

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

	3 Months Ended			12 Months Ended		
	Oct. 3, 2009	Sept. 27, 2008	% Chg	Oct. 3, 2009	Sept. 27, 2008	% Chg
Net sales	\$ 14,771,180	\$ 14,978,765	-1%	\$ 55,867,104	\$ 59,265,265	-6%
Cost of goods sold	9,031,189	9,730,017	-7%	35,658,795	38,869,911	-8%
Gross profit	5,739,991	5,248,748	9%	20,208,309	20,395,354	-1%
	38.9%	35.0%		36.2%	34.4%	
Selling and marketing expenses	2,440,939	2,379,664	3%	9,038,123	8,988,657	1%
Research and development expenses	258,507	153,878	68%	866,179	657,369	32%
General and administrative expenses	864,669	740,373	17%	3,436,114	3,230,854	6%
	3,564,115	3,273,915	9%	13,340,416	12,876,880	4%
Operating income	2,175,876	1,974,833	10%	6,867,893	7,518,474	-9%
	14.7%	13.2%		12.3%	12.7%	
Non-operating income (expense):						
Investment income and other	21,313	1,631	1207%	28,934	50,755	-43%
Interest (expense)	-	(11,741)	-100%	(4,174)	(108,465)	-96%
Net non-operating income (expense)	21,313	(10,110)	311%	24,760	(57,710)	143%
Income from continuing operations before income taxes	2,197,189	1,964,723	12%	6,892,653	7,460,764	-8%
Income taxes on continuing operations	592,000	674,000	-12%	2,188,000	2,542,000	-14%
Income from continuing operations	1,605,189	1,290,723	24%	4,704,653	4,918,764	-4%
	10.9%	8.6%		8.4%	8.3%	
(Loss) from discontinued operations, net of income taxes	-	(2,212)	100%	(20,622)	(49,915)	59%
Net income	\$ 1,605,189	\$ 1,288,511	25%	\$ 4,684,031	\$ 4,868,849	-4%
Income from continuing operations per common share:						
Basic	\$ 0.59	\$ 0.47	26%	\$ 1.72	\$ 1.77	-3%
Diluted	0.57	0.45	26%	1.68	1.71	-2%
(Loss) from discontinued operations per common share:						
Basic	\$ -	\$ (0.00)	100%	\$ (0.01)	\$ (0.02)	58%
Diluted	-	n/a		n/a	n/a	
Net income per common share:						
Basic	\$ 0.59	\$ 0.47	27%	\$ 1.72	\$ 1.76	-2%
Diluted	0.57	0.45	27%	1.67	1.70	-2%
Dividends per common share	\$ 0.09	\$ 0.09	0%	\$ 0.36	\$ 0.34	6%
Weighted average shares outstanding:						
Basic	2,719,180	2,762,129	-2%	2,730,426	2,771,754	-1%
Diluted	2,807,418	2,851,797	-2%	2,803,625	2,868,494	-2%
Supplemental data:						
Depreciation expense included in continuing operations	\$ 198,538	\$ 167,632	18%	\$ 764,194	\$ 656,075	16%
Amortization expense included in continuing operations	23,100	19,305	20%	85,801	73,282	17%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	Oct. 3, 2009 <u>(Unaudited)</u>	Sept. 27, 2008 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,263,944	\$ 833,714
Securities available for sale	3,703,839	-
Accounts receivable, net of allowances	6,305,430	7,771,366
Inventories	3,909,318	3,990,999
Deferred income taxes	997,000	683,000
Prepaid expenses	<u>101,835</u>	<u>51,964</u>
Total current assets	16,281,366	13,331,043
Property and equipment, net	6,158,977	6,569,091
Goodwill	1,924,131	1,924,131
Other assets	<u>2,470,077</u>	<u>2,288,589</u>
	<u>\$ 26,834,551</u>	<u>\$ 24,112,854</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,679,822	\$ 2,528,934
Accrued and sundry liabilities	<u>3,743,968</u>	<u>2,753,771</u>
Total current liabilities	5,423,790	5,282,705
Long-term debt	-	700,000
Deferred income taxes	129,000	45,000
Deferred compensation	<u>708,421</u>	<u>752,684</u>
Total long-term liabilities	837,421	1,497,684
Total liabilities	6,261,211	6,780,389
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,712,310 (Oct. 3, 2009) and 2,759,077 (Sept. 27, 2008)	792,466	1,308,847
Additional paid-in capital	619,460	563,304
Retained earnings	<u>19,161,414</u>	<u>15,460,314</u>
Total shareholders' equity	<u>20,573,340</u>	<u>17,332,465</u>
	<u>\$ 26,834,551</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.