**Letter to Shareholders**

Robert D. Hansen
Chairman and Chief Executive Officer
May 17, 2011

*Dear
shareholders,*

I am pleased to report the financial performance of Electromed, Inc. for the Three-Month and Nine-Month periods ending March 31, 2011. The figures are unaudited. Both the Balance Sheet and Income Statement are provided later in this report.

Sales for the Third Quarter ending March 31, 2011, were \$5,198,828 and Earnings were \$487,429, representing an increase of approximately 23% for Sales and 3% for Earnings over the prior year's Third Quarter. For the Nine-Month period ending March 31, 2011, Sales were \$14,049,803, a rise of approximately 32% over the same period the previous year, and Earnings were \$891,371, a rise of approximately 5%.

Significant investments in sales staff along with marketing and R&D provided a check on earnings growth but helped fuel strong sales growth and broadened the Company's foundation for further sales and earnings advances.

You are encouraged to take a careful look at the wider profile of Electromed's financial condition. One may begin with Sales and Earnings and their direction, but this must be followed by a much more detailed review of its Balance Sheet and Income Statement. Look for trends and discern whether the Company is becoming stronger or weaker. Hold management to their representations. Are they investing shareholder funds as they have indicated they would? Are their Gross Profit margins being maintained? Can the Company invest in its future by adding new staff and new R&D, or is it losing sales momentum or becoming unprofitable? By asking these tough questions, shareholders gain a better understanding of how the Company is progressing.

Electromed shares are traded on the NASDAQ Capital Market, and a listing of analyst reports for the Company is available at http://www.nasdaq.com/earnings/analyst_summary.asp?selected=ELMD&symbol=ELMD. As of May 17, 2011, the Company is followed by analysts at Feltl and Company, Inc. and Zacks Investment Research. Please note that any opinions, estimates, or forecasts regarding Electromed's performance made by these analysts are theirs alone and do not represent opinions, forecasts, or predictions of Electromed or its management. Electromed's reference to these analysts is not intended to imply its endorsement of or concurrence with such information, conclusions, or recommendations.

A short summary of year-over-year Nine Month comparisons follows:

	Nine Months Ending March 31, 2011	Nine Months Ending March 31, 2010	% Change
Sales	\$14,049,803	\$10,679,711	31.6
Net Income	891,371	845,690	5.4
Current Assets	15,688,060	9,332,656	68.1
Total Assets	19,905,885	13,381,198	48.8
Current Liabilities	3,586,909	4,217,815	(15.0)
Total Liabilities	5,425,340	6,372,307	(14.9)
Stockholders' Equity	14,480,545	7,008,891	106.6
Current Ratio	4.4x	2.2x	-

These figures, further illustrated in the attached set of graphs, indicate that the Company has advanced in strengthening its financial base. The successful completion of the IPO in August 2010 is a major component, but continuing operations have made a positive contribution as well.

The Company's sales staff has increased by 50% in the past year, and important staff additions in Reimbursement, Accounting, and other departments have also made an important contribution. It has been largely our longer-term employees, however, who have added the productivity gains necessary to meet recent growth challenges. This was especially evident during the Third Quarter, when we earned the highest quarterly net revenues in Company history. The present circumstances and momentum are cause for optimism about the Company's capacity to register another solid year of progress for the period ending June 30, 2011. In addition, the ability of Electromed's Manufacturing, Marketing, Engineering, Quality Assurance, Regulatory, Sales, and Patient Services departments to perform smoothly during a record quarter demonstrates the Company's ability to operate successfully at an annual sales rate of \$20,000,000, which the Company expects to achieve by the end of the 2012 fiscal year.

The SmartVest® Airway Clearance System makes a difference in patients' lives each day. It pushes back the threat of expensive and sometimes life-threatening lung infections. It does so in a way that is not highly intrusive to patients' lives or those of their families. It is physician-prescribed, providing an important tool in the care management of appropriate patients.

Of course, medical device companies must be vigilant of competition and new innovations. Electromed is an innovative leader, and its R&D group is very active. The continuous improvement of our products is an arduous task and requires much diligence and time. It also requires significant capital investment. Such investments are calculated as expenses and reflected in the current Financial Statements as well.

Electromed is gaining credence in its first year as a public company. It was named No. 95 on a list of Minnesota's largest public companies as determined by the Star Tribune newspaper. Its rank by profitability was No. 76. Given the strength of the public companies in Minnesota, these are important rankings and can advance the Company's standing in the investment community.

Finally, growth always signals change. It is inevitable and necessary. A well-disciplined company manages change to both advance growth and to sustain it. Expect us to act wisely and decisively in guarding your interests.

With deep appreciation for your continued encouragement and support!

Sincerely,



Robert D. Hansen
Chairman and Chief Executive Officer
May 17, 2011

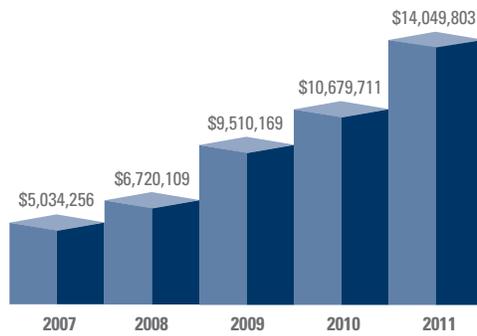
CAUTIONARY STATEMENTS

Certain statements found in this letter may constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the speaker's current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. The forward-looking statements in this letter include those relating to the Company's two-year annual sales goal, the Company's ability to increase its sales and revenue in the future, the Company's performance for the remainder of the fiscal year ending June 30, 2011, and the Company's business strategy and intent to maximize long-term growth and profits. Forward-looking statements cannot be guaranteed and actual results may vary materially due to the uncertainties and risks, known and unknown, associated with such statements. Examples of risks and uncertainties for Electromed include, but are not limited to, the impact of emerging and existing competitors, the effectiveness of our sales and marketing initiatives, changes to reimbursement programs, and the results of the Company's research and development efforts, as well as other factors described from time to time in our reports to the Securities and Exchange Commission (including our Annual Report on Form 10-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on "forward-looking statements," as such statements speak only as of the date of this release.

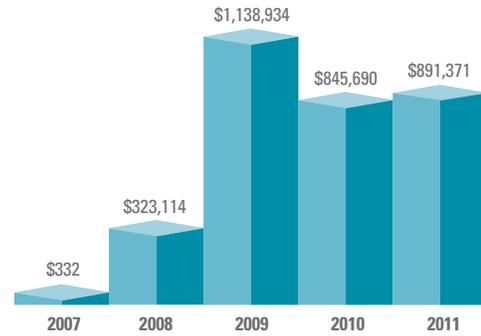
ELECTROMED, INC. FINANCIAL SUMMARY

Nine months ending March 31. Interim financials are unaudited.

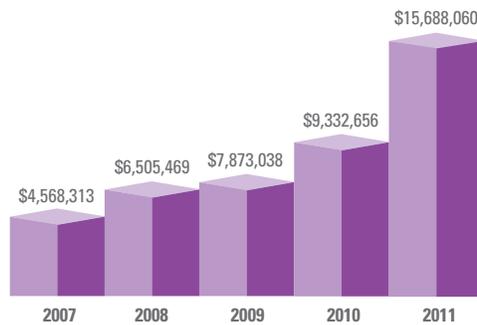
SALES



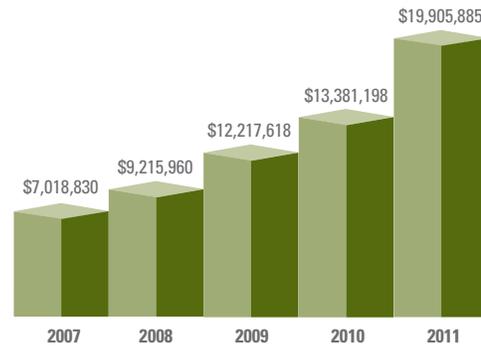
NET INCOME



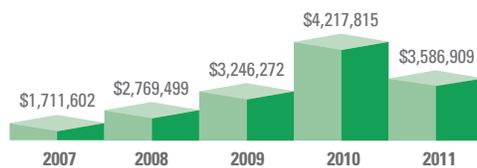
CURRENT ASSETS



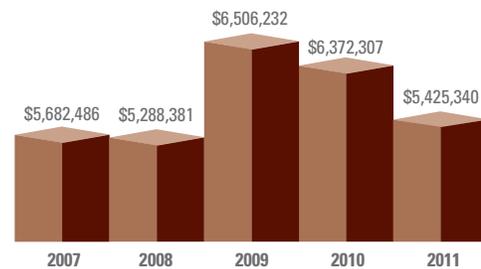
TOTAL ASSETS



CURRENT LIABILITIES



TOTAL LIABILITIES



CURRENT RATIO

2007	2.7
2008	2.6
2009	2.4
2010	2.2
2011	4.4

STOCKHOLDERS' EQUITY

