

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

	Three Months Ended		% Chg
	Jan. 2, 2010	Dec. 27, 2008	
Net sales	\$ 12,248,700	\$ 13,392,383	-9%
Cost of goods sold	7,562,580	8,702,224	-13%
Gross profit	4,686,120	4,690,159	0%
	38.3%	35.0%	
Selling and marketing expenses	2,099,730	2,236,109	-6%
Research and development expenses	223,459	169,613	32%
General and administrative expenses	692,591	938,803	-26%
	3,015,780	3,344,525	-10%
Operating income	1,670,340	1,345,634	24%
	13.6%	10.0%	
Non-operating income (expense):			
Investment income and other	14,498	2,992	385%
Interest expense	-	(4,620)	100%
Net non-operating income (expense)	14,498	(1,628)	991%
Income from continuing operations before income taxes	1,684,838	1,344,006	25%
Income taxes on continuing operations	556,000	456,000	22%
Income from continuing operations	1,128,838	888,006	27%
	9.2%	6.6%	
(Loss) from discontinued operations, net of income taxes	-	(1,465)	100%
Net income	\$ 1,128,838	\$ 886,541	27%
Income from continuing operations per common share:			
Basic	\$ 0.42	\$ 0.32	28%
Diluted	0.40	0.32	26%
(Loss) from discontinued operations per common share:			
Basic	\$ -	\$ (0.00)	100%
Diluted	-	n/a	n/a
Net income per common share:			
Basic	\$ 0.42	\$ 0.32	29%
Diluted	0.40	0.32	26%
Dividends per common share	\$ 0.10	\$ 0.09	11%
Weighted average shares outstanding:			
Basic	2,715,401	2,742,081	-1%
Diluted	2,831,459	2,810,985	1%
Supplemental Data			
Depreciation expense included in continuing operations	\$ 182,948	\$ 182,815	0%
Amortization expense included in continuing operations	18,776	21,670	-13%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	Jan. 2, 2010 <u>(Unaudited)</u>	Oct. 3, 2009 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,754,544	\$ 1,263,944
Securities available for sale	4,403,746	3,703,839
Accounts receivable, net of allowances	6,364,187	6,305,430
Inventories	3,512,425	3,909,318
Deferred income taxes	997,000	997,000
Prepaid expenses	145,813	101,835
Total current assets	<u>17,177,715</u>	<u>16,281,366</u>
Property and equipment, net	6,053,981	6,158,977
Goodwill	1,924,131	1,924,131
Other assets	2,504,330	2,470,077
	<u>\$ 27,660,157</u>	<u>\$ 26,834,551</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,254,171	\$ 1,679,822
Accrued and sundry liabilities	4,121,747	3,743,968
Total current liabilities	<u>5,375,918</u>	<u>5,423,790</u>
Deferred income taxes	129,000	129,000
Deferred compensation	697,147	708,421
Total long-term liabilities	<u>826,147</u>	<u>837,421</u>
Total liabilities	6,202,065	6,261,211
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,715,101 (Jan. 2, 2010) and 2,712,310 (Oct. 3, 2009)	807,258	792,466
Additional paid-in capital	632,186	619,460
Retained earnings	20,018,648	19,161,414
Total shareholders' equity	<u>21,458,092</u>	<u>20,573,340</u>
	<u>\$ 27,660,157</u>	<u>\$ 26,834,551</u>

Note: The Balance Sheet at October 3, 2009 has been derived from the audited financial statements at that date.