

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

	Three Months Ended			Six Months Ended		
	March 29, 2008	March 31, 2007 (Note)	% Chg	March 29, 2008	March 31, 2007 (Note)	% Chg
Net sales	\$ 15,770,320	\$ 16,420,667	-4%	\$ 29,434,527	\$ 29,853,144	-1%
Cost of goods sold	<u>10,226,057</u>	<u>11,233,007</u>	-9%	<u>19,243,309</u>	<u>19,887,138</u>	-3%
Gross profit	5,544,263	5,187,660	7%	10,191,218	9,966,006	2%
	35.2%	31.6%		34.6%	33.4%	
Selling and marketing expenses	2,359,290	2,242,734	5%	4,353,403	4,336,957	0%
Research and development expenses	162,461	209,563	-22%	355,283	352,573	1%
General and administrative expenses	<u>888,129</u>	<u>767,912</u>	16%	<u>1,710,386</u>	<u>1,521,848</u>	12%
	3,409,880	3,220,209	6%	6,419,072	6,211,378	3%
Operating income	2,134,383	1,967,451	8%	3,772,146	3,754,628	0%
	13.5%	12.0%		12.8%	12.6%	
Non-operating income (expense):						
Investment income and other	25,083	83,487	-70%	44,525	172,629	-74%
Interest expense	<u>(30,970)</u>	-	n/a	<u>(80,406)</u>	-	n/a
Net non-operating income (expense)	(5,887)	83,487	-107%	(35,881)	172,629	-121%
Income from continuing operations before income taxes	2,128,496	2,050,938	4%	3,736,265	3,927,257	-5%
Income taxes on continuing operations	<u>724,000</u>	<u>715,000</u>	1%	<u>1,270,000</u>	<u>1,372,000</u>	-7%
Income from continuing operations	1,404,496	1,335,938	5%	2,466,265	2,555,257	-3%
	8.9%	8.1%		8.4%	8.6%	
(Loss) from discontinued operations, net of income taxes	<u>(27,088)</u>	<u>(155,363)</u>	83%	<u>(43,966)</u>	<u>(354,181)</u>	88%
Net income	<u>\$ 1,377,408</u>	<u>\$ 1,180,575</u>	17%	<u>\$ 2,422,299</u>	<u>\$ 2,201,076</u>	10%
Income from continuing operations per common share:						
Basic	\$ 0.51	\$ 0.50	2%	\$ 0.89	\$ 0.95	-7%
Diluted	0.49	0.47	4%	0.86	0.91	-6%
(Loss) from discontinued operations per common share:						
Basic	\$ (0.01)	\$ (0.06)	83%	\$ (0.02)	\$ (0.13)	88%
Diluted	(0.01)	(0.05)	83%	(0.02)	(0.13)	88%
Net income per common share:						
Basic	\$ 0.50	\$ 0.44	13%	\$ 0.87	\$ 0.82	6%
Diluted	0.48	0.42	15%	0.84	0.78	8%
Dividends per common share	\$ 0.08	\$ 0.08	0%	\$ 0.16	\$ 0.14	14%
Weighted average shares outstanding:						
Basic	2,776,130	2,698,372	3%	2,775,116	2,682,800	3%
Diluted	2,867,896	2,830,116	1%	2,882,306	2,816,249	2%
Supplemental Data						
Depreciation expense included in continuing operations	\$ 154,960	\$ 158,402	-2%	\$ 304,813	\$ 302,992	1%
Amortization expense included in continuing operations	18,401	17,427	6%	35,396	35,089	1%

Note: Amounts for the three and six months ended March 31, 2007 have been reclassified to show the safety catheter segment as a discontinued operation.

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SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	March 29, 2008 <u>(Unaudited)</u>	Sept. 29, 2007 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 335,593	\$ 808,864
Accounts receivable, net of allowances	7,916,345	7,195,288
Inventories	3,531,804	3,997,585
Deferred income taxes	997,000	997,000
Prepaid expenses	<u>397,064</u>	<u>97,395</u>
Total current assets	13,177,806	13,096,132
Property and equipment, net	6,550,570	6,536,842
Goodwill	1,924,131	1,924,131
Other assets	<u>2,474,697</u>	<u>2,411,803</u>
	<u>\$ 24,127,204</u>	<u>\$ 23,968,908</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,516,695	\$ 2,146,138
Accrued and sundry liabilities	<u>2,679,432</u>	<u>3,503,436</u>
Total current liabilities	5,196,127	5,649,574
Long-term debt	2,500,000	3,700,000
Deferred income taxes	38,000	38,000
Deferred compensation	<u>773,561</u>	<u>793,667</u>
Total liabilities	8,507,688	10,181,241
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,780,601 (March 29, 2008) and 2,775,444 (Sept. 29, 2007)	1,556,936	1,724,225
Additional paid-in capital	550,600	528,945
Retained earnings	<u>13,511,980</u>	<u>11,534,497</u>
Total shareholders' equity	<u>15,619,516</u>	<u>13,787,667</u>
	<u>\$ 24,127,204</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.

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