

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) **September 6, 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 7.01. Regulation FD Disclosure**

On September 6, 2007, Tempur-Pedic International Inc. will host a webcast of its First Annual Analyst Day. Attached as Exhibit 99.1 to this report and furnished under this Item 7.01 is a copy of the press release issued on September 5, 2007 which provides information about the webcast. Attached as Exhibit 99.2 to this report and furnished under this Item 7.01 are copies of slides used by Tempur-Pedic International Inc. for the investor presentation at its First Annual Analyst Day.

The information in this report (including Exhibits 99.1 and 99.2) 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 9.01. Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated September 5, 2007, titled “Tempur-Pedic To Host Webcast of Analyst Day”
99.2	Tempur-Pedic International Inc. First Annual Analyst Day Investor Presentation

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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: September 6, 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 TO HOST WEBCAST OF ANALYST DAY**  
*- Company Comments on Recent Business Trends*

**LEXINGTON, KY, September 5, 2007**– Tempur-Pedic International Inc. (NYSE: TPX), the leading manufacturer, marketer and distributor of premium mattresses and pillows worldwide, today provided the following update related to its analyst day event at the Company's new manufacturing facility in Albuquerque, New Mexico. The event will begin at 10:00 a.m. ET on September 6, 2007. The Company will provide a webcast link on the Investor Relations section of its website at [www.tempurpedic.com](http://www.tempurpedic.com). In addition, the Company will file the presentation in a Form 8-K filing with the Securities and Exchange Commission.

In anticipation of questions regarding recent business trends, President & CEO H. Thomas Bryant commented, "We are pleased with order trends to date in the third quarter. In fact, throughout the quarter, U.S. retail consumer demand has been running ahead of our prior expectations across our mattress line."

Bryant continued, "With consumer demand outpacing expectations, while our manufacturing facilities continue to operate very smoothly, some of our suppliers have been stretched beyond their short-term capacity. As a result, we have experienced some sporadic product shortages. We have taken actions to mitigate this situation and we currently anticipate shortages will be eliminated within the next several weeks."

Separately, Mr. Bryant commented on the Company's on-going stock repurchase authorization. Bryant stated, "As disclosed in early August, we expanded our credit facility as we had been aggressive buyers of our stock since the adoption of our most recent stock repurchase authorization. We continue to be active in the market utilizing a 10b5-1 plan, as we continue to view share repurchases as an excellent means to return value to shareholders. Consistent with our prior practice, we will update share count, interest expense and earnings per share implications when we publish our next quarterly report."

**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 the Company's expectations regarding demand for its products, the Company's ability to address product shortages, and the Company's stock repurchase program, 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 the ability of the Company and its suppliers to efficiently increase production to address product shortages; 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 furniture 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; rising commodity costs; the Company's ability to protect and maintain its intellectual property; the Company's ability to respond to regulatory requirements; the Company's ability to retain members of its senior management team; the effects of increased interest rates; the effects of labor relations on business operations and costs; the effects of increased product return rates or a reduction in warranty reserves; the market price for the Company's common stock prevailing from time to time; and the nature of other investment opportunities presented to the Company from time to time. 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



# 1st Annual Analyst Day

*September 6, 2007*

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***Barry Hytinen***  
***Vice President, Investor Relations***  
***and Financial Planning & Analysis***



# Forward Looking Statements

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This presentation may contain "forward-looking statements" which include information concerning the Company's plans, objectives, goals, strategies, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. When used in this presentation, 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, the Company's expectations regarding prospects for growth and future financial performance, the Company's expectations regarding demand for its products, increasing slots per store, growing brand

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reness, strong cash flow generation, unit share opportunities, new consumer segments, new retail accounts, the Company's ability to address product shortages, the Company's stock repurchase program, the Company's ability to achieve its long-term goals and objectives, and expectations related to the costs and availability of raw materials, 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 expectations will be realized. These and other risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained in this presentation. 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 furniture 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; the Company's ability to protect and maintain its intellectual property; the Company's ability to respond to regulatory requirements; the Company's ability to retain members of its senior management team; the effects of increased interest rates; the effects of labor relations on business operations and costs; the effects of increased product return rates or a reduction in warranty reserves; the market price for the Company's common stock prevailing from time to time; and the nature of other investment opportunities presented to the Company from time to time. 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.



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***Tom Bryant***  
***President & Chief Executive Officer***



# Seasoned Management Team

ØExecutive team has ~160 years managing large international businesses

Name	Position	Prior Experience	Prior Experience	
			Consumer Products	Inter'l
Tom Bryant	President & CEO	CEO, Stairmaster Sports & Medical Products President, Dunlop Maxfli Johnson & Johnson	✓	✓
Rick Anderson	EVP and President, North America	VP, Gillette Gillette/P&G	✓	✓
David Montgomery	EVP and President, International	President, Rubbermaid Europe VP, Black & Decker Europe, Middle East, Africa	✓	✓
Matt Clift	EVP, Global Operations	VP/GM Lexmark International Lexmark/IBM	✓	✓
Dale Williams	EVP & CFO	CFO, Honeywell Control Products CFO, Saga Systems CFO, GE Information Services	✓	✓
Holly MacTaggart	VP, Global Human Resources	Director, Humana Sr. Organizational Strategist, Dell	✓	✓



## Overview

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- u Worldwide leader in **Premium Sleep**, the **fastest growing** segment of the ~\$13 billion wholesale mattress market
- u **Global** sales under the “TEMPUR®” and “Tempur-Pedic®” trademarks in >70 countries
- u Leading producer of **premium** mattresses and pillows
- u Products provide greater overall **comfort** and better **quality** sleep



## Tempur-Pedic Swedish Sleep System

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- u Pressure & Pain Management

- 94% of owners experience a reduction in painful pressure points

- u Open Cell Technology

- u Body Conforming & Support

- 92% of owners sleep better and wake more refreshed

- u Safe and Healthy

- u Maintenance Free

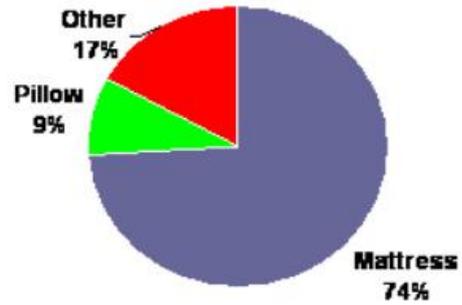
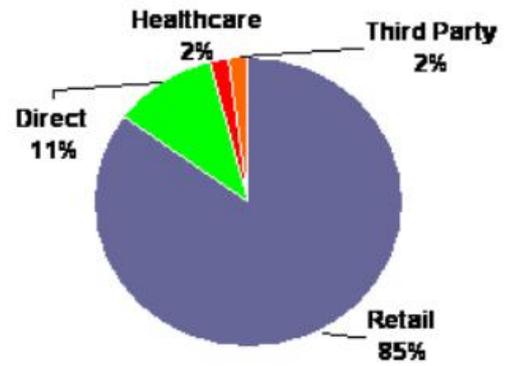
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Source: Independent survey commissioned by Tempur-Pedic



# Domestic Sales

- u Domestic represents 66% of total sales with long-term growth prospects
- u Products sold through four channels with focus on established retail accounts and new opportunities for growth
- u US-based R&D center focused on product development and targeting new consumer segments
- u Brand building via advertising campaign to drive market share gains



1. Data represents first half 2007 results.



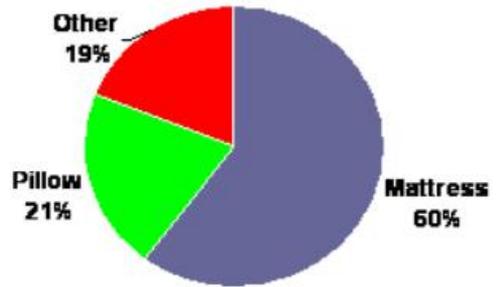
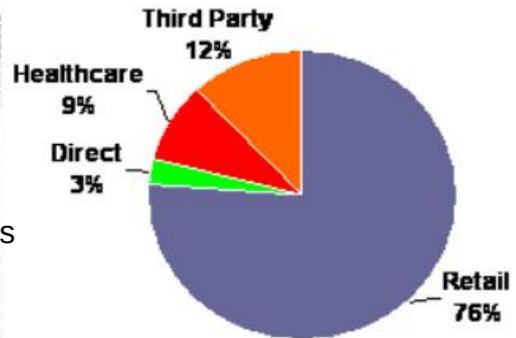
# International Sales

International represents ~34% of total sales with long-term growth prospects

Products sold through four channels

Products designed for unique, regional preferences at European-based R&D center

Building brand with large advertising commitment



1. Data represents first half 2007 results.



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# *Sleep In The News*



**“Sleep for longer if you want to stay healthy”** 

**Who Needs Sleep?** 

*Sleep, Snoring and the Blues*

-By SANJAY GUPTA

**Not getting enough sleep can make you fat** 

-By Madelyn Fernstrom, Ph.D., CNS

**“Companies try to help workers sleep more”** 

**Sleep Deprivation: New Concerns; Four More Studies Show It Harms Health** 

*Don't lose sleep buying the perfect mattress* 

-By Janice Lieberman



# Sleep In The News

o U.S. Sleep aid industry estimated at >\$3B/yr and growing!



~~Tempur-Pedic is neither associated nor affiliated with any of the entities displayed above.~~

Note: U.S. Sleep Aid Industry annual market size estimate based on management estimates and publicly available industry estimates for prescription and over-the-counter sleep aids.



## Better Mattress ... Better Sleep!

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- u “Sleep in the News” is fueling consumer interest and involvement in sleep related products and categories
- u Impact on all consumers, but especially the 77 million Baby-Boomers
- u 47% of Americans surveyed said they now believe a mattress is the best investment they can make to improve their health and wellness<sup>1</sup>

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1. Source: International Sleep Products Association



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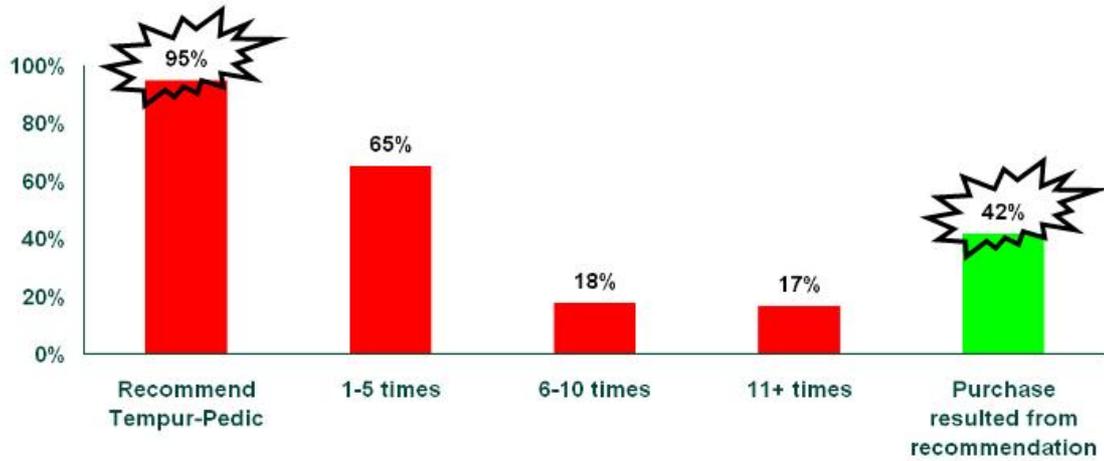
# *Consumer Passion*



## Consumer Passion

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- ~95% Tempur-Pedic® consumers recommend the product
- ~65% of consumers recommended Tempur-Pedic up to 5 times
- 42% of consumers report someone purchased a Tempur-Pedic mattress as a result of their recommendation



Source: Independent survey commissioned by Tempur-Pedic



## Business Update

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- u Continue to be pleased with recent business trends
- u US retail consumer demand running ahead of prior expectations
  - throughout the quarter and across mattress line
- u Some suppliers have not been able to keep up with increased demand leading to sporadic product shortages
- u Have taken actions to mitigate shortages
- u Tempur-Pedic manufacturing facilities continue to operate very smoothly
- u Anticipate shortages will be largely eliminated over the next several weeks



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***Rick Anderson***  
***Executive Vice President &***  
***President, North America***



## Domestic Snapshot

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u

The **Market Opportunity** for Tempur-Pedic is significant

- Our **Share Position** within both mattress and pillow categories is expanding
- **Brand Awareness** is at an all-time high (and still growing)
- **Consumer Satisfaction** and referrals are world class
- **Sales Performance** continues to be strong

u

Our **Consumer-Centric Growth Model** guides our activities

- Incorporates trends in demographics, personal well-being and the retail environment
- Drives new products, brand communication, distribution and medical activities
- Will ensure continued market share growth in our core categories



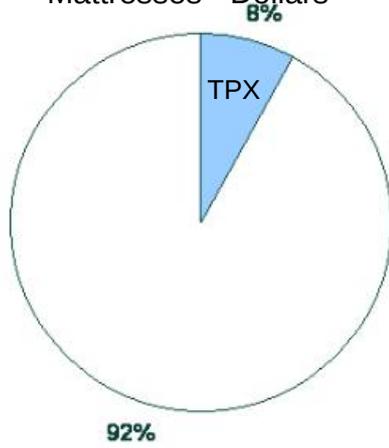
# The Market Opportunity is Huge

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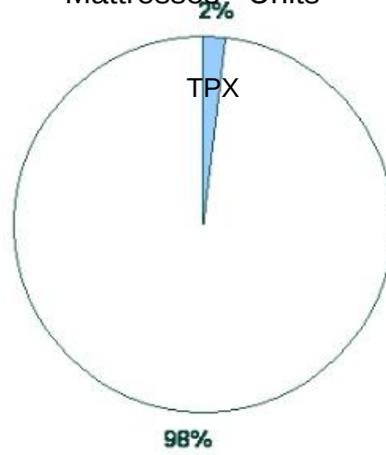
u

2006 U.S. Market Share

Mattresses - Dollars



Mattresses - Units



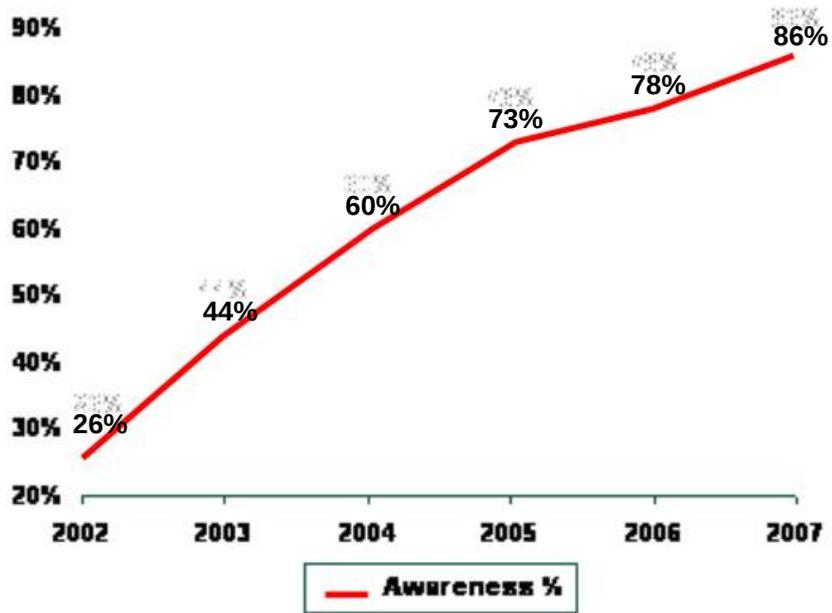
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Source: Industry data and company estimates



## Increasing Brand Awareness

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Total Brand Awareness for mattresses based on study commissioned by Tempur-Pedic and completed in the first quarter of each year



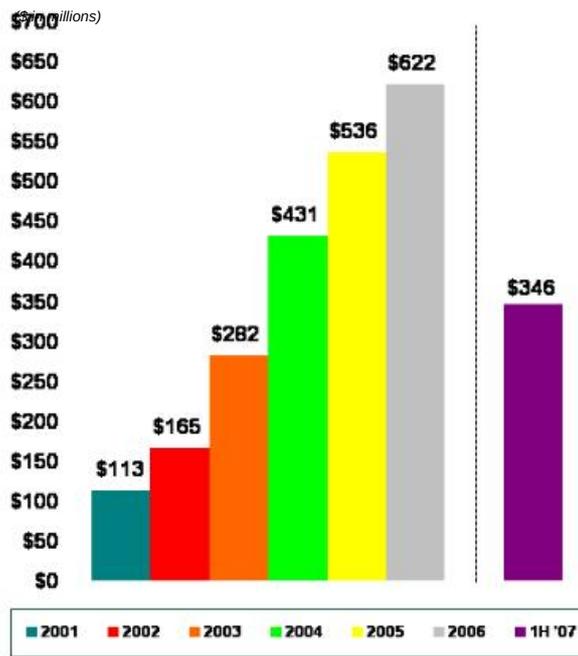
# Overall Consumer Satisfaction is World Class



Source: Independent survey commissioned by Tempur-Pedic - April 2007



# Domestic Historical Net Sales



- u Brand awareness/satisfaction/recommendations
- u Established customer growth
- u Existing product line distribution expansion
- u Selectively adding new retail customers
- u Value added new product launches

1.

*For a discussion of the Company's performance for the second quarter of 2007, please refer to the Company's earnings release included in the Company's 8-K dated July 19, 2007.*



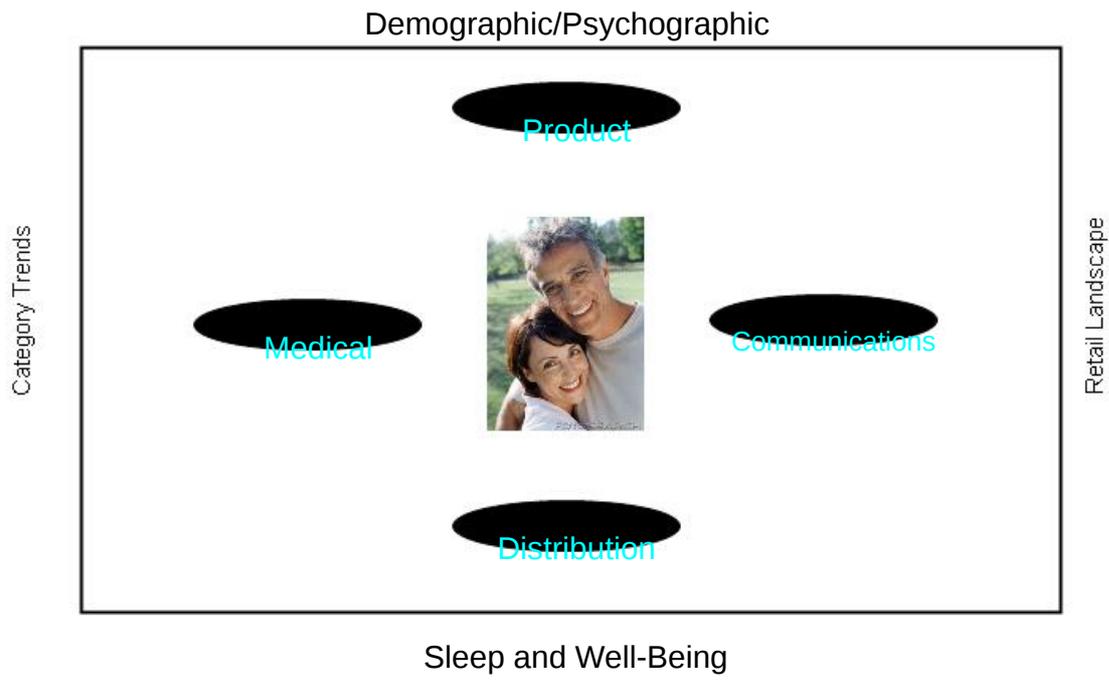
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# Growing Household Penetration A Consumer-Centric Growth Model



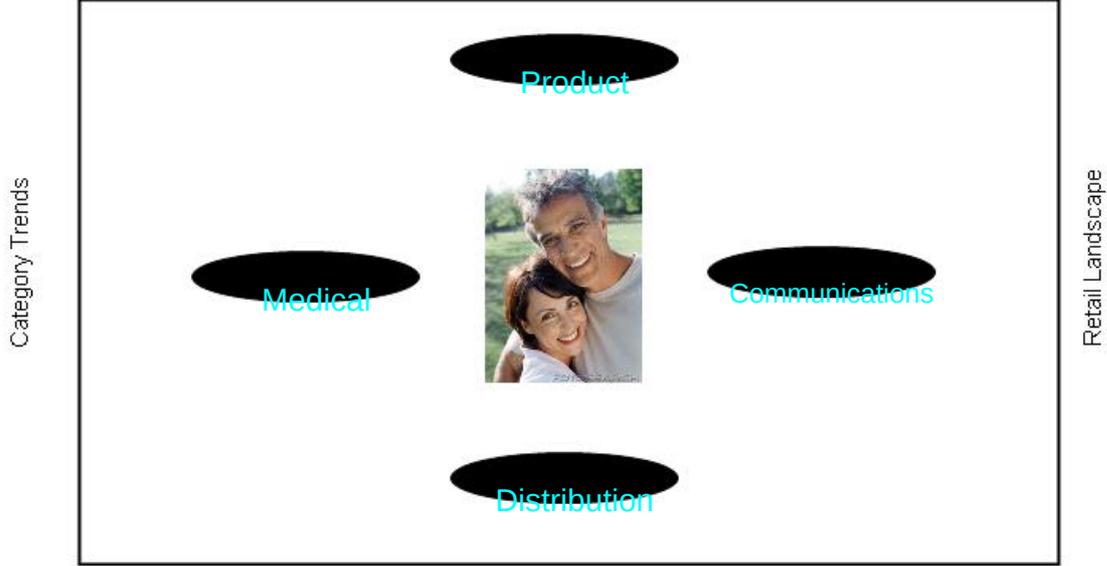
# TPNA Consumer-Centric Growth Model

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# TPNA Consumer-Centric Growth Model

## Demographic/Psychographic



## Sleep and Well-Being



# TPNA Consumer-Centric Growth Model

## Demographic/Psychographic

Category Trends



77 Million Baby Boomers  
Higher education levels  
More discretionary income  
More Involved  
Better Informed  
More Active  
More Demanding  
than previous generations



Retail Landscape

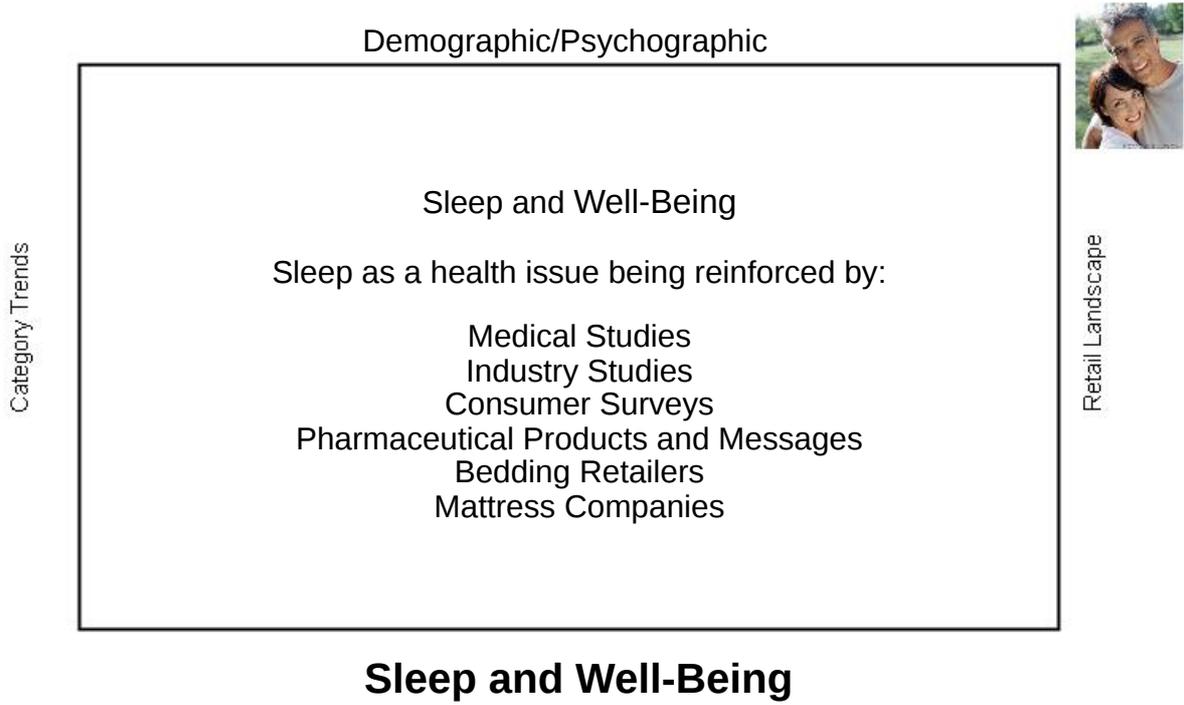
These consumers demand quality, place an enormous value on their personal well-being and ***believe that investment in their home is not only rewarding, it is essential to living a fulfilling lifestyle***

Sleep and Well-Being



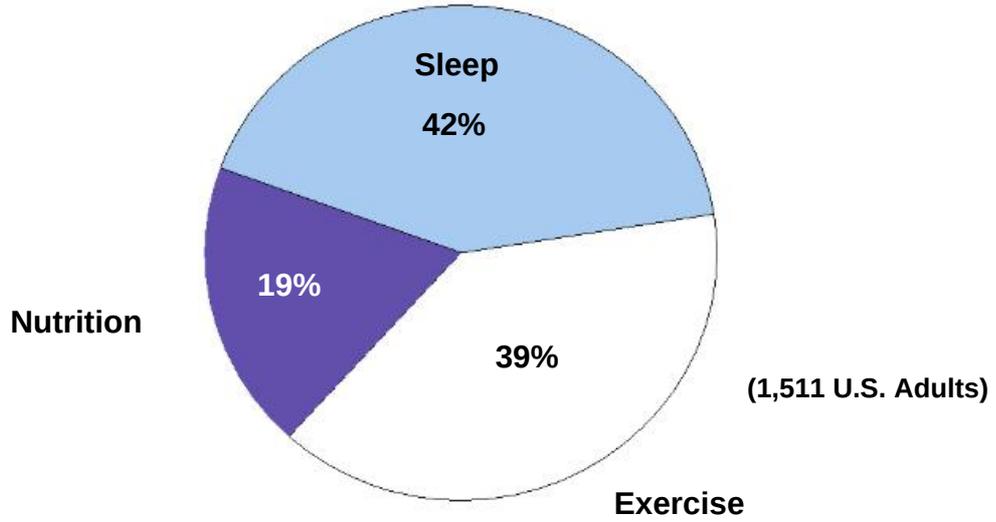
# TPNA Consumer-Centric Growth Model

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# 2007 Consumer Wellness Study

## Does the Most to Restore Sense of Well-Being

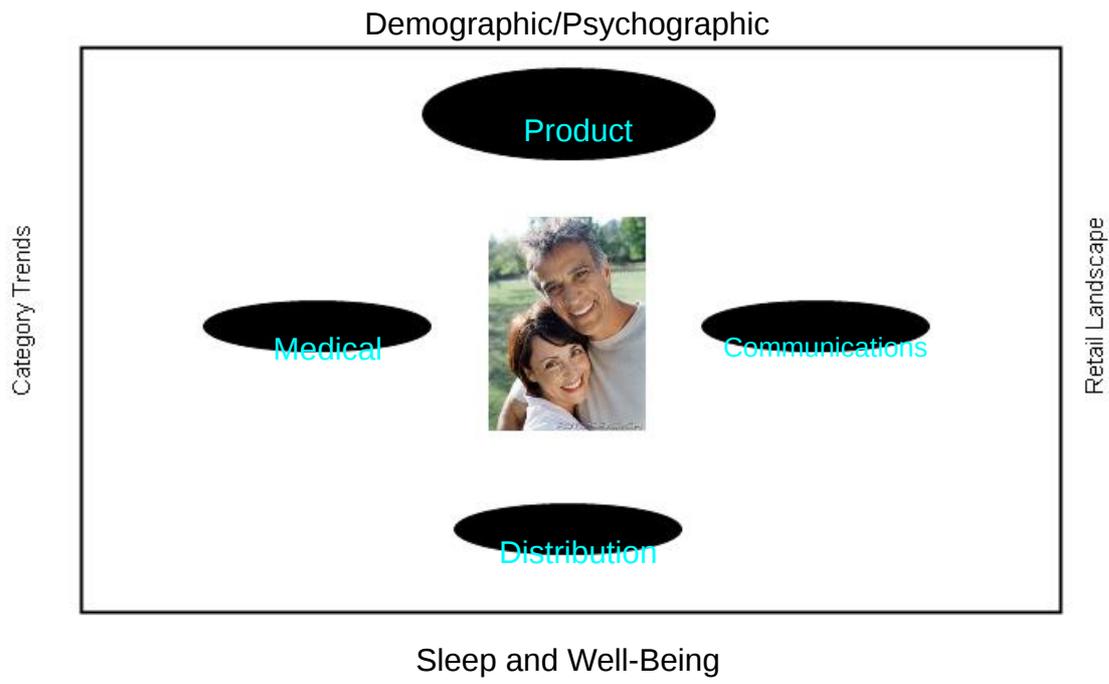


Q.6: Which one of the following do you believe does the most to restore your sense of well-being? (please select one answer)

Source: 2007 TPX Consumer Wellness Study



# TPNA Consumer-Centric Growth Model



## Product Development Strategy

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u

We strive to develop innovative products using TEMPUR® material that improve the lives of consumers

u

New pillow and mattress products must:

- Fill an unmet consumer need
- Over-deliver performance and quality
- Delight the consumer
- Be differentiated versus “siblings”
- Offer improved margins to retailers and to TPX

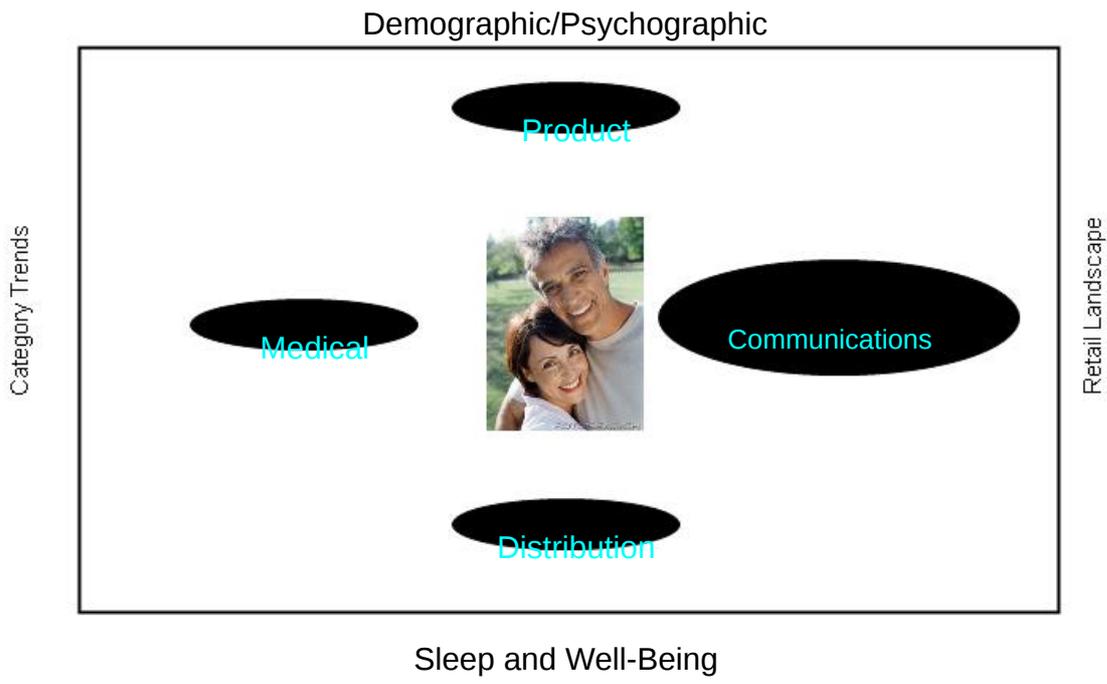
u

Recent examples

- GrandBed, RhapsodyBed, BellaSonnaBed
- Symphony, Grand and Rhapsody pillows



# TPNA Consumer-Centric Growth Model



## Consumer Communication Strategy

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u

At Tempur-Pedic, we don't just bring you a bed, we believe your bed should do more:

–

*Your bed should relieve your pain, not add to it*

–

*Your bed should make stress go away*

–

*Your bed should always give you comfort*

u

Delivered through a significant, integrated, multi-faceted campaign that surrounds the “bulls-eye” consumer with our single-minded message

***Welcome to Tempur-Pedic. Welcome to Bed.***



## Welcome To Bed TV Ads

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u

Show Welcome To Bed Short Form

-

Stress

-

Pain

-

Comfort



# Welcome To Bed Print Ads

Your bed should **always** give you **comfort**.

Imagine a place that better your pleasure. A place that comforts you. In this place, the bed should give you more of these things... and every night.

At Tempur-Pedic, we believe your bed should help to help you better.

When you go to sleep, the adjustable TEMPUR® makes all sorts of you... Call today to see what it will do for you. You need it to be... and it's here to help you.

**TEMPUR-PEDIC**  
welcome to bed™

Call for your Night Time Renewal Kit with FREE In-Home Typist Certificate  
**888-359-8436**  
Or visit us at [www.tempurpedic.com](http://www.tempurpedic.com)

Your bed should **relieve** your pain, **not add to it**.

Imagine a place of healing where the pain that comes along with your bed will be gone. And what if you could get that relief... and every night.

At Tempur-Pedic, we believe your bed should help you better. And every night.

At Tempur-Pedic, we believe your bed should help you better. And every night.

At Tempur-Pedic, we believe your bed should help you better. And every night.

**TEMPUR-PEDIC**  
welcome to bed™

Call for your Night Time Renewal Kit with FREE In-Home Typist Certificate  
**888-242-1998**  
Or visit us at [www.tempurpedic.com](http://www.tempurpedic.com)

Your bed should make **stress** go away.

Imagine a place where stress is relaxed and the pressure of the day is gone. And what if you could get that relief... and every night.

At Tempur-Pedic, we believe your bed should help you better. And every night.

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## Direct Response TV

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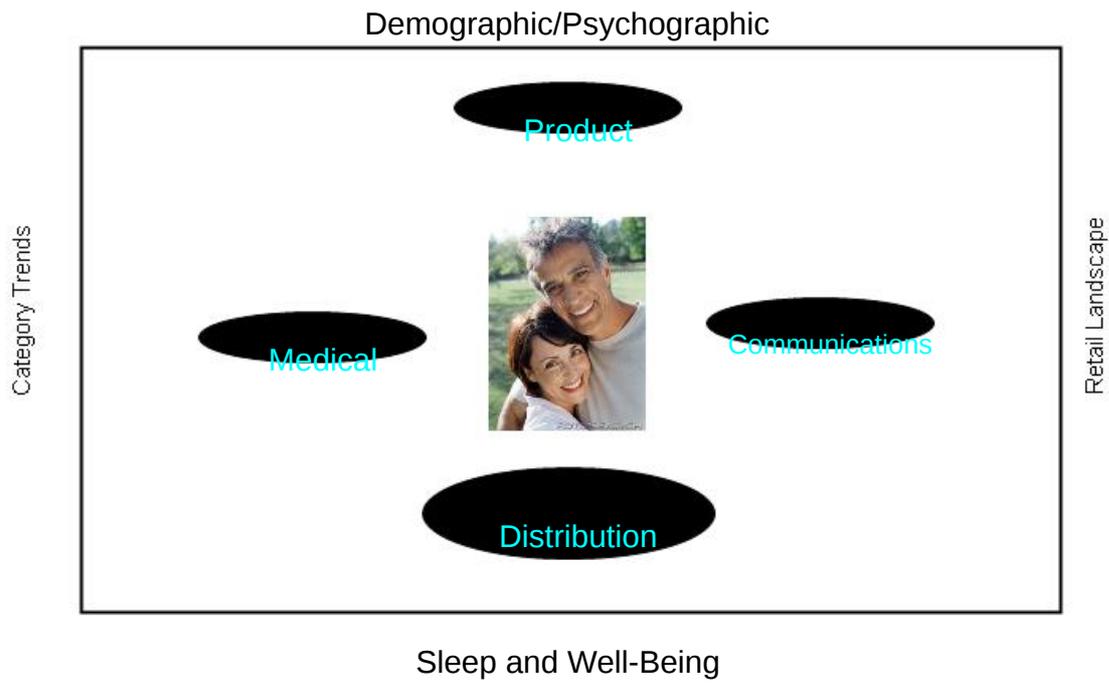


### u Classic DR Advertising:

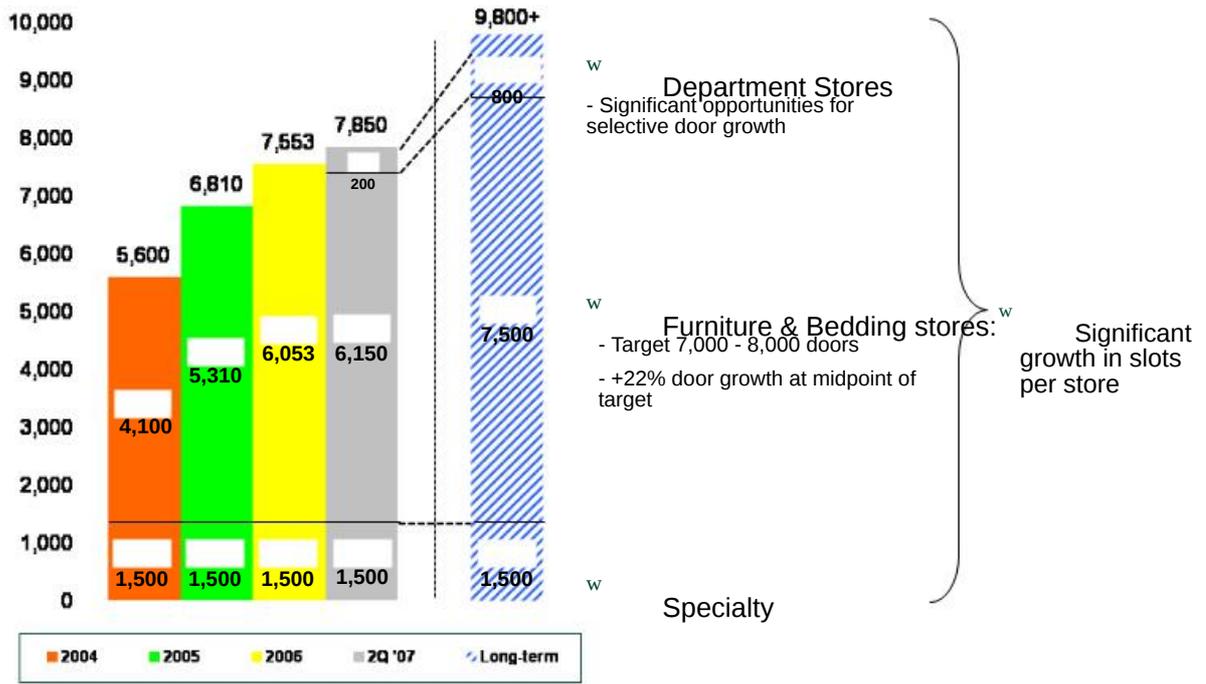
- Testimonials
- Endorsements
- Calls to action



# TPNA Consumer-Centric Growth Model



# US Distribution - Number of Total Doors



## Department Store Strategy

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- u According to *Home Accent Today's* exclusive Consumer Buying Trends Survey, department store shoppers tend to be:
  - \_ Loyal to the department store
  - \_ Slightly older
  - \_ Wealthier
- u Baby Boomers (ages 44 - 60) comprise 49% of department store buyers - well ahead of their percentage of the overall population
- u 43% of department store buyers have household incomes above \$75,000
- u Perfect match with Tempur-Pedic's Best Prospect Consumers

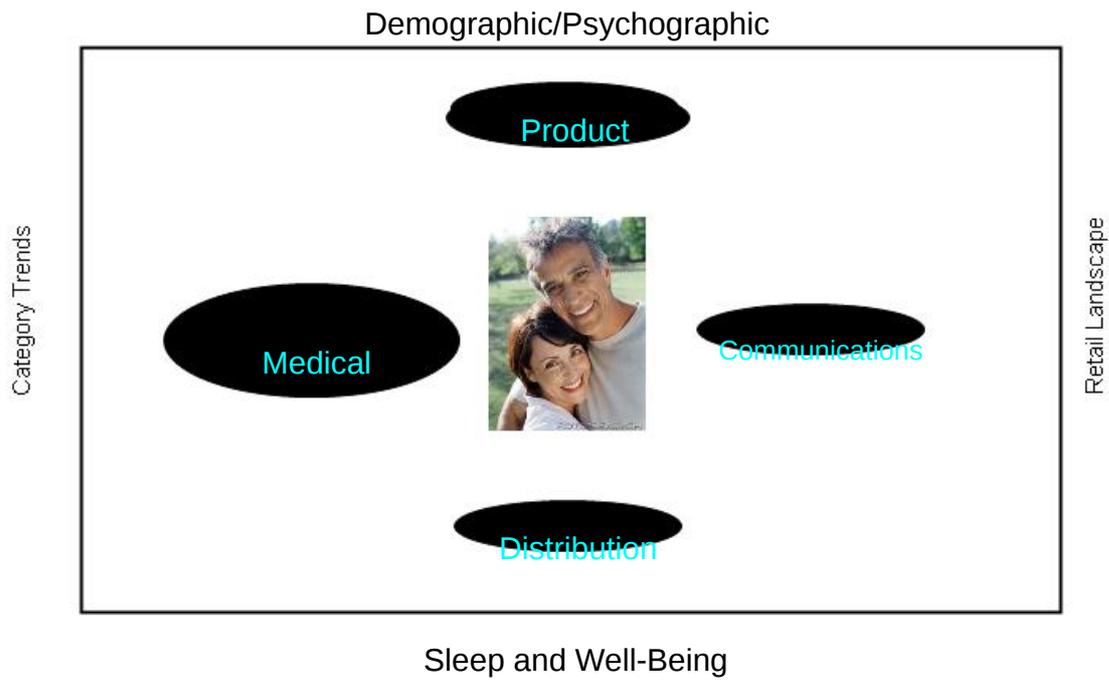


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Source: Industry and company estimates



# TPNA Consumer-Centric Growth Model



## Tempur-Pedic's Core Equity

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- u At the heart of Tempur-Pedic brand equity is our Medical heritage
- u Repositioning ourselves as a leading well-being brand requires our medical attributes to be nurtured
- u Therefore, continuing to build our medical business is a strategic priority



## Selected Medical Relationships

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- u GE imaging pads
- u OSI surgical table pads
- u Patterson dental chairs/surfaces
- u ROHO wheelchair cushions
- u Siemens operating room surfaces



## Hill-Rom Relationship

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- u Links Tempur-Pedic with the #1 medical support surface provider
- u Highlights comfort as a clinical issue
- u Reinforces Tempur-Pedic's unique and compelling brand equities
- u Critical foundation for positioning Tempur-Pedic as **a leading well-being brand**



## Domestic Snapshot

---

- u The **Market Opportunity** for Tempur-Pedic is significant
  - \_ Our **Share Position** within both mattress and pillow categories is expanding
  - \_ **Brand Awareness** is at an all-time high (and still growing)
  - \_ **Consumer Satisfaction** and referrals are world class
  - \_ **Sales Performance** continues to be strong
  
- u Our **Consumer-Centric Growth Model** guides our activities
  - \_ Incorporates trends in demographics, personal well-being and the retail environment
  - \_ Drives new products, brand communication, distribution and medical activities
  - \_ Will ensure continued market share growth in our core categories

**Welcome to Tempur-Pedic. Welcome to Bed.**



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***David Montgomery  
Executive Vice President &  
President, International Operations***



## Market Overview

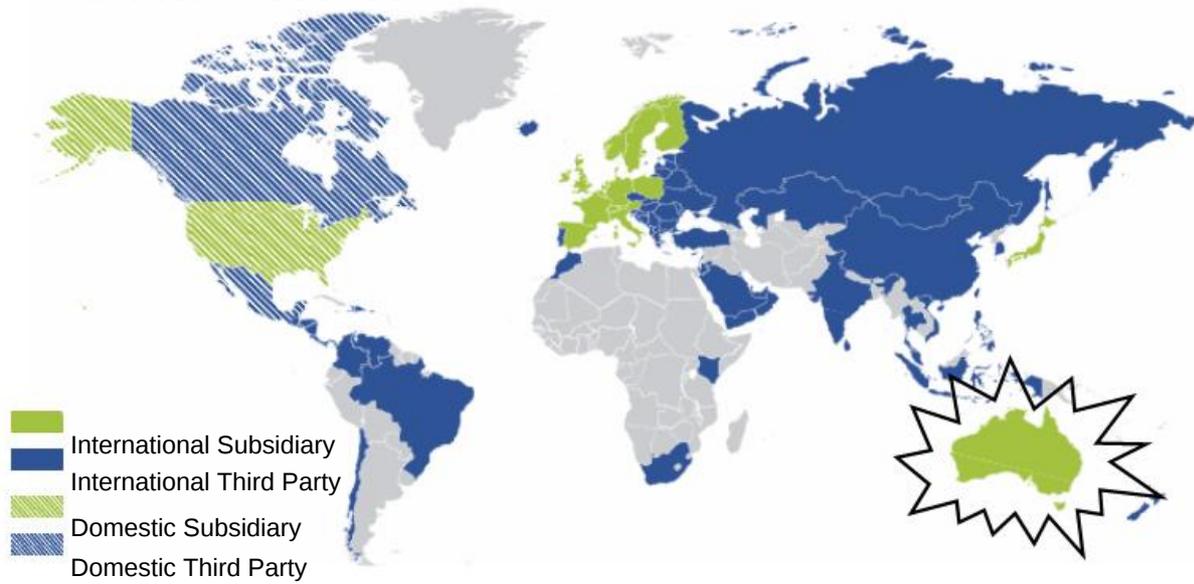
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- u International wholesale mattress market size estimated to be >\$6 billion
- u Started in Sweden in 1991 - medical focus
- u Emphasis shifts to retail in late 1990s
- u Since 2003 consistent brand image
- u 24.5% 5 year net sales CAGR
- u Now present in over 70 markets/countries worldwide from Iceland to New Zealand



## Global Presence

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- **17 subsidiaries / 58 third party distributors**
  - **Effective Sept. 2007, converted Australia from Third Party to Subsidiary**
  - **Global management structure**
- 



## Operating Model

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- u ~500 personnel throughout international operations
- u Furniture & bedding, department stores, medical, third party distribution
- u Manages local sales, marketing, distribution and finance
- u Brand marketing and product development centrally managed
- u Operational and financial efficiencies locally and centrally managed
- u Product sourced from Denmark production facility



## Third Party Distribution

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- u Seeding strategy for entry to less developed markets
- u Pillow often the introduction TEMPUR brand
- u Capitalizes on global presence
- u Strict control over use of brand and trademarks
- u Opportunity to convert to subsidiary



## Market Opportunities

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- u Retail is the growth driver
- u Organic growth in existing subsidiary and third party markets
- u Increase brand awareness globally (new global brand style)
- u New product introductions/selective price increases
- u Low and growing market share across the globe
- u Leverage global agreements to maximize Medical Business
- u Emerging markets (China, Latin America, MEA)



## Market Dynamics

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- u Dominant local competitors with nearly no global reach
- u No two markets are the same
- u Retailers locally focused
- u Premium category size varies - TPX driving growth



## Japan Hotel Partner Program

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- u Tokyu hotels advertise TEMPUR pillows
- u Higher rate for TEMPUR rooms
- u Hospitality program in Japan includes > 2,500 sleep surfaces and >33,000 pillows



# In-Store - Consistent Brand Image

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**Sweden**



**China**



**UK**



**Germany**



**Dubai**



## New Products

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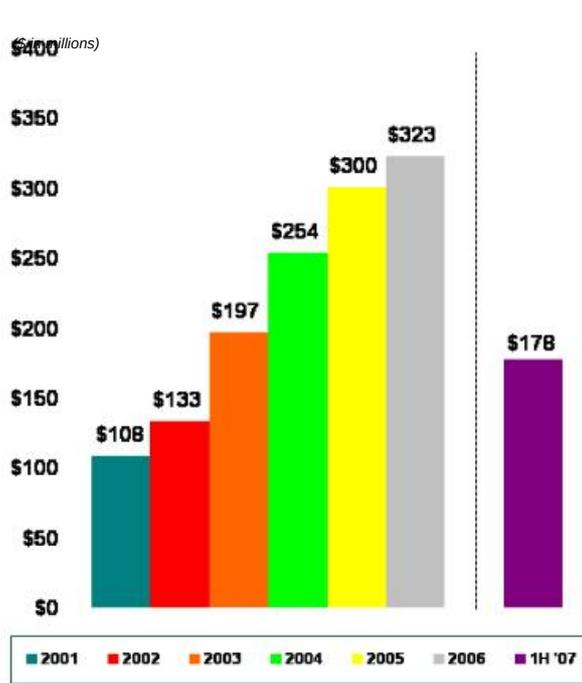


**Market hungry for new products.... significant opportunity**

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# International Historical Net Sales



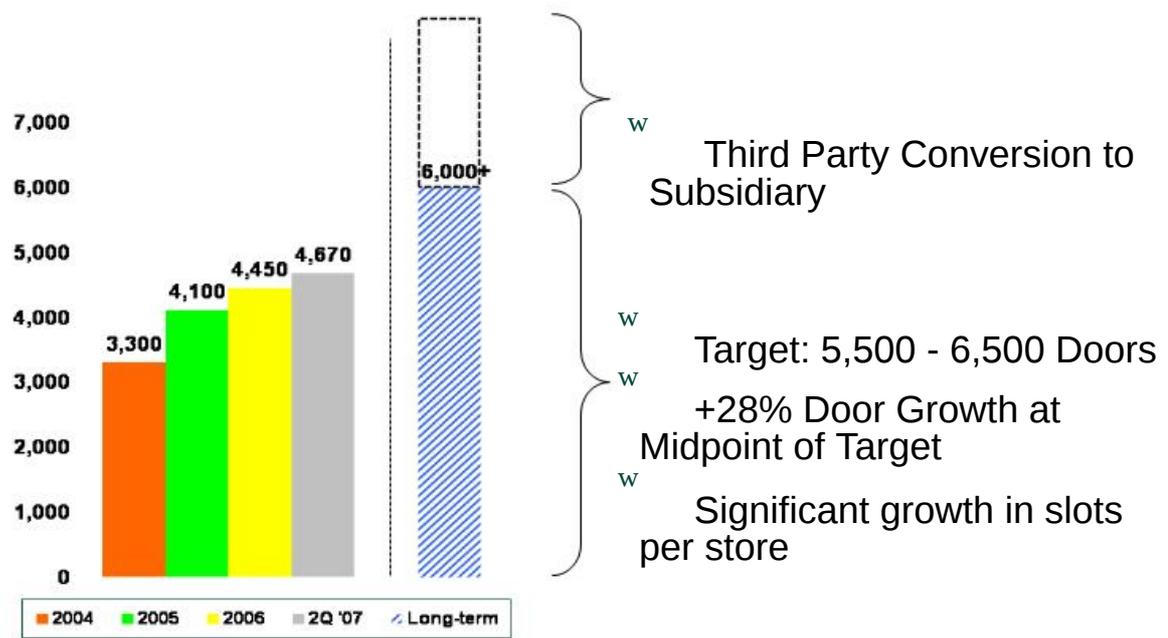
- u Increasing brand awareness and market share
- u Significant established account growth
- u Selectively adding new doors and distributors
- u New products
- u Emerging markets

1.

For a discussion of the Company's performance for the second quarter of 2007, please refer to the Company's earnings release included in the Company's 8-K dated July 19, 2007.



# International Doors



## International Operations

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- u Only truly global bedding brand
- u Management structure in place to leverage opportunities
- u Product development to suit local needs
- u Growth opportunities across the globe



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***Matt Clift***  
***Executive Vice President, Global***  
***Operations***



## Mission - Global Operations

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w

- Lead the industry in product
- Quality and customer satisfaction
- Technology development
- Product innovation

w

- Competitiveness in Operating Excellence
- Delivery performance
- Cost
- Cash management
- Data availability and analysis



# Research and Development

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<sup>w</sup> Consumer-driven design, features, functionality

2006

RhapsodyBed



GrandBed



Refreshed ClassicBed



SymphonyPillow



2007

BellaSonnaBed



RhapsodyPillow



Scandinavian Bed Supreme



SymphonyBed



# Research and Development

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W

## State-of-the-art R&D testing facilities in the US & Europe



# Manufacturing Facilities

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## **Denmark** (500K sq ft)



- u Global, vertically integrated manufacturer
- u State of the art, highly automated, ISO-certified plants
- u > \$200 million invested
- u Goal: Improve output capacity every year without significant new capital investment

## **Duffield, VA** (500K sq ft)



## **Albuquerque, NM** (800K sq ft)



1.

*Albuquerque facility is in the process of ISO certification*



## Cost Management

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### **Raw Materials**

- w Yield Improvements
- w Scale efficiency
- w Global sourcing

### **Other Materials/Packaging**

- w Global sourcing
- w Engineering

### **Overhead**

- w Leverage of existing infrastructure
- w Capital expenditures on decline

### **Supply Chain Costs**

- w Transportation
- w Warehousing

### **Labor**

- w Productivity



## Mission - Global Operations

---

w

- Lead the industry in product
- Quality and customer satisfaction
- Technology development
- Product innovation

w

- Competitiveness in Operating Excellence
- Delivery performance
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- Cash management
- Data availability and analysis

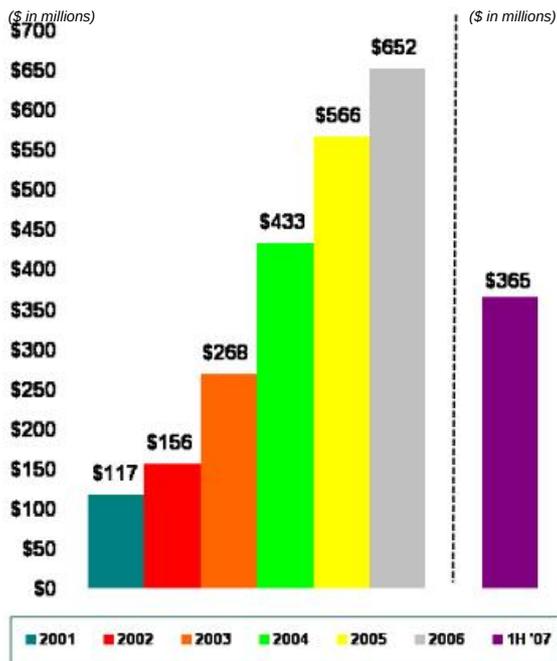


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***Dale Williams***  
***Executive Vice President &***  
***Chief Financial Officer***



# Worldwide Mattress Net Sales



41% 5 year CAGR

Growing brand awareness

Excellent profit for retailers

Targeted new stores

New products

Increasing slots per store

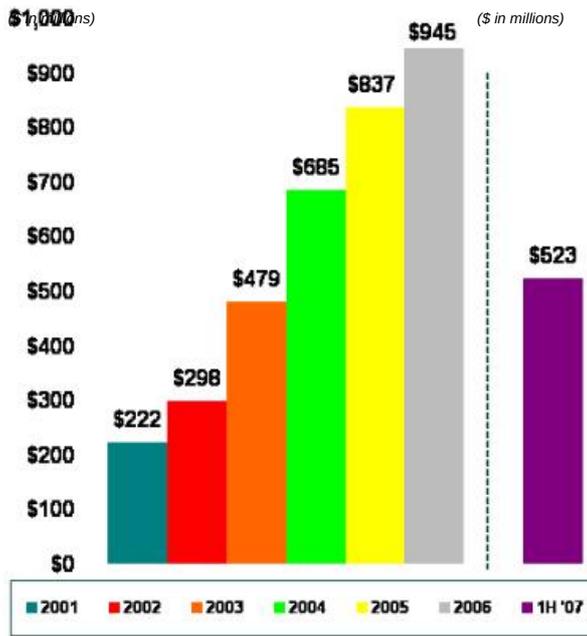
High volume per slot

1.

For a discussion of the Company's performance, please refer to the Company's 10Q filing for 2Q07 and the Company's prior 10K filings.



# Worldwide Net Sales



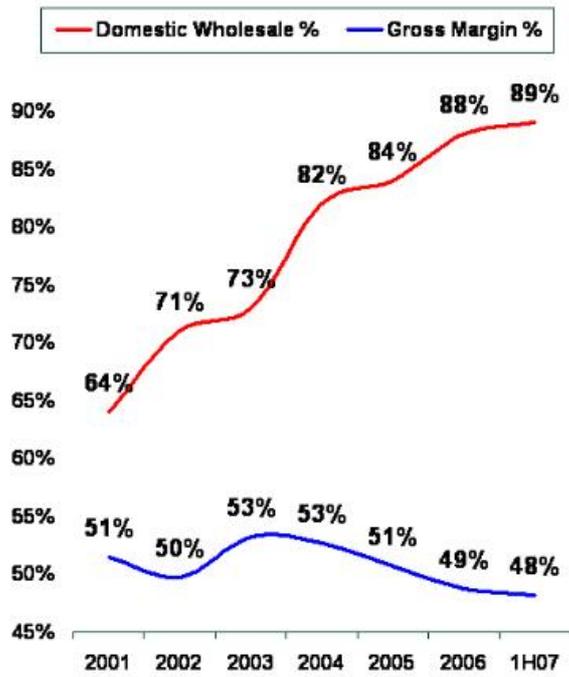
- u 34% 5 year CAGR
- u Revenue growth led by mattresses
- u Strong growth both Domestically and Internationally
- u 17% growth YTD
- u Historical growth all organic
- u Expect continued double-digit revenue growth for the foreseeable future

1.

*For a discussion of the Company's performance, please refer to the Company's 10Q filing for 2Q07 and the Company's prior 10K filings.*



# Gross Margin

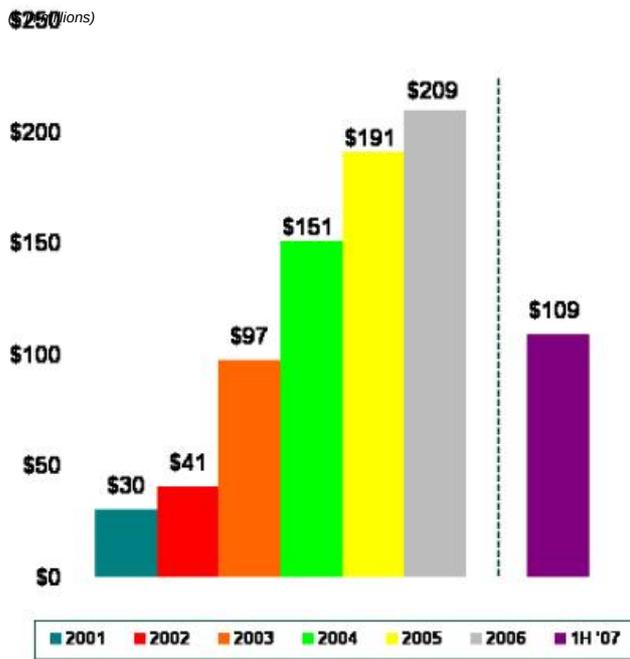


- u Channel mix shift has driven gross margin pressure
- u Albuquerque start-up primary margin pressure in 2007
- u 2007 is expected to be the trough year for gross margin
- u Long-term, expect gross margin to be 50%+

1. For a discussion of the Company's performance, please refer to the Company's 10Q filing for 2Q07 and the Company's prior 10K filings.



# Operating Income & Margins



u Operating leverage offsetting most of the prior Gross Margin erosion

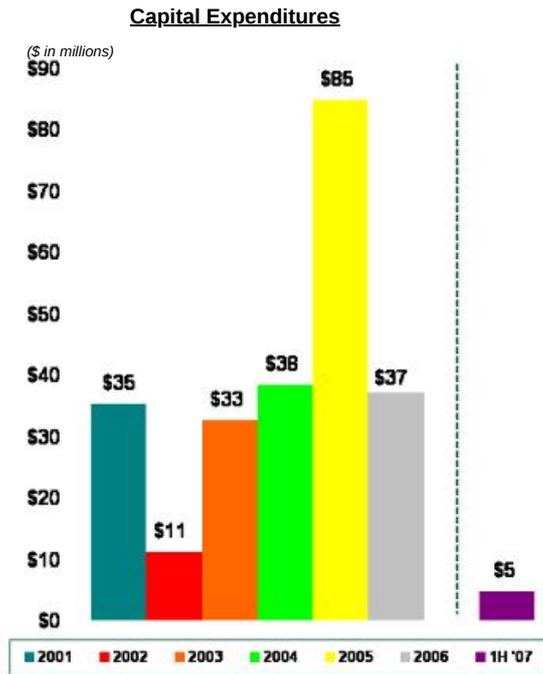
u Operating Margin will improve with Gross Margin stabilization and growth

u Long-term goal to be 25%+ Operating Margin

1. For a discussion of the Company's performance, please refer to the Company's 10Q filing for 2Q07 and the Company's prior 10K filings.



# Capital Expenditures & Cash Flow



- u Recently completed major capital investments
- u Free cash flow opportunities
- u Cash cycle opportunities
- u Modest inventory and receivables growth to support sales growth

1. For a discussion of the Company's performance, please refer to the Company's 10Q filing for 2Q07 and the Company's prior 10K filings.



# Returning Value to Shareholders



u \$300M of authorizations in '07 with \$208M spent through 8/03/07

u Purchased 24% of outstanding shares since initial share repurchase authorization in 2005

u Average share price \$16.88

u Earlier in the quarter, established a 10b5-1 plan to continue repurchase activity

1. 2007 Dividend calculated as first two payments plus anticipated payments for the remainder of the year based on the weighted average share count at the end of 2Q 2007.



## Long Term Goals

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- u Double-digit annual revenue growth
  - \$2B+ by 2012
- u Gross Margins expand to 50%+
- u Operating Margins expand to 25%+
- u Continue to return value to shareholders
  - 2005 to 2007: \$520M of share repurchase authorizations + ~\$25M of dividends



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# *Question & Answer Session*

