

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

	Three Months Ended			Nine Months Ended		
	June 27, 2009	June 28, 2008	% Chg	June 27, 2009	June 28, 2008	% Chg
Net sales	\$ 14,327,206	\$ 14,851,973	-4%	\$ 41,095,924	\$ 44,286,500	-7%
Cost of goods sold	9,323,297	9,896,585	-6%	26,627,606	29,139,894	-9%
Gross profit	5,003,909	4,955,388	1%	14,468,318	15,146,606	-4%
	34.9%	33.4%		35.2%	34.2%	
Selling and marketing expenses	2,248,356	2,255,590	0%	6,597,184	6,608,993	0%
Research and development expenses	253,490	148,208	71%	607,672	503,491	21%
General and administrative expenses	754,177	780,095	-3%	2,571,445	2,490,481	3%
	3,256,023	3,183,893	2%	9,776,301	9,602,965	2%
Operating income	1,747,886	1,771,495	-1%	4,692,017	5,543,641	-15%
	12.2%	11.9%		11.4%	12.5%	
Non-operating income (expense):						
Investment income and other	3,939	4,598	-14%	7,621	49,123	-84%
Interest (expense)	-	(16,318)	-100%	(4,174)	(96,724)	-96%
Net non-operating income (expense)	3,939	(11,720)	134%	3,447	(47,601)	107%
Income from continuing operations before income taxes	1,751,825	1,759,775	0%	4,695,464	5,496,040	-15%
Income taxes on continuing operations	596,000	598,000	0%	1,596,000	1,868,000	-15%
Income from continuing operations	1,155,825	1,161,775	-1%	3,099,464	3,628,040	-15%
	8.1%	7.8%		7.5%	8.2%	
(Loss) from discontinued operations, net of income taxes	(19,157)	(3,737)	-413%	(20,622)	(47,703)	57%
Net income	\$ 1,136,668	\$ 1,158,038	-2%	\$ 3,078,842	\$ 3,580,337	-14%
Income from continuing operations per common share:						
Basic	\$ 0.42	\$ 0.42	1%	\$ 1.13	\$ 1.31	-13%
Diluted	0.41	0.41	1%	1.11	1.26	-12%
(Loss) from discontinued operations per common share:						
Basic	\$ (0.01)	\$ (0.00)	-421%	\$ (0.01)	\$ (0.02)	56%
Diluted	(0.01)	(0.00)	-423%	(0.01)	(0.02)	56%
Net income per common share:						
Basic	\$ 0.42	\$ 0.42	0%	\$ 1.13	\$ 1.29	-13%
Diluted	0.41	0.41	0%	1.10	1.25	-12%
Dividends per common share	\$ 0.09	\$ 0.09	0%	\$ 0.27	\$ 0.25	8%
Weighted average shares outstanding:						
Basic	2,727,860	2,774,655	-2%	2,734,463	2,774,963	-1%
Diluted	2,802,385	2,857,568	-2%	2,802,648	2,874,061	-2%
Supplemental data:						
Depreciation expense included in continuing operations	\$ 194,130	\$ 183,630	6%	\$ 565,656	\$ 488,443	16%
Amortization expense included in continuing operations	20,581	18,581	11%	62,701	53,977	16%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	June 27, 2009 <u>(Unaudited)</u>	Sept. 27, 2008 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,748,818	\$ 833,714
Securities available for sale	501,241	-
Accounts receivable, net of allowances	6,885,859	7,771,366
Inventories	4,129,785	3,990,999
Deferred income taxes	683,000	683,000
Prepaid expenses	<u>245,026</u>	<u>51,964</u>
Total current assets	14,193,729	13,331,043
Property and equipment, net	6,284,356	6,569,091
Goodwill	1,924,131	1,924,131
Other assets	<u>2,380,204</u>	<u>2,288,589</u>
	<u>\$ 24,782,420</u>	<u>\$ 24,112,854</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,660,727	\$ 2,528,934
Accrued and sundry liabilities	<u>3,048,206</u>	<u>2,753,771</u>
Total current liabilities	4,708,933	5,282,705
Long-term debt	-	700,000
Deferred income taxes	45,000	45,000
Deferred compensation	<u>719,695</u>	<u>752,684</u>
Total long-term liabilities	764,695	1,497,684
Total liabilities	5,473,628	6,780,389
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,722,322 (June 27, 2009) and 2,759,077 (Sept. 27, 2008)	912,575	1,308,847
Additional paid-in capital	595,278	563,304
Retained earnings	<u>17,800,939</u>	<u>15,460,314</u>
Total shareholders' equity	<u>19,308,792</u>	<u>17,332,465</u>
	<u>\$ 24,782,420</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.