

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

	Three Months Ended			Nine Months Ended		
	June 28, 2008	June 30, 2007 (Note 1)	% Chg	June 28, 2008	June 30, 2007 (Note 1)	% Chg
Net sales	\$ 14,851,973	\$ 15,204,212	-2%	\$ 44,286,500	\$ 45,057,356	-2%
Cost of goods sold	9,896,585	9,722,999	2%	29,139,894	29,610,138	-2%
Gross profit	4,955,388	5,481,213	-10%	15,146,606	15,447,218	-2%
	33.4%	36.1%		34.2%	34.3%	
Selling and marketing expenses	2,255,590	2,300,086	-2%	6,608,993	6,637,043	0%
Research and development expenses	148,208	183,089	-19%	503,491	535,661	-6%
General and administrative expenses	780,095	910,725	-14%	2,490,481	2,432,573	2%
	3,183,893	3,393,900	-6%	9,602,965	9,605,277	0%
Operating income	1,771,495	2,087,313	-15%	5,543,641	5,841,941	-5%
	11.9%	13.7%		12.5%	13.0%	
Non-operating income / expense:						
Investment income and other	4,598	72,852	-94%	49,123	245,481	-80%
Interest expense	16,318	26,377	-38%	96,724	26,377	267%
Net non-operating income (expense)	(11,720)	46,475	-125%	(47,601)	219,104	-122%
Income from continuing operations before income taxes	1,759,775	2,133,788	-18%	5,496,040	6,061,045	-9%
Income taxes on continuing operations	598,000	687,000	-13%	1,868,000	2,059,000	-9%
Income from continuing operations	1,161,775	1,446,788	-20%	3,628,040	4,002,045	-9%
	7.8%	9.5%		8.2%	8.9%	
(Loss) from discontinued operations, net of income taxes	(3,737)	(192,288)	98%	(47,703)	(546,469)	91%
Net income	\$ 1,158,038	\$ 1,254,500	-8%	\$ 3,580,337	\$ 3,455,576	4%
Income from continuing operations per common share:						
Basic	\$ 0.42	\$ 0.53	-20%	\$ 1.31	\$ 1.48	-12%
Diluted	0.41	0.50	-19%	1.26	1.41	-10%
(Loss) from discontinued operations per common share:						
Basic	\$ (0.00)	\$ (0.07)	98%	\$ (0.02)	\$ (0.20)	91%
Diluted	(0.00)	(0.07)	98%	(0.02)	(0.19)	91%
Net income per common share:						
Basic	\$ 0.42	\$ 0.46	-8%	\$ 1.29	\$ 1.28	1%
Diluted	0.41	0.43	-7%	1.25	1.22	2%
Dividends per common share (Note 2)	\$ 0.09	\$ 5.08	-98%	\$ 0.25	\$ 5.22	-95%
Weighted average shares outstanding:						
Basic	2,774,655	2,755,114	1%	2,774,963	2,706,904	3%
Diluted	2,857,568	2,894,041	-1%	2,874,061	2,842,179	1%
Supplemental Data						
Depreciation expense included in continuing operations	\$ 183,630	\$ 159,481	15%	\$ 488,443	\$ 462,473	6%
Amortization expense included in continuing operations	18,581	17,761	5%	53,977	52,851	2%

Note 1: Amounts for the three and nine month periods ended June 30, 2007 have been reclassified to show the safety catheter segment as a discontinued operation.

Note 2: Dividends for the three and nine month periods ending June 30, 2007 include a special, one-time dividend of \$5.00 per share declared in April 2007.

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SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	June 28, 2008 <u>(Unaudited)</u>	Sept. 29, 2007 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 506,027	\$ 808,864
Accounts receivable, net of allowances	8,135,337	7,195,288
Inventories	3,785,703	3,997,585
Deferred income taxes	997,000	997,000
Prepaid expenses	<u>250,506</u>	<u>97,395</u>
Total current assets	13,674,573	13,096,132
Property and equipment, net	6,617,666	6,536,842
Goodwill	1,924,131	1,924,131
Other assets	<u>2,392,741</u>	<u>2,411,803</u>
	<u>\$ 24,609,111</u>	<u>\$ 23,968,908</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,498,623	\$ 2,146,138
Accrued and sundry liabilities	<u>2,809,436</u>	<u>3,503,436</u>
Total current liabilities	5,308,059	5,649,574
Long-term debt	2,100,000	3,700,000
Deferred income taxes	38,000	38,000
Deferred compensation	763,123	793,667
Total liabilities	<u>8,209,182</u>	<u>10,181,241</u>
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,768,327 (June 28, 2008) and 2,775,444 (Sept. 29, 2007)	1,418,220	1,724,225
Additional paid-in capital	561,427	528,945
Retained earnings	<u>14,420,282</u>	<u>11,534,497</u>
Total shareholders' equity	16,399,929	13,787,667
	<u>\$ 24,609,111</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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