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**SPAN-AMERICA REPORTS RESULTS
FOR THIRD QUARTER OF FISCAL 1999**

Declares Quarterly Dividend

GREENVILLE, S.C. (August 2, 1999) -- Span-America Medical Systems, Inc. (Nasdaq/NM:SPAN) today reported net sales of \$5.6 million for the third fiscal quarter ended July 3, 1999, and net income of \$314,200, or \$0.13 per diluted share. The Company's earnings for the quarter came from a one-time gain related to last year's sale of the contract packaging business. The gain resulted in after-tax income from discontinued operations of \$365,300, or \$0.15 per diluted share. From continuing operations, the Company had a net loss for the quarter of \$51,100, or \$0.02 per diluted share.

The Company also announced a regular cash dividend of \$0.025 per share payable on September 2, 1999, to shareholders of record on August 16, 1999.

Third Quarter Results

Net sales for the third quarter of fiscal 1999 declined 24% to \$5.6 million compared with \$7.4 million in the same quarter of fiscal 1998. Most of the decline occurred in the custom products segment, but the medical segment was also weak during the quarter. Medical sales were down \$679,000 (16%) in the third quarter to \$3.5 million due to lower sales of mattress overlays and replacement mattresses. Sales of patient positioners were up 2% for the quarter, and seating sales rose by 3%. Custom products sales declined by \$1.1 million (34%) to \$2.1 million compared with the third quarter of fiscal 1998.

"Our medical sales were affected by Medicare cutbacks and the implementation of the Prospective Payment System in the long-term care market," stated Jim Ferguson, president and chief executive officer of Span-America Medical Systems, Inc. "We believe these changes reduced demand as our customers reacted to the new payment systems. We anticipate that industry conditions will improve over time as providers adjust their businesses to be successful in this new environment. Since our medical products are relatively inexpensive and highly effective, we believe they are well positioned to succeed in a low-cost, price-sensitive environment.

"Sales of custom products were down mostly because two lines of consumer convoluted foam products were discontinued at the end of fiscal year 1998," continued Mr. Ferguson. "Since that time, we have partnered with Louisville Bedding Company to sell convoluted foam products to the consumer market. Excluding the discontinued lines, our consumer foam sales rose 28% in the latest quarter as a result of the new marketing agreement. We are also working with Louisville Bedding to create a new marketing strategy for our TerryFoam product line. We believe Louisville Bedding's market strength and industry relationships will improve TerryFoam sales in the future."

Net income for the third quarter was \$314,200, or \$0.13 per diluted share, compared with \$430,800, or \$0.15 per diluted share in the third quarter last year. Earnings for the quarter included an

after-tax gain of \$365,300 on the February 1998 sale of the Company's contract packaging business. The buyers of the contract packaging business chose an early payment option on an outstanding warrant and note due to the Company. Because the Company assigned no value to the note and warrant at closing, the early payment resulted in a one-time gain. The gain, net of taxes, is shown as income from discontinued operations.

From continuing operations, the Company recorded a loss in the third quarter of \$51,100, or \$0.02 per diluted share, compared with income from continuing operations of \$430,800, or \$0.15 per diluted share, in the third quarter of fiscal 1998.

"Our earnings decline from continuing operations in the third quarter was related almost entirely to lower sales volume. We significantly reduced our manufacturing costs and improved our efficiencies during the third quarter; however, the benefits were offset by lower sales levels. We remain intent on further cost reductions in our manufacturing and administrative areas. Our plans also call for only slight reductions in selling and marketing programs as we remain focused on broadening our customer base.

"While working to improve our base business, we will continue to seek external business development activities as we announced in February. We believe there are opportunities to use our financial resources to add value to Span-America, but we will be disciplined in our approach.

"In spite of weak earnings performance from continuing operations, Span-America's financial condition is excellent. We finished the quarter with \$3.5 million in cash and securities and have no long-term debt. In addition, we have repurchased and retired 365,000 shares (13%) of our stock during this fiscal year for a total investment of \$1.9 million. We have also lowered our working capital levels in tandem with lower sales volumes," concluded Mr. Ferguson.

Nine-Month Results

Net sales for the first nine months of fiscal 1999 declined 18% to \$17.3 million compared with \$21.1 million for the same period in fiscal 1998. Income from continuing operations was \$27,400, or \$0.01 per diluted share, compared with \$1.2 million, or \$0.39 per diluted share, in the first nine months of fiscal 1998. Including income from discontinued operations discussed above, net income for the first nine months of fiscal 1999 was \$392,700, or \$0.15 per diluted share, compared with \$1.35 million, or \$0.44 per diluted share, in the first nine months of fiscal 1998.

Span-America Medical Systems, Inc. manufactures and markets products to the health care industry for the prevention and treatment of pressure ulcers. The Company also is a manufacturer and marketer of custom foam and packaging products for the consumer and industrial markets. Span-America's stock is traded on The Nasdaq Stock Market's National Market under the symbol SPAN.

The Company has made forward-looking statements in this release, regarding management's expectations for future sales and earnings performance. Management wishes to caution the reader that these statements are only predictions. Actual events or results may differ materially as a result of risks and uncertainties facing the Company including: (a) the loss of a major distributor of the Company's products, (b) inability to achieve anticipated sales volumes, (c) changes in relationships with large customers, (d) the impact of competitive products and pricing, (e) government reimbursement changes in the medical market, (f) F.D.A. regulation of medical device manufacturing, (g) raw material and labor cost increases, and (h) other risks referenced in the Company's Securities and Exchange Commission filings. The Company disclaims any obligation to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

SPAN-AMERICA MEDICAL SYSTEMS, INC.
FINANCIAL HIGHLIGHTS
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>July 3,</u> <u>1999</u>	<u>June 27,</u> <u>1998</u>	<u>July 3,</u> <u>1999</u>	<u>June 27,</u> <u>1998</u>
From Continuing Operations⁽¹⁾:				
Net sales	\$ 5,619,500	\$ 7,397,000	\$ 17,296,200	\$ 21,130,300
Gross profit	1,531,800	2,274,600	4,731,900	6,641,700
Operating income (loss)	(153,900)	578,900	(206,300)	1,584,900
Income (loss) from continuing operations	(51,100)	430,800	27,400	1,197,900
Earnings (loss) per share:				
Basic	\$ (0.02)	0.15	\$ 0.01	\$ 0.40
Diluted	\$ (0.02)	\$ 0.15	\$ 0.01	\$ 0.39
From Discontinued Operations:				
Income from discontinued operations	\$ 365,300	\$ --	\$ 365,300	\$ 153,500
Earnings per share:				
Basic	\$ 0.15	\$ --	\$ 0.14	\$ 0.05
Diluted	\$ 0.15	\$ --	\$ 0.14	\$ 0.05
Total:				
Net income	\$ 314,200	\$ 430,800	\$ 392,700	\$ 1,351,400
Net income per share:				
Basic	\$ 0.13	\$ 0.15	\$ 0.15	\$ 0.45
Diluted	\$ 0.13	\$ 0.15	\$ 0.15	\$ 0.44
Weighted average number of common shares outstanding:				
Basic	2,504,760	2,823,337	2,609,514	2,973,745
Diluted	2,507,486	2,946,837	2,636,488	3,089,339

Selected Balance Sheet Data

	July 3, 1999	Oct. 3, 1998
Cash and securities	\$ 3,548,200	\$ 3,723,500
Current assets	9,836,600	11,363,800
Total assets	17,558,900	19,412,300
Current liabilities	2,171,200	2,615,200
Total liabilities	3,424,600	3,715,900
Shareholders' equity	\$ 14,134,300	\$ 15,696,400
Number of shares outstanding at quarter end	2,495,400	2,820,029

(1) Span-America sold its contract packaging business effective February 27, 1998. This business is treated as a discontinued operation for accounting purposes.