

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

	Three Months Ended			Six Months Ended		
	March 31, 2007	April 1, 2006	% Chg	March 31, 2007	April 1, 2006	% Chg
Net sales	\$ 16,467,010	\$ 12,233,705	35%	\$ 29,936,907	\$ 25,515,216	17%
Cost of goods sold	11,443,646	8,659,786	32%	20,369,298	18,059,565	13%
Gross profit	5,023,364	3,573,919	41%	9,567,609	7,455,651	28%
	30.5%	29.2%		32.0%	29.2%	
Selling and marketing expenses	2,273,546	1,960,998	16%	4,399,571	3,912,670	12%
Research and development expenses	231,825	155,341	49%	395,637	307,055	29%
General and administrative expenses	788,905	683,375	15%	1,561,954	1,405,206	11%
	3,294,276	2,799,714	18%	6,357,162	5,624,931	13%
Operating income	1,729,088	774,205	123%	3,210,447	1,830,720	75%
	10.5%	6.3%		10.7%	7.2%	
Investment income	79,479	43,438	83%	161,920	82,880	95%
Royalty income	-	128,268	-100%	-	246,626	-100%
Other	4,008	35,872	-89%	10,709	36,779	-71%
Total non-operating income	83,487	207,578	-60%	172,629	366,285	-53%
Income before income taxes	1,812,575	981,783	85%	3,383,076	2,197,005	54%
Income taxes	632,000	344,000	84%	1,182,000	770,000	54%
Net income	\$ 1,180,575	\$ 637,783	85%	\$ 2,201,076	\$ 1,427,005	54%
	7.2%	5.2%		7.4%	5.6%	
Net income per share of common stock:						
Basic	\$ 0.44	\$ 0.24	82%	\$ 0.82	\$ 0.54	52%
Diluted	0.42	0.23	82%	0.78	0.52	51%
Dividends per common share	\$ 0.080	\$ 0.045	78%	\$ 0.140	\$ 0.090	56%
Weighted average shares outstanding						
Basic	2,698,372	2,645,991	2%	2,682,800	2,638,279	2%
Diluted	2,830,116	2,779,341	2%	2,816,249	2,762,106	2%
Supplemental Data						
Depreciation expense	\$ 229,236	\$ 206,895	11%	\$ 444,848	\$ 401,277	11%
Amortization expense	35,354	33,015	7%	69,737	66,626	5%

MORE

SPAN-AMERICA MEDICAL SYSTEMS, INC.
Balance Sheets

	<u>March 31,</u> 2007 (Unaudited)	<u>Sept. 30,</u> 2006 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 913,728	\$ 975,525
Securities available for sale	6,140,793	5,134,882
Accounts receivable, net of allowances	7,896,464	6,986,794
Inventories	4,764,761	4,353,479
Prepaid expenses and deferred income taxes	<u>930,955</u>	<u>735,684</u>
Total current assets	20,646,701	18,186,364
Property and equipment, net	8,373,019	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>2,742,218</u>	<u>2,769,926</u>
	<u><u>\$ 33,686,069</u></u>	<u><u>\$ 31,012,478</u></u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,897,085	\$ 2,374,357
Accrued and sundry liabilities	<u>2,367,543</u>	<u>2,474,049</u>
Total current liabilities	5,264,628	4,848,406
Deferred income taxes	815,000	815,000
Deferred compensation	<u>812,998</u>	<u>831,614</u>
Total liabilities	6,892,626	6,495,020
Shareholders' equity		
Common stock, no par value, 20,000,000 shares authorized; issued and outstanding shares 2,730,155 (2007) and 2,660,345 (2006)	1,426,022	1,032,118
Additional paid-in capital	185,579	136,614
Retained earnings	25,175,107	23,352,221
Accumulated other comprehensive income (loss)	<u>6,735</u>	<u>(3,495)</u>
Total shareholders' equity	<u>26,793,443</u>	<u>24,517,458</u>
	<u><u>\$ 33,686,069</u></u>	<u><u>\$ 31,012,478</u></u>

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