Pursuant to Rule 424B3
Reg. No. 333-68515

PROSPECTUS

THE FEMALE HEALTH COMPANY

2,413,124 SHARES OF COMMON STOCK

This Prospectus may be used only by Kingsbridge Capital Limited (the "Selling Stockholder") in connection with its resale, from time to time, of up to 2,413,124 shares (the "Shares") of Common Stock of The Female Health Company. The Shares represent 2,213,124 Shares of Common Stock (the "Equity Line Shares") which may be issued by the Company to the Selling Stockholders pursuant to a Private Equity Line of Credit Agreement dated November 19, 1998 (the "Equity Line Agreement") between the Company and the Selling Stockholder and 200,000 Shares of Common Stock which the Selling Stockholder may receive upon exercise of a warrant (the "Warrant") held by the Selling Stockholder. The Company will not receive any proceeds from the sale of the Shares by the Selling Stockholder. The expenses incurred in registering the sale of the Shares, including legal and accounting fees, will be paid by the Company, except for commissions, transfer taxes and certain other expenses associated with the sale of the Shares, which will be paid by the Selling Stockholder.

The Company will sell the Equity Line Shares to the Selling Stockholder pursuant to the terms of the Equity Line Agreement. On the date of each purchase under the Equity Line Agreement, the Selling Stockholder will pay the Company a per Share purchase price equal to (a) 88% of the Share's market price (as defined in the Equity Line Agreement), if such market price is $2 or more or (b) 82% of the Share's market price if such market price is less than $2. The Company has agreed to indemnify the Selling Stockholder against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended.

The Selling Stockholder may offer, pursuant to this Prospectus, the Shares to purchasers from time to time in transactions on the OTC Bulletin Board, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices that may be changed, at market prices prevailing at the time of the sale, at prices related to the market prices or at negotiated prices. The Selling Stockholder may effect these transactions by selling the Shares to or through broker-dealers, who may receive compensation in the form of discounts or commissions from the Selling Stockholder or from the purchasers of the Shares for whom the broker-dealers may act as an agent or to whom they may sell as a principal, or both. The Selling Stockholder is an "underwriter" within the meaning of the Securities Act in connection with the sale of the Shares offered hereby. See "Plan of Distribution."

The Common Stock is quoted on the OTC Bulletin Board under the symbol "FHCO."

YOU SHOULD CONSIDER THE "RISK FACTORS" BEGINNING ON PAGE 7 BEFORE PURCHASING THE COMPANY'S COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS FEBRUARY_____, 1999

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PROSPECTUS SUMMARY

This summary provides an overview of selected information contained elsewhere in this Prospectus and does not contain all the information you should consider. Therefore, you should also read the more detailed information set forth in this Prospectus, the financial statements of the Company and the other information that is incorporated by reference in this Prospectus.

FORWARD-LOOKING STATEMENTS MAY PROVE TO BE INACCURATE

We have made forward-looking statements in this Prospectus and in the documents that we incorporate by reference that are subject to risks and uncertainties. When we use words such as "believes," "expects," "anticipates" or similar expressions, we are making forward-looking statements. Because many factors can materially affect results, including those set forth below, our inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that the objectives or plans for the Company will be achieved. Assumptions relating to budgeting, research, sales, results and market penetration and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments. The impact of any of which may cause the Company to alter its capital expenditure or other budgets, which may in turn affect the Company's business, financial position, results of operations and cash flows. Therefore, you should not place undue reliance on forward-looking statements contained herein, which speak as of the date of this Prospectus. Factors that might cause actual results to differ from those anticipated in the forward-looking statements include, but are not limited to, those described in "Risk Factors."

THE COMPANY

The Female Health Company ("FHC" or the "Company") is essentially a global start-up company. Its business consists solely of the manufacture and sale of the female condom, known in the United States as REALITY(R) and under various other trade names in foreign countries. The Company was incorporated in Wisconsin in 1971 and established in its current form as The Female Health Company on February 1, 1996.

Initially, the Company expended significant time and resources in the development of the female condom and securing FDA approval to market the female condom in the United States. During this time, the Company also operated its original business of marketing specialty chemical and branded consumer products for the leisure time, household and institutional health care markets under the name Wisconsin Pharmacal (the "Recreational Products Business"). After considering various alternatives, in 1995 the Board of Directors selected the female condom as the central focus for the Company's strategic direction. As a result, in January 1996, the Company sold its Recreational Products Business, changed its name to The Female Health Company and devoted itself solely to the commercialization of the female condom.

As part of this restructuring, on February 1, 1996, the Company acquired the stock of Chartex Resources Limited (which, together with its wholly-owned subsidiary, Chartex International, Plc, is referred to in this Prospectus collectively as "Chartex"), the manufacturer and owner of certain worldwide rights to, and the Company's then sole supplier of, the female condom. As a result of these transactions, the Company's sole business now consists of the manufacture, marketing and sale of the female condom. The Company owns certain

global intellectual property rights for the female condom, including patents in the United States, the European Union, Japan and various other countries, regulatory approvals in certain countries, including a Pre-Market Approval ("PMA") granted by the United States Food and Drug Administration ("FDA") approving and permitting marketing of the female condom in the United States (which PMA is required to market the product in the United States since the FDA determined that the product was a Class III medical device regulated by the FDA), and CE mark in the European Union ("EU") (representing that the product, as a medical device, has been approved by the EU for marketing in the member countries of the EU) and certain proprietary manufacturing technology. In addition, the Company leases a state of the art manufacturing facility in London, England, capable of producing 60 million female condoms per year. The facility has been inspected and approved by the FDA and the EU.

Clinical trials have established the female condom as safe and effective. Studies show the following:

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Reduction in STDs(1)	34%	(Results when female condom was
Reduction in Acts of Unprotected Sex(1)	25%	available as an option vs. when only the male condom was available.)
Effectiveness in Preventing Pregnancy(2)	95%(3)	(When used properly with every sex act.)

</TABLE>

(1) Supported by UNAIDS
(2) Supported by The U.S. Agency for International Development (USAID) and conducted by Family Health International (FHI).
(3) Recent studies completed in Japan evaluating the female condom's effectiveness in preventing pregnancy, which were submitted to the Japanese regulatory authorities in connection with their review of the product, showed the female condom to be approximately 98% effective when used consistently and correctly.

The Company believes the female condom has global potential to help prevent sexually transmitted diseases ("STDs") and unintended pregnancy. UNAIDS estimates that 30 million people worldwide now have HIV/AIDS, that there are 16,000 new cases per day, and at the present rate 40 million children will be orphaned by AIDS by the year 2010. In addition, HIV/AIDS is decimating the social and economic structures in many developing countries. There are now 13 Sub-Saharan African countries in which 10% or more of the population is infected. In the United States, the Center for Disease Control notes that five of the ten most frequently reported diseases are STDs and that one in five Americans over the age of 12 has Herpes. In a recent study, the National Academy of Science estimated that $17 billion is spent annually in the United States on treating STDs. However, for every $1 spent on prevention of STDs, $43 is spent on treatment of STDs.

The female condom is made of polyurethane which is approximately 40% stronger than latex, the material of which most male condoms are made. It is thin, comfortable and, unlike the male condom, can be put in place prior to sexual arousal. As a result, it is less disruptive to the natural flow of the sex act. In addition, to date, there have been no reported allergic reactions to the female condom. However, it is estimated that 7% of all individuals are allergic to latex, the material most often used in male condoms.

The Company's strategy is to position itself as a manufacturer and capitalize on its proprietary position by selling the product through global public sector and country-specific public and private sector partners which have established female/consumer marketing organizations with sufficient resources to penetrate the market. Existing global public sector and country-specific partners purchase the female condom ex-factory and are responsible for all marketing and shipping expenses.

Global Public Sector: UNAIDS and the Company have entered into a multi-year global public sector agreement for FHC to provide the female condom to developing countries at a special reduced price based on worldwide volume. During the last year, product launches were made in Zimbabwe, Bolivia, Haiti, South Africa and Zambia. It is anticipated that multiple launches will occur during the next two years, including launches in Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central America. Population Services International (PSI), an organization that performs social marketing of various products in developing countries, launched the product in Zimbabwe under the UNAIDS agreement. Based on its success in Zimbabwe, PSI, in collaboration with UNAIDS, is now marketing the female condom in seven countries. In PSI's current annual report, PSI indicates that, in collaboration with UNAIDS, PSI plans to launch the female condom worldwide. PSI also notes in its report that, in 1997, it distributed 539 million male condoms.

United States Public Sector: In the United States, currently 10 major cities and 15 states, including the States of New York, Pennsylvania, Florida, Connecticut, Hawaii, Louisiana, Maryland, New Jersey, South Carolina and Illinois, and the cities of Miami, Washington, D.C., Chicago, Philadelphia, New York and Houston, have purchased the female condom. In addition, all of the cities and states have reordered product since their initial orders.

Commercial Markets: The Company markets the product directly in the United States and United Kingdom. The Company has commercial partners which have recently launched the product in Canada, Brazil, Venezuela, Taiwan, South Korea and Holland. The Company has signed distribution agreements in Japan and Bangladesh where launches are expected in the coming year. In Japan, the market for male condoms exceeds 600 million units. In Japan, the Company has entered into a relationship with Taiho Pharmaceutical Co., Inc. ("Taiho"), a $1 billion division of a $5 billion Japanese health care company. Taiho will market the female condom in Japan once it receives Japanese regulatory approval. In October 1997, Taiho submitted an application to Koseisho (the Japanese equivalent of the United States FDA) seeking approval to market the female condom in Japan. The application is currently under review, with Taiho expecting to receive approval to commence marketing the female condom in Japan during the Company's 1999 fiscal year. The Company's partner in Japan has invested more than $2 million to date in pre-launch development expenses.

The Company is in discussions with potential partners for key European countries, India, Mexico, the People's Republic of China and Russia.

The Company believes sales volume will continue to grow as more public health officials and consumers become familiar with the female condom and its effectiveness in preventing STDs, including HIV/AIDS, and in reducing health care costs.

As a result of the earlier investment by Chartex, the Company has a $70 million tax loss carryforward in the United Kingdom.

The Company's principal executive offices are located at 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611, and its telephone number is 312-280-1119.

THE OFFERING

Securities to be offered by the Selling Stockholder (1).....	Up to 2,413,124 Shares of Common Stock
Common Stock outstanding as of November 17, 1998	10,441,227 Shares(2)
OTC Bulletin Board symbol.....	FHCO

(1) The Company may sell to the Selling Stockholder up to $6 million worth of the Company's Common Stock in tranches pursuant to the Equity Line Agreement. The amount and timing of such sales will be determined by the Company, subject to certain restrictions set forth in the Equity Line Agreement. See "The Equity Line Agreement."

(2) Does not include (a) 1,408,534 Shares of Common Stock issuable upon exercise of warrants outstanding as of September 30, 1998 (including 200,000 Shares issuable upon exercise of the Warrant); (b) 1,174,478 Shares of Common Stock issuable upon exercise of stock options outstanding as of September 30, 1998; (c) 680,000 Shares of Common Stock issuable upon conversion of outstanding preferred stock; and (d) Shares of Common Stock issuable to the Selling Stockholder pursuant to the Equity Line Agreement.

SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below is derived from the financial statements appearing elsewhere in this Prospectus. This information should be read in conjunction with such financial statements, including the notes thereto.

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Year Ended September 30

	1997	1998
STATEMENTS OF OPERATIONS DATA:		
Net revenues	$2,916,408	$5,451,399
Cost of products sold	3,475,709	5,273,369
Advertising and Promotion	1,642,347	433,821
Net loss	(6,251,149)	(3,357,426)
Loss per common and dilutive common equivalent share	$(0.74)	$(0.43)

	September 30, 1998
CONSOLIDATED BALANCE SHEET DATA:	
Working capital	$1,239,641
Total assets	7,558,894
Long-term debt and capital lease obligations	4,882
Stockholders' Equity	2,934,577

RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this Prospectus, before purchasing Common Stock.

ADDITIONAL CAPITAL REQUIRED; POTENTIAL DILUTION

Sales of the Company's sole product, the female condom, are currently insufficient to cover fixed manufacturing overhead, advertising and general and administrative costs. Consequently, management recognizes that the Company must secure additional capital to fund operating losses. At this stage in the Company's development, the amount and timing of the Company's future capital requirements cannot be precisely determined. Management believes that the capital which it may raise through sales of Common Stock under the Equity Line Agreement will be sufficient to satisfy its current and expected funding requirements. If the conditions required to sell Common Stock to the Selling Stockholder under the Equity Line Agreement are not satisfied or the Company does not receive shareholder approval to increase its authorized Common Stock to enable it to sell a sufficient number of shares under the Equity Line Agreement, the Company may need to raise additional capital in the immediate future. The Company may seek such additional capital through the sale of debt or equity securities or the sale of Company assets or rights, or by discounting receivables and/or letters of credit or by other means available to the Company. However, factors affecting the Company's capital requirements, including new market launches by the Company's international partners and sales orders from existing customers, are outside the control of management. Some of these factors may increase the amount of capital required or accelerate the date when additional capital will be required, or both. No assurance can be given that the Company will be successful in raising additional capital. Further, there can be no assurance that such amount, if raised, will be sufficient to operate the Company until sales of the female condom generate sufficient revenues to fund operations. In addition, any such funds raised may be costly to the Company and/or dilutive to existing shareholders.

RELIANCE ON PRODUCT LINE

The Company expects to derive its future revenues from sales of the female condom, its sole current product. The product is in the early stages of its commercialization. Accordingly, the ultimate level of acceptance of the female condom by public health advocates as well as users around the world, which includes the decision to use the female condom versus other available products, is not yet known.

The Company's current level of expenditures has been established to support a higher level of revenues associated with the female condom. For the Company to begin generating cash from operations, sales of the female condom will have to increase approximately two times the current annualized level ($454,000 per month). If sales do not increase from current levels to this degree or if the cost to obtain this level of sales is prohibitive, the Company will continue to incur operating losses and, ultimately, the Company's viability will be in jeopardy.

COMMON STOCK NO LONGER LISTED ON THE AMERICAN STOCK EXCHANGE

On February 5, 1999, the Company's Common Stock was delisted from the American Stock Exchange since it did not meet all of the criteria for continued listing. Commencing approximately February 10, 1999, the Common Stock has been quoted on the OTC Bulletin Board under the symbol "FHCO". Although the Company believes that the OTC Bulletin Board will provide an effecient market for the purchase and sale of the Company's Common Stock, investors may find it more difficult to obtain accurate quotations of the price of the Company's Common Stock and to sell the Common Stock on the open market than was the case when the Common Stock was listed on the American Stock Exchange. In addition, companies whose stock is listed on the American Stock Exchange must adhere to the Rules of such exchange. These Rules include various corporate governance procedures which, among other items, require the company to obtain shareholder approval prior to completing certain transactions such as, among others, issuances of common stock equal to 20% or more of the company's then outstanding common stock for less than the greater of book or market value or the issuance of certain stock options. Companies whose stock is quoted on the OTC Bulletin Board are not subject to those or any comparable rules.

HISTORY OF LOSSES; SUFFICIENCY OF CAPITAL; INDEPENDENT AUDITOR'S GOING CONCERN OPINION

The Company incurred a loss attributable to common stockholders of $4.3 million for the year ended September 30, 1998 and a loss attributable to common stockholders of $6.3 million for the year ended September 30, 1997. As of September 30, 1998, the Company had an accumulated deficit of $41.3 million. At September 30, 1998, the Company had working capital of $1.2 million and stockholders' equity of $2.9 million. Historically, the Company has incurred cash operating losses relating to expenses incurred to develop, manufacture and promote the female condom. Consistent with the availability of resources, the Company expects to incur substantial expenditures in fiscal 1999 in an effort to support its manufacturing operations and increase awareness and distribution of the female condom around the globe. Until internally generated funds are sufficient to meet cash requirements, the Company will remain dependent upon its ability to generate sufficient capital from outside sources. There can be no assurance that the Company will achieve a profitable level of operations in the near term or at all.

The independent auditor's report on the Company's consolidated financial statements for the years ended September 30, 1998 and 1997 was qualified as to the Company's ability to continue as a going concern. While many factors are considered by the auditor in reaching its opinion, the primary reason for the going concern opinion on the Company's financial statements was due to continued deficit cash flows from operations, driven largely by continued operating losses. For the year ended September 30, 1998, the Company's net cash used in operations was $2.8 million. For the year ended September 30, 1997, the net cash used in operations totalled $5.0 million.

In the near term, the Company's management expects operating costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes. While management believes that revenue from sales of the female condom will eventually exceed operating costs and that ultimately operations will generate sufficient funds to meet capital requirements, there can be no assurance that such level of operations will be achieved in the near term. Management believes that the Company must first achieve, on a continuing basis, positive cash flow from operations and net operating profits in order for the Company's independent auditors to re-evaluate the going concern opinion.

COMPETITION

The Company believes that there is currently no other female condom sold in the world. However, other parties may seek to develop an intravaginal pouch which does not infringe the Company's patents. These products, if developed, could be distributed by companies with greater financial resources and customer contacts than the Company.

There are a number of other products currently marketed which have a higher degree of accepted efficacy for preventing pregnancy. These products include birth control pills, Norplant and Depo Provera. However, other than the female condom, only the latex male condom is generally recognized as being efficacious in preventing unintended pregnancies and STDs. Companies manufacturing these products are generally larger than the Company and have access to greater resources than the Company. In addition, the female condom is

generally sold at the retail level at prices comparatively greater than the price of the latex male condom. Accordingly, the female condom will not be able to compete with the latex male condom solely on the basis of price.

FUTURE SALES OF COMMON STOCK

Sales of the Company's Common Stock in the public market or the perception that such sales may occur, could adversely affect the market price of the Company's Common Stock. As of November 17, 1998, the Company had outstanding 10,441,227 shares of Common Stock and 680,000 shares of convertible preferred stock which are convertible into an equal number of shares of Common Stock. All of these shares are eligible for resale in the public market by persons other than "affiliates" of the Company (generally, a person who has a control relationship with the Company) without regard to any resale limitations under Rule 144 of the Securities Act. In addition, the Equity Line Agreement provides that the Company will issue at least $1 million (up to a maximum of $6 million) of Common Stock during its term, which commences on the effective date of the registration statement of which this Prospectus is a part (the "Effective Date") and continues until the earlier of (1) the date the Company sells $6 million of Common Stock to the Selling Stockholder under the Equity Line Agreement, (2) the date the Company fails to meet certain obligations under the Equity Line Agreement or (3) 24 months after the Effective Date. (If the Company does not issue the minimum $1 million of stock to the Selling Stockholder, the Company must pay the Selling Stockholder an amount equal to the portion of the $1 million not sold, multiplied by 12% (17% if the failure to sell the required minimum is due to certain specified events).) The Shares of Stock which the Company may sell to the Selling Stockholder under the Equity Line Agreement will be available for immediate resale to the public pursuant to this Prospectus. Further, the Company has issued options and warrants to purchase an aggregate of 2,383,012 shares of Common Stock. The Company has filed or intends to file registration statements under the Securities Act to register the sale of the shares underlying these options and warrants and, accordingly, any shares received upon exercise of these options or warrants will also be freely tradable without restriction by persons other than affiliates. The resale of the Shares pursuant to the Equity Line Agreement and the outstanding stock options and warrants, or the prospect of such resales, may have an adverse effect on the market price of the Common Stock.

DILUTIVE AND OTHER EFFECTS OF EQUITY LINE AGREEMENT

While the equity line arrangement governed by the Equity Line Agreement will help provide the Company with additional future financing, the sale of Shares thereunder will have a dilutive impact on other stockholders of the Company. As a result, the Company's net income (loss) per share could be materially decreased (increased) in future periods, and the market price of the Common Stock could be materially and adversely affected. In addition, the Common Stock to be issued under the Equity Line Agreement will be issued at a discount to the then prevailing market price of the Common Stock. These discounted sales could have an immediate adverse effect on the market price of the Common Stock.

The Company has also agreed to pay Hartinvest-Medical Ventures ("HMV"), the entity that solicited the Selling Stockholder, a commission of 7% on all amounts received by the Company under the Equity Line Agreement. This commission may, at the option of HMV, be paid in shares of the Company's Common Stock valued at the same price at which Shares of Common Stock are sold to the Selling Stockholder under the Equity Line Agreement. As further consideration, the Company has agreed to issue to HMV warrants to purchase Shares of Common Stock equal to 10% of the number of Shares actually sold by the Company to the Selling Stockholder under the Equity Line Agreement. The warrants will have a three-year term and be exercisable at a price per share equal to $2.17 (which was 120% of the last sale price of the Company's Common Stock on the date the Equity Line Agreement was executed). As further consideration for entering into the Equity Line Agreement, the Company issued to the Selling Stockholder the Warrant, which is exercisable over a three-year period at an exercise price of $2.17 (which was equal to 120% of the last sale price of the Company's Common Stock on the date the Equity Line Agreement was executed). The issuance or resale of the Shares would have a further dilutive effect on the Company's stockholders and could have an adverse effect on the Company's stock price. The Equity Line Agreement will not be available under certain conditions which could require the Company to seek funds from other sources (with the intendent risk factor set forth in the preceding paragraph).

VOLATILITY OF STOCK PRICE

The market price of the Company's Common Stock has been and may continue to be affected by quarter-to-quarter variations in the Company's operating results, announcements by the Company's competitors and other factors. In addition, the stock market has from time to time experienced extreme price and volume fluctuations,

particularly among emerging growth company stock, which have often been

unrelated to the operating performance of particular companies. Factors not directly related to the Company's performance, such as governmental regulation or negative industry reports, may also have a significant adverse impact on the market price of the Company's Common Stock.

DEPENDENCE ON KEY PERSONNEL

The Company's success will depend in large part upon its ability to attract and retain highly qualified personnel. The Company is particularly dependent upon the services of O.B. Parrish, its Chairman of the Board and Chief Executive Officer, and Mary Ann Leeper, Ph.D., its President and Chief Operating Officer. The Company has entered into an employment agreement with Dr. Leeper. The loss of the services of these or certain other key individuals, or the failure of the Company to attract and retain other skilled personnel, could have a material adverse impact on the Company. The Company has not purchased keyman life insurance insuring the lives of any of its executive officers or key employees.

PENNY STOCK RULES

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure in connection with trades in any stock defined as a "penny stock." The Securities and Exchange Commission's regulations generally define a penny stock to be an equity security that has a price of less than $5.00 per share, subject to certain exceptions or issued by an issuer that has (1) net tangible assets in excess of $2 million, if such issuer has been in continuous operation for at least three years; (2) net tangible assets in excess of $5 million, if such issuer has been in continuous operation for less than three years; or (3) average annual revenues of at least $6 million for the last three years. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

In addition, if the Company's Common Stock falls within the definition of "penny stock," trading in the Company's securities would be covered by Rule 15g-9 promulgated under the Exchange Act. Under this rule, generally broker-dealers who recommend such securities to persons other than established customers and certain accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale of such securities.

Although the Company believes that its securities will, as of the date of this Prospectus, be outside the definitional scope of a penny stock, as the Company has net tangible assets in excess of $2 million, in the event the Common Stock were subsequently to become characterized as penny stock, the market liquidity for the Company's securities could be adversely affected. In such an event, the regulations on penny stocks could limit the ability of broker-dealers to sell the Company's securities and thus the ability of purchasers in this offering to sell their securities in the secondary market.

CONTINGENT LIABILITIES

The Company has entered into an exclusive North American licensing agreement with the owner of the "reality" trademark and a royalty agreement with a nonprofit organization that previously conducted a major study to assess the safety and efficacy of the female condom. The Company's fiscal 1997 trademark royalty expense was approximately $5,700. During fiscal 1998, the Company incurred a royalty expense to the nonprofit organization of approximately $1,600.

PRODUCT LIABILITY

The nature of the Company's product may expose the Company to significant product liability risks. The Company maintains product liability insurance with coverage limits of $5 million per year on the female condom. There can be no assurance that the Company will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate coverage against product liability claims. While no product liability claims

on the female condom have been brought against the Company to date, a successful product liability claim against the Company in excess of the Company's insurance coverage could have a material adverse effect on the Company.

FOREIGN CURRENCY AND MARKET RISK

The Company manufactures the female condom in a facility located in London, England. Further, a material portion of the Company's future sales are likely to be in foreign markets. Manufacturing costs and sales to foreign markets are subject to normal currency risks associated with changes in the exchange rate of foreign currencies relative to the United States dollar. To date, the Company's management has not deemed it necessary to utilize currency

hedging strategies to manage its currency risks. On an ongoing basis, management continues to evaluate its commercial transactions and is prepared to employ currency hedging strategies when it believes such strategies are appropriate. In addition, some of the Company's future international sales may be in developing nations where dramatic political or economic changes are possible. Such factors may adversely affect the Company's results of operations and financial condition.

GOVERNMENT REGULATION

The female condom is subject to regulation by the FDA, pursuant to the federal Food, Drug and Cosmetic Act (the "FDC Act"), and by other state and foreign regulatory agencies. Under the FDC Act, medical devices must receive FDA clearance before they can be sold. FDA regulations also require the Company to adhere to certain "Good Manufacturing Practices, which include testing, quality control and documentation procedures. The Company's compliance with applicable regulatory requirements is monitored through periodic inspections by the FDA. The failure to comply with applicable regulations may result in fines, delays or suspensions of clearances, seizures or recalls of products, operating restrictions and criminal prosecutions and could have a material adverse effect on the Company.

MANAGEMENT OF OPERATIONS

The Company's future short-term and long-term success will be dependent upon its ability to effectively anticipate, respond to and manage changing business conditions. The Company believes that current management will be able to properly manage the Company's future operations. However, there can be no assurance that the Company will be able to adapt its manufacturing operations or administrative and financial functions to manage the Company's growth or to otherwise address the future needs of the business.

YEAR 2000 ISSUES

The Company's State of Readiness. The Company's main financial and manufacturing hardware and software systems have been tested and are either now Year 2000 compliant or are expected to be by December 31, 1998. This was accomplished primarily through systems upgrades and maintenance done over the last few years. The Company is in the process of surveying major customers and suppliers regarding their Year 2000 readiness and, to date, the Company is not aware of any significant Year 2000 issues at these entities that would materially affect the Company's business. The Company believes that if a Year 2000 problem develops at any of the Company's vendors whereby the vendor becomes unable to address the Company's needs, alternative vendors are readily available that could furnish the Company with the same or similar supplier or services without material undue delay or expense.

Costs to Address the Company's Year 2000 Issues. The majority of the Company's Year 2000 issues were corrected either through systems upgrades or normal maintenance contracts. The cost of these improvements to date has been approximately $20,000.

Risks to the Company for Year 2000 Issues. With regard to systems under the Company's control, the Company knows of no significant exposure that the Company has to the Year 2000 issue since, if necessary, the Company's systems are capable of accepting manually entered data. The worst case scenario is that the Company has to revert back to certain manual systems. The Company believes that its customers and vendors are at various

stage of compliance but the Company has not been made aware of significant Year 2000 issues that would materially affect its business with them. The Company will continue to monitor Year 2000 compliance with its customers and vendors throughout 1999 but it will not be able to achieve the same degree of certainty that it can with its own internal systems.

The Company's Contingency Plan. To the extent that the Company discovers minor internal systems that are not Year 2000 compliant by mid-1999, it will have time to implement manual systems by year-end 1999 which the Company believes will significantly reduce the financial risk to the Company.

THE EQUITY LINE AGREEMENT

Effective November 19, 1998, the Company entered into the Equity Line Agreement with Kingsbridge Capital Limited, a private investor (the "Selling Stockholder"), pursuant to which the Company may issue and sell, from time to time, shares of its Common Stock for cash consideration up to an aggregate of $6

million. Pursuant to the requirements of the Equity Line Agreement, the Company has filed a registration statement, of which this Prospectus forms a part, in order to permit the Selling Stockholder to resell to the public any Shares that it acquires pursuant to the Equity Line Agreement. Commencing as of the date the registration statement of which this Prospectus forms a part is declared effective by the Securities and Exchange Commission and continuing for a period of 24 months thereafter, the Company may from time to time at its sole discretion, and subject to certain restrictions set forth in the Equity Line Agreement, sell ("put") Shares of its Common Stock to the Selling Stockholder at a price equal to (a) 88% of the then current average market price of a Share of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least $2 or (b) 82% of such average market price if the average market price is less than $2. Puts can be made every 20 trading days in amounts ranging from a minimum of $100,000 to a maximum of $1,000,000, depending on the trading volume and the market price of the Common Stock at the time of each put. The Company is required to put at least $1,000,000 of its Common Stock to the Selling Stockholder over the two-year life of the Equity Line Agreement. If the Company does not put at least $1 million of the Common Stock to the Selling Stockholder during the term of the Equity Line Agreement, the Company must pay the Selling Stockholder at the end of such two-year term an amount equal to the portion of the $1 million not so put, multiplied by 12% (17% if the failure to put the required minimum occurs as a result of certain specified events). As of the date of this Prospectus, no Shares of Common Stock have been sold to the Selling Stockholder under the Equity Line Agreement.

Under the Equity Line Agreement, the average market price of the Company's Common Stock for purposes of calculating the purchase price to be paid by the Selling Stockholder will be calculated as the average of the lowest bid prices of the Common Stock (as reported by Bloomberg L.P.) on each of the five days on which the Exchange is open for business (a "trading day"), during the period which includes the two trading days preceding the day on which the Company delivers notice to the Selling Stockholder that the Company is exercising a put (a "Put Notice"), the trading day on which the Put Notice is delivered, and the two trading days following the trading day on which the Put Notice is delivered.

The Company's ability to put Shares of its Common Stock, and the Selling Stockholder's obligation to purchase the Shares, is conditioned upon the satisfaction of certain conditions. These conditions include: (1) the registration statement of which this Prospectus forms a part must have been declared effective by the Securities and Exchange Commission; (2) the representations and warranties of the Company set forth in the Equity Line Agreement must be accurate as of the date of each put; (3) the Company must have performed and complied with all obligations under the Equity Line Agreement, the Registration Rights Agreement entered into between the Company and the Selling Stockholder in connection with the Equity Line Agreement and the Warrant required to be performed as of the date of each put; (4) no statute, rule, regulation, executive order, decree, ruling or injunction may be in effect which prohibits or directly and adversely affects any of the transactions contemplated by the Equity Line Agreement; (5) at the time of a put, there may not have been any material adverse change in the Company's business, operations, properties, prospects or financial condition since the date of fling of the Company's most recent periodic report filed with the Securities and Exchange Commission pursuant to the Exchange Act; (6) the Company's Common Stock must be quoted on the OTC Bulletin Board or listed on the Nasdaq Stock Market, the American Stock Exchange or the New York Stock Exchange; (7) the number of Shares to be put to the Selling Stockholder, together with any Shares then held by the Selling Stockholder, may not exceed 9.9% of all shares of Common Stock of the Company that would be outstanding upon completion of the put; (8) the Company's Common Stock must have a minimum bid price of $1.00 per share at the time of the put; and (9) the average trading volume of the Company's Common Stock for 20 consecutive trading days immediately preceding a put must be at least 17,000 shares per day. In addition, at present the Company has approximately 1,000,000 shares of Common Stock authorized but unissued and unreserved. Accordingly, until the Company increases its authorized Common Stock by amending its Articles of Incorporation (which requires shareholder approval), the Company cannot sell more than approximately 1,000,000 shares of Common Stock to the Selling Stockholder. The Company intends to seek shareholder approval to amend its Articles of Incorporation to increase its authorized Common Stock at its 1999 annual shareholder meeting.

The Selling Stockholder has agreed that it will not engage in short sales of the Company's Common Stock except that the Selling Stockholder may enter into any short sale or other hedging arrangement it deems appropriate with respect to Shares it receives under the Equity Line Agreement after it receives a Put Notice with respect to such Shares so long as such short sales or arrangements do not involve more than the number of such Shares with respect to that Put Notice.

In conjunction with the Equity Line Agreement, effective November 19,

1998, the Company issued to the Selling Stockholder the Warrant, which entitles the holder to purchase 200,000 shares of the Company's Common Stock at a price of $2.17 per share (which represents 120% of the closing price of a share of the Company's Common Stock on the date the Equity Line Agreement was executed). The Warrant is exercisable at any time beginning on May 19, 1999 and ending on May 19, 2002. The Warrant contains provisions that protect against dilution by adjustment of the exercise price and the number of shares issuable thereunder upon the occurrence of certain events, such as a merger, stock split or reverse stock split, stock dividend or recapitalization. The exercise price of the Warrant is payable either (a) in cash or (b) by a "cashless exercise," in which that number of Shares of Common Stock underlying the Warrant having a fair market value at the time of exercise equal to the aggregate exercise price are cancelled as payment of the exercise price.

Prior to entering into the Equity Line Agreement, on May 1, 1998 and renewed on November 13, 1998, the Company entered into a Fund-Raising Agreement with Hartinvest-Medical Ventures ("HMV"). Pursuant to this agreement, HMV agreed to solicit potential purchasers of the Company's Common Stock and the Company agreed to pay HMV a commission if it was successful in attracting such purchasers. Pursuant to this agreement, HMV solicited the Selling Stockholder. Accordingly, HMV is entitled to receive a commission equal to 7% of the amount of funds received by the Company under the Equity Line Agreement. HMV may elect to receive this commission in cash or stock valued at the same price as the Selling Stockholder pays under the Equity Line Agreement. As further consideration, pursuant to this agreement, the Company is required to issue to HMV three-year warrants to purchase shares of the Company's Common Stock equal to 10% of the number of Shares purchased by the Selling Stockholder under the Equity Line Agreement. The exercise price per share under these warrants is $2.17, representing 120% of the closing price of a share of the Company's Common Stock on the date the Equity Line Agreement was executed.

USE OF PROCEEDS

The proceeds from the sale of the Shares will be received directly by the Selling Stockholder. No proceeds will be received by the Company from the sale of the Shares offered hereby.

However, the Company will receive the put price paid pursuant to the Equity Line Agreement if and to the extent Common Stock is sold by the Company pursuant thereto. The put price equals 88% of the then current average market price of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least $2 and 82% of the average market price if such average market price is less than $2. The Company will also receive the proceeds, if any, relating to the exercise of the Warrant and the warrants issued to HMV. The exercise price of the Warrant is $2.17 per share. See "The Equity Line Agreement."

The funds received by the Company will be used for general working capital purposes.

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is currently quoted on the OTC Bulletin Board under the symbol "FHCO." As of November 17, 1998, there were approximately 480 holders of record of the Common Stock.

Prior to February 5, 1999, the Common Stock was listed on the American Stock Exchange. The following table sets forth the historical high and low sale prices of a share of Common Stock on the American Stock Exchange for the periods indicated:

<TABLE>
<CAPTION>

	Common Stock Sale Price	
	High	Low
<S>	<C>	<C>
Year ended September 30, 1997		
Quarter ended:		
December 31, 1996	6-1/4	3-3/4
March 31, 1997	4-1/8	1-13/16
June 30, 1997	3-3/8	1-11/16
September 30, 1997	4	2-7/8
Year ended September 30, 1998:		
Quarter ended:		
December 31, 1997	4-5/16	3
March 31, 1998	3-1/2	2-1/2
June 30, 1998	3-5/8	2-1/2
September 30, 1998	3-1/2	1-7/16

</TABLE>

The foregoing sale price quotations reflect inter-dealer prices, without retail mark-ups, mark-downs or commissions.

DIVIDEND POLICY

The Company has not paid a dividend on its Common Stock and does not anticipate paying any such dividends in the foreseeable future.

DETERMINATION OF OFFERING PRICE

The Common Stock offered by this Prospectus may be offered for sale from time to time in transactions on the OTC Bulletin Board, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. As such, the offering price is indeterminate as of the date of this Prospectus. See "Plan of Distribution."

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1998. This financial information has been derived from the financial statements appearing elsewhere in this Prospectus. This information should be read in conjunction with such financial statements, including the notes thereto.

<TABLE>
<S> <C>

Short-term indebtedness:	
Current portion of long-term debt and capital lease obligations	$ 626,066
Notes payable, related party	837,139
	$1,463,205
Long-term debt and capital lease obligations, less current maturities	$ 4,882
Stockholders' equity:	
Class A Preferred Stock, par value $.01 per share, 5,000,000 shares of Series 1 Preferred authorized, 680,000 shares outstanding	6,800
Common Stock, par value $.01 per share, 15,000,000 shares authorized 10,415,757 shares issued and outstanding	104,158
Additional paid-in capital	43,833,843
Foreign currency translation gain	304,980
Accumulated deficit	(41,295,874)
	2,953,907
Less -- Treasury Stock, at cost, 10,000 Shares	(19,330)
Total stockholders' equity	2,934,577
Total Capitalization	$4,402,664

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide an analysis of the Company's financial condition and results of operations and should be read in conjunction with the Company's financial statements and the notes thereto contained elsewhere in this Prospectus. The discussion also includes certain forward-looking statements. See "PROSPECTUS SUMMARY--Forward-Looking Statements."

OVERVIEW

Over the past few years, the Company completed significant aspects of the development and commercialization of the female condom. These initiatives have resulted in the attainment of proprietary manufacturing technology and product design patents, necessary regulatory approvals, endorsements from various organizations within the world medical community and the development of significant manufacturing capacity. These steps, taken as part of the Company's plan to develop and sell a product with global commercial and humanitarian value, have required the expenditure of significant amounts of capital and resulted in significant operating losses including the period 1996 through the present.

The Company has begun the process of developing the market for the female condom around the world. As part of this plan, the Company has completed

a number of distribution agreements and is pursuing other arrangements for the marketing and sale of the female condom. Management believes that as the number of markets in which the female condom is sold increases, sales will grow and, at certain levels, the Company will become profitable. However, there can be no assurance that such level of sales will be achieved in the near term or at all.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 1998 ("1998") COMPARED TO FISCAL YEAR ENDED SEPTEMBER 30, 1997 ("1997")

The Company had revenues of $5.5 million and a net loss attributable to stockholders of $(4.3) million ($0.43) per share in 1998 compared to net revenues of $2.9 million and a net loss attributable to common stockholders of $(6.3) million ($0.74) per share in 1997.

As discussed more fully below, the $2.0 million reduction (31%) in the net loss attributable to stockholders from $(6.3) million in 1997 to $(4.3) million in 1998 is the result of increasing sales volume, reducing expenditures for advertising and promotion, reducing interest expense and adjusting reserves for inventory obsolescence. Net losses for both 1998 and 1997 are attributable to fixed manufacturing overhead and administrative costs associated with operating the manufacturing facility configured to support significantly greater volume levels.

Net revenues increased $2.6 million (87%) in 1998 over the prior year. Rapidly growing sales into both the global public sector and city and state agencies within the United States accounted for all of the increase. Net sales to commercial accounts declined principally as a result of reduced expenditures for product advertising and promotion support.

The results reflect the Company's strategy to act as a manufacturer supplying the public sector and commercial partners throughout the world. The Company's partners pay for all marketing and shipping costs. Consequently, as the Company's sales volume increases the Company's operating expenses will not increase significantly.

In 1998, the cost of products sold of $5.3 million was 97% of net sales compared with 1997 cost of products sold of $3.5 million which was 119% of net sales. The reduction of costs of products sold as a percentage of net sales resulted in an increase in gross profit (loss) of $0.8 million from a loss of $(0.6) million in 1997 to a profit of $0.2 million in 1998. The reduction in cost of products sold as a percentage of net sales in 1998 resulted from improved absorption of fixed manufacturing overhead costs over the increased manufacturing unit volume. The Company's UK-based manufacturing facility utilized approximately 12% of its capacity in 1998 compared with approximately 5% of its capacity in 1997. In 1997, the Company recorded a favorable adjustment to its reserves for inventory obsolescence reducing cost of products sold by $1.1 million. During 1998, the Company further adjusted inventory obsolescence reserves, reducing cost of products sold by $0.9 million. The Company's reserve for inventory obsolescence was $40,734 and $894,000 at September 30, 1998 and 1997, respectively.

Advertising and promotion expenditures decreased 74% to $0.4 million in 1998 compared to $1.6 million in 1997. The 1997 expenditures reflect costs for the Company's previous print advertising campaign and single market test of the Company's television commercial which was not repeated in 1998. Advertising and promotion relates exclusively to the US market and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs incurred to increase consumer awareness and purchases of the female condom. Through expenditures since the product launch, the Company has established that the female condom is responsive to promotion; but due to the Company's size, it doesn't possess the resources to conduct a significant consumer marketing program. Accordingly the Company is seeking potential partners for the United States that have the resources to conduct such a marketing program.

Selling, general and administrative expenses decreased $0.1 million, or 5%, from $3.0 million in 1997 to $2.9 million in 1998. As a percentage of net revenues, the selling, general and administrative expenses were 53% in 1998 compared with 104% in 1997. The Company's initiatives to reduce spending in all administrative areas have resulted in reductions in the expenses associated with telecommunications, legal and financial matters in the United States and the United Kingdom. These reductions were offset by increased compensation expense.

Net nonoperating expense for 1998 decreased $0.8 million (80%) to $0.2 million from $1.0 million in 1997. The decrease is the result of lower interest expense for 1998 ($0.5 million) compared with 1997 ($1.3 million). The prior year interest expense included interest paid on convertible debentures which were all converted during 1997 as well as the amortized cost of a beneficial conversion feature associated with the issuance of the convertible debentures. Comparable interest costs were not incurred during 1998.

In order for the Company to cover fixed manufacturing overhead costs and realize a break-even at the gross profit level, annual unit sales of approximately 7.1 million female condoms are required based upon the current average selling price per unit. The Company's unit sales for fiscal 1998 were 7.4 million female condoms. Additionally, in order to cover administrative expenses and achieve a break-even before advertising and promotion expenses, the Company must achieve cumulative annual unit sales of approximately 13.0 million female condoms based upon the current average selling price per unit or approximately 22.0% of manufacturing capacity.

FISCAL YEAR ENDED SEPTEMBER 30, 1997 ("FY1997") COMPARED TO FISCAL YEAR ENDED SEPTEMBER 30, 1996 ("FY1996")

The Company had revenues of $2.9 million and a net loss of ($5.6) million (($0.67) per share) in FY1997 compared to net revenues of $2.1 million and a net loss of ($8.7) million (($1.31) per share) in FY1996.

As discussed more fully below, the FY1997 loss principally resulted from fixed manufacturing overhead and administrative costs, configured to support significantly greater volume levels. Over the past two years, the Company has acquired manufacturing capacity and created an organizational structure which management believes will enable it to increase the sales of the female condom and manage the accompanying growth.

Revenues increased $0.8 million (41%) in FY1997 over the prior year. The increase in revenues principally related to initial shipments to developing countries under the Company's agreement with UNAIDS and increased U.S. trade sales, partially offset by a decline in U.S. public sector sales due, in part, to a reduction in selling price.

In 1997, cost of goods sold declined $1.2 million from $4.7 million in FY1996 to $3.5 million in FY1997, principally due to a $1.1 million favorable adjustment to the Company's inventory reserves in the fourth quarter, as a result of the FDA's approval of an extension in the product's useful life to five years from three years. In FY1996, based on the then existing three-year useful life, cost of goods sold included a $1.0 million charge for a reduction in the expected realizable value of the Company's inventory.

Excluding the effects of the inventory reserves, cost of goods sold increased $0.9 million (23%) in FY1997 due to both increased sales and the inclusion of a full year of costs from the Company's manufacturing operations compared to eight months in FY1996. During FY1997 and FY1996, gross margins were negatively affected by excess capacity at the Company's U.K.-based manufacturing facility. For both FY1997 and FY1996, output at its manufacturing facility was less than 5% of the facility's annual capacity.

Advertising and promotion expenditures decreased 17% to $1.6 million in FY1997 compared to $2.0 million in FY1996. Advertising and promotion relates almost exclusively to the U.S. market and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs incurred to increase consumer awareness and purchases of the female condom. The Company's decision to secure a marketing and distribution partner for the U.S. and European markets limited such spending in the second half of FY1997.

Selling, general and administrative expenses totalled $3.0 million for FY1997 compared to $3.3 million for FY1996 representing an 8% reduction. Research and development expenditures decreased by $0.3 million (83%) from $0.4 million in FY1996 to $0.1 million in FY1997 while reductions in selling expenses were offset by increased expenditures for investor relations, legal and compensation.

Nonoperating expense for FY1997 decreased $0.3 million (49%) to $0.4 million from $0.7 million in FY1996. Additional nonoperating income of $0.1 million for FY1997 and a FY1996 charge of $0.2 million to reduce the estimated value of warehouse space provided as part of the consideration for the sale of the Recreational Products Business accounted for the overall decrease.

FACTORS THAT MAY AFFECT OPERATING RESULTS AND FINANCIAL CONDITION

The Company's future operating results and financial condition are dependent on the Company's ability to increase consumer demand for and to cost-effectively manufacture sufficient quantities of the female condom. Inherent in this process are a number of factors that the Company must successful manage in order to achieve favorable future results and improve its financial condition.

Reliance on a Single Product

The Company expects to derive the vast majority, if not all, of its future revenues from the female condom, its sole current product. While management believes the global potential for the female condom is significant, the product is in the early stages of commercialization and, as a result, the ultimate level of consumer demand around the world is not yet known. To date, sales of the female condom have not been sufficient to cover the Company's fixed operating costs.

Distribution Network

The Company's strategy is to act as a manufacturer and to develop a global distribution network for the female condom through forming relationships with representatives of city, state and country public health agencies in the global public sector and by completing partnership arrangements with private sector companies who have the necessary marketing and financial resources for local market distribution. To date, this strategy has resulted in numerous in-country distributions in the public sector, particularly in Africa and Latin America. Several partnership agreements have been completed for the commercialization of the female condom in private sector markets around the world. However, the Company is dependent on country governments as well as city and state public health departments within the United States to continue their commitment to prevention of STDs, including AIDS, by including female condoms in their programs. The Company is also dependent on finding appropriate partners for the private sector markets around the world. Once an agreement is completed, the Company is reliant on the effectiveness of the partners to market and distribute the product. Failure by the Company's partners to successfully market and distribute the female condom or failure of country governments to implement prevention programs which include distribution of barrier methods against the AIDS crisis, or an inability of the Company to secure additional agreements for new markets either in the public or private sectors could adversely affect the Company's financial condition and results of operations.

Inventory and Supply

All of the key components for the manufacture of the female condom are essentially available from either multiple sources or multiple locations within a source.

Global Market Risks

The Company manufactures the female condom in a leased facility located in London, England. Further, a material portion of the Company's future sales are likely to be in foreign markets. Manufacturing costs and sales to foreign markets are subject to normal currency risks associated with changes in the exchange rate of foreign currencies relative to the United States dollar. In addition, some of the Company's future international sales may

be in developing nations where dramatic political or economic changes are possible. Such factors may adversely affect the Company's results of operations and financial condition.

Regulatory Risks

The manufacture and marketing of the female condom is regulated by the FDA. Failure to comply with the conditions of FDA approval invalidates the approval order. Under certain circumstances, failure to comply with the conditions of FDA approval could result in fines or suspension or withdrawal of FDA approval. The Company's operating results and financial condition could be materially adversely affected in the event of a withdrawal of approval from the FDA.

LIQUIDITY AND SOURCES OF CAPITAL

Historically, the Company has incurred significant operating losses. Cash used in continuing operations was $2.8 million and $5.0 million in FY1998 and FY1997, respectively. Historically, the Company has funded operating losses and capital costs, in large part, through the sale of Common Stock or debt securities convertible into Common Stock.

During FY1998, the Company received approximately $1.0 million in proceeds from newly-issued notes payable, $1.8 million (net of transaction costs) from the issuance of convertible preferred stock and warrants, $0.4 million from the issuance of Common Stock and $0.1 million from the issuance of Common Stock upon exercise of options. FHC used these amounts to fund current operations of the Company and to repay existing liabilities.

In the near term, FHC management expects operating and capital costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes and the ongoing need to commercialize the female condom around the world.

On September 29, 1997, the Company entered into an agreement with

Vector Securities International, Inc. ("Vector"), an investment banking firm specializing in providing advice to heath care and life companies. Pursuant to this agreement, Vector will act as the Company's exclusive financial advisor for the purposes of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business, assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. However, no specific such opportunity has yet been identified and there can be no assurance that any such opportunities will be available to the Company or, if so available, that the Company will ultimately elect or be able to consummate any such transaction. The original term of this agreement expired on September 29, 1998 but the Company and Vector agreed to extend the agreement for an additional six months.

On November 19, 1998, the Company executed an agreement with a private investor (the "Equity Line Agreement"). This agreement provides for the Company, at its sole discretion, subject to certain restrictions, to sell ("put") to the investor up to $6 million of the Company's Common Stock, subject to a minimum put of $1 million over the duration of the agreement. The Equity Line Agreement expires 24 months after the effective date of the registration statement of which this Prospectus is a part and, among other things, provides for minimum and maximum puts ranging from $100,000 to $1,000,000 depending on the Company's stock price and trading volume. Puts cannot occur more frequently than every 20 trading days. Upon a proper put under this agreement, the investor purchases Common Stock at a discount of (a) 12% from the then current average market price of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least $2 or (b) 18% from the then current average market price if such average market price is less than $2. In addition, the Company is required to pay its placement agent sales commissions in Common Stock or cash, at the placement agent's discretion, equal to 7% of the funds raised under the Equity Line Agreement and issue warrants to the placement agent to purchase shares of Common Stock, at an exercise price of $2.17 per share, equal to 10% of the Shares sold.

by the Company under the Equity Line Agreement. In addition, pursuant to the Equity Line Agreement, the Company issued the investor the Warrant to purchase 200,000 shares of Common Stock at $2.17 per share.

While the Company believes that its existing capital resources (including expected proceeds from sales of Common Stock pursuant to the Equity Line Agreement) will be adequate to fund its currently anticipated capital needs, if they are not or the Company does not receive shareholder approval to amend its Articles of Incorporation to increase its authorized Common Stock, enabling the Company to sell sufficient Shares under the Equity Line Agreement, the Company may need to raise additional capital until its sales increase sufficiently to cover operating expenses. In addition, there can be no assurance that the Company will satisfy the conditions required for it to exercise puts under the Equity Line Agreement. Accordingly, the Company may not be able to realize all or any of the funds available to it under the Equity Line Agreement.

The Company has a 1.0 million note from a director, Mr. Stephen Dearholt, due in March 1999. Mr. Dearholt has agreed to extend this note one year to March 2000 on the same terms and conditions if the Company requests such extension.

Until internally generated funds are sufficient to meet cash requirements, FHC will remain dependent upon its ability to generate sufficient capital from outside sources. While management believes that revenues from sales of the female condom will eventually exceed operating costs, and that ultimately operations will generate sufficient funds to meet capital requirements, there can be no assurance that such level of operations will ultimately be achieved, or be achieved in the near term. Likewise, there can be no assurance that the Company will be able to source all or any portion of its required capital through the sale of debt or equity or, if raised, the amount will be sufficient to operate the Company until sales of the female condom generate sufficient revenues to fund operations. In addition, any funds raised may be costly to the Company and/or dilutive to stockholders. If the Company is not able to source the required funds or any future capital which becomes required, the Company may be forced to sell certain of its assets or rights or cease operations.

As of December 21, 1998, the Company had approximately $1.0 million in cash, net trade accounts receivable of $0.5 million and current trade accounts payable of $0.7 million. It is estimated that the Company's cash burn rate, without revenues, is approximately $0.4 million per month.

IMPACT OF INFLATION AND CHANGING PRICES

Although the Company cannot accurately determine the precise effect of inflation, the Company has experienced increased costs of product, suppliers, salaries and benefits, and increased general and administrative expenses. Historically, the Company has absorbed increased costs and expenses without

increasing selling prices.

NEW ACCOUNTING PRONOUNCEMENTS

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings per Share," which supersedes APB Opinion No 15, was issued in February 1997 by the Financial Accounting Standards Board. The Statement changes the computation and presentation of earnings per share by all entities that have common stock or potential common stock, such as options, warrants and convertible securities, outstanding that trade in a public market. Those entities that have only common stock outstanding are required to present basic earnings per-share amounts. All other entities are required to present basic and diluted per-share amounts. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce a loss or increase the income per common share from continuing operations. All entities required to present per-share amounts must initially apply Statement No. 128 for annual and interim periods ending after December 15, 1997. Earlier application is not permitted.

The Company has numerous issues of potential common stock outstanding, including options to employees and stock purchase warrants that become exercisable if certain conditions are met and preferred stock that is convertible to common stock. Each of these potential common stock instruments must be separately evaluated to determined whether they are dilutive, and various adjustments to income and share amounts are computed. Due to the complexities involved, management has not completed its assessment of the effects that the application of Statement No. 128 will have on the per-share information presented in the accompanying financial statements.

Capital Structure

Statement of Financial Accounting Standard No. 129, "Disclosure of Information about Capital Structure," was issued in February 1997 by the Financial Accounting Standards Board. The Statement requires an entity to explain the pertinent rights and privileges of the various securities outstanding. The standard is effective for financial statement periods ending after December 15, 1997. The Company does not believe the adoption of the Standard will have a material impact on the consolidated financial statements.

Comprehensive Income

The Financial Accounting Standards Board has issued Statement No. 130, "Reporting Comprehensive Income," that the Company will be required to adopt for its year ended September 30, 1998, and disclose in its interim financial statements beginning with the period ending December 31, 1997. This pronouncement is not expected to have a significant impact on the Company's financial statements. The Statement establishes standards for the reporting and presentation of comprehensive income and its components. The statement requires that items recognized as components of comprehensive income be reported in a financial statement. The statement also requires that a company classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. For the years ended September 30, 1997 and 1996, the Company's components of comprehensive income (loss) consisted of its reported net (loss) and foreign currency translation adjustments.

Segments of an Enterprise

Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in July 1997 by the Financial Accounting Standards Board. The Statement requires the Company to disclose the factors used to identify reportable segments including the basis of organization, differences in products and services, geographic areas, and regulatory environments. The Statement additionally requires financial results to be reported in the financial statements for each reportable segment. The Statement is effective for financial statement periods beginning after December 15, 1997. The Company does not believe the adoption of the statement will have a material impact on the consolidated financial statements.

Derivatives

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 133 requires companies to record derivatives onthe balance sheet as assets or liabilities at fair value. Depending on the use of the derivative and whether it qualifies for hedge accounting, gains or losses resulting from changes in the value of those derivatives would either be recorded as a component of net income or as a change

in stockholders' equity. The Company is required to adopt this new standard for the quarter and year beginnin October 1, 1999. The Company currently has no derivative instruments and, accordingly, the adoption of this statement has no impact on its consolidated financial statements.

BUSINESS

GENERAL

The Female Health Company ("FHC" or the "Company") markets, manufactures and sells the female condom, the only FDA-approved product under a woman's control which can prevent unintended pregnancy and sexually transmitted diseases ("STDs"), including HIV/AIDS.

The female condom has undergone extensive testing for efficacy, safety and acceptability, not only in the United States but also in over 25 additional countries. Certain of these studies show that having the female condom available allows women to have more options, resulting in an approximately 30% increase in protected sex acts. Furthermore, studies show that when the female condom is available as a choice, there is an approximately 35% decrease in STDs, including HIV/AIDS.

The product is currently sold or available in either or both commercial (private sector) and public sector markets in 30 countries. It is commercially marketed directly by the Company in the United States and the United Kingdom and through marketing partners in Canada, Holland, Brazil, Venezuela, South Korea and Taiwan. The Company has signed distribution agreements in Japan and Bangladesh, and the Company anticipates that the product will be marketed in these countries in the coming months. The Company's partner in Japan, Taiho Pharmaceutical Co., Ltd. ("Taiho"), submitted a formal application for regulatory approval with Koseisho, the Japanese regulatory agency in October 1997 and expects to receive approval to begin marketing the female condom during the Company's 1999 fiscal year. The Company is currently in discussions with potential distributors for key European countries, India, The People's Republic of China and other countries.

As noted above, the female condom is sold to the public sector. In particular, the product is marketed to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood in the United States. Following several years of testing the efficacy and acceptability of the female condom, the product received a formal endorsement by The World Health Organization ("WHO") and the Joint United Nations Programme on AIDS ("UNAIDS"). In 1996, the Company entered into a three-year agreement with UNAIDS, whereby UNAIDS will facilitate the availability and distribution of the female condom in the developing world and the Company will sell the product to developing countries at a reduced price based on the total number of units purchased. The current price is 38 pence sterling (approximately $0.64 per unit). Pursuant to this agreement, the product is currently being marketed in Zambia, Zimbabwe, Tanzania, Cote d' Ivoire, Bolivia, Haiti, South Africa and other countries. The Company anticipates multiple launches will occur during the next two years under this agreement, including launches in Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central American countries.

PRODUCT

The female condom is made of polyurethane, a thin but strong material which is resistant to rips and tears during use. The female condom consists of a soft, loose fitting sheath and two flexible O rings. One of the rings is used to insert the device and hold it in place. The other ring remains outside the vagina after insertion. The female condom lines the vagina, preventing skin from touching skin during intercourse. The female condom is prelubricated and disposable and is intended for use during only one sex act.

GLOBAL MARKET POTENTIAL

WHO estimates there are more than 300 million new cases of STDs worldwide each year, excluding HIV, and most of those diseases are more easily transmitted to women than to men. UNAIDS estimates that there are currently approximately 30 million people worldwide who are infected with HIV/AIDS and there are approximately 16,000 people per day who are newly infected. In the United States, the Center for Disease Control noted that in 1995, five of the ten most frequently reported diseases were STDs. The Center also has noted that one in five Americans over the age of 12 has Herpes. Women are currently the fastest growing group infected with

HIV and are expected to comprise the majority of new cases by the year 2000. The following highlights the substantial and growing market for protection against STDs.

<TABLE>
<S> <C>

Worldwide:	
Number of people with HIV/AIDS(1)	30 million
Number of new cases of HIV/AIDS daily(1)	16,000
Number of children expected to be orphaned by AIDS by 2010 (at current rate)(1)	40 million
Examples of decreases in life expectancy due to HIV/AIDS(1)	
Zimbabwe	22 years
Cote d'Ivoire	11 years
Number of Sub-Saharan African countries where more than 10% of population is HIV positive(1)	13
(1) Source: UNAIDS	
United States:	
Number of top ten most frequently reported diseases in the United States in 1995 that were STDs(1)	5
Ratio of individuals over 12 years of age with Herpes(1)	1 in 5
Annual expenditures to treat STDs(2)	$17 billion
Dollars spent on STD treatment for every $1.00 spent on prevention(2)	$43
The United States has one of the highest rates of teenage pregnancy in Western nations--Each year one in nine teenage women (ages 15-19) becomes pregnant(3)	

</TABLE>

(1) Source: Center for Disease Control
(2) Source: National Academy of Sciences
(3) Source: Alan Guttmacher Institute

At the 1988 World AIDS Conference, the following points were emphasized:

- - New drugs help some AIDS patients in Western nations. However, they are of little value in developing countries due to cost and complexity of administration.

- - Simple, inexpensive treatments for HIV/AIDS--or a vaccine to prevent infection from HIV--are unlikely in the near term.

- - Prevention is essential.

Currently, there are only two products that prevent the transmission of HIV/AIDS through sexual intercourse--the latex male condom and the female condom.

MALE CONDOM MARKET: It is estimated the global annual market for male condoms is 4.7 billion units. However, the majority of all acts of sexual intercourse, excluding those intended to result in pregnancy, are completed without protection. As a result, it is estimated the potential market for protection is much larger than the identified male condom market.

ADVANTAGES VERSUS THE MALE CONDOM

The female condom is currently the only available barrier method which is controlled by the woman and allows her to protect herself against STDs, including HIV/AIDS and unintended pregnancy. Although latex male condoms also offer protection against STDs, the female condom possesses a certain number of advantages. The most important advantage is that a woman can control whether or not she is protected. Many men do not like to wear male condoms and may refuse to do so.

The material that is used for the female condom, polyurethane, offers a number of benefits over latex, the material that is most commonly used in male condoms. Polyurethane is 40% stronger than latex, reducing the probability that

the female condom sheath will tear during use. Clinical studies and everyday use have shown that latex male condoms can tear between 4% to 8% of the times they are used, while studies show that the female condom tears in less than 1% of uses. Unlike latex, polyurethane quickly transfers heat, so the female condom immediately warms to body temperature when it is inserted, which may result in increased pleasure and sensation during use. The product offers an additional benefit to the 7% to 10% of the population that is allergic to latex and who, as a result, may be irritated by latex male condoms. There is no reported allergy to date to polyurethane. The female condom is also more convenient, providing the option of insertion hours before sexual arousal and as a result is less disruptive during sex than the male condom which requires sexual arousal for application.

SAFETY AND EFFICACY

Based on use of the product in clinical trials and approximately five years of worldwide marketing, the female condom has been proven to be safe and effective. The following information reflects the results of various trials:

<TABLE>

<S>	<C>	<C>
Reduction in STDs(1)	34%	(Results when female condom was
Reduction in Acts of Unprotected Sex(1)	25%	available as an option vs. when only the male condom was available.)
Effectiveness in Preventing Pregnancy(2)	95%(3)	(When used properly with every sex act.)

</TABLE>

(1) Supported by UNAIDS
(2) Supported by The U.S. Agency for International Development (USAID) and conducted by Family Health International (FHI).
(3) Recent studies completed in Japan evaluating the female condom's effectiveness in preventing pregnancy, which were submitted to the Japanese regulatory authorities in connection with their review of the product, showed the female condom to be approximately 98% effective when used consistently and correctly.

COST EFFECTIVENESS

At the 1998 World AIDS Conference held in Geneva, Switzerland, UNAIDS presented the results from its cost-effectiveness study which indicated that making the female condom available is highly cost effective in reducing public health costs in developing countries.

ENDORSEMENTS

Currently, the female condom is endorsed for use by the World Health Organization (WHO), the United Nations Joint Programme on AIDS (UNAIDS), the United States Agency for International Development (USAID), many nongovernment organizations around the world and a number of city and state public health departments in the United States.

WORLDWIDE REGULATORY APPROVALS

The female condom received PMA approval as a Class III Medical Device from the FDA in 1993. The extensive clinical testing and scientific data required for FDA approval laid the foundation for approvals throughout the rest of the world, including receipt of a CE Mark in 1997 which allows the Company to market the female condom throughout the EU. In addition to the United States and the EU, several other countries have approved the female condom for sale, including Canada, Russia, Australia, South Korea and Taiwan. The Company expects the female condom to receive approval in Japan in fiscal year 1999.

The Company believes that the female condom's PMA approval and FDA classification as a Class III Medical Device create a significant barrier to entry by competitive products. The Company estimates that it would take a minimum of four to six years to implement, execute and receive FDA approval or a PMA to market another type of female condom.

The Company believes there are no material issues or material costs associated with the Company's compliance with environmental laws related to the manufacture and distribution of the female condom.

STRATEGY

The Company's strategy is to act as a manufacturer, selling the female condom to the global public sector, United States public sector and commercial partners for country-specific marketing. The public sector and commercial partners assume the cost of shipping and marketing the product. As a result, as volume increases, the Company's operating expenses will not increase significantly.

COMMERCIAL MARKETS

The Company markets the product directly in the United States and United Kingdom. The Company has commercial partners which have recently launched the product in Canada, Brazil, Venezuela, Taiwan, South Korea and Holland. The Company has signed agreements with partners in Japan and Bangladesh where launches are expected during the coming year.

JAPANESE MARKET

In Japan, the market for male condoms exceeds 600 million units. Oral contraceptives have never been approved in Japan and, as a result, 85% of Japanese couples seeking protection use condoms. FHC's partner in Japan is Taiho, a $1 billion subsidiary of Otsuka Pharmaceutical Co., Ltd., a $5 billion Japanese health care company. The agreement between the Company and Taiho requires Taiho to perform clinical testing of the product in Japan and obtain the necessary regulatory approvals. After approval, expected during the Company's 1999 fiscal year, the Company will manufacture the product and supply it to Taiho, which will have responsibility for marketing and distributing the female condom in Japan. Studies completed in Japan show an acceptance rate of 70% among Japanese women. Taiho plans to market the female condom under the name "Mylura Femy."

RELATIONSHIPS AND AGREEMENTS WITH PUBLIC SECTOR ORGANIZATIONS

Currently, it is estimated that more than 1.5 billion male condoms are distributed worldwide by the public sector each year. The female condom is seen as an important addition to prevention strategies by the public sector because studies show that the availability of the female condom decreases the incidence of unprotected sex by as much as 30% over male condoms alone.

The Company has a multi-year agreement with UNAIDS to supply the female condom to developing countries at a reduced price which is negotiated each year based on volume. The current price is 38 pence sterling (approximately $0.64) per unit. During the last year, the female condom has been launched in the countries of Zimbabwe, Tanzania, Bolivia, Haiti, South Africa and Zambia. It is anticipated that multiple product launches will occur in several countries during the next two years, including in the countries of Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central America. Population Services International (PSI), an organization that performs social marketing of various products in developing countries, launched the female condom in Zimbabwe under the UNAIDS agreement. Based on its success in Zimbabwe, PSI, in collaboration with UNAIDS, is now marketing the female condom in seven countries. In PSI's current annual report, PSI indicates that, in collaboration with UNAIDS, it plans to launch the female condom worldwide. PSI also notes in its report that in 1997 it distributed 539 million male condoms.

In the United States, the product is marketed to city and state public health clinics, as well as not-for-profit organizations such as Planned Parenthood. Currently, 10 major cities and 15 state governments, including New York, Pennsylvania, Florida, Connecticut, Hawaii, Louisiana, Maryland, New Jersey, South Carolina, Illinois, Chicago, Philadelphia, New York and Houston, have purchased the product for distribution with a number of others expressing interest. All major cities and states have re-ordered product after their initial shipments.

STATE-OF-ART MANUFACTURING FACILITY

The Company manufactures the female condom in a 40,000 square foot leased facility in London, England. The facility is currently capable of producing 60 million units per year. With additional equipment, this capacity can be significantly increased.

GOVERNMENT REGULATION

In the U.S., the female condom is regulated by the FDA. Pursuant to section 515(a)(3) of the Safe Medical Amendments Act of 1990 (the "SMA Act"), the FDA may temporarily suspend approval and initiate withdrawal of the PMA if the FDA finds that the female condom is unsafe or ineffective, or on the basis of new information with respect to the device, which, when evaluated together with information available at the time of approval, indicates a lack of reasonable assurance that the device is safe or effective under the condition of use prescribed, recommended or suggested in the labeling. Failure to comply with the conditions of FDA approval invalidates the approval order. Commercial distribution of a device that is not in compliance with these conditions is a violation of the SMA Act.

COMPETITION

The Company's female condom competes in part with male condoms. Latex male condoms typically cost less and have brand names that are more widely recognized than the female condom. In addition, male condoms are generally manufactured and marketed by companies with significantly greater financial resources than the Company. It is also possible that other parties may develop a

female condom. These competing products could be manufactured, marketed and sold by companies with significantly greater financial resources than those of the Company.

EMPLOYEES

As of December 21, 1998, the Company's operations had 75 full-time employees within the U.S. and the U.K. and 1 part-time employee. No Company employees are represented by a labor union. The Company believes that its employee relations are good.

BACKLOG

At December 21, 1998, the Company had unfilled orders of $533,000. The comparable amount as of the same date of the prior year was $962,000. All of these unfilled orders are expected to be filled during fiscal 1999.

PATENTS AND TRADEMARKS

The Company currently holds product and technology patents in the United States, Japan, the United Kingdom, France, Italy, Germany, Spain, the European Patent Convention, Canada, The People's Republic of China, New Zealand, Singapore, Hong Kong and Australia. Additional product and technology patents are pending in Brazil, South Korea, Germany, Japan and several other countries. The patents cover the key aspects of the female condom, including its overall design and manufacturing process. The Company licenses the trademark "Realty" in the United States and has trademarks on the names "femidom" and "femy" in certain foreign countries. The Company has also secured, or applied for, 27 trademarks in 14 countries to protect the various names and symbols used in marketing the product around the world. In addition, the experience that has been gained through years of manufacturing the female condom has allowed the Company to develop trade secrets and know-how, including certain proprietary production technologies, that further secure its competitive position.

RESEARCH AND DEVELOPMENT

In FY1998 and FY1997, the Company incurred research and development costs from continuing operations of $2,500 and $60,811, respectively. These expenditures were related to conducting acceptability studies.

INDUSTRY SEGMENTS AND FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

See Note 10 to Notes to Consolidated Financial Statements, included herein.

HISTORY

The female condom was invented by a Danish physician who obtained a U.S. patent for the product in 1988. The physician subsequently sold certain rights to the condom to Chartex Resources Limited. In the years that followed, Chartex, with resources provided by a nonprofit Danish foundation, developed the manufacturing processes and completed other activities associated with bringing the female condom to market in certain non-U.S. countries. Wisconsin Pharmacal Company, Inc., which then owned certain rights to the female condom in the U.S., Canada and Mexico, pursued the pre-clinical and clinical studies and overall development of the product for worldwide use and U.S. FDA approval of the product.

FHC is the successor to Wisconsin Pharmacal Company, Inc., a company which previously manufactured and marketed a wide variety of disparate specialty chemical and branded consumer products in addition to owning certain rights to the female condom described above. A summary of the Company's origins follows.

In fiscal 1995, the Company's Board of Directors approved a plan to complete a series of actions designed, in part, to maximize the potential of the female condom. First, the Company restructured and transferred all of the assets and liabilities of the Company, other than those related primarily to the female condom, to a newly-formed, wholly-owned company, WPC Holdings, Inc. ("Holdings"). In January 1996, the Company sold Holdings to an unrelated third party. Then, in February 1996, the Company acquired Chartex (renamed The Female Health Company - UK in 1997), the manufacturer and owner of certain worldwide rights to, and the Company's then sole

supplier of, the female condom. As a result of the sale of Holdings and the acquisition of Chartex, FHC evolved to its current state with its sole business consisting of the manufacture, marketing and sale of the female condom.

The FDA approved the female condom for distribution in 1993 and the

Company's manufacturing facility in 1994. Since that time, the Company has sold over 23 million female condoms around the world.

PROPERTIES

The Company leases approximately 4,500 square feet of office space at 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611 under a lease that expires in 2001. The Company also leases approximately 1,900 square feet for corporate offices at 919 North Michigan Avenue, Suite 2208, Chicago, Illinois 60611 under a lease that expires January 31, 2001. However, the Company has subleased these premises to a third party. The Company utilizes warehouse space and sales fulfillment services of an independent public warehouse located near Minneapolis, Minnesota, for storage and distribution of the female condom. The Company manufactures the female condom in a 40,000 square foot leased facility located in London, England. The FDA-approved manufacturing process is subject to periodic inspections by the FDA. Current capacity at the manufacturing facility is approximately 60 million female condoms per year. Management believes the properties are adequately insured.

LEGAL PROCEEDINGS

The Company is not involved in any material pending legal proceedings.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

The Company files reports, proxy statements and other information with the Commission. You may read and copy any reports, proxy statements or other information we file at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. or at the Commission's public reference rooms in Los Angeles, California, New York, New York and Chicago, Illinois. You can obtain information concerning the operation of the public reference rooms by calling the Commission at 1-800-SEC-0330. In addition, the Company has filed the registration statement of which this Prospectus is a part and other filings pursuant to the Exchange Act with the Commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system, and such filings are publicly available through the Commission's site on the World Wide Web on the Internet located at http://www.sec.gov.

This Prospectus does not contain all of the information set forth in the registration statement of which this Prospectus is a part and which the Company has filed with the Commission. For further information with respect to the Company and the securities offered hereby, you should review the registration statement, including the exhibits filed as a part thereof, at the public reference rooms. We may update information with respect to the Company by filing appendices or supplements to this Prospectus.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and executive officers are as follows:

<TABLE>
<CAPTION>

Name	Title	Age
<S>	<C>	<C>
O.B. Parrish	Chairman of the Board, Chief Executive Officer, acting Chief Financial Officer and Director	65
Mary Ann Leeper, Ph.D.	President, Chief Operating Officer and Director	58
William R. Gargiulo, Jr.	Secretary and Director	70
Jack Weissman	Vice President-Trade Sales	51
Michael Pope	Vice President of the Company, Director of Chartex Resources Limited, Director and General Manager of Chartex International, Plc	42
David R. Bethune	Director	58
Stephen M. Dearholt	Director	52

</TABLE>

O.B. Parrish has served as Chief Executive Officer of the Company since 1994, as acting Chief Financial Officer since February 1996 and as the Chairman

of the Board and a Director of the Company since 1987. Mr. Parrish is a shareholder and has served as the President and as a Director of Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois") since 1987. Phoenix of Illinois owns approximately 270,000 shares of the Company's outstanding Common Stock. Mr. Parrish also was the Co-Chairman and a Director of Inhalon Pharmaceuticals, Inc. until its sale to Medeva, Plc. and is Chairman and a Director of ViatiCare, L.L.C. and a director of Microbyx. Mr. Parrish is also a trustee of Lawrence University. From 1977 until 1986, Mr. Parrish was the President of the Global Pharmaceutical Group of G.D. Searle & Co. ("Searle"). From 1974 until 1977, Mr. Parrish was the President of Searle International, the foreign sales operation of Searle. Prior to that, Mr. Parrish was Executive Vice President of Pfizer's International Division.

William R. Gargiulo, Jr. has served as Secretary of the Company from 1996 to present, as Vice President from 1996 to September 30, 1998, as Assistant Secretary of the Company from 1989 to 1996, as Vice President - International of The Female Health Company Division from 1994 until 1996, as Chief Operating Officer of the Company from 1989 to 1994, and as General Manager of the Company from 1988 to 1994. Mr. Gargiulo has also served as a Director of the Company since 1987. Mr. Gargiulo is a Trustee of a trust which is a shareholder of Phoenix of Illinois. From 1984 until 1986, Mr. Gargiulo was the Executive Vice-President of Searle's European operations. From 1976 until 1984, Mr. Gargiulo was the Vice President of Searle's Latin American operations.

Dr. Leeper has served as the President and Chief Operating Officer of the Company since 1996 and as President and Chief Executive Officer of The Female Health Company Division from May 1994 until January 1996, as Senior Vice President - Development of the Company from 1989 until January 1996 and as a Director of the Company since 1987. Dr. Leeper is a shareholder and has served as a Vice President and Director of Phoenix of Illinois since 1987. Previously, Dr. Leeper served as Vice President - Market Development for Searle's

Pharmaceutical Group and in various Searle research and development management positions. As Vice President - Market Development, Dr. Leeper was responsible for worldwide licensing and acquisition, marketing and market research. In earlier positions, she was responsible for preparation of new drug applications and was a liaison with the FDA.

Mr. Weissman has served as Vice President - Trade Sales of The Female Health Company since June 1995. From 1992 until 1994, Mr. Weissman was Vice President - Sales for Capital Spouts, Inc., a small manufacturing company. During the period from 1989 to 1992, Mr. Weissman acted as General Manager - HTV Group, an investment group involved in the development of retail stores. Mr. Weissman joined Searle's consumer products group in 1979 and held positions of increasing responsibility, including National Account Manager and Military Sales Manager from 1985 to 1989. Mr. Weissman was Account Manager - Retail Business Development, for the NutraSweet Company, a Searle subsidiary. Prior to Searle, Mr. Weissman worked in the consumer field as Account Manager and Territory Manager for Norfolk Thayer & Whitehall Laboratories.

Mr. Pope has served as Vice President of the Company since 1996 and as General Manager of Chartex International, Plc since the Company's 1996 acquisition of Chartex. Mr. Pope has also served as a Director of Chartex Resources Limited and Chartex International, Plc since 1995. Previously, Mr. Pope was Director of Technical Operations for Chartex which included responsibility for manufacturing, engineering, process development and quality assurance. Mr. Pope was responsible for the development of the high speed proprietary manufacturing technology for the female condom and securing the necessary approvals of the manufacturing process by regulatory organizations, including the FDA. Mr. Pope was also instrumental in developing and securing Chartex's relationship with its Japanese marketing partner. Prior to joining Chartex, Mr. Pope was Production Manager and Technical Manager for Franklin Medical, a manufacturer of disposable medical devices. Prior to that, Mr. Pope was Site Manager, Engineering and Production Manager, Development Manager and Silicon Manager for Warne Surgical Products.

Mr. Bethune has served as a Director of the Company since January 1996. Mr. Bethune is a business consultant to the pharmaceutical industry and previously held the position of President and Chief Operating Officer of the IVAX Corporation. Prior to IVAX, Mr. Bethune was Group Vice President of American Cyanamid Company and a member of its Executive Committee until the sale of the company to American Home Products. He had global executive authority for human biologicals, consumer health products, pharmaceuticals and opthalmics, as well as medical research. Previously, he was President of the Lederle Laboratories Division of American Cyanamid Company. Mr. Bethune rejoined Lederle from Searle, where he was President of Operations in the United States, Canada and the Caribbean since December 1986. From 1984 until his appointment as President of Operations, Mr. Bethune served as Vice President and General Manager, United States Pharmaceuticals. Mr. Bethune is on the Board of Directors of the Southern Research Institute, Atrix Pharmaceuticals and the American Foundation for Pharmaceutical Education, Partnership for Prevention. He is a

founding trustee of the American Cancer Society Foundation and an associate member of the National Wholesale Druggists' Association and the National Association of Chain Drug Stores. He is the founding chairman of the Corporate Council of the Children's Health Fund in New York City and served on the Arthritis Foundation Corporate Advisory Council.

Mr. Dearholt has served as a Director of the Company since April 1996. Mr. Dearholt is a co-founder and partner in Response Marketing, one of the largest privately owned life insurance marketing organizations in the United States. He has over 23 years of experience in direct response advertising and data based marketing of niche products. Since 1985, he has been a 50% owner of R.T. of Milwaukee, a private investment holding company which operates a stock brokerage business in Milwaukee, Wisconsin. In late 1995, Mr. Dearholt arranged, on very short notice, a $1 million bridge loan which assisted the Company in its purchase of Chartex.

The Company's Board of Directors has an Audit Committee and a Compensation Committee. The Board's Audit Committee is comprised of Messrs. Bethune and Dearholt. The responsibilities of the Audit Committee, in addition to such other duties as may be specified by the Board of Directors, include the following: (1) recommendation to the Board of Directors of independent auditors for the Company; (2) review of the timing, scope and results of the independent auditors' audit examination; (3) review of periodic comments and recommendations by the auditors and of the Company's response thereto; and (4) review of the scope and adequacy

of internal accounting controls. The Audit Committee did not meet during the fiscal year ended September 30, 1998.

The Board's Compensation Committee is comprised of Messrs. Gargiulo and Bethune. The responsibility of the Compensation Committee, in addition to such other duties as may be specified by the Board of Directors, is to make recommendations to the Board of Directors with respect to compensation for the executive officers and to administer the Company's 1989, 1990, 1994 and Outside Director Stock Option Plans. The Compensation Committee met two times during the fiscal year ended September 30, 1998.

There is no standing nominating or similar committee of the Board of Directors.

Directors who are not also employees of the Company receive a one-time grant of options to purchase 30,000 shares of the Company's Common Stock upon their initial election to the Company's Board of Directors. The options are granted at an exercise price equal to the last sale price of the Company's Common Stock on the date of grant. The Company also pays each such outside director $1,000 for each meeting of the Board of Directors attended by such director and reimburses the outside director for his expenses incurred in attending the meeting.

All directors serve until the next annual meeting of the Company's shareholders and until his or her successor has been duly elected or until his or her prior death, resignation or removal. Each executive officer holds office until his or her successor has been duly appointed or until his or her prior death, resignation or removal.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The table below sets forth all annual, long-term and other compensation paid by the Company to each of its executive officers whose total annual salary and bonus exceeded $100,000 for services rendered during any of the years indicated below. The foregoing individuals are referred to herein as the "named executive officers."

<TABLE>
<CAPTION>

		Annual Compensation	Long-Term Compensation Awards	
Name and Principal Position	Fiscal Year	Salary ($)	Restricted Stock Awards(1) ($)	Securities Underlying Options/SARs (#)
<S>	<C>	<C>	<C>	<C>
O.B. Parrish	1998	90,000	117,955(2)	--
Chairman and	1997	90,000	--	100,000

Chief Executive Officer	1996	90,000	--	120,000
Mary Ann Leeper, Ph.D. President and Chief Operating Officer	1998	225,000	84,210(2)	--
	1997	225,000	--	90,000
	1996	225,000	--	--

(1) Represents fair market value of restricted Common Stock on the date of grant based on the $2.88 closing price of the Company's Common Stock on such date.

(2) At September 30, 1998, the named executive officer owned 25,000 shares of restricted Common Stock, having a fair market value of $71,875 on such date, based on the closing price of the Company's Common Stock on such date. For Mr. Parrish, also includes his pro rata portion of 25,000 shares of restricted stock granted to Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois"), based on his 64% ownership of such entity. For Dr. Leeper, also includes her pro rata portion of such restricted stock based on her approximately 16.7% ownership of such entity. All of these shares were granted on May 5, 1998 and vest in full on the first anniversary of the grant date. The owner is entitled to receive any dividends declared on these shares of restricted stock.

FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth the number and value of unexercised options held by the named executive officers at September 30, 1998:

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End September 30, 1998 Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Year-End Exercisable/Unexercisable
O.B. Parrish	88,000/176,000	$0
Mary Ann Leeper, Ph.D.	96,667/193,333	$0

EMPLOYMENT AGREEMENTS

Dr. Leeper entered into an employment agreement with the Company effective May 1, 1994. The original term of Dr. Leeper's employment extended to April 30, 1997 and thereafter her employment term renews automatically for additional three-year terms unless notice of termination is given. The employment agreement is terminable by the Company at any time if such termination is for cause (as defined in the employment agreement). If Dr. Leeper is terminated without cause, the Company is obligated to continue to pay Dr. Leeper her base salary and any bonus to which she would otherwise have been entitled for a period equal to the longer of two years from date of termination or the remainder of the then applicable term of the employment agreement. In addition, the Company is obligated to continue Dr. Leeper's participation in any health, life insurance or disability plan sponsored by the Company and in which Dr. Leeper participated prior to her termination of employment. Dr. Leeper's employment agreement provides for a base salary of $175,000, $195,000 and $225,000, respectively, for each of the first three years of her employment term, subject to the achievement of certain performance goals established by Dr. Leeper and the Company. If the employment agreement is renewed beyond the initial three-year term, the base salary will be increased annually by the Board of Directors based upon Dr. Leeper's performance and such other factors as the Board of Directors deems appropriate. For fiscal 1998, Dr. Leeper's base salary was set at $225,000 and for fiscal 1999 it was set at $225,000. The employment agreement also provides Dr. Leeper with certain fringe benefits including an annual cash bonus of up to 100% of her base salary if certain performance goals established by the Board of Directors are achieved.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of January 5, 1999 by (1) each shareholder known by the Company to be the beneficial owner of more than 5% of the Common Stock; (2) each director; (3) each named executive officer; and (4) all directors and executive officers as a group.

<TABLE>
<CAPTION>

Name	Shares Beneficially Owned Number	Percent
<S>	<C>	<C>
O.B. Parrish (1)	494,001	4.68%
William R. Gargiulo, Jr. (1)	351,668	3.35%
Mary Ann Leeper, Ph.D. (1)	455,668	4.31%
David R. Bethune (2)	50,000	*
Phoenix Health Care of Illinois, Inc.(3)	324,501	3.10%
Stephen M. Dearholt (4)	1,235,466	11.07%
State of Wisconsin Investment Board	635,000	6.08%
All directors and executive officers as a group (seven persons)(1)(2)(4)	1,972,801	17.24%

</TABLE>

* Less than 1%.

(1) Includes 294,501 shares owned by and 30,000 shares under option to Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois"). Messrs. Parrish and Gargiulo and Dr. Leeper may be deemed to share voting and dispositive power as to such shares since Mr. Gargiulo is a trustee of a trust which is a shareholder, and Mr. Parrish and Dr. Leeper are officers, directors and shareholders, of Phoenix of Illinois. For Dr. Leeper, also includes 34,500 shares owned by and 96,667 shares under option to her (which options are exercisable within 60 days); for Mr. Parrish, also includes 81,500 shares owned by and 88,000 shares under option to him (which options are exercisable within 60 days); and for Mr. Gargiulo, also includes 500 shares held by a trust (of which Mr. Gargiulo is a trustee), 10,000 shares owned by and 16,667 shares under option to him, which options are exercisable within 60 days.

(2) Represents options which are currently exercisable.

(3) Includes 294,501 shares owned by and 30,000 shares under options to Phoenix of Illinois.

(4) Includes 238,057 shares owned directly by Mr. Dearholt. Also includes 69,500 shares held by the Dearholt, Inc. Profit Sharing Plan, 9,680 shares held by Response Marketing Money Purchase Plan, 5,000 and 148,129 shares and 60,000 shares of Class A Convertible Preferred Stock -- Series 1 held by trusts (of which Mr. Dearholt is a trustee) and 45,100 shares held by Mr. Dearholt's minor children. Also includes warrants to purchase 610,000 shares of Common Stock and options to purchase 30,000 shares.

CERTAIN TRANSACTIONS

On March 25, 1997 and again on March 25, 1998, the Company extended a $1 million one-year promissory note payable by the Company to Mr. Dearholt in connection with a previous loan Mr. Dearholt made to the Company. The promissory note is now payable in full on March 25, 1999 and bears interest at 12% per annum payable monthly. The note proceeds were initially used by the Company to provide working capital needed to fund the initial stages of the Company's U.S. marketing campaign ($0.2 million) and to fund operating losses ($0.8 million). The borrowing transactions were effected in the form of a promissory note from the Company to Mr. Dearholt and related Note Purchase and Warrant Agreements and Stock Issuance Agreements. Under the 1997 and 1998 Note Purchase and Warrant Agreements, the Company issued to Mr. Dearholt warrants to purchase 200,000 and 200,000 shares of the Company's Common Stock in 1997 and 1998, respectively, at exercise prices of $1.848 and $2.25 per share, respectively. The warrants expire upon the earlier of their exercise or five years after the date of their issuances. Under the Stock Issuance Agreements, if the Company fails to pay the $1 million under the note when due, the Company must issue 200,000 shares of its Common Stock to Mr. Dearholt. This issuance will not, however, alleviate the Company from its liability under the note. The Company also granted Mr. Dearholt certain securities registration rights with respect to any Common Stock he receives from the Company under these warrants or the Stock Issuance Agreement. Mr. Dearholt has agreed that, if the Company requests, he will extend the promissory note for an additional one-year term to be due and payable on March 25, 2000 upon the same terms as the prior note extensions. In consideration of this agreement, the Company extended the term of certain warrants held by Mr. Dearholt to purchase 200,000 shares of the Company's Common Stock which expire March 25, 2001 to March 25, 2002.

On July 27, 1997, a trust of which Stephen M. Dearholt, a director of the Company, is a trustee, purchased 60,000 shares of the Company's Class A

Convertible Preferred Stock--Series 1 at a price of $2.50 per share, which represented the per share price offered to all subscribers in the private placement of these shares.

It has been and currently is the policy of the Company that transactions between the Company and its officers, directors, principal shareholders or affiliates are to be on terms no less favorable to the Company than could be obtained from unaffiliated parties. The Company intends that any future transactions between the Company and its officers, directors, principal shareholders or affiliates will be approved by a majority of the directors who are not financially interested in the transaction.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, $.01 par value per share and 5,000,000 shares of Class A Preferred Stock, $.01 par value per share (the "Class A Preferred Stock"). The Class A Preferred Stock may be issued in series, at such times and with such terms, as the Board of Directors deems appropriate. To date, the Board of Directors has authorized for issuance 1,040,000 shares of Class A Preferred Stock--Series 1, of which 670,000 shares are currently outstanding and 1,500,000 shares of Class A Preferred Stock--Series 2, of which no shares are currently issued and outstanding since the 729,927 shares of Class A Preferred Stock--Series 2 which were previously issued have all converted into a like number of shares of Common Stock. The Company's Amended and Restated Articles of Incorporation provide that any shares of Class A Preferred Stock which are issued and subsequently converted into Common Stock may not be reissued by the Company. Accordingly, the Company currently has 2,460,000 shares of Class A Preferred Stock authorized and available for issuance in series designated by the Board.

COMMON STOCK

Holders of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by the shareholders. Subject to the prior rights of the holders of Class A Preferred Stock, as described below, holders of Common Stock are entitled to receive dividends when and as declared by the Board of Directors out of funds legally available therefor. Upon liquidation or dissolution of the Company, holders of Common Stock are entitled to share ratably in the remaining assets of the Company which may be available for distribution after payment of the Company's creditors and satisfaction of any accrued but unpaid dividends on, and the liquidation preferences, if any, of, the Class A Preferred Stock. Holders of Common Stock have no preemptive, subscription or redemption rights. The Common Stock has no cumulative voting rights. As a result, holders of more than 50% of the outstanding shares of Common Stock can elect all of the directors of the Company.

All outstanding shares of Common Stock, including the Shares to be sold in this offering, are, or upon payment therefor, will be, fully paid and nonassessable. Wisconsin law, however, may make shareholders of the Company personally liable for unpaid wages due employees for up to six months' services, but not in an amount greater than the consideration paid for such shares.

CLASS A PREFERRED STOCK

The Company's Board of Directors is authorized, subject to the limitations described below, to issue from time to time, without shareholder authorization, in one or more designated series, shares of Class A Preferred Stock and to determine the dividend, redemption, liquidation, sinking fund and conversion rights of each particular series. No dividends or other distributions will be payable on the Common Stock unless dividends are paid in full on the Class A Preferred Stock and all sinking fund obligations for the Class A Preferred Stock, if any, are fully funded. Dividends on the Class A Preferred Stock will be cumulative from the date of issuance. In the event of a liquidation or dissolution of the Company, the Class A Preferred Stock would have priority over the Common Stock to receive the amount of the liquidation preference as specified in each particular series, together with any accrued but unpaid dividends thereon out of the remaining assets of the Company. Holders of shares of Class A Preferred Stock will have the right, at any time on or before the redemption of such shares, to surrender the certificate evidencing the shares of Class A Preferred Stock and receive upon conversion thereof, a certificate evidencing one share of Common Stock for each share of Class A Preferred Stock so surrendered. The holders of Class A Preferred Stock shall be entitled to cast one vote per share held of record by them at all meetings of the shareholders of the Company.

Class A Preferred Stock--Series 1

Pursuant to the Company's Articles of Incorporation, on August 15, 1997, the Board of Directors by resolution designated the relative rights and preferences of the first series of Class A Preferred Stock which was designated

"Class A Preferred Stock--Series 1." The Board authorized for issuance 1,040,000 shares of this Series 1 Preferred Stock, 680,000 shares were issued and 670,000 shares are currently outstanding. The Company has no

present intention of issuing any additional shares of Series 1 Preferred Stock. The Series 1 Preferred Stock accrues dividends on a daily basis at the rate of 8% per year on the "liquidation value" of the Series 1 Preferred Stock ($2.50 per share subject to adjustment and increase for accrued dividends). The dividends will accrue through the earliest of the date of repurchase of the Series 1 Preferred Stock, its conversion into Common Stock or the liquidation of the Company. Dividends on the Series 1 Preferred Stock must be paid in full before dividends may be paid on any other class of stock of the Company or before any sums may be set aside for the redemption or purchase of any of the Preferred Stock. Dividends will accrue whether or not they have been declared and whether or not there are funds legally available therefore. Dividends are payable on October 1 of each year. Dividends which are not paid on such dividend reference date will accrue and be added to the liquidation value of each share of Series 1 Preferred Stock. No dividends can be declared and set aside for any shares of Common Stock unless the Board declares a dividend payable on the outstanding shares of Series 1 Preferred Stock, in addition to the dividends which the Series 1 Preferred Stock is otherwise entitled as described above. Such additional dividends on the Series 1 Preferred Stock must be declared in the same amount per share of Series 1 Preferred Stock as would be declared payable on the shares of Common Stock into which each share of Series 1 Preferred Stock could be converted.

On or after August 1, 1998, each share of Series 1 Preferred Stock is convertible into one share of Common Stock. Upon conversion, certificates for shares of Common Stock will be issued together with, to the extent legally available, an amount of cash equal to the remaining accrued but unpaid dividends on the shares of Series 1 Preferred Stock so converted. The Series 1 Preferred Stock is redeemable by the Company on or after August 1, 2000 (subject to prior conversion by the holder) at a price of $2.50 per share plus all accrued but unpaid dividends. Upon a liquidation of the Company, the Series 1 Preferred Stock is entitled to a liquidation preference equal to $2.50 per share plus any accrued but unpaid dividends. This amount must be paid prior to any distribution on shares of Common Stock. Except as provided above, the Series 1 Preferred Stock will have the same rights, preferences and limitations as any other series of Preferred Stock to be issued in the future, whenever designated and issued

Class A Preferred Stock--Series 2

On December 30, 1997, the Company's Board of Directors by resolution designated the relative rights and preferences of the second series of Class A Preferred Stock which is designated "Class A Preferred Stock--Series 2." The Board authorized for issuance 1,500,000 shares of this Series 2 Preferred Stock and, shortly thereafter, 729,927 shares were issued. However, as of the date of this Prospectus, no shares of Series 2 Preferred Stock are issued and outstanding since they all converted into shares of Common Stock on a one-for-one basis on April 3, 1998. The Series 2 Preferred Stock does not carry any dividend preference. Upon a liquidation of the Company, each share of the Series 2 Preferred Stock outstanding at the time of such liquidation is entitled to a liquidation preference equal to the purchase price paid for such share. This amount must be paid prior to any distribution on shares of Common Stock, however, the liquidation preference on the Series 1 Preferred Stock must be paid before the liquidation preference on the Series 2 Preferred Stock is paid.

The issuance of one or more series of Class A Preferred Stock could have an adverse effect on certain rights, including voting rights, of the holders of Common Stock. Such shares are also available for issuance to defend against the threat of a takeover, if the Board of Directors deems such takeover not to be in the best interests of the Company or its shareholders. This could occur even if such a takeover of the Company was favored by a majority of shareholders and was at a premium to the market price of the Common Stock. The Company has no current plans or intention to issue additional shares of Class A Preferred Stock.

WARRANTS

The Warrant issued to the Selling Stockholder entitles the holder to purchase 200,000 Shares of Common Stock at a price of $2.17 per share. The Warrant is exercisable at any time beginning on May 19, 1999 and ending three years thereafter. The Shares of Common Stock underlying the Warrant, when issued upon exercise of the Warrant in whole or in part, will be fully

paid and nonassessable (subject to the last sentence under "Common Stock" above), and the Company will pay any transfer tax incurred as a result of the

issuance of Common Stock to the holder upon its exercise.

The Warrant contains provisions that protect the holder against dilution by adjustment of the exercise price and number of shares to be received upon exercise. Such adjustments will occur in the event, among others, of a merger, stock split or reverse stock split, stock dividend or recapitalization. The Company is not required to issue fractional shares upon the exercise of the Warrant. The holder of the Warrant will not possess any rights as a stockholder of the Company until such holder exercises the Warrant.

The Warrant may be exercised upon surrender on or before the expiration date of the Warrant at the offices of the Company, with an exercise form completed and executed as indicated, accompanied by payment of the exercise price for the number of shares with respect to which the Warrant is being exercised. The exercise price is payable either (i) by check or bank draft payable to the order of the Company or by wire transfer to an account designated by the Company or (ii) by a "cashless exercise," in which that number of shares of Common Stock underlying the Warrant having a fair market value equal to the aggregate exercise price are cancelled as payment of the exercise price.

For the life of the Warrant, the holder thereof has the opportunity to profit from a rise in the market price of the Common Stock without assuming the risk of ownership of the shares of Common stock issuable upon the exercise of the Warrant. The Warrant holder may be expected to exercise the Warrant at a time when the Company would, in all likelihood, be able to obtain any needed capital by an offering of Common Stock on terms more favorable than those provided for by the Warrant. Furthermore, the terms on which the Company could obtain additional capital during the life of the Warrant may be adversely affected.

In addition to the Warrant issued to the Selling Stockholder, the Company is required to issue warrants to its placement agent in connection with the Equity Line Agreement. Such warrants will be issued at such time or times as the Company receives funds from the Selling Stockholder under the Equity Line Agreement. The placement agent is entitled to receive warrants exercisable for Shares of Common Stock representing 10% of the Shares of Common Stock sold by the Company to the Selling Stockholder under the Equity Line Agreement. Each warrant will have a three-year term and will be exercisable at the same price per share and will have terms and conditions similar to the Warrant issued to the Selling Stockholder described above.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is Firstar Trust Company, Milwaukee, Wisconsin.

CERTAIN STATUTORY PROVISIONS

Section 180.1150 of the Wisconsin Business Corporation Law provides that the voting power of shares of public corporations, such as the Company, which are held by any person holding in excess of 20% of the voting power of such Company shall be limited to 10% of the full voting power of such shares. This statutory voting restriction is not applicable to shares acquired directly from the Company, acquired in a transaction incident to which the shareholders of the Company vote to restore the full voting power of such shares and under certain other circumstances more fully described in section 180.1150. In addition, this statutory voting restriction is not applicable to shares of Common Stock acquired before April 22, 1986.

Section 180.1141 of the Wisconsin Business Corporation Law provides that a "resident domestic corporation," such as the Company, may not engage in a "business combination" with an "interested shareholder" (a person beneficially owning 10% or more of the aggregate voting power of the stock of the Company) for three years after the date (the "stock acquisition date") the interested shareholder acquired his 10% or greater interest, unless the business combination (or the acquisition of the 10% or greater interest) was approved before the stock acquisition date by the Company's Board of Directors. After the three-year period, a business combination that was not so approved can be consummated only if it is approved by a majority of the outstanding voting shares not held by the interested shareholder or is made at a specified price intended to provide a fair price for the shares held by

noninterested shareholders. Section 180.1141 is not applicable to shares of Common Stock acquired by a shareholder prior to the registration of the Common Stock under the Exchange Act and shares acquired before September 10, 1987.

INDEMNIFICATION

The Company's directors and officers are entitled to certain statutory rights to be indemnified by the Company against certain litigation-related liabilities and expenses, provided the director or officer is either successful

in the defense of such litigation or is otherwise determined not to have engaged in willful misconduct, knowingly violated the law, failed to deal fairly with the Company or its shareholders or derived an improper personal benefit in the performance of his duties to the Company. These rights are incorporated in the Company's By-Laws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

SELLING STOCKHOLDER

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock by the Selling Stockholder as of January 8, 1999. Upon the completion of the offering and assuming the sale by the Selling Stockholder of all of the Shares of Common Stock available for resale under this Prospectus, the Selling Stockholder will not own more than 1% of the outstanding Common Stock of the Company.

<TABLE>
<CAPTION>

	Shares Owned Before Offering		Shares Being Offered	Shares Owned After Offering
	Number	Percent		
<S>	<C>	<C>	<C>	<C>
Kingsbridge Capital Limited P.O. Box 3340 Dawson Building Main Street Tortola, British Virgin Islands Total	2,413,124(1)	20%(2)	2,413,124(1)	0(3)

</TABLE>

(1) Includes 2,213,124 Shares of Common Stock which may be issued pursuant to the Equity Line Agreement and 200,000 Shares of Common Stock which are issuable upon exercise of the Warrant.

(2) As of the date of this Prospectus, the Selling Stockholder does not own any shares of the Company's Common Stock. If all of the Shares offered hereby were purchased and held by the Selling Stockholder, it would hold approximately 20% of the outstanding Common Stock of the Company.

(3) Assumes that all Shares acquired pursuant to the Equity Line Agreement and the Warrant are sold pursuant to this Prospectus.

Prior to commencement of the negotiations with the Company regarding the Equity Line Agreement, the Selling Stockholder had no material relationship with the Company or any of its affiliates. After the Equity Line Agreement was in place, the Company entered into a 22 month consulting agreement with the Selling Stockholder. Under this consulting agreement, the Selling Stockholder has agreed to assist the Company in its efforts to promote the Company and its product in Europe by, among other things, providing general business advice to the Company regarding its strategic alternatives and introducing the Company to potential business partners. In consideration of its services under this consulting agreement, the Company will pay the Selling Stockholder consulting fees of $10,000 per month during the first 15 months of the agreement and has issued to the Selling Stockholder a four-year warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price equal to 110% of the average of the lowest intra-day trade prices per share of the Common Stock for the three trading days including the two trading days before the date the consulting agreement was executed and the trading day of its execution.

The Shares offered hereby by the Selling Stockholder are to be acquired pursuant to the Equity Line Agreement between the Company and the Selling Stockholder or upon exercise of the Warrant. Under the Equity Line Agreement, the Company agreed to register the Shares for resale by the Selling Stockholder to permit the resale of such Shares from time to time by the Selling Stockholder in the market or in privately-negotiated transactions. The Company will prepare and file such amendments and supplements to the registration statement as may be necessary in accordance with the rules and regulations of the Securities Act to keep it effective for a period of approximately 30 months.

The Company has agreed to bear certain expenses (other than broker discounts and commissions, if any) in connection with the registration statement.

PLAN OF DISTRIBUTION

The Company has been advised by the Selling Stockholder that the Selling Stockholder may sell the Shares from time to time in transactions on the OTC Bulletin Board, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. The Selling Stockholder may effect these transactions by selling the Shares to or through broker-dealers, who may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholder or the purchasers of the Shares for whom the broker-dealer may act as an agent or to whom they may sell the Shares as a principal, or both. The compensation to a particular broker-dealer may be in excess of customary commissions.

The Selling Stockholder is an "underwriter" within the meaning of the Securities Act in connection with the sale of the Shares offered hereby. Broker-dealers who act in connection with the sale of the Shares may also be deemed to be underwriters. Profits on any resale of the Shares as a principal by such broker-dealers and any commissions received by such broker-dealers may be deemed to be underwriting discounts and commissions under the Securities Act.

Any broker-dealer participating in such transactions as agent may receive commissions from the Selling Stockholder (and, if they act as agent for the purchaser of such Shares, from such purchaser). Broker-dealers may agree with the Selling Stockholder to sell a specified number of Shares at a stipulated price per share and, to the extent such a broker-dealer is unable to do so acting as agent for the Selling Stockholder, to purchase as principal any unsold Shares at the price required to fulfill the broker-dealer commitment to the Selling Stockholder. Broker-dealers who acquire Shares as principal may thereafter resell such Shares from time to time in transactions (which may involve crosses and block transactions and which may involve sales to and through other broker-dealers, including transactions of the nature described above) on the OTC Bulletin Board, in negotiated transactions or otherwise at market prices prevailing at the time of sale or at negotiated prices, and in connection with such resales may pay to or receive from the purchasers of such Shares commissions computed as described above. To the extent required under the Securities Act, a supplemental prospectus will be filed, disclosing (a) the name of any such broker-dealers; (b) the number of Shares involved; (c) the price at which such Shares are to be sold; (d) the commissions paid or discounts or concessions allowed to such broker-dealers, where applicable; (e) that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this Prospectus, as supplemented; and (f) other facts material to the transaction.

Under applicable rules and regulations under the Exchange Act, any person engaged in a distribution of the Shares may not simultaneously engage in market making activities with respect to such securities for a period beginning when such person becomes a distribution participant and ending upon such person's completion of participation in a distribution, including stabilization activities in the Common Stock to effect covering transactions, to impose penalty bids or to effect passive market making bids. In addition and without limiting the foregoing, in connection with transactions in the Shares, the Company and the Selling Stockholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including, without imitation, Rule 10b-5 and, insofar as the Company and the Selling Stockholder are distribution participants, Regulation M and Rules 100, 101, 102, 103, 104 and 105 thereof. All of the foregoing may affect the marketability of the Shares.

The Selling Stockholder has agreed that it will not engage in short sales of the Company's Common Stock except that the Selling Stockholder may enter into any short sale or other hedging arrangement it deems appropriate with respect to Shares it receives under the Equity Line Agreement after it receives a Put Notice with respect to such Shares so long as such short sales or arrangements do not involve more than the number of such Shares with respect to that Put Notice.

The Selling Stockholder will pay all commissions and certain other expenses associated with the sale of the Shares. The Shares offered hereby are being registered pursuant to contractual obligations of the Company, and the Company has paid the expenses of the preparation of this Prospectus. The Company has also agreed to indemnify the Selling Stockholder with respect to the Shares offered hereby against certain liabilities, including,

without limitation, certain liabilities under the Securities Act, or, if such indemnity is unavailable, to contribute toward amounts required to be paid in respect of such liabilities.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Company by Reinhart, Boerner, Van Deuren, Norris & Rieselbach, s.c., Milwaukee, Wisconsin.

EXPERTS

The consolidated financial statements of the Company at September 30, 1998 and for the two years in the period ended September 30, 1998 included in this Prospectus have been audited by McGladrey & Pullen LLP, independent auditors, as set forth in their report (which contains an explanatory paragraph with respect to conditions which raise substantial doubt about the Company's ability to continue as a going concern), in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that might result from the outcome of that uncertainty.

THE FEMALE HEALTH COMPANY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
The Female Health Company and Subsidiaries
Chicago, Illinois

We have audited the accompanying consolidated balance sheet of The Female Health Company and subsidiaries, as of September 30, 1998, and the related statements of operations, stockholders' equity, and cash flows for the years ended September 30, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Female Health Company and subsidiaries as of September 30, 1998, and the results of their operations and their cash flows for the years

ended September 30, 1998 and 1997, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been presented assuming that The Female Health Company will continue as a going concern. As more fully described in Note 15, the Company has experienced slower than expected growth in revenues from its sole product, which has adversely affected the Company's current results of operations and liquidity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

McGLADREY & PULLEN, LLP

/s/ MCGLADREY & PULLEN, LLP

Schaumburg, Illinois
November 5, 1998, except for the fourth
paragraph of Footnote 15 as to which
the date is November 19, 1998

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

<TABLE>
<CAPTION>

	September 30, 1998
<S>	<C>
ASSETS	
CURRENT ASSETS	
Cash	$1,480,287
Accounts receivable, net of allowance for doubtful accounts of $80,000 and allowance for product returns of $230,000	1,138,274
Inventories	925,425
Prepaid expenses and other current assets	395,293
TOTAL CURRENT ASSETS	3,939,279
OTHER ASSETS	
Intellectual property, net of accumulated amortization of $336,098	924,319
Other assets	165,701
PROPERTY, PLANT AND EQUIPMENT	
Equipment, furniture and fixtures	4,114,371
Less: accumulated depreciation	(1,584,776)
	2,529,595
	$7,588,894
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Notes payable, related party, net of unamortized discount of $162,861	$837,139
Current maturities of long-term debt and capital lease obligations	626,066
Accounts payable	473,979
Accrued expenses and other current liabilities	614,820
Preferred dividends payable	147,634
TOTAL CURRENT LIABILITIES	2,699,638
LONG-TERM LIABILITIES	
Long term debt and capital lease obligations, less current maturities	4,882
Deferred gain on sale of facility	1,766,611
Other long term liabilities	153,186
	4,624,317
STOCKHOLDERS' EQUITY	
Convertible Preferred Stock, Series 1, par value $.01 per share. Authorized 5,000,000 shares; issued and outstanding 680,000 shares	6,800
Common Stock, par value $.01 per share. Authorized 15,000,000 shares; issued and outstanding 10,417,757 shares	104,158
Additional paid-in capital	43,833,843
Foreign currency translation gain	304,980

Accumulated deficit	(41,295,874)
	2,953,907
Treasury Stock, at cost, 10,000 shares	(19,330)
Total Stockholders' Equity	2,934,577
	$7,558,894

</TABLE>

See notes to consolidated financial statement

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Years ended September 30 1998	1997
<S>	<C>	<C>
NET REVENUES	$5,451,399	$2,916,408
COST OF PRODUCTS SOLD:		
Cost of goods sold	6,130,819	4,530,185
Change in obsolescence reserve	(857,450)	(1,054,476)
Total Costs of Products Sold	5,273,369	3,475,709
GROSS PROFIT (LOSS)	178,030	(559,301)
OPERATING EXPENSES		
Advertising and promotion	433,821	1,642,347
Selling, general and administrative	2,895,108	3,036,765
Total Operating Expenses	3,328,929	4,679,112
Operating (loss)	(3,150,899)	(5,238,413)
NONOPERATING INCOME (EXPENSE)		
Interest expense	(456,662)	(1,268,980)
Interest income	133,104	176,717
Nonoperating income/(expense)	117,141	79,527
	(206,417)	(1,012,736)
Net (loss)	(3,357,316)	(6,251,149)
Preferred dividends accreted, Series 2	817,000	---
Preferred dividends, Series 1	132,669	14,965
Net (loss) attributable to common stockholders	(4,306,985)	(6,266,114)
Net (loss) per common share outstanding	($0.43)	(0.74)
Weighted average common shares outstanding	9,971,493	8,453,266

</TABLE>

See notes to consolidated financial statement

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

<TABLE>
<CAPTION>

	Preferred Stock	Common Stock	Additional Paid-in Capital
<S>	<C>	<C>	<C>
Balance at September 30, 1996	$ ---	$72,117	$33,755,072

Net loss	---	---	---
Issuance of 2,128,371 shares of Common Stock upon conversion of debt	---	21,284	3,670,281
Issuance of 39,833 shares of Common Stock upon exercise of stock options	---	398	178,268
Issuance of 124,564 shares of Common Stock for consulting services	---	1,246	206,617
Issuance of 10,000 shares of Common Stock under Stock Bonus Plan	---	100	53,025
Issuance of warrants with convertible debentures	---	---	30,176
Issuance of beneficial conversion feature with convertible debentures	---	---	398,000
Issuance of warrants with short-term notes payable	---	---	250,000
Issuance of 680,000 shares of Preferred Stock (net of offering costs of $96,252)	6,800	---	1,596,948
Issuance of warrants for consulting services	---	---	89,500
Revaluation of options for legal services	---	---	10,500
Preferred stock dividends	---	---	---
Translation adjustment	---	---	---
Balance at September 30, 1997	$6,800	$95,145	$40,238,387
Net Loss	---	---	---
Issuance of 729,927 shares of Preferred Stock (net of offering costs of $156,616)	7,299	---	1,836,085
Issuance of 729,927 shares of Common Stock upon conversion of Preferred Stock	(7,299)	7,299	---
Issuance of 29,400 shares of Common Stock upon exercise of stock options	---	294	58,506
Issuance of 25,000 shares of Common Stock for consulting services	---	250	93,500
Issuance of 107,000 shares of Common Stock under stock bonus plan	---	1,070	306,555
Issuance of 10,000 shares of Common Stock upon exercise of warrants	---	100	19,900
Issuance of 18,000 options to employees	---	---	51,660
Issuance of warrants with short-term notes payable	---	---	297,500
Issuance of warrants for professional services	---	---	114,750
Preferred Stock dividends	---	---	---
Preferred Stock dividends accreted	---	---	817,000
Purchase of 10,000 Shares of Common Stock held in Treasury	---	---	---
Translation adjustment	---	---	---
Balance at September 30, 1998	$ 6,800	$104,158	$43,833,843

</TABLE>

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

<TABLE>
<CAPTION>

	Foreign Currency Translation Gain (Loss)	Accumulated Deficit	Cost of Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>
Balance at September 30, 1996	$83,858	($30,722,775)	---	$3,188,272
Net loss	---	(6,251,149)	---	(6,251,149)
Issuance of 2,128,371 shares of Common Stock upon conversion of debt	---	---	---	3,691,565
Issuance of 39,833 shares of Common Stock upon exercise of stock options	---	---	---	178,666
Issuance of 124,564 shares of Common Stock for consulting services	---	---	---	207,863
Issuance of 10,000 shares of Common Stock under Stock Bonus Plan	---	---	---	53,125
Issuance of warrants with convertible	---	---	---	30,176
Issuance of beneficial conversion feature with convertible debentures	---	---	---	398,000

Issuance of warrants with short-term notes	---	---	---	250,000
Issuance of 680,000 shares of Preferred Stock (net of offering costs of $96,252)	---	---	---	1,603,748
Issuance of warrants for consulting	---	---	---	89,500
Revaluation of options for legal services	---	---	---	10,500
Preferred stock dividends	---	(14,965)	---	(14,965)
Translation adjustment	119,337	---	---	119,337
Balance at September 30, 1997	$203,195	($36,988,889)	---	$3,554,638
Net loss	---	(3,357,316)	---	(3,357,316)
Issuance of 729,927 shares of Preferred Stock (net of offering costs of $156,616)	---	---	---	1,843,384
Issuance of 729,927 shares of Common Stock upon conversion of Preferred Stock	---	---	---	- --
Issuance of 29,400 shares of Common Stock upon exercise of stock options	---	---	---	58,800
Issuance of 25,000 shares of Common Stock for consulting services	---	---	---	93,750
Issuance of 107,000 shares of Common Stock under stock bonus plan	---	---	---	307,625
Issuance of 10,000 shares of Common Stock upon exercise of warrants	---	---	---	20,000
Issuance of 18,000 options to employees	---	---	---	51,660
Issuance of warrants with short-term notes	---	---	---	297,500
Issuance of warrants for professional services	---	---	---	114,750
Preferred Stock dividends	---	(132,669)	---	(132,669)
Preferred Stock dividends accreted	---	(817,000)	---	---
Purchase of 10,000 Shares of Common Stock held in Treasury	---	---	(19,330)	(19,330)
Translation adjustment	101,785	---	---	101,785
Balance at September 30, 1998	$304,980	($41,295,874)	($19,330)	$2,934,577

</TABLE>

See notes to consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended September 30	
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net (loss)	($3,357,316)	($6,251,149)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	533,994	553,298
Amortization of intellectual property rights	123,437	121,741
Provision for (recovery of) inventory obsolescence	(857,450)	(1,054,476)
Provision for doubtful accounts, returns and discounts	24,717	119,274
(Gain) loss on disposal of equipment	--	

(84,646)		
Proceeds from issuance of common stock for bonuses and consulting services	401,375	--
Issuance and revaluation of warrants and options	166,410	
360,988		
Amortization of debenture issuance costs	--	
27,507		
Amortization of discounts on notes payable and convertible debentures	329,327	954,820
Amortization of deferred income realized on U.K. grant	(61,274)	
(39,870)		
Write down of note receivable to realizable value	--	
92,471		
Amortization of deferred gain on sale and leaseback of building	(94,795)	
(70,119)		
Changes in operating assets and liabilities:		
Accounts receivable	(538,219)	
(271,173)		
Inventories	891,421	
1,086,999		
Prepaid expenses and other current assets	(92,058)	
28,260		
Accounts payable	(411,286)	
138,532		
Accrued expenses and other current liabilities	188,798	
(730,929)		
	---	---

NET CASH (USED IN) OPERATING ACTIVITIES	(2,752,919)	
(5,018,472)		
INVESTING ACTIVITIES		
Capital expenditures	(58,827)	
(24,597)		
Proceeds from sale of property and equipment	--	
3,376,056		
Proceeds from repayment of note receivable	750,000	-
-		
Proceeds from return of lease deposits	90,859	
62,031		
Payments for lease deposits	--	
(245,953)		
	---	---

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	782,032	
3,167,537		
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock	1,843,384	
1,603,748		
Proceeds from issuance of common stock upon exercise of options and warrants	78,800	178,666
Purchase of Common Stock held in Treasury	(19,330)	-
-		
Proceeds from related party notes issued	1,000,000	
1,000,000		
Proceeds from convertible debentures issued	--	
2,020,000		
Payments on notes payable, related party	(1,000,000)	
(2,160,000)		
Costs to issue convertible debentures	--	
(155,400)		
Payments on long-term debt and capital lease obligations	(113,131)	
(1,872,560)		
	---	---

NET CASH PROVIDED BY FINANCING ACTIVITIES	1,789,723	
614,454		
Effect of exchange rate changes on cash	27,984	
(44,132)		
	---	---

Increase (decrease) in cash	(153,180)	
(1,280,613)		
Cash at beginning of year	$1,633,467	
2,914,080		
	---	---

Cash at end of year	$1,480,287	
$1,633,467		
	==========	
==========		

</TABLE>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended September 30 1998	1997
<S>	<C>	<C>
Supplemental cash flow disclosures:		
Interest paid	$125,246	$273,714
Supplemental schedule of noncash investing and financing activities:		
Convertible debentures converted to common stock, net of unamortized discounts and issuance costs	--	3,691,565
Issuance of warrants on convertible debentures and notes payable	297,500	280,176
Capital lease obligations incurred for equipment	--	56,588
Preferred dividends declared Series 1	132,669	14,965
Preferred dividends accreted, Series 2	817,000	--
Sale of manufacturing facility:		
Proceeds from sale	--	3,365,000
Depreciated cost of property	--	(1,398,819)
Deferred gain on sale	--	1,966,181

</TABLE>

See notes to consolidated financial statements.

Note 1. Nature Of Business and Significant Accounting Policies

Principles of consolidation and nature of operations: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Female Health Company - UK and The Female Health Company - UK, plc, previously Chartex Resources Limited and Chartex International, plc ("Chartex"), respectively. All significant intercompany transactions and accounts have been eliminated in consolidation. The Female Health Company ("FHC" or the "Company") is currently engaged in the marketing, manufacture and distribution of a consumer health care product known as the Reality female condom, "Reality," in the U.S. and "femidom" or "femy" outside the U.S. The Female Health Company - UK, is the holding company of The Female Health Company - - UK, plc, which operates a 40,000 sq. ft. leased manufacturing facility located in London, England.

The product is currently sold or available in either or both commercial (private sector) and public sector markets in 30 countries. It is commercially marketed directly by the Company in the United States and United Kingdom and through marketing partners globally

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Significant accounting estimates include the following:

Trade receivables include a provision for sales returns and trade allowances, which is based on management's estimate of future product returns from customers in connection with unsold product which has expired or is expected to expire before it is sold. The estimated cost for product returns, price discounts and trade allowances are accrued when the initial sale is recorded.

The market value of inventory is based on management's best estimate of future sales and the time remaining before the existing inventories reach their expiration dates.

The Company evaluates intellectual property rights for impairment by comparing the net present value of the asset's estimated future income stream to

the asset's carrying value.

Although management uses the best information available, it is reasonably possible that the estimates used by the Company will be materially different from the actual results. These differences could have a material effect on the Company's future results of operations and financial condition.

Cash equivalents: Substantially all of the Company's cash was on deposit with one financial institution.

Inventories: Inventories are valued at the lower of cost or market. The cost is determined using the first-in, first-out (FIFO) method.

Foreign currency translation: In accordance with Financial Accounting Standards No. 52, "Foreign Currency Translation", the financial statements of the Company's international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities, the historical exchange rate for stockholders' equity and a weighted average exchange rate for each period for revenues, expenses, and gains and losses. Translation adjustments are recorded as a separate component of stockholders' equity as the local currency is the functional currency.

Equipment, furniture and fixtures and assets under capital leases: Depreciation and amortization is computed by the estimated useful lives of the respective assets which range as follows:

<TABLE>
<S> <C>
Equipment 5 - 10 years
Furniture and fixtures 3 years
</TABLE>

Amortization of assets under capital lease is included with depreciation and amortization for owned assets.

Intellectual property rights: The Company holds patents on the Female Condom in the United States, the European Union, Japan, Canada, Australia and The People's Republic of China and holds patents on the manufacturing technology in various countries. The Company also licenses the trademark "Reality" in the United States and has trademarks on the names "femidom" and "femy" in certain foreign countries. Intellectual property rights are amortized on a straight-line basis over their estimated useful life of twelve years.

Financial instruments: The Company has no financial instruments for which the carrying value materially differs from fair value.

Revenue Recognition: Revenues from product sales are recognized as the products are shipped to the customers.

Research and Development Costs: Research and development costs are expensed as incurred. The amount of costs expensed for the years ended September 1998 and 1997 was $2,500 and $60,811, respectively.

Stock-Based Compensation: The value of stock options awarded to employees is measured using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." The Company has provided pro forma disclosures of net income as if the fair value-based method prescribed by Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation", ("FAS 123"). was used in measuring compensation expense in Note 7.

Income Taxes: The Company files separate income tax returns for its foreign subsidiaries. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109) requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are also provided for carryforwards for income tax purposes. In addition, the amount of any future tax benefits is reduced by a valuation allowance to the extent such benefits are not expected to be realized.

Advertising: The Company's policy is to expense production costs in the period in which the advertisement is initially presented to consumers.

Net (Loss) Per Common Share: Net (loss) per common share is computed using the weighted average number of shares of common stock outstanding. Fully diluted income per share is not presented for each of the periods since the effect of including common equivalent shares would be anti-dilutive.

Reclassifications: Certain prior year amounts have been reclassified on the Consolidated Statements of Cash Flows to conform to the 1998 presentation.

Note 2. Inventories

The components of inventory consist of the following at September 30, 1998:

<TABLE>

<S>	<C>
Raw material	$ 309,390
Work in process	138,409
Finished goods	518,360
Less allowance for obsolescence	(40,734)
Net Inventory	$ 925,425

</TABLE>

Note 3. Leases

Equipment, furniture and fixtures include the following amounts for leases which have been capitalized at September 30, 1998:

<TABLE>

<S>	<C>
Leasehold interest in equipment, furniture and fixtures	$ 73,539
Less accumulated amortization	(28,727)
	$ 44,812

</TABLE>

The Company entered into a seven year operating lease with a third party for office space effective September 12, 1994. The lease is cancelable at the end of the 60th month of the term of the lease upon payment of a termination fee of $63,867. The Company also has an informal agreement to reimburse an affiliate for office space used by the officers of the Company. Reimbursement for the affiliate rent expense was $48,146 and $51,256 in 1998 and 1997, respectively. The affiliate's lease is with an unrelated third party which expires January 31, 2001. On November 1, 1998 the affiliate sublet the office space for the remaining term of the lease.

On December 10, 1996, the Company entered into what is in essence a sale and leaseback agreement with respect to its 40,000 square foot manufacturing facility located in London, England. The Company received $3,365,000 (Pounds) 1,950,000 for leasing the facility to a third party for a nominal annual rental charge and for providing the third party with an option to purchase the facility for one pound during the period December 2006 to December 2027.

As part of the same transaction, the Company entered into an agreement to lease the facility back from the third party for base rents of $336,000 (Pounds) 195,000 per year payable quarterly until 2016. The lease is renewable through December 2027. The Company was also required to make a security deposit of $336,000 (Pounds) 195,000 to be reduced in subsequent years. The facility had a net book value of $1,398,819 (Pounds) 810,845 on the date of the transaction. The $1,966,181 (Pounds) 1,139,155 gain which resulted from this transaction will be recognized ratably over the initial term of the lease. Unamortized deferred gain as of September 30, 1998 was $1,766,611 (Pounds) 1,039,489. Concurrent with this transaction, the Company repaid the mortgage loan on this property of $1,834,000 (Pounds) 1,062,500.

In 1987, a subsidiary entered into a lease for office and factory space expiring January 31, 2001. These offices were vacated and subsequently this space was subleased to a third party for a period expiring January 31, 2001. At the time the sublease was entered into a liability was established for all future costs to the end of the lease, net of expected sublease receipts. Details of lease rent expense in total and separately for transactions with related parties is as follows:

<TABLE>
<CAPTION>

	September 30	
	1998	1997
<S>	<C>	<C>
Operating lease expense:		
Factory and office leases	$820,695	$579,197
Office space used by officers	48,146	51,255

Other	17,811	88,772
Total lease expense	$140,289	$719,224

</TABLE>

Future minimum payments under capital and operating leases, including planned reimbursement of affiliate for office space used by officers, consisted of the following at September 30, 1998:

<TABLE>
<CAPTION>

	Capital	Operating	Rentals Receivable Under Subleases
<S>	<C>	<C>	<C>
1999	$19,526	$ 514,502	$46,850
2000	4,882	490,416	39,204
2001	---	459,839	13,068
2002	---	331,403	---
2003	---	331,403	---
Thereafter	---	4,376,537	---
Total minimum payments	$24,408	$6,504,099	$99,122
Amount representing interest	($ 5,138)		
	$19,270		

</TABLE>

Note 4. Notes Payable and Long-Term Debt

During 1997, the Company repaid and then subsequently borrowed $1,000,000 from Mr. Dearholt, a current director of the Company. The outstanding note payable bears interest at 12% and is payable in full in 1998. As part of the transaction, the Company issued Mr. Dearholt warrants to purchase 200,000 shares of the Company's common stock at $1.848 per share, which represented the average trading price for the five trading days prior to the closing date for the transaction and resulted in an initial discount on the note of $250,000. Any stock issued under the warrants carry certain registration rights. The warrants expire in 2004. In addition, if the Company defaults on its obligation under the note, the Company is required to issue an additional 200,000 shares of its common stock to Mr. Dearholt in addition to all other remedies to which Mr. Dearholt may be entitled. The note was repaid in full in 1998. The discount in combination with the note's 12% coupon resulted in an effective interest rate of 53 percent on the note.

During 1998, the Company repaid and then subsequently borrowed $1,000,000 from Mr. Dearholt, a current director of the Company. The outstanding note payable bears interest at 12% and is payable in full in 1999. As part of the transaction, the Company issued Mr. Dearholt warrants to purchase 200,000 shares of the Company's common stock at $2.25 per share, which represented the average trading price for the five trading days prior to the closing date for the transaction and resulted in an initial discount on the note of $297,500. Any stock issued under the warrants carry certain registration rights. The warrants expire in 2006. In addition, if the Company defaults on its obligation under the note, the Company is required to issue an additional 200,000 shares of its common stock to Mr. Dearholt in addition to all other remedies to which Mr. Dearholt may be entitled. The note is recorded at September 30, 1998, net of unamortized discount of $162,861. The discount in combination with the note's 12% coupon resulted in an effective interest rate of 63 percent on the note.

On February 20, 1997, the Company issued convertible debentures for $1,989,824 which is net of $30,176 in unamortized discount; (the Debentures) at 8% maturing in 1999. These Debentures are convertible in the Company's common stock at the lesser of $2.875 (representing the average market price for the five

days preceding the date the Debentures were sold) or 80% of the market price at the time the debentures are converted into FHC common stock. The discount relates to the valuation of the detachable warrants for 67,333 shares of common stock. During fiscal 1997, the debentures were all converted into 1,364,625 shares of common stock. These convertible debentures included a beneficial conversion feature valued at $398,000. The Company recorded the value of the beneficial conversion feature as additional paid in capital and interest expense during the year ended September 30, 1997.

At September 30, 1996, there were convertible debentures of $1,910,000 (net of $90,000 in unamortized discount) with detachable warrants for 40,201 shares of

common stock (the Debentures) at 8% maturing in 1999. These Debentures were convertible into the Company's common stock at the lesser of $5.275 (representing the average market price for the five days preceding the date the Debentures were sold) or 80% of the market price at the time the debentures are converted into FHC common stock. All of these debentures were converted in 763,746 shares of common stock in fiscal 1997.

Upon conversion of the debentures, $277,610 of issuance costs and $110,007 of unamortized discount were charged to equity and $59,182 of accrued interest was credited to equity.

Long-term debt and capital lease obligations at September 30, 1998, consisted of the following:

<TABLE>

<S>	<C>
Foundation note, noninterest bearing, due 1999, net of unamortized discount of $22,275, interest imputed at 11%	$606,540
Capital lease obligations	24,408
Total long-term debt and capital leases	630,948
Less current maturities	626,066
Long-term portion	$ 4,882

</TABLE>

The Foundation note for $606,450 (Pounds) 356,893 is a noninterest bearing $628,815 (Pounds) 370,000 loan note payable to the Aage V. Jensen Charity Foundation and due on January 31, 1999.

Note 5. Income Taxes

A reconciliation of income tax expense and the amount computed by applying the statutory Federal income tax rate to loss before income taxes as of September 30, 1998 and 1997, are as follows:

<TABLE>
<CAPTION>

	September 30 1998	1997
<S>	<C>	<C>
Tax credit statutory rates	$(1,141,490)	$(2,130,479)
Nondeductible expenses	47,900	223,368
State income tax, net of federal benefits	(159,100)	(241,660)
Benefit of net operating loss not recognized, increase in valuation allowance	1,252,690	2,073,129
Other	---	75,642
	$ ---	$ ---

</TABLE>

As of September 30, 1998, the Company had federal and state net operating loss carryforwards of approximately $29,675,000 for income tax purposes expiring in years 2005 to 2014. The benefit relating to $1,537,800 of these net operating losses relates to exercise of Common stock options and will be credited directly to stockholders' equity when realized. The Company also has investment tax and research and development credit carryforwards for income tax purposes aggregating approximately $173,000 at September 30, 1998, expiring in years 1999 to 2009. The Company's U.K. subsidiary, The Female Health Company-UK, plc has U.K. net operating loss carryforwards of approximately $71,910,000 as of September 30, 1998. These U.K. net operating loss carryforwards can be carried forward indefinitely to be used to offset future U.K. taxable income. Significant components of the Company's deferred tax assets and liabilities are as follows at September 30, 1998:

<TABLE>

<S>	<C>
Deferred tax assets:	
Federal net operating loss carryforwards	$10,089,000
State net operating loss carryforwards	1,938,000
Foreign net operating loss carryforwards	21,573,000
Foreign capital allowances	3,886,000
Tax credit carryforwards	173,000
Accounts receivable allowances	119,000
Other	15,000

Total gross deferred tax assets	(37,795,000)
Valuation allowance for deferred tax assets	
Deferred tax assets net of valuation allowance	18,000
Deferred tax liabilities: Equipment, furniture and fixtures	(18,000)
Net deferred tax assets	$ ---

Reconciliations of the valuation allowance for deferred tax assets for the year ended September 30, 1998, is as follows:

Balance, beginning	$(36,522,310)
Increase in valuation allowance charged to current operations	(1,252,690)
Balance, ending	$(37,775,000)

The beginning of the year valuation allowance balance has been revised due to a change in the foreign net operating loss carryforward and the foreign capital allowances deferred tax asset. This change has no impact on the Company's net loss for 1998 or 1997.

Note 6. Royalty Agreements

The Company has royalty agreements for sales of its products which provide for royalty payments based on sales quantities and achievement of specific sales levels. The amount of royalty expense was $38,451 and $24,894 for 1998 and 1997, respectively.

Note 7. Common Stock

Stock Option Plans

The Company has various stock option plans that authorize the granting of options to officers, key employees and directors to purchase the Company's Common Stock at prices generally equal to the market value of the stock at the date of grant. Under these plans, the Company has 282,000 shares available for future grants as of September 30, 1998. The Company has also granted options to one of its legal counsel and an affiliate. Certain options are vested and exercisable upon issuance, others over periods up to four years and still others based on the achievement of certain performance criteria by the Company and market prices of its Common Stock.

During 1997 the option prices of 749,865 options outstanding which were exercisable at prices ranging from $5.9375 to $3.875 per share were lowered to $2.00 per share. In connection therewith, additional expense of $10,500 was recognized related to options that had been granted to legal counsel.

Summarized information regarding all of the Company's stock options is as follows:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at September 30, 1996	1,014,804	4.89
Granted	504,600	2.00
Exercised	(39,833)	4.49
Expired or canceled	(18,825)	6.53
Outstanding at September 30, 1997	1,460,746	2.92
Granted	18,000	0.01
Exercised	(29,400)	2.00
Expired or canceled	(274,868)	5.50
Outstanding at September 30, 1998	1,174,478	2.29

The following table summarizes information about the Company's stock options outstanding and exercisable at September 30, 1998.

<TABLE>
<CAPTION>

Options Outstanding				Options Exercisable	
Range of Exercise prices	Number Outstanding at 9/30/98	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 9/30/98	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$0.01	18,000	2.5	$ 0.01	--	$ --
2.00	1,109,600	6.6	2.00	416.532	2.00
3.50	1,689	2.5	3.50	1,689	3.50
7.75	8,089	3.0	7.75	8,089	7.75
9.50	19,000	5.5	9.50	19,000	9.50
10.50	11,700	4.0	10.50	11,700	10.50
15.25	6,400	4.0	15.25	6,400	15.25
$.01 to $15.25	1,174,478	6.5	$ 2.29	463,410	$ 2.81

</TABLE>

During 1998, the Company granted options to employees to purchase 18,000 shares of the Company's common stock at $.01. Compensation expense of $51,660 was recognized regarding this issuance.

All other stock options have been granted to employees at, or in excess of, fair market value at the date of grant. Accordingly, in accordance with APB 25 and related interpretations, no compensation cost has been recognized related to such stock option grants.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for all awards during Fiscal 1997 and 1998 consistent with the method set forth under FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

<TABLE>
<CAPTION>

	Year ending September 30			
	1998	Earnings per share	1997	Earnings per share
<S>	<C>	<C>	<C>	<C>
Net loss attributable to common stockholders	$(4,306,985)	($0.43)	($6,266,114)	($0.74)
Compensation expense related to stock options granted	(615,776)	($0.06)	($688,975)	($0.08)
	$(4,922,761)	($0.49)	($6,955,089)	($0.82)

</TABLE>

As the provisions of FAS 123 have been applied only to options granted since September 30, 1995, the resulting pro forma compensation cost is not representative of that to be presented in future years, when the pro forma cost would be fully reflected.

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model assuming expected volatility of 69.1% and risk-free interest rates of 4.43% and 5.86% for 1998 and 1997, respectively; and expected lives of one to three years and 0.0% dividend yield in both periods. The weighted average fair value of options granted or options with reduced exercise price was $2.87 and $0.84 for the years ended September 30, 1998 and 1997, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock options have characteristics different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the model may not provide a reliable single measure of the fair value of its employee stock options.

Stock Bonus Plan

During 1997, the Company adopted a stock bonus plan ("1997 Bonus Plan") to provide stock bonuses in lieu of cash bonuses to key employees who are responsible for the Company's future growth and financial success. The 1997 Bonus Plan provides for the award of up to 200,000 shares which are nontransferable and subject to a risk of forfeiture for one year subsequent to grant date. At September 30, 1998, 107,000 shares of restricted stock had been issued to key employees and consultants. Expense under the plan was $307,625 and $53,125 for the years ended September 30, 1998 and 1997, respectively.

Common Stock Purchase Warrants

During 1997 and 1998 the Company entered into consulting agreements with separate third party professionals to provide investor relations services and financial advisory services. In connection with the consulting agreements, the Company granted common stock purchase warrants to purchase an aggregate 225,000 shares of the

Company's common stock. In 1997, the Company adjusted warrants previously issued under consulting agreements reducing the exercise price to $2.00 per share. The Company recognized expense of $114,750 and $89,500 in 1998 and 1997, respectively, under FAS 123 in connection with the exercisable shares. At September 30, 1998, 165,000 warrants were exercisable.

10,000 warrants were exercised during 1998. At September 30, 1998, the following warrants were outstanding:

<TABLE>
<CAPTION>

	Number Outstanding
<S>	<C>
Warrants issued in connection with:	
Investor relations services contract	90,000
Financial advisory services contract	75,000
Convertible Debentures (See Note 4)	107,534
Convertible Preferred Stock (See Note 8)	296,000
Notes Payable (See Note 4)	640,000
Outstanding at September 30, 1998	1,208,534

</TABLE>

At September 30, 1998, the Company had reserved a total of 2,955,813 shares of its common stock for the exercise of options and warrants outstanding. This amount includes shares reserved to satisfy obligations due if the Company defaults on the payment of interest or principal on an $1 million note due March 25, 1999.

Issuance of Stock

The Company issued 25,000 shares of common stock with a market value of approximately $93,750, and 124,564 shares of common stock with a market value of approximately $207,863 in 1998 and 1997, respectively. The stock was issued to consultants for providing investor relation services. Consulting expense of $93,750 and $207,863 was recognized during the years ended September 30, 1998 and 1997, respectively.

Note 8. Preferred Stock

In 1997, FHC raised approximately $1.6 million proceeds, net of issuance costs of $96,252, in a private placement of 680,000 shares of 8% cumulative convertible preferred stock (Series 1) sold at $2.50 per share. In addition, 52,000 common stock purchase warrants were issued to the placement agents. Each share of preferred stock is convertible into one share of the Company's common stock on or after August 1, 1998. Annual preferred stock dividends will be paid if and as declared by the Company's Board of Directors. No dividends or other distributions will be payable on the Company's common stock unless dividends are paid in full on the preferred stock. The preferred stock may be redeemed at the option of FHC, in whole or in part, on or after August 1, 2000, subject to

certain conditions, at $2.50 per share plus accrued and unpaid dividends. In the event of a liquidation or dissolution of the Company, the preferred stock would have priority over the Company's common stock.

On December 31, 1997, the Company completed a private placement of 729,927 shares of Class A Convertible Preferred Stock - Series 2 (the "Series 2 Preferred Stock") and Warrants to purchase 240,000 shares of Common Stock. The Series 2 Preferred Stock was sold at a per share price of $2.74, resulting in net proceeds to the Company of $1.84 million, net of insurance costs of $156,616. The Series 2 Preferred Stock automatically converted into Common Stock on a one-for-one basis, on April 3, 1998, the date in which the registration statement registering the resale of the Common Stock was declared effective by the SEC. The investors received four-year Warrants to purchase 240,000 shares of Common Stock exercisable at a price per share equal to the lesser of $3.425 or the average of the three closing bid prices per share of Common Stock for any three consecutive trading days chosen by the investor during the 30 trading day period ending on the trading day immediately prior to the exercise of the Warrants. Individuals providing services to the Company's placement agent for the above convertible Preferred Stock received Warrants to purchase 4,000 shares of Common Stock exercisable at any time prior to December 31, 2001, at $4.11 per share.

The Company's private placement of convertible Preferred Stock - Series 2 on December 31, 1997 included a beneficial conversion feature valued at $500,000 and four-year warrants to purchase additional shares of common stock valued at $317,000. In accordance with new SEC reporting requirements for such transactions, the Company recorded the value of the beneficial conversion feature and warrants, a total of $817,000 as additional paid-in capital. The corresponding discount of $817,000, associated with the issuance of the convertible preferred stock is a one-time, non-recurring charge that has been fully amortized and reflected as preferred dividends accreted in the consolidated statements of operations for the year ended June 30, 1998. The dividend accretion had no impact on the Company's cashflow from operations.

Note 9. Employee Retirement Plan

Effective October 1, 1997, the Company adopted a Simple Individual Retirement Account (IRA) plan for its employees. Employees are eligible to participate in the plan if their compensation reaches certain minimum levels and are allowed to contribute up to a maximum of $6,000 annual compensation to the plan. The Company has elected to match 100% of employee contributions to the plan up to a maximum of 1% of employee compensation for the year. Company contributions were $11,947 for 1998.

Note 10. Industry Segments And Financial Information About Foreign and Domestic Operations

The Company currently operates primarily in one industry segment which includes the development, manufacture and marketing of consumer health care products.

The Company operates in foreign and domestic regions. Information about the Company's operations in different geographic areas (determined by the location of the operating unit) is as follows.

<TABLE>
<CAPTION>

	September 30	
(Amounts in thousands)	1998	1997
<S>	<C>	<C>
Net revenues:		
United States	$2,481	$2,050
International	2,970	866
Operating profit (loss):		
United States	(2,731)	(3,120)
International	(420)	(2,118)
Identifiable assets:		
United States	2,088	3,349
International	5,471	4,990

</TABLE>

On occasion, the Company's U.S. unit sells product directly to customers located outside the U.S. Were such transaction reported by geographic destination of the sale rather than the geographic location of the unit, U.S. revenues would be decreased and International revenues increased by $396,00 and $293,000 in 1998 and 1997, respectively.

Note 11. Contingent Liabilities

The Company's future obligations under the terms of an employment agreement and a facilities lease were assigned by the Company and assumed by the buyer as part of the 1996 sale of the Company's subsidiary WPC Holdings, Inc. However, because the third party creditor did not release the Company from any future liability under these employment and lease agreements at the time of their assignment, the Company remains contingently liable if Holdings defaults in making any payments under the agreements. At September 30, 1998, the total future payments for these contingent liabilities was $2.8 million for the lease of Holdings' facilities and $0.3 million for the employment agreement.

The testing, manufacturing and marketing of consumer products by the Company entail an inherent risk that product liability claims will be asserted against the Company. The Company maintains product liability insurance coverage for claims arising from the use of its products. The coverage amount is currently $5,000,000 for FHC's consumer health care product.

The Year 2000 compliance issue exists because many computer systems and applications currently use two-digit fields to designate a year. As the century date change occurs, date-sensitive systems may either fail or not operate properly unless the underlying programs are modified or replaced. The Company is assessing the extent of programming changes required to address this issue. Although final cost estimates have not been determined, it is not expected that these expenses will have a material impact on the Company's financial condition, liquidity, or results of operations.

The Company's main financial and manufacturing hardware and software systems have been tested and are either now Year 2000 compliant or are expected to be by December 31, 1998. This was accomplished primarily through systems upgrades and maintenance done over the last few years. The Company is in the process of surveying major customers and suppliers regarding their Year 2000 readiness and, to date, the Company is not aware of any significant Year 2000 issues at these entities that would materially affect the Company's business. The Company believes that if a Year 2000 problem develops at any of the Company's vendors whereby the vendor becomes unable to address the Company's needs, alternative vendors are readily available that could furnish the Company with the same or similar suppliers or services without material undue delay or expense.

The majority of the Company's Year 2000 issues were corrected either through systems upgrades or normal maintenance contracts. The cost of these improvements to date has been approximately $20,000.

With regard to systems under the Company's control, the Company knows of no significant exposure that the Company has to the Year 2000 issue since, if necessary, the Company's systems are capable of accepting manually entered data. The Company believes the worst case scenario is that the Company would have to revert back to certain manual systems. The Company believes that its customers and vendors are at various stages of compliance but the Company has not been made aware of significant Year 2000 issues that would materially affect its business with them. The Company will continue to monitor Year 2000 compliance with its customers and vendors throughout 1999 but it will not be able to achieve the same degree of certainty that it can with its own internal systems.

To the extent that the Company discovers minor internal systems that are not Year 2000 compliant by mid-1999, it will have time to implement manual systems by year-end 1999 which the Company believes will significantly reduce the financial risk to the Company.

Although final cost estimates have not been determined, it is not expected that these expenses will have a material impact on the Company's financial condition, liquidity, or results of operations.

Note 12. Related Party Transactions

For 1998, the Company paid the rent for office space leased by Phoenix Health Care of Illinois, Inc. ("Phoenix"), a company that owns approximately 270,000 shares of the Company's Common Stock and has two officers and directors that are also officers and directors of the Company. This lease space was used by an officer of the Company. No agreement currently exists between the Company and Phoenix regarding the lease, however, it is the Company's intention to continue paying the rent in order to provide office space for its employees.

During 1998 the Company awarded Phoenix 25,000 shares of restricted Common Stock with a market value of approximately $93,750 for consulting services provided to the Company.

It has been and currently is the policy of the Company that transactions between the Company and its officers, directors, principal shareholders or affiliates are to be on terms no less favorable to the Company than could be obtained from unaffiliated parties. The Company intends that any future transactions between the Company and its officers, directors, principal shareholders or affiliates will be approved by a majority of the directors who are not financially interested in the transaction.

Note 13. Earnings Per Share

Net (loss) per Common share outstanding and diluted net (loss) per Common share outstanding is based on the weighted average of shares of Common Stock outstanding during the period.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share. Statement No. 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully dilutive earnings per share. All earnings per share in the accompanying financial statements have been presented to conform to Statement No. 128 requirements. The Company has "in the money" options and warrants outstanding of 200,000 and 764,319 as of September 30, 1998 and 1997, respectively (see Note 7). The Company also has preferred stock outstanding as of September 30, 1998, which is convertible into 680,000 shares of Common Stock (see Note 8). The inclusion of the options, warrants and convertible preferred stock in the computation of diluted earnings per share would have resulted in a reduction of the loss per share (antidilutive) and therefore both basic and diluted earnings per share amounts were the same for each of the periods presented in the accompanying financial statements.

Note 14. Current Accounting Pronouncements

Derivatives

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 133 requires companies to record derivatives on the balance sheet as assets or liabilities at fair value. Depending on the use of the derivative and whether it qualifies for hedge accounting, gains or losses resulting from changes in the value of those derivatives would either be recorded as a component of net income or as a change in stockholders' equity. The Company is required to adopt this new standard for the quarter and year beginning October 1, 1999. The Company currently has no derivative instruments and, accordingly, the adoption of this statement has no impact on its consolidated financial statements.

Comprehensive Income

The Financial Accounting Standards Board has issued Statement No. 130, "Reporting Comprehensive Income," that the Company will be required to adopt for its year ended September 30, 1998, and disclose in its interim financial statements beginning with the period ending December 31, 1997. This pronouncement is not expected to have a significant impact on the Company's financial statements. The Statement establishes standards for the reporting and presentation of comprehensive income and its components. The statement requires that items recognized as components of comprehensive income be reported in a financial statement. The statement also requires that a company classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of

other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. For the years ended September 30, 1997 and 1996, the Company's components of comprehensive income (loss) consisted of its reported net (loss) and foreign currency translation adjustments.

Segments of an Enterprise

Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in July 1997 by the Financial Accounting Standards Board. The Statement requires the Corporation to disclose the factors used to identify reportable segments including the basis of organization, differences in products and services, geographic areas, and regulatory environments. The Statement additionally requires financial results to be reported in the financial statements for each reportable segment. The Statement is effective for financial statement periods beginning after December 15, 1997.

Note 15. Continuing Operations

The Company's consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a loss of $3.4 million for the year ended September 30, 1998, and as of September 30, 1998, had an accumulated deficit of $41.3 million. At September 30, 1998, the Company had working capital of $1.2 million and stockholders' equity of $2.9 million. In the near term, the Company expects operating and

capital costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes and the ongoing need to commercialize the female condom around the world. As a result, operations in the near future are expected to continue to use working capital. Management recognizes that the Company's continued operations depend on its ability to raise additional capital through a combination of equity or debt financing, strategic alliances and increased sales volumes.

At various points during the developmental stage of the product, the Company was able to secure resources, in large part through the sale of equity and debt securities, to satisfy its funding requirements. As a result, the Company was able to obtain FDA approval, worldwide rights, manufacturing facilities and equipment and to commercially launch the Female Condom. Management believes that recent developments, including the Company's agreement with the UNAIDS, a joint United Nations program on HIV/AIDS, provide an indication of the Company's early success in broadening awareness and distribution of the Female Condom and may benefit efforts to raise additional capital and to secure additional agreement to promote and distribute the Female Condom throughout other parts of the world.

On September 29, 1997, the Company entered into an agreement with Vector Securities International, Inc. (Vector), an investment banking firm specializing in providing advice to healthcare and life-science companies. Pursuant to this agreement, for a one-year period, Vector will act as the

Company's exclusive financial advisor for the purposes of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business, assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. This agreement has been extended for an additional six months. There can be no assurance that any such opportunities will be available to the Company or, if so available, that the Company will ultimately elect or be able to consummate any such transaction.

On November 19, 1998, the Company executed an agreement with a private investor ("the Equity Line Agreement"). This agreement provides for the Company, at its sole discretion, subject to certain restrictions, to sell ("put") to the investor up to $6.0 million of the Company's Common Stock, subject to a minimum put of $1.0 million over the duration of the agreement. The Equity Line Agreement expires 24 months after the effective date of the pending registration statement and, among other things, provides for minimum and maximum puts ranging from $100,000 to $1,000,000 depending on the Company's stock price and trading volume. The timing and amount of drawdowns on this line of credit are totally at the Company's discretion, subject to certain conditions. The Company is required to draw down a minimum of $1 million during the two-year period. If the Company does not draw down the minimum, the Company is required to pay the investor a 12% fee on that portion of the $1 million minimum not drawn down at the end of the two-year period.

While the Company believes that its existing capital resources (including expected proceeds from sales of Common Stock pursuant to the Equity Line Agreement) will be adequate to fund its currently anticipated capital needs, if they are not or the Company does not receive shareholder approval to amend its Articles of Incorporation to increase its authorized Common Stock, enabling the Company to sell sufficient Shares under the Equity Line Agreement, the Company may need to raise additional capital until its sales increase sufficiently to cover operating expenses. In addition, there can be no assurance that the Company will satisfy the conditions required for it to exercise puts under the Equity Line Agreement. Accordingly, the Company may not be able to realize all or any of the funds available to it under the Equity Line Agreement.

Further, there can be no assurance, assuming the Company successfully raises additional funds or enters into business agreements with third parties, that the Company will achieve profitability or positive cash flow. If the Company is unable to obtain adequate financing, management will be required to sharply curtail the Company's efforts to promote the female condom and to curtail certain other of its operations or, ultimately, cease operations.

would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since any of the dates as of which information is furnished or since the date of this Prospectus.

THE FEMALE HEALTH COMPANY

2,413,124 SHARES OF COMMON STOCK

PROSPECTUS

February _____, 1999