

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

	Three Months Ended		% Chg
	Dec. 30, 2006	Dec. 31, 2005	
Net sales	\$ 13,469,897	\$ 13,281,511	1%
Cost of goods sold	<u>8,925,653</u>	<u>9,399,779</u>	-5%
Gross profit	4,544,244 33.7%	3,881,732 29.2%	17%
Selling and marketing expenses	2,126,025	1,951,671	9%
Research and development expenses	163,812	151,715	8%
General and administrative expenses	<u>773,049</u>	<u>721,831</u>	7%
	3,062,886	2,825,217	8%
Operating income	1,481,358 11.0%	1,056,515 8.0%	40%
Investment income	82,441	39,442	109%
Royalty income	-	118,359	-100%
Other	<u>6,702</u>	<u>906</u>	640%
Total non-operating income	89,143	158,707	-44%
Income before income taxes	1,570,501	1,215,222	29%
Income taxes	<u>550,000</u>	<u>426,000</u>	29%
Net income	\$ 1,020,501 7.6%	\$ 789,222 5.9%	29%
Net income per share of common stock:			
Basic	\$ 0.38	\$ 0.30	28%
Diluted	0.36	0.29	27%
Dividends per common share	\$ 0.060	\$ 0.045	33%
Weighted average shares outstanding			
Basic	2,667,228	2,630,567	1%
Diluted	2,802,381	2,744,870	2%
Supplemental Data			
Depreciation expense	215,612	194,381	11%
Amortization expense	34,384	33,611	2%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	Dec. 30, 2006 <u>(Unaudited)</u>	Sept. 30, 2006 <u>(Note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,426,260	\$ 975,525
Securities available for sale	6,003,435	5,134,882
Accounts receivable, net of allowances	6,569,506	6,986,794
Inventories	4,585,365	4,353,479
Prepaid expenses and deferred income taxes	<u>833,206</u>	<u>735,684</u>
Total current assets	19,417,772	18,186,364
Property and equipment, net	8,322,449	8,132,057
Cost in excess of fair value of net assets acquired, net of accumulated amortization	1,924,131	1,924,131
Other assets	<u>2,786,170</u>	<u>2,769,926</u>
	<u>\$ 32,450,522</u>	<u>\$ 31,012,478</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,312,276	\$ 2,374,357
Accrued and sundry liabilities	<u>3,060,098</u>	<u>2,474,049</u>
Total current liabilities	5,372,374	4,848,406
Deferred income taxes	815,000	815,000
Deferred compensation	<u>822,664</u>	<u>831,614</u>
Total liabilities	7,010,038	6,495,020
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,673,165 (Dec. 30, 2006) and 2,660,345 (Sept. 30, 2006)	1,070,673	1,032,118
Additional paid-in capital	157,876	136,614
Retained earnings	24,212,200	23,352,221
Accumulated other comprehensive loss	<u>(265)</u>	<u>(3,495)</u>
Total shareholders' equity	<u>25,440,484</u>	<u>24,517,458</u>
	<u>\$ 32,450,522</u>	<u>\$ 31,012,478</u>

Note: The Balance Sheet at September 30, 2006 has been derived from the audited financial statements at that date.