

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

	Three Months Ended			Six Months Ended		
	March 28, 2009	March 29, 2008	% Chg	March 28, 2009	March 29, 2008	% Chg
Net sales	\$ 13,376,334	\$ 15,770,320	-15%	\$ 26,768,717	\$ 29,434,527	-9%
Cost of goods sold	8,602,085	10,226,057	-16%	17,304,309	19,243,309	-10%
Gross profit	4,774,249	5,544,263	-14%	9,464,408	10,191,218	-7%
	35.7%	35.2%		35.4%	34.6%	
Selling and marketing expenses	2,112,719	2,359,290	-10%	4,348,828	4,353,403	0%
Research and development expenses	184,569	162,461	14%	354,182	355,283	0%
General and administrative expenses	878,464	888,129	-1%	1,817,267	1,710,386	6%
	3,175,752	3,409,880	-7%	6,520,277	6,419,072	2%
Operating income	1,598,497	2,134,383	-25%	2,944,131	3,772,146	-22%
	12.0%	13.5%		11.0%	12.8%	
Non-operating income (expense):						
Investment income and other	690	25,083	-97%	3,682	44,525	-92%
Interest (expense) refund	446	(30,970)	101%	(4,174)	(80,406)	95%
Net non-operating income (expense)	1,136	(5,887)	119%	(492)	(35,881)	99%
Income from continuing operations before income taxes	1,599,633	2,128,496	-25%	2,943,639	3,736,265	-21%
Income taxes on continuing operations	544,000	724,000	-25%	1,000,000	1,270,000	-21%
Income from continuing operations	1,055,633	1,404,496	-25%	1,943,639	2,466,265	-21%
	7.9%	8.9%		7.3%	8.4%	
(Loss) from discontinued operations, net of income taxes	-	(27,088)	100%	(1,465)	(43,966)	97%
Net income	\$ 1,055,633	\$ 1,377,408	-23%	\$ 1,942,174	\$ 2,422,299	-20%
Income from continuing operations per common share:						
Basic	\$ 0.39	\$ 0.51	-24%	\$ 0.71	\$ 0.89	-20%
Diluted	0.38	0.49	-23%	0.69	0.86	-19%
(Loss) from discontinued operations per common share:						
Basic	\$ -	\$ (0.01)	100%	\$ (0.00)	\$ (0.02)	97%
Diluted	-	(0.01)	100%	(0.00)	(0.02)	97%
Net income per common share:						
Basic	\$ 0.39	\$ 0.50	-22%	\$ 0.71	\$ 0.87	-19%
Diluted	0.38	0.48	-21%	0.69	0.84	-18%
Dividends per common share	\$ 0.09	\$ 0.08	13%	\$ 0.18	\$ 0.16	13%
Weighted average shares outstanding:						
Basic	2,733,447	2,776,130	-2%	2,737,764	2,775,116	-1%
Diluted	2,794,574	2,867,896	-3%	2,802,780	2,882,306	-3%
Supplemental Data						
Depreciation expense included in continuing operations	\$ 188,711	\$ 154,960	22%	\$ 371,526	\$ 304,813	22%
Amortization expense included in continuing operations	20,450	18,401	11%	42,120	35,396	19%

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SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	March 28, 2009 <u>(Unaudited)</u>	Sept. 27, 2008 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 638,723	\$ 833,714
Accounts receivable, net of allowances	6,853,234	7,771,366
Inventories	4,332,958	3,990,999
Deferred income taxes	683,000	683,000
Prepaid expenses	404,106	51,964
Total current assets	<u>12,912,021</u>	<u>13,331,043</u>
Property and equipment, net	6,414,319	6,569,091
Goodwill	1,924,131	1,924,131
Other assets	2,195,786	2,288,589
	<u>\$ 23,446,257</u>	<u>\$ 24,112,854</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,906,524	\$ 2,528,934
Accrued and sundry liabilities	2,241,720	2,753,771
Total current liabilities	<u>4,148,244</u>	<u>5,282,705</u>
Long-term debt	-	700,000
Deferred income taxes	45,000	45,000
Deferred compensation	731,806	752,684
Total long-term liabilities	<u>776,806</u>	<u>1,497,684</u>
Total liabilities	4,925,050	6,780,389
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,733,959 (March 28, 2009) and 2,759,077 (Sept. 27, 2008)	1,034,405	1,308,847
Additional paid-in capital	577,113	563,304
Retained earnings	16,909,689	15,460,314
Total shareholders' equity	<u>18,521,207</u>	<u>17,332,465</u>
	<u>\$ 23,446,257</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.

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