
Stock-based compensation amortization	**2,312**	4,256	
Allowance for doubtful accounts	**2,286**	2,992	
Deferred income taxes	**(909)**	2,202	
Foreign currency adjustments	**606**	53	
Loss on sale of equipment and other	**574**	367	
Changes in operating assets and liabilities			
Accounts receivable	**(30,477)**	(35,709)	
Inventories	**(23,917)**	4,232	
Prepaid expenses and other current assets	**1,569**	(1,267)	
Accounts payable	**6,275**	3,842	
Accrued expenses and other	**2,078**	3,146	
Income taxes	**28,375**	1,118	
Net cash provided by operating activities	**79,076**	55,729	42%
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for trademarks and other intellectual property	**(1,520)**	—	
Purchases of property, plant and equipment	**(68,139)**	(23,014)	
Proceeds from sale of equipment	**327**	77	
Net cash used by investing activities	**(69,332)**	(22,937)	-203%
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term Revolving Credit Facility	**73,500**	33,511	
Repayments of long-term Revolving Credit Facility	**(22,000)**	(35,670)	
Repayments of term loans	**(33,492)**	(78,006)	
Cash held in trust for repayment of Senior Subordinated Notes	**—**	60,243	
Payments of deferred financing costs	**(250)**	(2,361)	
Proceeds from issuance of common stock	**2,204**	797	
Net cash provided (used) by financing activities	**19,962**	(21,486)	192%
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(5,673)**	(362)	
Increase in cash and cash equivalents	**24,033**	10,944	
CASH AND CASH EQUIVALENTS, beginning of period	**28,368**	14,230	
CASH AND CASH EQUIVALENTS, end of period	**$ 52,401**	$ 25,174	108%

Supplemental Information

Pro Forma Net Income and Other Financial Data

To further provide investors useful information, pro forma net income is presented and represents the Company's GAAP net income before income tax expense on repatriation of foreign dividend of $6.5 million for the three and nine months ended September 30, 2005. In addition, non-cash stock-based compensation expense of $0.5 million and $1.3 million for the three months ended September 30, 2005 and 2004, respectively, and $1.9 million and $4.3 million for the nine months ended September 30, 2005 and 2004 respectively, are excluded from GAAP net income and included in pro forma net income. In addition, for the nine months ended September 30, 2004, GAAP net income includes, and pro forma net income excludes, a loss on debt extinguishment totaling $3.3 million, net of tax, relating to the Company's redemption in January 2004 of $52.5 million aggregate principal amount of the outstanding 10-1/4% Senior Subordinated Notes due 2010, issued by its subsidiaries Tempur-Pedic, Inc. and Tempur Production USA, Inc.

The Company believes that excluding the repatriation income tax provision, non-cash stock-based compensation expense and loss on debt extinguishment provides a measure that is more representative of ongoing costs and therefore more comparable to the Company's historical operations. The following is a reconciliation of GAAP net income to pro forma net income and per share amounts:

TEMPUR-PEDIC INTERNATIONAL INC. AND SUBSIDIARIES
Reconciliation of GAAP Net Income to Pro Forma Net Income,
and Other Financial Data
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
GAAP net income	**$ 17,368**	$ 22,411	**$ 68,968**	$ 51,127
Income tax provision on repatriation dividend	**6,491**	—	**6,491**	—
Non-cash stock-based compensation expense	**553**	1,266	**1,983**	4,256
Loss on extinguishment of debt, net of tax	**—**	—	**—**	3,309
Pro forma net income	**$ 24,412**	$ 23,677	**$ 77,442**	$ 58,692
GAAP net income per share, diluted	**$ 0.17**	0.22	**0.67**	0.50
Income tax provision on repatriation dividend	**0.06**	—	**0.06**	—
Non-cash stock-based compensation expense	**0.01**	0.01	**0.02**	0.04
Loss on extinguishment of debt, net of tax	**—**	—	**—**	0.03
Pro forma net income per share, diluted	**$ 0.24**	0.23	**0.75**	0.57
Other financial data				
Depreciation and amortization	**$ 6,888**	$ 7,229	**$ 21,127**	$ 21,194
Net debt	**$ 254,913**	$ 270,722	**$ 254,913**	$ 270,722

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 2005 compared to 2004:

($ in thousands)

	CONSOLIDATED		DOMESTIC		INTERNATIONAL	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004	2005	2004
By Sales Channel						
Retail	$159,446	$133,429	$106,937	$ 93,260	$52,509	$40,169
Direct	23,694	24,767	20,085	21,300	3,609	3,467
Healthcare	10,748	11,442	2,725	2,793	8,023	8,649
Third Party	12,207	12,099	2,576	2,206	9,631	9,893
Total	$206,095	$181,737	$132,323	$119,559	$73,772	$62,178

Summary of Product Sales

A summary of net sales by product is reported below:

($ in thousands)

	CONSOLIDATED		DOMESTIC		INTERNATIONAL	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2005	2004	2005	2004	2005	2004
Net Sales						
Mattresses	$139,162	$119,754	$ 96,398	$ 85,406	$ 42,764	$ 34,348
Pillows	30,950	33,036	12,985	14,076	17,965	18,960
Other	35,983	28,947	22,940	20,077	13,043	8,870
Total	$206,095	$181,737	$132,323	$119,559	$ 73,772	$ 62,178
Units Sold(1)						
Mattresses	171,939	150,029	95,725	91,860	76,214	58,169
Pillows	650,934	712,603	277,262	288,316	373,672	424,287

(1) Units sold represent net sales after consideration of returned mattresses and pillows and excludes units shipped to fulfill warranty claims and promotional activities.