

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Statements of Income (Unaudited)

	Three Months Ended		% Chg
	Dec. 29, 2007	Dec. 30, 2006 (Note)	
Net sales	\$ 13,664,207	\$ 13,432,477	2%
Cost of goods sold	9,017,252	8,654,131	4%
Gross profit	4,646,955 34.0%	4,778,346 35.6%	-3%
Selling and marketing expenses	1,994,113	2,094,224	-5%
Research and development expenses	192,821	143,010	35%
General and administrative expenses	822,257	753,936	9%
	3,009,191	2,991,170	1%
Operating income	1,637,764 12.0%	1,787,176 13.3%	-8%
Non-operating income (expense):			
Investment income and other	19,441	89,143	-78%
Interest expense	(49,436)	-	n/a
Net non-operating income (expense)	(29,995)	89,143	-134%
Income from continuing operations before income taxes	1,607,769	1,876,319	-14%
Income taxes on continuing operations	546,000	657,000	-17%
Income from continuing operations	1,061,769 7.8%	1,219,319 9.1%	-13%
(Loss) from discontinued operations, net of income taxes	(16,878)	(198,818)	92%
Net income	<u>\$ 1,044,891</u>	<u>\$ 1,020,501</u>	2%
Income from continuing operations per common share:			
Basic	\$ 0.38	\$ 0.46	-16%
Diluted	0.37	0.44	-16%
(Loss) from discontinued operations per common share:			
Basic	\$ (0.01)	\$ (0.07)	92%
Diluted	(0.01)	(0.07)	92%
Net income per common share:			
Basic	\$ 0.38	\$ 0.38	-2%
Diluted	0.36	0.36	-1%
Dividends per common share	\$ 0.08	\$ 0.06	33%
Weighted average shares outstanding:			
Basic	2,774,103	2,667,228	4%
Diluted	2,896,717	2,802,381	3%
Supplemental Data			
Depreciation expense included in continuing operations	\$ 149,853	\$ 144,590	4%
Amortization expense included in continuing operations	16,995	17,662	-4%

Note: Amounts for the three months ended December 30, 2006 have been reclassified to show the safety catheter segment as a discontinued operation.

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	Dec. 29, 2007 <u>(Unaudited)</u>	Sept. 29, 2007 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 559,823	\$ 808,864
Accounts receivable, net of allowances	6,959,835	7,195,288
Inventories	4,269,506	3,997,585
Deferred income taxes	997,000	997,000
Prepaid expenses	<u>202,798</u>	<u>97,395</u>
Total current assets	12,988,962	13,096,132
Property and equipment, net	6,518,673	6,536,842
Goodwill	1,924,131	1,924,131
Other assets	<u>2,458,019</u>	<u>2,411,803</u>
	<u>\$ 23,889,785</u>	<u>\$ 23,968,908</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,165,792	\$ 2,146,138
Accrued and sundry liabilities	<u>3,709,241</u>	<u>3,503,436</u>
Total current liabilities	5,875,033	5,649,574
Long-term debt	2,700,000	3,700,000
Deferred income taxes	38,000	38,000
Deferred compensation	<u>784,001</u>	<u>793,667</u>
Total liabilities	9,397,034	10,181,241
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,764,251 (Dec. 29, 2007) and 2,775,444 (Sept. 29, 2007)	1,595,626	1,724,225
Additional paid-in capital	539,773	528,945
Retained earnings	<u>12,357,352</u>	<u>11,534,497</u>
Total shareholders' equity	<u>14,492,751</u>	<u>13,787,667</u>
	<u>\$ 23,889,785</u>	<u>\$ 23,968,908</u>

Note: The Balance Sheet at September 29, 2007 has been derived from the audited financial statements at that date.