

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

	Three Months Ended		% Chg
	Dec. 27, 2008	Dec. 29, 2007	
Net sales	\$ 13,392,383	\$ 13,664,207	-2%
Cost of goods sold	8,702,224	9,017,252	-3%
Gross profit	4,690,159	4,646,955	1%
	35.0%	34.0%	
Selling and marketing expenses	2,236,109	1,994,113	12%
Research and development expenses	169,613	192,821	-12%
General and administrative expenses	938,803	822,257	14%
	3,344,525	3,009,191	11%
Operating income	1,345,634	1,637,764	-18%
	10.0%	12.0%	
Non-operating income (expense):			
Investment income and other	2,992	19,441	-85%
Interest expense	(4,620)	(49,436)	91%
Net non-operating income (expense)	(1,628)	(29,995)	95%
Income from continuing operations before income taxes	1,344,006	1,607,769	-16%
Income taxes on continuing operations	456,000	546,000	-16%
Income from continuing operations	888,006	1,061,769	-16%
	6.6%	7.8%	
(Loss) from discontinued operations, net of income taxes	(1,465)	(16,878)	91%
Net income	\$ 886,541	\$ 1,044,891	-15%
Income from continuing operations per common share:			
Basic	\$ 0.32	\$ 0.38	-15%
Diluted	0.32	0.37	-14%
(Loss) from discontinued operations per common share:			
Basic	\$ (0.00)	\$ (0.01)	91%
Diluted	(0.00)	(0.01)	91%
Net income per common share:			
Basic	\$ 0.32	\$ 0.38	-14%
Diluted	0.32	0.36	-13%
Dividends per common share	\$ 0.09	\$ 0.08	13%
Weighted average shares outstanding:			
Basic	2,742,081	2,774,103	-1%
Diluted	2,810,985	2,896,717	-3%
Supplemental Data			
Depreciation expense included in continuing operations	\$ 182,815	\$ 149,853	22%
Amortization expense included in continuing operations	21,670	16,995	28%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	Dec. 27, 2008 <u>(Unaudited)</u>	Sept. 27, 2008 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 628,475	\$ 833,714
Accounts receivable, net of allowances	7,387,807	7,771,366
Inventories	4,047,290	3,990,999
Deferred income taxes	683,000	683,000
Prepaid expenses	<u>237,968</u>	<u>51,964</u>
Total current assets	12,984,540	13,331,043
Property and equipment, net	6,491,093	6,569,091
Goodwill	1,924,131	1,924,131
Other assets	<u>2,114,990</u>	<u>2,288,589</u>
	<u>\$ 23,514,754</u>	<u>\$ 24,112,854</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,054,800	\$ 2,528,934
Accrued and sundry liabilities	<u>2,970,680</u>	<u>2,753,771</u>
Total current liabilities	5,025,480	5,282,705
Long-term debt	-	700,000
Deferred income taxes	45,000	45,000
Deferred compensation	<u>742,244</u>	<u>752,684</u>
Total long-term liabilities	787,244	1,497,684
Total liabilities	5,812,724	6,780,389
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,733,900 (Dec. 27, 2008) and 2,759,077 (Sept. 27, 2008)	1,036,910	1,308,847
Additional paid-in capital	564,579	563,304
Retained earnings	<u>16,100,541</u>	<u>15,460,314</u>
Total shareholders' equity	<u>17,702,030</u>	<u>17,332,465</u>
	<u>\$ 23,514,754</u>	<u>\$ 24,112,854</u>

Note: The Balance Sheet at September 27, 2008 has been derived from the audited financial statements at that date.