

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

	Three Months Ended			Nine Months Ended		
	July 3, 2010	June 27, 2009	% Chg	July 3, 2010	June 27, 2009	% Chg
Net sales	\$ 13,161,929	\$ 14,327,206	-8%	\$ 38,551,516	\$ 41,095,924	-6%
Cost of goods sold	8,451,604	9,323,297	-9%	24,046,448	26,627,606	-10%
Gross profit	4,710,325	5,003,909	-6%	14,505,068	14,468,318	0%
	35.8%	34.9%		37.6%	35.2%	
Selling and marketing expenses	2,246,674	2,248,356	0%	6,520,811	6,597,184	-1%
Research and development expenses	201,306	253,490	-21%	717,291	607,672	18%
General and administrative expenses	876,509	754,177	16%	2,366,268	2,571,445	-8%
	3,324,489	3,256,023	2%	9,604,370	9,776,301	-2%
Operating income	1,385,836	1,747,886	-21%	4,900,698	4,692,017	4%
	10.5%	12.2%		12.7%	11.4%	
Non-operating income (expense):						
Investment income and other	25,439	3,939	546%	47,658	7,621	525%
Interest (expense)	-	-	n/a	-	(4,174)	100%
Net non-operating income	25,439	3,939	546%	47,658	3,447	1283%
Income from continuing operations before income taxes	1,411,275	1,751,825	-19%	4,948,356	4,695,464	5%
Income taxes on continuing operations	466,000	596,000	-22%	1,633,000	1,596,000	2%
Income from continuing operations	945,275	1,155,825	-18%	3,315,356	3,099,464	7%
	7.2%	8.1%		8.6%	7.5%	
(Loss) from discontinued operations, net of income taxes	-	(19,157)	100%	-	(20,622)	100%
Net income	\$ 945,275	\$ 1,136,668	-17%	\$ 3,315,356	\$ 3,078,842	8%
Income from continuing operations per common share:						
Basic	\$ 0.34	\$ 0.42	-19%	\$ 1.21	\$ 1.13	7%
Diluted	0.33	0.41	-20%	1.17	1.11	5%
(Loss) from discontinued operations per common share:						
Basic	\$ -	\$ (0.01)	100%	\$ -	\$ (0.01)	100%
Diluted	-	n/a	n/a	-	n/a	n/a
Net income per common share:						
Basic	\$ 0.34	\$ 0.42	-17%	\$ 1.21	\$ 1.13	8%
Diluted	0.33	0.41	-18%	1.17	1.10	6%
Dividends per common share (1)	\$ 1.10	\$ 0.09	1122%	\$ 1.30	\$ 0.27	381%
Weighted average shares outstanding:						
Basic	2,746,268	2,727,860	1%	2,731,087	2,734,463	0%
Diluted	2,853,176	2,802,385	2%	2,842,357	2,802,648	1%
Supplemental Data						
Depreciation expense included in continuing operations	\$ 189,688	\$ 194,130	-2%	\$ 561,286	\$ 565,656	-1%
Amortization expense included in continuing operations	17,258	20,581	-16%	53,861	62,701	-14%

(1) Dividends per common share include a special dividend of \$1.00 per share paid on June 4, 2010.

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	July 3, 2010 <u>(Unaudited)</u>	Oct. 3, 2009 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 768,018	\$ 1,263,944
Securities available for sale	2,701,588	3,703,839
Accounts receivable, net of allowances	6,842,388	6,305,430
Inventories	4,093,326	3,909,318
Deferred income taxes	997,000	997,000
Prepaid expenses	<u>257,985</u>	<u>101,835</u>
Total current assets	15,660,305	16,281,366
Property and equipment, net	5,762,755	6,158,977
Goodwill	1,924,131	1,924,131
Other assets	<u>2,391,929</u>	<u>2,470,077</u>
	<u>\$ 25,739,120</u>	<u>\$ 26,834,551</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,115,934	\$ 1,679,822
Accrued and sundry liabilities	<u>2,412,300</u>	<u>3,743,968</u>
Total current liabilities	4,528,234	5,423,790
Deferred income taxes	129,000	129,000
Deferred compensation	<u>672,795</u>	<u>708,421</u>
Total long-term liabilities	801,795	837,421
Total liabilities	5,330,029	6,261,211
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,748,206 (July 3, 2010) and 2,712,310 (Oct. 3, 2009)	870,739	792,466
Additional paid-in capital	641,653	619,460
Retained earnings	<u>18,896,699</u>	<u>19,161,414</u>
Total shareholders' equity	<u>20,409,091</u>	<u>20,573,340</u>
	<u>\$ 25,739,120</u>	<u>\$ 26,834,551</u>

Note: The balance sheet at October 3, 2009 has been derived from the audited financial statements at that date.