UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2010

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to_____

Commission file number 1-13602

The Female Health Company

(Name of registrant as specified in its charter)

Wisconsin **(State of Incorporation)**	**39-1144397** **(I.R.S. Employer Identification No.)**
515 N. State Street, Suite 2225 **Chicago, IL** **(Address of principal executive offices)**	**60654** **(Zip Code)**

312-595-9123
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
(Do not check if smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as determined by rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 3, 2011, the registrant had 27,734,174 shares of $0.01 par value common stock outstanding.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-Q which are not statements of historical fact are intended to be, and are hereby identified as "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following: the Company's inability to secure adequate capital to fund working capital requirements and advertising and promotional expenditures; factors related to increased competition from existing and new competitors including new product introduction, price reduction and increased spending on marketing; limitations on the Company's opportunities to enter into and/or renew agreements with international partners, the failure of the Company or its partners to successfully market, sell and deliver its product in international markets, and risks inherent in doing business on an international level, such as laws governing medical devices that differ from those in the U.S., unexpected changes in the regulatory requirements, political risks, export restrictions, tariffs and other trade barriers and fluctuations in currency exchange rates; the disruption of production at the Company's manufacturing facilities due to raw material shortages, labor shortages and/or physical damage to the Company's facilities; the Company's inability to manage its growth and to adapt its administrative, operational and financial control systems to the needs of the expanded entity and the failure of management to anticipate, respond to and manage changing business conditions; the loss of the services of executive officers and other key employees and the Company's continued ability to attract and retain highly-skilled and qualified personnel; the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations; payment of dividends is in the discretion of the Board of Directors and the Company may not have sufficient cash flows to continue to pay dividends; and developments or assertions by or against the Company relating to intellectual property rights.

Item 1. Financial Statements

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2010	September 30, 2010
Current Assets:		
Cash	$ 3,577,188	$ 2,918,776
Restricted cash	4,480	4,578
Certificate of deposit	61,630	-
Accounts receivable, net	2,357,323	4,460,517
Income tax receivable	29,950	28,179
Inventories, net	2,842,084	2,194,330
Prepaid expenses and other current assets	200,190	284,948
Deferred income taxes	1,900,000	1,900,000
TOTAL CURRENT ASSETS	10,972,845	11,791,328
Other Assets	117,234	178,713
EQUIPMENT, FURNITURE AND FIXTURES		
Equipment, furniture and fixtures	3,746,673	3,720,637
Less accumulated depreciation and amortization	(1,440,176)	(1,322,577)
	2,306,497	2,398,060
Deferred income taxes	4,000,000	4,000,000
TOTAL ASSETS	$ 17,396,576	$ 18,368,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 859,987	$ 586,596
Accrued expenses and other current liabilities	553,832	906,994
Accrued compensation	279,757	444,843
TOTAL CURRENT LIABILITIES	1,693,576	1,938,433
Obligations under capital leases	8,659	12,999
Deferred grant income	126,104	132,312
Deferred income taxes	152,345	152,227
TOTAL LIABILITIES	1,980,684	2,235,971
Commitments and Contingencies		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, Class A, Series 1	-	-
Convertible preferred stock, Class A, Series 3	-	-
Convertible preferred stock, Class B	-	-
Common stock	296,070	293,675
Additional paid-in-capital	67,617,674	67,313,616
Accumulated other comprehensive loss	(581,519)	(581,519)
Accumulated deficit	(45,533,701)	(44,544,073)
Treasury stock, at cost	(6,382,632)	(6,349,569)
TOTAL STOCKHOLDERS' EQUITY	15,415,892	16,132,130
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 17,396,576	$ 18,368,101

See notes to unaudited condensed consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,	
	2010	2009
Product sales	$ 3,640,118	$ 5,488,561
Royalty income	11,250	113
Net revenues	3,651,368	5,488,674
Cost of sales	1,634,450	2,285,813
Gross profit	2,016,918	3,202,861
Operating expenses:		
Advertising and promotion	19,400	69,851
Selling, general and administrative	1,563,531	1,860,408
Research and development	-	381
Restructuring costs, net	-	1,896,353
Total operating expenses	1,582,931	3,826,993
Operating income (loss)	433,987	(624,132)
Non-operating income (expense):		
Interest, net and other income	717	12,331
Foreign currency transaction loss	(30,906)	(48,689)
	(30,189)	(36,358)
Income (loss) before income taxes	403,798	(660,490)
Income tax expense	17,130	37,861
Net income (loss)	$ 386,668	$ (698,351)
Basic earnings (loss) per common share outstanding	$ 0.01	$ (0.03)
Basic weighted average common shares outstanding	27,245,560	26,300,571
Diluted earnings (loss) per common share outstanding	$ 0.01	$ (0.03)
Diluted weighted average common shares outstanding	28,997,497	26,300,571

See notes to unaudited condensed consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31,	
	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	$ 386,668	$ (698,351)
Adjustments to reconcile net income (loss)		
to net cash provided by operating activities:		
Depreciation and amortization	117,599	110,245
Amortization of deferred gain on sale/leaseback	-	(657,606)
Amortization of deferred income from grant	(6,208)	(6,208)
Interest added to certificate of deposit	(978)	(704)
Share-based compensation	137,221	125,796
Deferred income taxes	118	(1,153)
Changes in operating assets and liabilities	1,474,343	1,569,714
Net cash provided by operating activities	2,108,763	441,733
INVESTING ACTIVITIES		
Decrease in restricted cash	98	-
Capital expenditures	(26,036)	(6,871)
Net cash used in investing activities	(25,938)	(6,871)
FINANCING ACTIVITIES		
Purchases of common stock for treasury shares	(33,063)	(52,043)
Dividends paid on common stock	(1,384,096)	-
Payment on capital lease obligations	(7,254)	(9,240)
Net cash used in financing activities	(1,424,413)	(61,283)
Net increase in cash	658,412	373,579
Cash at beginning of period	2,918,776	2,810,197
CASH AT END OF PERIOD	$ 3,577,188	$ 3,183,776
Schedule of noncash financing and investing activities:		
Income taxes paid	$ 8,097	$ 57,861
Reduction of accrued expense upon issuance of shares andpayment of dividends	231,270	92,180
Dividends declared (unpaid dividend on restricted stock)	1,500	-

See notes to unaudited condensed consolidated financial statements.

NOTE 1 - Basis of Presentation

The accompanying condensed financial statements are unaudited but in the opinion of management contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position and the results of operations and cash flow for the periods presented in conformity with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Operating results for the three months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2010.

Principles of Consolidation and Nature of Operations

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, The Female Health Company – UK, and its wholly owned subsidiaries, The Female Health Company - UK, plc and The Female Health Company (M) SDN.BHD. 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, the FC2 female condom ("FC2"). The Female Health Company - UK, is the holding company of The Female Health Company - UK, plc, which is located in a 6,400 sq. ft. leased office facility located in London, England. The Female Health Company (M) SDN.BHD leases a 16,000 sq. ft. manufacturing facility located in Selangor D.E., Malaysia.

The FC2 female condom is currently sold or available in either or both commercial (private sector) and public sector markets in 114 countries. The product is marketed directly to consumers in 12 countries by various country-specific commercial partners.

The Company also derives revenue from licensing its intellectual property under an agreement with its exclusive distributor in India, Hindustan Lifecare Limited (“HLL”). HLL is authorized to manufacture FC2 at HLL's facility in Kochi, India for sale in India. HLL is the Company's exclusive distributor in India and the Company receives a royalty based on the number of units sold by HLL in India. Such revenue appears as royalty income on the Consolidated Statements of Operations for the three months ended December 31, 2010 and 2009, and is recognized in the period in which the sale is made by HLL.

The Company's standard credit terms vary from 30 to 90 days, depending on the class of trade and customary terms within a territory, so accounts receivable is affected by the mix of purchasers within the quarter. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion. For the past twelve months, the Company's average days sales outstanding has averaged approximately 54 days. Over the past five years, the Company’s bad debt expense has been less than .01% of product sales. The balance in the allowance for doubtful accounts was approximately $45,000 and $40,000 at December 31, 2010 and September 30, 2010 respectively.

Restricted cash

Restricted cash relates to security provided to one of the Company's U.K. banks for performance bonds issued in favor of customers. Such security has been extended infrequently and only on occasions where it has been a contract term expressly stipulated as an absolute requirement by the funds' provider. The expiration of the bond is defined by the completion of the event such as, but not limited to, delivery of goods or at a period of time after product has been distributed.

Foreign Currency and Change in Functional Currency

Prior to October 1, 2009 the functional currency of the Company's subsidiaries was the local currency, in accordance with Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters.* Effective October 1, 2009, the Company determined that there were significant changes in facts and circumstances and the Company's subsidiaries adopted the U.S. dollar as their functional currency. Due to lower volatility in foreign currency exchange rates for the three months ended December 31, 2010, the Company recognized a foreign currency transaction loss of $30,906 for the three months ended December 31, 2010 compared to a loss of $48,689 for the three months ended December 31, 2009. The consistent use of the U.S. dollar as functional currency across the Company reduces its foreign currency risk and stabilizes its operating results.

NOTE 2 – Earnings (Loss) per Share

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants and unvested shares granted to employees and directors.

	Three Months Ended December 31,	
	2010	2009
Denominator:		
Weighted average common shares outstanding - basic	27,245,560	26,300,571
Net effect of dilutive securities:		
Options	1,311,583	-
Warrants	61,604	-
Unvested restricted shares	378,750	-
Total net effect of dilutive securities	1,751,937	-
Weighted average common shares outstanding - diluted	28,997,497	26,300,571
Income (loss) per common share – basic	$ 0.01	$ (0.03)
Income (loss) per common share – diluted	$ 0.01	$ (0.03)

All the outstanding warrants and stock options were included in the computation of diluted net income per share during the three months ended December 31, 2010. For the three months ended December 31, 2009, the Company's basic loss per share and diluted loss per share is identical as inclusion of the incremental common shares attributable upon the exercise of stock options and warrants and unvested shares granted to employees would have been anti-dilutive.

NOTE 3 - Inventories

The components of inventory consist of the following:

	December 31, 2010	September 30, 2010
Raw material and work in process	$ 643,055	$ 594,108
Finished goods	2,239,029	1,615,222
Inventory, gross	2,882,084	2,209,330
Less: inventory reserves	(40,000)	(15,000)
Inventory, net	$ 2,842,084	$ 2,194,330

NOTE 4 – Line of Credit

The Company has a line of credit with Heartland Bank (the "Bank") which consists of a revolving note for up to $1,000,000 with borrowings limited to 50% of eligible accounts receivable and a revolving note for up to $1,000,000 with borrowings limited to the amount of supporting letters of credit issued by The World Bank or another issuer of equivalent credit quality approved by the Bank. Significant restrictive covenants include prohibitions on any merger, consolidation or sale of all or a substantial portion of the Company's assets and limits on the payments of dividends or the repurchase of shares. The Company's credit agreement with the Bank does not contain any financial covenants that require compliance with ratios or amounts. Dividends and share repurchases are permitted as long as after giving effect to the dividend or share repurchase the Company has at least $1,000,000 of available cash and a ratio of total liabilities to total stockholders' equity of at least 1:1. The two revolving notes with the Bank will expire July 1, 2011. When renewed on July 1, 2010, the revolving credit line collateralized by accounts receivable was increased from $500,000 to $1,000,000. Both lines of credit were renewed at an interest rate of base rate plus 0.5%. No new warrants were issued as part of the extension of these notes. These notes are collateralized by substantially all of the assets of the Company. No amounts were outstanding under the revolving notes at December 31, 2010.

NOTE 5 – Share-Based Payments

In March 2008, the Company's shareholders approved the 2008 Stock Incentive Plan which will be utilized to provide equity opportunities and performance–based incentives to attract, retain and motivate those persons who make (or are expected to make) important contributions to the Company. A total of 2,000,000 shares are available for issuance under the plan. As of December 31, 2010, 651,682 shares had been issued under the plan, 239,500 of which were in the quarter then ended. Of the total grants under the plan from its adoption to December 31, 2010, stock options covering a total of 150,000 shares have been granted, and all other grants were in the form of restricted stock or other share awards.

Stock Option Plans

Under the Company's previous share based long-term incentive compensation plan, the 1997 Stock Option Plan, the Company granted non-qualified stock options to employees. There are no shares available for grant under the plan which expired on December 31, 2006. Options issued under that plan expire 10 years after the date of grant and generally vested 1/36 per month, with full vesting after three years. Under the Company's 2008 Stock Incentive Plan, options issued expire 10 years after the date of grant and vest evenly over 36 months. The Company did not grant any options during the three months ended December 31, 2010.

Compensation expense is recognized only for share-based payments expected to vest. The Company estimates forfeitures at the date of grant based on historical experience and future expectations. Stock compensation expense related to options for the three months ended December 31, 2010 and 2009 was approximately $23,000 and $24,000, respectively.

No stock options were exercised during the three months ended December 31, 2010. During the three months ended December 31, 2009, a stock option holder exercised 10,000 stock options using the cashless exercise option available under the plan which entitled him 7,358 shares of common stock. The intrinsic value of the options exercised was approximately $39,000 for the three months ended December 31, 2009. There was no realized tax benefit from options exercised for the three months ended December 31, 2009 based on the "with and without" approach.

The following table summarizes the stock options outstanding and exercisable at December 31, 2010:

	Number Outstanding At 12/31/10	Wghted. Avg. Remaining Life	Wghted. Avg. Exercise Price	Aggregate Intrinsic Value	Number Exercisable At 12/31/10	Wghted Avg. Remaining Life	Wghted. Avg. Exercise Price	Aggregate Intrinsic Value
Total	1,834,000	3.12	$1.61	$7,482,000	1,763,167	2.91	$1.52	$7,357,000

The aggregate intrinsic value in the table above is before income taxes, based on the Company's closing stock price of $5.69 as of the last business day of the period ended December 31, 2010. As of December 31, 2010, the Company had unrecognized compensation expense of approximately $128,000 related to unvested stock options. These expenses will be recognized over approximately 1.41 years. The deferred tax asset and realized benefit from stock options exercised and other share-based payments for the periods ended December 31, 2010 and 2009 was not recognized, based on the Company's election of the "with and without" approach.

Restricted Stock

The Company issues restricted stock to employees, directors and consultants. Such issuances may have vesting periods that range from one to three years or the issuances may be contingent on continued employment for periods that range from one to three years. In addition, the Company has issued stock awards to certain employees that contain vesting provisions or provide for future issuance contingent on continued employment.

The Company granted a total of 288,750 shares of restricted stock or shares issuable pursuant to promises to issue shares of common stock during the three months ended December 31, 2010. The fair value of the awards granted was approximately $1,657,000. All such shares of restricted stock vest and all such shares must be issued pursuant to promises to issue common stock between September 2011 and December 2013, provided the grantee has not voluntarily terminated service or been terminated for cause prior to the vesting or issuance date. The Company granted a total of 35,250 shares of restricted stock or shares issuable pursuant to promises to issue shares of common stock during the three months ended December 31, 2009. The fair value of the awards granted was approximately $166,000. All such shares of restricted stock vested in September 2010. No shares of restricted stock were forfeited during the three months ended December 31, 2010 or December 31, 2009.

The Company recognized share-based compensation expense for restricted stock or promises to issue shares of common stock of approximately $115,000 for the three months ended December 31, 2010, $53,000 of which is included in accrued expenses at December 31, 2010 since the related shares have not been issued. Share based compensation expense for restricted stock or promises to issue shares of common stock for the three months ended December 31, 2009 was approximately $102,000, of which $58,000 is included in accrued expenses at December 31, 2009. This expense is included in selling, general and administrative expenses for those respective periods. As of December 31, 2010, there was approximately $1,682,000, representing approximately 305,000 unvested shares, of total unrecognized compensation cost related to non-vested restricted stock compensation arrangements granted under the incentive plans. This unrecognized cost will be recognized over the weighted average period of the next 2.08 years.

Common Stock Purchase Warrants

No warrants were issued during the three months ended December 31, 2010 or 2009.

There were no warrant exercises in either the three months ended December 31, 2010 or December 31, 2009. There is no unrecognized compensation cost related to warrants as of December 31, 2010.

At December 31, 2010, 80,000 warrants issued in connection with investor relations were outstanding and exercisable. The warrants have an exercise price of $1.30 per share, remaining life of 5.54 years and aggregate intrinsic value of approximately $351,000. The aggregate intrinsic value is before taxes, based on the Company's closing stock price of $5.69 on the last day of business for the period ended December 31, 2010.

NOTE 6 - Stock Repurchase Program

On January 17, 2007, the Company announced a Stock Repurchase Program under the terms of which up to a million shares of its common stock could be purchased during the subsequent twelve months. In late March 2008, the repurchase program was expanded up to a total of 2,000,000 shares to be acquired through December 31, 2009. In February 2009, the Board further expanded the repurchase program to a maximum of 3,000,000 shares to be acquired through December 31, 2010. On March 25, 2010, the Board extended the period of the Stock Repurchase Program through December 31, 2011. From the program's onset through December 31, 2010, the total number of shares repurchased by the Company is 1,914,829. The Stock Repurchase Program authorizes purchases in privately negotiated transactions as well as in the open market.

In October 2008 the Company's board of directors authorized repurchases in private transactions under the Stock Repurchase Program of shares issued under the Company's equity compensation plans to directors, employees and other service providers at the market price on the effective date of the repurchase request. Total repurchases under this amendment are limited to an aggregate of 250,000 shares per calendar year and to a maximum of 25,000 shares annually per individual. Purchases under this amendment for the three months ended December 31, 2010 and 2009 were 5,750 and 10,006 shares, respectively.

Issuer Purchases of Equity Securities:	Details of Treasury Stock Purchases to Date through December 31, 2010			
Period:	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program
January 1, 2007 – September 30, 2010	1,909,079	$ 3.31	1,909,079	1,090,921
October 1, 2010 – October 31, 2010	-	-	1,909,079	1,090,921
November 1, 2010 – November 30, 2010	-	-	1,909,079	1,090,921
December 1 – December 31, 2010	5,750	5.75	1,914,829	1,085,171
Quarterly Subtotal	5,750	5.75	5,750	
Total	1,914,829	$ 3.32	1,914,829	1,085,171

NOTE 7 - 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 by geographic area is as follows (in thousands):

	Net Revenues to External Customers For The Three Months Ended December 31,		Long-Lived Assets As of	
	2010	2009	December 31, 2010	September 30, 2010
South Africa	$ 740(1)	$ 401	$ -	$ -
Zimbabwe	*	1,105(1)	-	-
United States	596	*	190	274
Brazil	511(1)	*	-	-
Malawi	*	1,116(1)	-	-
Nigeria	*	463	-	-
France	302	*	-	-
Burundi	200	*	-	-
India	*	*	105	110
United Kingdom	*	*	215	224
Malaysia	*	*	1,914	1,969
Tanzania	*	370	-	-
D.R. of Congo	*	291	-	-
Uganda	356	*		
Other	946	1,340	-	-
	$ 3,651	$ 5,489	$ 2,424	$ 2,577

* Less than 5 percent of total product sales

(1) Comprised of a single customer considered to be a major customer (exceeds 10 percent of net sales).

NOTE 8 – Contingent Liabilities

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.

NOTE 9 – Income Taxes

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities, and for net operating loss and tax credit carryforwards.

The Company completes a detailed analysis of its deferred income tax valuation allowances on an annual basis or more frequently if information comes to our attention that would indicate that a revision to its estimates is necessary. In evaluating the Company's ability to realize its deferred tax assets, management considers all available positive and negative evidence on a country by country basis, including past operating results and forecast of future taxable income. In determining future taxable income, management makes assumptions to forecast U.S. federal and state, U.K. and Malaysia operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. These assumptions require significant judgment regarding the forecasts of the future taxable income in each tax jurisdiction, and are consistent with the forecasts used to manage the Company's business. It should be noted that the Company realized significant losses through 2005 on a consolidated basis. The Company has a history of taxable income for three consecutive years in the U.S. and two of the past three years in the U.K., which was used to determine the amount of time the Company can reasonably expect to generate taxable income in the future. In management's analysis to determine the amount of the deferred tax asset to recognize, management projected future taxable income for the subsequent three years for each tax jurisdiction.

As of December 31, 2010, the Company had federal and state net operating loss carryforwards of approximately $34,512,000 and $27,817,000, respectively, for income tax purposes expiring in years 2011 to 2029. The Company's U.K. subsidiary, The Female Health Company-UK, plc has U.K. net operating loss carryforwards of approximately $69,089,000 as of December 31, 2010, which can be carried forward indefinitely to be used to offset future U.K. taxable income. The Company's Malaysian subsidiary, The Female Health Company (M) SDN.BHD, has net operating loss carryforwards of approximately $125,000 as of December 31, 2010, which can be carried forward indefinitely to be used to offset future Malaysian taxable income. With the increasing demand for and profitability of the FC2 female condom, the Company expects utilization of its net operating losses in both the U.K. and the U.S. will continue. However, because some of the U.S. Federal tax losses have a net loss carryforward limitation of fifteen years, it is possible that some of the Company's early losses carried forward in the U.S. will not be fully utilized. The U.K. net operating losses do not expire. The losses incurred in Malaysia are related to the recent start-up and are expected to be utilized over the next several years.

A reconciliation of income tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes for the three months ended December 31, 2010 and 2009 is as follows:

	Three Months Ended December 31,	
	2010	2009
Income tax expense (benefit) at statutory rates	$ 137,000	$ (216,000)
State income tax, net of federal benefits	25,000	(34,000)
Effect of AMT expense	-	30,000
Non-deductible expenses	-	1,000
Effect of foreign income tax	(88,900)	7,861
Utilization of NOL carryforwards	(173,380)	(17,572)
Increase in valuation allowance	117,410	266,572
Income tax expense	$ 17,130	$ 37,861

NOTE 10 – FC1/FC2 Transition - Restructuring Costs

On August 5, 2009, the Company announced to its U.K. employees that the Company would evaluate the future of its U.K. facility following the decision of two of its largest customers to switch their purchases from the first generation product, FC1, manufactured in the U.K. facility, to the second generation product, FC2, which is manufactured in Malaysia. As is required by British labor law, the Company went through an evaluation process, working in tandem with employee representatives, in which various manufacturing alternatives were considered. As the process failed to identify a satisfactory alternative, the facility's manufacturing operations ceased in October 2009, when the final FC1 orders were shipped. The evaluation process concluded in late November 2009, when employees received their termination payments.

The Company evaluated, measured and recognized the restructuring costs under the guidance of ASC Topic 420, Exit or Disposal Cost Obligations, and recognized such costs in the period incurred. The costs associated with this restructuring fall under the scope of associated costs of an exit activity, as suggested by the Interpretive Response in Staff Accounting Bulletin Topic 5(P)(4), including footnote 17. The FC1/FC2 transition was completed in fiscal year 2010, so there are no restructuring costs in the first quarter of fiscal year 2011. The Company recorded a charge of $1,896,353 for the quarter ended December 31, 2009 related to this restructuring. The components of the restructuring costs recognized for the three months ended December 31, 2009 are as follows:

	Three Months Ended December 31, 2009
Lease surrender payments and related costs	$ 1,485,895
Excess capacity costs	605,025
Proportionate recognition of deferred gain on original sale/leaseback of plant	(653,706)
Dilapidations and related costs	459,139
Total	$ 1, 896,353

Although FC1 production ceased in October 2009, the Company continues to conduct significant operating activities in the U.K. Such activities include global sales and marketing of the FC2 female condom, management and direction of Global Manufacturing Operations (including production planning, inventory management, quality assurance and quality control, finished goods release, and compliance with good manufacturing practices), relationships with regulatory agencies world-wide, oversight of the Global Technical Support Team and new product development.

Note 11 – Dividends

On October 7, 2010, the Company's Board of Directors declared a quarterly cash dividend of $0.05 per share. The Company paid, from its cash on hand, approximately $1.4 million pursuant to the dividend on November 10, 2010 to stockholders of record as of November 3, 2010.

NOTE 12 – Subsequent Event

Dividend Declaration

On January 14, 2011, the Company's Board of Directors declared a quarterly cash dividend of $0.05 per share. The Company will pay, from its cash on hand, approximately $1.4 million pursuant to the dividend on February 7, 2011 to stockholders of record as of January 31, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Female Health Company ("FHC" or the "Company") manufactures, markets and sells the FC2 female condom. FC2 is the only currently available product under a woman's control and approved by the U.S. Food and Drug Administration (FDA) that provides dual protection against unintended pregnancy and sexually transmitted infections ("STIs"), including HIV/AIDS. In October 2009, the Company completed the transition from its first generation product, FC1, to its second generation product, FC2, and production of FC1 ceased. Although FC1 production has ceased, the Company retains its ownership of certain world-wide rights to FC1, as well as various patents, regulatory approvals and other intellectual property related to FC1.

In 2005, the Company announced it had developed a second-generation female condom, FC2. The Company developed a second-generation product to:

1. Increase women's access to prevention that they could initiate through a lower public health sector price
2. Increase HIV/AIDS prevention
3. Lower health care costs
4. Increase gross margins

FC2 was first marketed internationally in March 2007 and has been marketed in the U.S. since August 2009.

Certain studies have shown that the design and method of use of FC2 is similar to FC1 and that FC2 performs in a comparable manner to FC1 in terms of safety, failure rates and acceptability. FC2 is currently available in approximately 114 countries. It is sold directly to consumers in 12 countries.

FC2, approved by FDA as a Class III medical device on March 10, 2009, became available in the United States in August 2009. In addition to FDA approval, the FC2 female condom has been approved by other regulatory agencies, including in the European Union, India and Brazil. Based on a rigorous scientific review, in 2006 the World Health Organization (WHO) agreed that FC2 performs in the same manner as FC1 and cleared FC2 for purchase by U.N. agencies. From introduction through September 30, 2010, over 80 million FC2 female condoms have been distributed in 114 countries.

The FDA approval permitted the Company to transition its sales from FC1 to FC2. The last shipments of FC1 were made in October 2009.

Products

Currently, there are only two FDA approved and marketed products that prevent the transmission of HIV/AIDS through sexual intercourse: the male condom and the FC2 female condom. The FC2 female condom is currently the only FDA approved and marketed product controlled by women that prevents STI's including HIV/AIDS. Used consistently and correctly, it provides women dual protection against STI's (including HIV/AIDS) and unintended pregnancy. The FC2 female condom does not compete with the male condom, but is an alternative to either unprotected sex or male condom usage.

Numerous clinical and behavioral studies have been conducted regarding use of the female condom. Studies show that the female condom is found acceptable by women and their partners in many cultures. Importantly, studies also show that when the female condom is made available with male condoms there is a significant increase in protected sex acts. The increase in protected sex acts varies by country and averages between 10% and 35%.

In September 2005, FHC completed development of FC2, its second generation female condom. FC2 has basically the same physical design, specifications, safety and efficacy profile as FC1. Manufactured from a nitrile polymer, FC2 can be produced more economically than the first generation product, FC1, which was made from a more costly raw material (polyurethane). FC2 consists of a soft, loose fitting sheath and two flexible O rings. FC2 lines the vagina, preventing skin-to-skin contact during intercourse. The inner ring is used to insert the device and lodge it in place. The other ring remains outside the vagina after insertion.

FC2 received FDA approval as a Class III medical device on March 10, 2009, and became available in the United States in August 2009. In addition to FDA approval, the FC2 female condom has been approved by other regulatory agencies, including in the European Union, India and Brazil. In 2006, based on a rigorous scientific review, WHO agreed that FC2 performs in the same manner as FC1 and cleared FC2 for purchase by U.N. agencies.

FC2's primary raw material (a nitrile polymer) offers a number of benefits over natural rubber latex, the raw material most commonly used in male condoms. FC2's nitrile polymer is stronger than latex, reducing the probability that the female condom sheath will tear during use. Unlike latex, FC2's nitrile polymer quickly transfers heat. FC2 warms to body temperature immediately upon insertion which may enhance the user's sensation and pleasure. Unlike the male condom, FC2 may be inserted in advance of arousal, eliminating disruption during sexual intimacy. FC2 is also an alternative to latex sensitive users (7% to 20% of the population) who are unable to use male condoms without irritation. To the Company's knowledge, there is no reported allergy to the nitrile polymer. FC2 is pre-lubricated, disposable and recommended for use during a single sex act. FC2 is not reusable.

Raw Materials

The principal raw material used to produce FC2 is a nitrile polymer. While general nitrile formulations are available from a number of suppliers, the Company has chosen to work closely with the technical market leader in synthetic polymers to develop a grade ideally suited to the bio-compatibility and functional needs of a female condom. The supplier has agreed that the Company is the sole and exclusive owner of the unique polymer formulation that was developed for FC2.

Global Market Potential

The first clinical evidence of AIDS was noted more than twenty-five years ago. Since then, HIV/AIDS has become the most devastating pandemic facing humankind in recorded history. In November 2009, WHO released statistics indicating that on a world-wide basis, HIV/AIDS is now the leading cause of death in women aged 15 to 44 years. More than 50% of all new cases of HIV/AIDS are now women. According to a November 2009 AIDS update by the United Nations Joint Programme on HIV/AIDS (UNAIDS), about 2/3 of new cases globally result from sex between men and women.

For the sexually active, male and female condoms are the only barrier method approved for preventing sexual transmission of HIV/AIDS. In recent years, scientists have sought to develop alternative means of preventing HIV/AIDS. A number of microbicides have failed. The most promising HIV/AIDS vaccine under development has also failed. Two recently published studies hold promising leads for the future approaches in the prevention of HIV/AIDS. An early- stage study of a vaginal dose of the drug Tenofovir showed encouraging results though the effectiveness rates were low. In another study, a low oral dose of the same drug taken daily and consistently showed good results. However, when taken inconsistently, i.e., a missed dose, the effective rate dropped significantly. Side effects were also reported which may be of particular concern when providing a drug to a healthy person. To date, it is clear that condoms, male and female, continue to play a key role in the prevention of sexually transmitted infections including HIV/AIDS. The Company's FC2 female condom is the only product that, when used consistently and correctly, gives a woman control over her sexual health by providing dual protection against sexually transmitted infections (including HIV/AIDS) and unintended pregnancy.

In the United States, the Centers for Disease Control and Prevention (CDC) continues to report that the HIV/AIDS epidemic is taking an increasing toll on women and girls. Women of color, particularly black women, have been especially hard hit. They comprise both the majority of new HIV and AIDS cases among women, and the majority of women living with the disease.

Most HIV/AIDS diagnoses among women in the U.S. are due to high-risk heterosexual contact (80% in 2005). The rate of new HIV infection for black women was approximately 15 times the rate for white women, while the new infection rate among Hispanic women was more than four times that of white women. In 2007, the AIDS diagnoses rate for black women in the United States was 22 times the rate for white women. In the United States, it is estimated that one in 30 black women will be diagnosed with HIV, compared to the one in 588 incidence rate amongst white women.

In March 2008, the CDC announced that a recent study indicated that 26% of female adolescents in the United States have at least one of the most common sexually transmitted infections (STI's). Led by the CDC's Sara Forhan, the study is the first to examine the combined national prevalence of common STI's among adolescent women in the United States.

In addition to overall STI prevalence, the study found that by race, African American teenage girls had the highest prevalence, with an overall prevalence of 48 percent compared to 20 percent among both whites and Mexican Americans. Overall, approximately half of all the teens in the study reported ever having sex. Among these girls, the STI prevalence was 40 percent.

In July 2010, President Barack Obama launched a new comprehensive strategy, with an emphasis on prevention, to curb the spread of HIV/AIDS in the United States. His policy builds on previous efforts and seeks to bind state, federal and private efforts. It aims, by 2015, to reduce the number of new infections by 25 percent, decrease the number of people living with HIV by 30% and increase the number of people aware of their positive status from 79% to 90%. Currently, the only products approved by the FDA and available to help achieve the prevention goal of reducing new infections by 25 % are male and female condoms. "Reducing new HIV infections, improving care for people living with HIV/AIDS, narrowing health disparities - these are the central goals of our national strategy," Obama said. The President also called for more private-public partnerships like the one between Washington, D.C., and the MAC AIDS fund to distribute free female condoms around the city.

The Condom Market

The global male condom market (public and private sector) is estimated to be $3 billion annually. The global public health sector market for male condoms is estimated to be greater than 10 billion units annually. Given the rapid spread of HIV/AIDS in India and China, UNAIDS estimates that the annual public health sector demand for condoms, both male and female, will reach 19 billion units within the next ten years.

The FC Female Condom and the Male Condom

Currently, there are only two FDA approved and marketed products that prevent the transmission of HIV/AIDS through sexual intercourse: the male condom and the FC2 female condom. The FC2 female condom is currently the only FDA approved and marketed product controlled by women that prevents sexually transmitted infections including HIV/AIDS. Used consistently and correctly, it provides women dual protection against STI's (including HIV/AIDS) and unintended pregnancy. The FC2 female condom does not compete with the male condom, but is an alternative to either unprotected sex or to male condom usage.

FC2's primary raw material (a nitrile polymer) offers a number of benefits over natural rubber latex, the raw material that is most commonly used in male condoms. FC2's nitrile polymer is stronger than latex, reducing the probability that the female condom sheath will tear during use. Unlike latex, FC2's nitrile polymer quickly transfers heat. FC2 warms to body temperature immediately upon insertion which may enhance the user's sensation and pleasure. Unlike the male condom, FC2 may be inserted in advance of arousal, eliminating disruption during sexual intimacy. FC2 does not require immediate withdrawal and is not tight or constricting. The FC2 female condom can be used with both oil and water-based lubricants, unlike natural rubber latex male condoms which can be used with water-based lubricants only. FC2 is an alternative to latex sensitive users (7% to 20% of the population) who are unable to use male condoms without irritation. To the Company's knowledge, there is no reported allergy to nitrile polymer.

Numerous clinical and behavioral studies have been conducted regarding use of the female condom. Studies show that the female condom is found acceptable by women and their partners in many cultures. Importantly, studies also show that when the female condom is made available with male condoms there is a significant increase in protected sex acts. The increase in protected sex acts varies by country and averages between 10% and 35%.

Strategy

The Company's strategy is to fully develop the market for the FC2 female condoms on a global basis. Since the introduction of its first generation product, FC1, the Company has developed contacts and relationships with global public health sector organizations such as WHO, the United Nations Population Fund (UNFPA), United Nations Joint Programme on HIV/AIDS (UNAIDS), the U.S. Agency for International Development (USAID), country-specific health ministries and non-governmental organizations (NGOs), and commercial partners in various countries. To assist with its customers' prevention programs and provide technical product support, the Company has placed representatives in the major regions of the world: Asia, Africa, Europe, North America and Latin America. The Company's first generation product, FC1, was produced from a costly raw material (polyurethane), in a labor intensive manufacturing process in a suburb of London, England. To increase volume, reduce cost, expand women's access to the female condom and significantly increase gross margin, the Company developed its second generation product, FC2. Because FC2 is a nitrile polymer product and less costly to produce, it was introduced at a price approximately 30% lower than the price at which FC1 had been selling. FC2 is currently being produced at the Company's facility in Selangor D.E., Malaysia and in Kochi, India, in conjunction with FHC's exclusive distributor in India, Hindustan Lifecare Limited ("HLL"). The Company made its first substantial sales of FC2 in the second quarter of fiscal 2007. The final shipment of FC1 was made in October 2009. Since then, all of the Company's sales are FC2.

With the product's primary market currently being the public health sector, the Company incurs minimal sales and marketing expense. Thus, as the demand for the female condom continues to grow in the public health sector, the Company's operating expenses are likely to grow at a much lower rate than that of volume.

Commercial Markets - Direct to Consumers

The Company has distribution agreements and other arrangements with commercial partners which market directly to consumers in 12 countries, including the United States, Brazil, Spain, France and India. These agreements are generally exclusive for a single country. Under these agreements, the Company sells the FC2 female condom to the distributor partners, who market and distribute the product to consumers in the established territory.

Relationships and Agreements with Public Health Sector Organizations

The Company's customers are primarily large global agencies, governments and ministries of health which purchase and distribute the FC2 female condom for use in HIV/AIDS prevention programs. The Company offers uniform, volume-based pricing to such agencies, rather than entering into long-term supply agreements. In the United States, FC2 is sold to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood. FC2 is being distributed as part of New York City's Female Condom Education and Distribution Project being conducted by the Bureau of HIV/AIDS Prevention and Control. In New York City, FC2 is currently available in 292 locations, including both community based organizations and the N.Y.C. Department of Health and Mental Hygiene units.

Manufacturing Facilities

The Company leases 16,000 sq. ft. of production space in Selangor D.E., Malaysia for the production of FC2. Production capacity is approximately 75-80 million units annually.

The Company's India-based FC2 end-stage production capacity is located at a facility owned by its exclusive distributor in India, HLL in the Cochin Special Export Zone. Production began at that facility in December 2007 with an initial capacity of 7.5 million units per year.

FHC's total FC2 production capacity is approximately 80-85 million units annually. The Company intends to expand its capacity at existing locations and/or manufacture at additional locations as the demand for FC2 develops.

Government Regulation

In the U.S., FC2 is regulated by the FDA. Female condoms as a group were classified by the FDA as a Class III medical device in 1989. Class III medical devices are deemed by the FDA to carry potential risks with use which must be tested prior to FDA approval, referred to as Premarket Approval (PMA), for sale in the U.S. As FC2 is a Class III medical device, prior to selling FC2 in the U.S., the Company was required to submit a PMA application containing technical information on the use of FC2 such as pre-clinical and clinical safety and efficacy studies which were gathered together in a required format and content. FC2 received PMA as a Class III Medical Device from the FDA in March 2009.

FC2 received the CE Mark which allows it to be marketed throughout the European Union. FC2 has also been approved by regulatory authorities in Brazil, India and other jurisdictions.

The Company believes that FC2's PMA and FDA classification as a Class III Medical Devices create a significant barrier to entry in the U.S. market. The Company estimates that it would take a minimum of four to six years to implement, execute and receive FDA approval of a PMA to market another type of female condom.

In the U.S., FC2 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 FC2 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 conditions 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. As an FDA approved medical device, the facilities in which FC2 is produced and tested are subject to periodic FDA inspection to ensure compliance with current Good Manufacturing Processes. The Company's most recent FDA inspection was completed in September 2010.

The FDA's approval order for FC2 includes conditions that relate to product labeling, including information on the package itself and instructions for use called a "package insert" which accompanies each product. The Company believes it is in compliance with the FDA approval order.

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 FC1 and FC2.

Competition

The Company's FC2 female condom participates in the same market as male condoms but is not seen as directly competing with male condoms. Rather, the Company believes that providing FC2 is additive in terms of prevention and choice. Male condoms cost less and have brand names that are more widely recognized than FC2. In addition, male condoms are generally manufactured and marketed by companies with significantly greater financial resources than the Company.

Medtech Products Ltd. ("MP"), a male latex condom company with a manufacturing facility in Chennai, India, has developed a natural latex female condom. MP's female condom has been marketed under various names including V-Amour, VA Feminine Condom and L'Amour. The MP product's manufacturing process has a CE mark for distribution in Europe and may be available in other countries. MP received the Indian Drug Controller approval in January 2003. PATH, an international, nonprofit organization based in the United States, has a female condom product in phase 2/3 development. Neither the MP female condom nor the PATH female condom have received FDA approval or have been listed as essential products for procurement by WHO.

It is 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.

Patents and Trademarks

FC2 patents have been issued by the United States, the European Union, Canada, Australia, South Africa, The People's Republic of China, Greece, Turkey, Spain, Mexico and Japan. Patent applications for FC2 are pending in various other countries around the world through the Patent Cooperation Treaty. There can be no assurance that these patent applications provide the Company with protection against copycat products entering markets during the pendency of the patents.

The Company has the registered trademark "FC2 Female Condom" in the United States. The Company has also secured, or applied for, 12 trademarks in 22 countries to protect the various names and symbols used in marketing the product around the world. These include "femidom" and "femy," "Reality" and others. In addition, the experience that has been gained through years of manufacturing the FC female condoms (FC1 and FC2) has allowed the Company to develop trade secrets and know-how, including certain proprietary production technologies that further protect its competitive position.

Overview

The Company manufactures, markets and sells the FC2 female condom. FC2 is the only currently available product under a woman's control and approved by the FDA that provides dual protection against unintended pregnancy and STI's, including HIV/AIDS. In October 2009, the Company completed the transition from its first generation product, FC1, to its second generation product, FC2, and production of FC1 ceased. Although FC1 production has ceased, the Company retains its ownership of certain world-wide rights to FC1, as well as various patents, regulatory approvals and other intellectual property related to FC1.

During 2003, the Company began development of its second generation female condom, FC2, which was completed in 2005. In August, 2006, after a stringent technical review, WHO cleared FC2 for purchase by U.N. agencies. The first substantial sales of FC2 occurred in the second quarter of fiscal 2007. FC2 received FDA approval as a Class III medical device on March 10, 2009 and became available in the United States in August 2009. In addition to FDA approval, the FC2 female condom has been approved by other regulatory agencies, including the European Union, India, and Brazil. From its introduction in 2007 through December 31, 2010, more than 80 million FC2 female condoms have been distributed in 114 countries. The last shipment of FC1 was produced in October 2009, and since that date all units sold have been FC2.

Revenues

Most of the Company's revenues have been derived from sales of the FC female condoms (FC1 and FC2), and are recognized upon shipment of the product to its customers. Since fiscal 2008, revenue is also being derived from licensing its intellectual property to its exclusive distributor in India, HLL. HLL is authorized to manufacture FC2 at HLL's facility in Kochi, India for sale in India. HLL is the Company's exclusive distributor in India and the Company receives a royalty based on the number of units sold by HLL in India. Such revenue appears as royalties on the Consolidated Statements of Operations for the three months ended December 31, 2010 and 2009, and is recognized in the period in which the sale is made by HLL.

The Company's strategy is to develop a global market and distribution network for its product by maintaining relationships with public health sector groups and completing partnership arrangements with companies with the necessary marketing and financial resources and local market expertise. The Company’s customers are primarily large global agencies, governments and ministries of health which purchase and distribute the FC2 female condom for use in HIV/AIDS prevention programs. The Company offers uniform, volume-based pricing to such agencies, rather than entering into long-term supply agreements. In the United States, FC2 is sold to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood.

The Company’s customer base consists of a limited number of buyers, many of whom purchase in large volumes. Significant quarter to quarter variations may occur due to the timing and shipment of large orders, not from any fundamental change in the Company's business. Because the Company manufactures FC2 in a leased facility located in Malaysia, a portion of the Company's operating costs are denominated in foreign currencies. While a material portion of the Company's future sales are likely to be in foreign markets, its sales are denominated in United States dollars only. Effective October 1, 2009, the Company’s U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency, thus reducing the Company’s foreign currency risk.

Expenses

The Company previously manufactured FC1 at its facility located in the United Kingdom and manufactures FC2 at its facility located in Selangor D.E., Malaysia. The Company's cost of sales consists primarily of direct material costs, direct labor costs and indirect production and distribution costs. Direct material costs include raw materials used to make FC2, principally a nitrile polymer. Indirect product costs include logistics, quality control and maintenance expenses, as well as costs for helium, nitrogen, electricity and other utilities. All of the key components for the manufacture of the FC2 female condom are essentially available from either multiple sources or multiple locations within a source.

On August 5, 2009, the Company announced to its U.K. employees that the Company was evaluating the future of its U.K. facility following the decision of two of its largest customers to switch their purchases from the first generation product, FC1, manufactured in the U.K. facility, to the second generation product, FC2, which is manufactured in Malaysia. As is required by British labor law, the Company went through an evaluation process, working in tandem with employee representatives, in which various manufacturing alternatives were considered. As the Company was unable to identify a satisfactory alternative, the facility's manufacturing operations ceased in October 2009. During the three months ended December 31, 2009, the Company incurred a one-time charge of $1.9 million for restructuring costs related to exiting the lease of its former U.K. manufacturing facility.

While FC1 production ceased in October 2009, the Company continues to conduct significant operating activities in the U.K. Such activities include global sales and marketing of the FC2 female condom, management and direction of Global Manufacturing Operations (including production planning, inventory management, quality assurance and quality control, finished goods release and compliance with good manufacturing practices), relationships with regulatory agencies world-wide, oversight of the Global Technical Support Team and new product development.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2010 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2009

The Company had net revenues of $3,651,368 and net income of $386,668, or $0.01 per diluted share, for the three months ended December 31, 2010 compared to net revenues of $5,488,674 and a net loss of $(698,351), or $(0.03) per diluted share, for the three months ended December 31, 2009. This reduction in net revenues is due to the timing of receipt and shipment of large orders. The Company's customer base consists primarily of public health sector purchasers, such as large global organizations, ministries of health, state and local governments and non-governmental agencies. A limited number of customers purchase large orders (in excess of 1 million units) and account for a significant portion of total revenue. The lower results for the first quarter were due to the concurrent delay in two multi-million unit orders in process with public health sector purchasers. The Company has previously disclosed the possibility of such delays in both its SEC filings and earnings releases. Historically, such orders are usually not lost, they are merely delayed, generally due to bureaucracy, politics and/or changes in personnel. The Company cannot predict exactly when pending orders will be received or which quarters they will impact. The Company does not believe the delay reflects a fundamental change in the Company's business or demand for FC2. One of the anticipated tenders was issued by Brazil's Ministry of Health in late November. The tender requested bids on up to 10 million nitrile female condoms, a significant increase from Brazil's previous tender for 4 million units. The Company submitted its bid in early December. The anticipated award date has not been published.

Net revenues decreased $1,837,306, or 33%, on a 36% decrease in unit volume for the three months ended December 31, 2010, compared with the same period last year, due to the timing and shipment of large orders. The FC2 average sales price per unit increased 4% compared with the same period last year due to pricing mix.

Gross profit decreased $1,185,943, or 37%, to $2,016,918 for the three months ended December 31, 2010 from $3,202,861 for the three months ended December 31, 2009. Gross profit for the three months ended December 31, 2010 was 55% of net revenues versus 58% for the same period last year due to lower unit volume in the first quarter of fiscal 2011.

Significant quarter to quarter variations result from time to time due to the timing and shipment of large orders and production scheduling rather than from any fundamental changes in the business.

Cost of sales decreased $651,363, or 28%, to $1,634,450 on a 36% decrease in unit volume in the three months ended December 31, 2010 from $2,285,813 for the same period last year.

Advertising and promotion expenditures were $19,400 for the three months ended December 31, 2010 versus $69,851 for the same period last year. The 2010 expenditures relate to the new U.S. training program in which health care providers are equipped to educate their clients in the usage of the FC2 female condom.

Selling, general and administrative expenses decreased $296,877, or 16%, to $1,563,531 for the three months ended December 31, 2010 from $1,860,408 for the three months ended December 31, 2009. The decrease is primarily due to lower incentive compensation expenses, reduced selling and marketing expenses, decreased wages and travel, decreased legal and consulting fees and reduced rent expense.

Research and development costs were zero versus $381 in the same period last year.

In the first quarter of fiscal 2010, the Company incurred a one-time charge of $1,896,353 for restructuring costs resulting from the FC1 to FC2 transition. The restructuring costs recognized in the first quarter of fiscal 2010 included lease surrender payments, estimated facility dilapidation costs, and recognition of excess capacity's impact on rent expense, partially offset by the recognition of deferred gain on the sale and lease back of the facility.

Operating expenses for the quarter ended December 31, 2010, were $1,582,931, a $2,244,062 decrease from $3,826,993 in the same quarter in fiscal year 2010 which include the restructuring costs of $1,896,353.

Operating income for the three months ended December 31, 2010, was $433,987 versus an operating loss of $(624,132) in the same period last year, an increase of $1,058,119 or 170%. The increase is due to the restructuring costs in fiscal 2010.

Interest, net and other income for the three months ended December 31, 2010 was $717, a decrease of $11,614 from the same period in fiscal year 2009, when net interest income was $12,331. The impact of foreign currency transactions for the first quarter of fiscal 2010 was a loss of $30,906 compared to a loss of $48,689 for the same period last year. Beginning October 1, 2009, both the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency and began to report their financial results in U.S. dollars. The subsidiaries' adoption of the U.S. dollar as their functional currency reduces the Company's exposure to foreign currency risk. Assets located outside the United States totaled approximately $8.6 million and $8.2 million at December 31, 2010 and 2009, respectively.

The Company's net income increased $1,085,019 to $386,668 in the three months ended December 31, 2010 from a net loss of $(698,351) in the same period of the prior year, as a result of the factors discussed above.

Under the guidance of ASC Topic 740, Accounting for Income Taxes, an entity is able to recognize a tax benefit for current or past losses when it can demonstrate that the tax loss carryforward will be utilized before expiration. Management believes that the Company's recent and projected future growth and profitability has made it more likely than not that the Company will utilize its net operating loss carryforwards in the future. The Company will evaluate at the end of each fiscal year and, if appropriate, record a tax benefit.

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 demand for the FC2 female condom and to cost-effectively manufacture it in sufficient quantities to meet demand. Inherent in this process are a number of factors that the Company must successfully 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 FC2 female condom, its sole current product. While management believes the global potential for the FC2 female condom is significant, the ultimate level of consumer demand around the world is not yet known.

Distribution Network

The Company's strategy is to develop a global distribution network for FC2 by entering into partnership arrangements with financially secure companies with appropriate marketing expertise. This strategy has resulted in numerous in-country distributions in the public health sector, particularly in Africa, Latin America and India. The Company has also entered into several partnership agreements for the commercialization of the FC2 female condoms in consumer sector markets around the world. However, the Company is dependent on country governments, global donors, as well as U.S. municipal and state public health departments to continue AIDS/HIV/STI prevention programs that include FC2 as a component of such programs. The Company's commercial market penetration is dependent on its ability to identify appropriate business partners who will effectively market and distribute FC2 within its contractual territory. Failure by the Company's partners to successfully market and distribute the FC2 female condom or failure of donors and/or country governments to establish and sustain HIV/AIDS prevention programs which include distribution of female condoms, the Company's inability to secure additional agreements with global AIDS prevention organizations, or the Company's inability to secure agreements in 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 FC2 female condom are essentially available from either multiple sources or multiple locations within a source.

Global Market and Foreign Currency Risks

The Company manufactures FC2 in a leased facility located in Malaysia. Although a material portion of the Company's future sales are likely to be in foreign markets, FC2 sales are denominated in U.S. dollars only. Manufacturing costs are subject to normal currency risks associated with changes in the exchange rate of the Malaysian ringgit relative to the United States dollar.

Government Regulation

The FC2 female condoms are 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 current "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, withdrawal of FDA approval and criminal prosecutions. 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

In the three months ended December 31, 2010, the Company's operations generated positive cash flow of $2.1 million. During that period, the Company funded a cash dividend of $1.4 million. During the three months ended December 31, 2009, cash provided by operations was $0.4 million.

Accounts receivable decreased from $4.5 million at September 30, 2010 to $2.4 million at December 31, 2010. The reduction is the result of two factors: the timing of large orders and FC2's lower sales price per unit. FC2 comprised 100% of the sales mix in the three months ended December 31, 2010 versus 93% of the sales mix in the same period of the prior year. In the three months ended December 31, 2010, shipments were weighted more heavily in the first part of the period compared to the first quarter of fiscal 2010, when certain large orders shipped near quarter end. The Company's credit terms vary from 30 to 90 days, depending on the class of trade and customary terms within a territory, so the accounts receivable balance is also impacted by the mix of purchasers within the quarter. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion. For the past twelve months, the Company's average days sales outstanding has been approximately 54 days. Over the past five years, the Company's bad debt expense has been less than .01% of product sales.

During fiscal 2010, the Company commenced paying quarterly cash dividends. The Company's Board of Directors declared quarterly cash dividends of $0.05 per share in January, March, July and October 2010. The first quarter 2011 dividend of $0.05 per share was declared by the Board of Directors on January 14, 2011, payable on February 7, 2011, to holders of record as of January 31, 2011. Any future quarterly dividends and the record date for such dividends will be approved each quarter by the Company's Board of Directors and announced by the Company. Payment of future dividends is in the discretion of the Board of Directors and the Company may not have sufficient cash flows to continue to pay dividends. The Company expects to pay approximately $1.4 million pursuant to the dividend in February, which will be paid from its cash on hand.

At December 31, 2010, the Company had working capital of $9.3 million and stockholders' equity of $15.4 million compared to working capital of $8.7 million and stockholders' equity of $12.4 million as of December 31, 2009.

The Company believes its current cash position is adequate to fund operations of the Company in the next 12 months, although no assurances can be made that such cash will be adequate. However, the Company may sell equity securities to raise additional capital and may borrow funds under its Heartland Bank credit facility.

The Company has a line of credit with Heartland Bank (the "Bank") which consists of a revolving note for up to $1,000,000 with borrowings limited to 50% of eligible accounts receivable and a revolving note for up to $1,000,000 with borrowings limited to the amount of supporting letters of credit issued by The World Bank or another issuer of equivalent credit quality approved by the Bank. Significant restrictive covenants include prohibitions on any merger, consolidation or sale of all or a substantial portion of the Company's assets and limits on the payments of dividends or the repurchase of shares. The Company's credit agreement with the Bank does not contain any financial covenants that require compliance with ratios or amounts. Dividends and share repurchases are permitted as long as after giving effect to the dividend or shares repurchase the Company has at least $1,000,000 of available cash and a ratio of total liabilities to total stockholders' equity of at least 1:1. The two revolving notes with the Bank will expire July 1, 2011. When renewed on July 1, 2010, the revolving credit line collateralized by accounts receivable was increased from $500,000 to $1,000,000. Both lines of credit were renewed at an interest rate of base rate plus 0.5%. No new warrants were issued as part of the extension of these notes. These notes are collateralized by substantially all of the assets of the Company. No amounts were outstanding under the revolving notes at December 31, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is limited to fluctuations in raw material commodity prices, particularly the nitrile polymer used to manufacture FC2, and foreign currency exchange rate risk associated with the Company's foreign operations. The Company does not utilize financial instruments for trading purposes or to hedge risk and holds no derivative financial instruments which would expose it to significant market risk. Effective October 1, 2009, the Company's U.K. subsidiary and Malaysia subsidiary each adopted the U.S. dollar as its functional currency. The consistent use of the U.S. dollar as the functional currency across the Company reduces its foreign currency risk and stabilizes its operating results. The Company currently has no significant exposure to interest rate risk. The Company has two lines of credit with Heartland Bank, consisting of a revolving note for up to $1,000,000 with borrowings limited to 50% of eligible accounts receivable and a revolving note for up to $1,000,000 with borrowings limited to the amount of supporting letters of credit issued by The World Bank or another issuer of equivalent credit quality approved by Heartland Bank. Outstanding borrowings under both lines of credit will incur interest at a rate equal to a base rate plus 0.5%. The Company has not had any outstanding borrowings in last five years. There is, therefore, currently no significant exposure to market risk for changes in interest rates. To the extent that the Company incurs future borrowings under either of its lines of credit, it would be subject to interest rate risk related to such borrowings.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEMS 1-5

Item 2(c) –

On January 17, 2007, the Company announced a Stock Repurchase Program under the terms of which up to a million shares of its common stock could be purchased during the subsequent twelve months. In late March 2008, the repurchase program was expanded up to a total of 2,000,000 shares to be acquired through December 31, 2009. In February 2009, the Board further expanded the repurchase program to a maximum of 3,000,000 shares to be acquired through December 31, 2010. On March 25, 2010, the Board extended the period of the Stock Repurchase Program through December 31, 2011. From the program's onset through December 31, 2010, the total number of shares repurchased by the Company is 1,914,829. The Stock Repurchase Program authorizes purchases in privately negotiated transactions as well as in the open market.

Issuer Purchases of Equity Securities:	Details of Treasury Stock Purchases to Date through December 31, 2010			
Period:	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program
January 1, 2007 – September 30, 2010	1,909,079	$ 3.31	1,909,079	1,090,921
October 1, 2010 – October 31, 2010	-	-	1,909,079	1,090,921
November 1, 2010 – November 30, 2010	-	-	1,909,079	1,090,921
December 1, 2010 – December 31, 2010	5,750(1)	5.75	1,914,829	1,085,171
Quarterly Subtotal	5,750	5.75	5,750	
Total	1,914,829(2)	$ 3.32	1,914,829	1,085,171

(1) Consists of shares repurchased pursuant to the authorization to repurchase shares issued to directors, employees and other service providers under the Company's equity incentive plans.

(2) Includes 223,668 shares repurchased pursuant to the authorization to repurchase shares issued to directors, employees and other service providers under the Company's equity incentive plans. The other shares were repurchased in the open market pursuant to the Share Repurchase Program.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation. (1)
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 27,000,000 shares. (2)
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares. (3)
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares. (4)
3.5	Amended and Restated By-Laws. (5)
4.1	Amended and Restated Articles of Incorporation (same as Exhibit 3.1).
4.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company (same as Exhibit 3.2).
4.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares (same as Exhibit 3.3).
4.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares (same as Exhibit 3.4).
4.5	Articles II, VII and XI of the Amended and Restated By-Laws (included in Exhibit 3.5).

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002) (6)

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(1) Incorporated herein by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on October 19, 1999.

(2) Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 21, 2000.

(3) Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 6, 2002.

(4) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003.

(5) Incorporated herein by reference to the Company's Registration Statement on Form S-18, as filed with the securities and Exchange Commission on May 25, 1990.

(6) This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE FEMALE HEALTH COMPANY

DATE: February 4, 2011

/s/ O.B. Parrish
O.B. Parrish, Chairman and
Chief Executive Officer

DATE: February 4, 2011

/s/ Donna Felch
Donna Felch, Vice President and Chief
Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, O. B. Parrish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Female Health Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2011

/s/ O.B. Parrish
O. B. Parrish
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donna Felch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Female Health Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2011

/s/ Donna Felch
Donna Felch
Chief Financial Officer

Exhibit 32.1

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of The Female Health Company (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2010 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 4, 2011

/s/ O.B. Parrish
O. B. Parrish
Chief Executive Officer

Dated: February 4, 2011

/s/ Donna Felch
Donna Felch
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.