

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

	Three Months Ended			Nine Months Ended		
	July 1, 2006	July 2, 2005	% Chg	July 1, 2006	July 2, 2005	% Chg
Net sales	\$ 12,548,276	\$ 10,626,383	18%	\$ 38,063,492	\$ 34,358,728	11%
Cost of goods sold	8,539,587	7,508,016	14%	26,599,152	24,135,631	10%
Gross profit	4,008,689	3,118,367	29%	11,464,340	10,223,097	12%
	31.9%	29.3%		30.1%	29.8%	
Selling and marketing expenses	2,144,297	1,742,017	23%	6,056,966	5,480,299	11%
Research and development expenses	141,019	323,795	-56%	448,075	888,130	-50%
General and administrative expenses	706,176	613,608	15%	2,111,382	2,041,827	3%
	2,991,492	2,679,420	12%	8,616,423	8,410,256	2%
Operating income	1,017,197	438,947	132%	2,847,917	1,812,841	57%
	8.1%	4.1%		7.5%	5.3%	
Investment income	53,661	36,287	48%	136,541	79,127	73%
Royalty income	-	111,802	-100%	246,627	381,968	-35%
Other	18,139	23,312	-22%	54,917	24,910	120%
Total non-operating income	71,800	171,401	-58%	438,085	486,005	-10%
Income before income taxes	1,088,997	610,348	78%	3,286,002	2,298,846	43%
Income taxes	361,000	192,000	88%	1,131,000	782,000	45%
Net income	\$ 727,997	\$ 418,348	74%	\$ 2,155,002	\$ 1,516,846	42%
	5.8%	3.9%		5.7%	4.4%	
Net income per share of common stock:						
Basic	\$ 0.27	\$ 0.16	71%	\$ 0.81	\$ 0.58	40%
Diluted	0.26	0.15	72%	0.78	0.55	41%
Dividends per common share (1)	\$ 0.045	\$ 0.040	13%	\$ 0.135	\$ 0.520	-74%
Weighted average shares outstanding						
Basic	2,658,076	2,611,768	2%	2,644,878	2,601,321	2%
Diluted	2,777,587	2,737,448	1%	2,767,266	2,736,897	1%
Supplemental Data						
Depreciation expense	\$ 215,159	\$ 187,052	15%	\$ 616,436	\$ 542,390	14%
Amortization expense	30,856	33,741	-9%	97,482	93,765	4%

(1) Dividends for the nine-month period ending July 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

	<u>July 1, 2006 (Unaudited)</u>	<u>Oct. 1, 2005 (Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 647,385	\$ 894,386
Securities available for sale	4,751,073	4,106,326
Accounts receivable, net of allowances	6,683,802	7,232,522
Inventories	4,017,752	3,216,483
Prepaid expenses and deferred income taxes	<u>788,234</u>	<u>557,172</u>
Total current assets	16,888,246	16,006,889
Property and equipment, net	8,204,958	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>2,846,475</u>	<u>2,645,314</u>
	<u>\$ 29,863,810</u>	<u>\$ 28,665,845</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,275,395	\$ 2,704,100
Accrued and sundry liabilities	<u>2,191,721</u>	<u>2,664,618</u>
Total current liabilities	4,467,116	5,368,718
Deferred income taxes	832,022	869,000
Deferred compensation	<u>840,563</u>	<u>866,750</u>
Total liabilities	6,139,701	7,104,468
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,659,595 (2006) and 2,611,768 (2005)	1,027,956	707,016
Additional paid-in capital	105,580	41,882
Retained earnings	22,611,988	20,814,191
Accumulated other comprehensive loss	<u>(21,415)</u>	<u>(1,712)</u>
Total shareholders' equity	<u>23,724,109</u>	<u>21,561,377</u>
	<u>\$ 29,863,810</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.