

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

	Three Months Ended			Six Months Ended		
	April 1, 2006	April 2, 2005	% Chg	April 1, 2006	April 2, 2005	% Chg
Net sales	\$ 12,233,705	\$ 12,954,944	-6%	\$ 25,515,216	\$ 23,732,344	8%
Cost of goods sold	8,659,786	9,108,907	-5%	18,059,565	16,627,614	9%
Gross profit	3,573,919	3,846,037	-7%	7,455,651	7,104,730	5%
	29.2%	29.7%		29.2%	29.9%	
Selling and marketing expenses	1,960,998	1,957,575	0%	3,912,670	3,738,280	5%
Research and development expenses	155,341	323,703	-52%	307,055	564,336	-46%
General and administrative expenses	683,375	803,107	-15%	1,405,206	1,428,220	-2%
	2,799,714	3,084,385	-9%	5,624,931	5,730,836	-2%
Operating income	774,205	761,652	2%	1,830,720	1,373,894	33%
	6.3%	5.9%		7.2%	5.8%	
Investment income	43,438	20,298	114%	82,880	42,840	93%
Royalty income	128,268	138,332	-7%	246,626	270,167	-9%
Other	35,872	697	5047%	36,779	1,597	2203%
Total non-operating income	207,578	159,327	30%	366,285	314,604	16%
Income before income taxes	981,783	920,979	7%	2,197,005	1,688,498	30%
Income taxes	344,000	321,000	7%	770,000	590,000	31%
Net income	\$ 637,783	\$ 599,979	6%	\$ 1,427,005	\$ 1,098,498	30%
	5.2%	4.6%		5.6%	4.6%	
Net income per share of common stock:						
Basic	\$ 0.24	\$ 0.23	4%	\$ 0.54	\$ 0.42	28%
Diluted	0.23	0.22	5%	0.52	0.40	29%
Dividends per common share (1)	\$ 0.045	\$ 0.040	13%	\$ 0.090	\$ 0.480	-81%
Weighted average shares outstanding						
Basic	2,645,991	2,599,603	2%	2,638,279	2,596,097	2%
Diluted	2,779,341	2,738,250	2%	2,762,106	2,736,621	1%
Supplemental Data						
Depreciation expense	\$ 206,895	\$ 181,766	14%	\$ 401,277	\$ 355,338	13%
Amortization expense	33,015	31,528	5%	66,626	60,025	11%

(1) Dividends for the six-month period ending April 2, 2005 include a special, one-time dividend of \$0.40 per share declared in December 2004.

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	April 1, 2006 (Unaudited)	Oct. 1, 2005 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 895,345	\$ 894,386
Securities available for sale	4,041,591	4,106,326
Accounts receivable, net of allowances	5,797,421	7,232,522
Inventories	4,090,771	3,216,483
Prepaid expenses and deferred income taxes	<u>840,965</u>	<u>557,172</u>
Total current assets	15,666,093	16,006,889
Property and equipment, net	8,392,853	8,089,511
Cost in excess of fair value of net assets acquired, net of accumulated amortization	1,924,131	1,924,131
Other assets	<u>2,694,069</u>	<u>2,645,314</u>
	<u>\$ 28,677,146</u>	<u>\$ 28,665,845</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,114,941	\$ 2,704,100
Accrued and sundry liabilities	<u>1,767,453</u>	<u>2,664,618</u>
Total current liabilities	3,882,394	5,368,718
Deferred income taxes	831,903	869,000
Deferred compensation	<u>849,513</u>	<u>866,750</u>
Total liabilities	5,563,810	7,104,468
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,657,845 (2006) and 2,611,768 (2005)	1,018,744	707,016
Additional paid-in capital	94,573	41,882
Retained earnings	22,003,594	20,814,191
Accumulated other comprehensive loss	<u>(3,575)</u>	<u>(1,712)</u>
Total shareholders' equity	<u>23,113,336</u>	<u>21,561,377</u>
	<u>\$ 28,677,146</u>	<u>\$ 28,665,845</u>

Note: The Balance Sheet at October 1, 2005 has been derived from the audited financial statements at that date.