ALLIED HEALTHCARE PRODUCTS INC
Form 10-K/A
October 01, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1
TO

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR JUNE 30, 2004

OR

[ ] 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 0-19266

ALLIED HEALTHCARE PRODUCTS, INC.
[Exact name of registrant as specified in its charter]

DELAWARE	25-1370721
(State or other jurisdiction of Incorporation or organization)	(I.R.S. employer identification no.)
1720 SUBLETTE AVENUE ST. LOUIS, MISSOURI	63110 (zip code)
(Address of principal executive offices)	

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(314) 771-2400

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERE
None	

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock
Preferred Stock
Preferred Stock Purchase Rights
(Title of class)

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. [X] No. [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes. [X] No. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12 b-2). Yes. [ ] No. [X]

As of December 31, 2003, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $12,828,750.

As of September 25, 2004, there were 7,818,432 shares of common stock, $0.01 par value (the "Common Stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated October 11, 2004 (portion) (Part III)

ALLIED HEALTHCARE PRODUCTS, INC.

INDEX TO FORM 10-K

This amendment filed to correct the text of Exhibits 31.1 and 31.2

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"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements contained in this Report, which are not historical facts or information, are "forward-looking statements." Words such as "believe," "expect," "intend," "will," "should," and other expressions that indicate future events and trends identify such forward-looking statements. These forward-looking statements involve risks and uncertainties, which could cause the outcome and future results of operations and financial condition to be materially different than stated or anticipated based on the forward-looking statements. Such risks and uncertainties include both general economic risks and uncertainties, risks and uncertainties affecting the demand for and economic factors affecting the delivery of health care services, and specific matters which relate directly to the Company's operations and properties as discussed in Items 1, 3 and 7 in this Report. The Company cautions that any forward-looking statements contained in this report reflect only the belief of the Company or its management at the time the statement was made. Although the Company believes such forward-looking statements are based upon reasonable assumptions, such assumptions may ultimately prove inaccurate or incomplete. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made.

PART I

ITEM 1. BUSINESS

GENERAL

Allied Healthcare Products, Inc. ("Allied" or the "Company") manufactures a variety of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including sub-acute care facilities, home health care and emergency medical care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company believes that it maintains significant market shares in selected product lines.

The Company's products are marketed under well-recognized and respected brand names to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers, emergency medical products dealers and others. Allied's product lines include:

RESPIRATORY CARE PRODUCTS

- respiratory care/anesthesia products

- home respiratory care products

MEDICAL GAS EQUIPMENT

- medical gas system construction products

- medical gas system regulation devices

- disposable oxygen and specialty gas cylinders

- portable suction equipment

EMERGENCY MEDICAL PRODUCTS

- respiratory/resuscitation products

- trauma and patient handling products

The Company's principal executive offices are located at 1720 Sublette Avenue, St. Louis, Missouri 63110, and its telephone number is (314) 771-2400.

MARKETS AND PRODUCTS

In fiscal 2004, respiratory care products, medical gas equipment and emergency medical products represented approximately 26%, 57% and 17%, respectively, of the Company's net sales. In fiscal 2003, respiratory care products, medical gas equipment and emergency medical products represented approximately 27%, 57%, and 16%, respectively, of the Company's net sales. The Company operates in a single industry segment and its principal products are described in the following table:

PRODUCT	DESCRIPTION	PRINCIPAL BRAND NAMES
RESPIRATORY CARE PRODUCTS		
Respiratory Care/Anesthesia Products	Large volume compressors; ventilator calibrators; humidifiers and mist tents; and CO(2) absorbents including Baralyme	Timeter
Home Respiratory Care Products	O2 cylinders; pressure regulators; nebulizers; portable large volume compressors; portable suction equipment and disposable respiratory products	Timeter; BF Schuco
MEDICAL GAS EQUIPMENT		
Construction Products	In-wall medical gas system components; central station pumps and compressors and headwalls	Chemetron; Oxequip
Regulation Devices	Flowmeters; vacuum regulators; pressure regulators and related products	Chemetron; Oxequip; Timeter

Disposable Cylinders	Disposable oxygen and gas cylinders	Lif-O-Gen
Suction Equipment	Portable suction equipment and disposable suction canisters	Gomco; Allied; Schuco
EMERGENCY MEDICAL PRODUCTS		
Respiratory/Resuscitation	Demand resuscitation valves; bag mask resuscitators; emergency transport ventilators, oxygen regulators and SurgeX -- surge suppressing post valve	LSP; Omni-Tech
Trauma and Patient Handling Products	Spine immobilization products; pneumatic anti-shock garments and trauma burn kits	LSP

RESPIRATORY CARE PRODUCTS

MARKET. Respiratory care products are used in the treatment of acute and chronic respiratory disorders such as asthma, emphysema, bronchitis and pneumonia. Respiratory care products are used in both hospitals and alternate care settings. Sales of respiratory care products are made through distribution channels focusing on hospitals and other sub-acute facilities. Sales of home respiratory care products are made through durable medical equipment dealers through telemarketing, and by contract sales with national chains.

RESPIRATORY CARE/ANESTHESIA PRODUCTS. The Company manufactures and sells a broad range of products for use in respiratory care and anesthesia delivery. These products include large volume air compressors, calibration equipment, humidifiers, croup tents, equipment dryers and a complete line of respiratory disposable products such as oxygen tubing, facemasks, cannulas and ventilator circuits. These products include CO(2) absorbents, including Baralyme(R).

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied will cease production of its product Baralyme(R), will, within sixty days, effect the withdrawal of Baralyme(R) product held by distributors and will pursue the development of a new carbon dioxide absorbent product. Baralyme(R), a carbon dioxide absorbent product, has been used safely

and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to concerns regarding the use of Baralyme(R) in conjunction with these newer inhalation anesthetics when Baralyme(R) has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide. More detailed information concerning this agreement is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

HOME RESPIRATORY CARE PRODUCTS. Home respiratory care products represent one of Allied's potential growth areas. Allied's broad line of home respiratory care products include aluminum oxygen cylinders, oxygen regulators, pneumatic nebulizers, portable suction equipment and the full line of respiratory

disposable products.

MEDICAL GAS EQUIPMENT

MARKET. The market for medical gas equipment consists of hospitals, alternate care settings and surgery centers. The medical gas equipment group is broken down into three separate categories: construction products, regulation devices and suction equipment, and disposable cylinders.

CONSTRUCTION PRODUCTS. Allied's medical gas system construction products consist of in-wall medical system components, central station pumps and compressors, and headwalls. These products are typically installed during construction or renovation of a health care facility and are built in as an integral part of the facility's physical plant. Typically, the contractor for the facility's construction or renovation purchases medical gas system components from manufacturers and ensures that the design specifications of the health care facility are met.

Allied's in-wall components, including outlets, manifolds, alarms, ceiling columns and zone valves, serve a fundamental role in medical gas delivery systems.

Central station pumps and compressors are individually engineered systems consisting of compressors, reservoirs, valves and controls designed to drive a hospital's medical gas and suction systems. Each system is designed specifically for a given hospital or facility, which purchases pumps and compressors from suppliers. The Company's sales of pumps and compressors are driven, in large part, by its share of the in-wall components market.

The Company's construction products are sold primarily to hospitals, alternate care settings and hospital construction contractors. The Company believes that it holds a major share of the U.S. market for its construction products, that these products are installed in more than three thousand hospitals in the United States and that its installed base of equipment in this market will continue to generate follow-on sales. The Company believes that most hospitals and sub-acute care facility construction spending is for expansion or renovation of existing facilities. Many hospital systems and individual hospitals undertake major renovations to upgrade their operations to improve the quality of care they provide, reduce costs and attract patients and personnel.

REGULATION DEVICES AND SUCTION EQUIPMENT. The Company's medical gas system regulation products include flowmeters, vacuum regulators and pressure regulators, as well as related adapters, fittings and hoses which measure, regulate, monitor and help transfer medical gases from walled piping or equipment to patients in hospital rooms, operating theaters or intensive care areas. The Company's leadership position in the in-wall components market provides a competitive advantage in marketing medical gas system regulation devices that are compatible with those components.

Portable suction equipment is typically used when in-wall suction is not available or when medical protocol specifically requires portable suction. The Company also manufactures disposable suction canisters, which are clear containers used to collect the fluids suctioned by in-wall or portable suction systems. The containers have volume calibrations, which allow the medical practitioner to measure the volume of fluids suctioned.

The market for regulation devices and suction equipment includes hospital and sub-acute care facilities. Sales of these products are made through the same distribution channel as our respiratory care products. The Company believes that it holds a significant share of the U.S. market in both regulation devices and

suction equipment.

DISPOSABLE CYLINDERS. Disposable oxygen cylinders are designed to provide oxygen for short periods of time in emergency situations. Since they are not subjected to the same pressurization as standard containers, they are much lighter and less expensive than standard gas cylinders. The Company markets filled disposable oxygen cylinders through industrial safety distributors and similar customers, principally to first aid providers, restaurants, industrial plants and other customers that require oxygen for infrequent emergencies.

EMERGENCY MEDICAL PRODUCTS

MARKET. Emergency medical products are used in the treatment of trauma-induced injuries. The Company's emergency medical products provide patient resuscitation or ventilation during cardiopulmonary resuscitation or respiratory distress as well as immobilization and treatment for burns. The Company believes that the trauma care venue for health care services is positioned for growth in light of the continuing trend towards providing health care outside the traditional hospital setting. The Company also expects that other countries will develop trauma care systems in the future, although no assurance can be given that such systems will develop or that they will have a favorable impact on the Company. Sales of emergency medical products are made through specialized emergency medical products distributors to ambulance companies, fire departments and emergency medical systems volunteer organizations.

The emergency medical products are broken down into two categories: respiratory/resuscitator products and trauma patient handling products.

RESPIRATORY/RESUSCITATION PRODUCTS. The Company's respiratory/resuscitation products include demand resuscitation valves, portable resuscitation systems, bag masks and related products, emergency transport ventilators, precision oxygen regulators, minilators, multilators and humidifiers.

Demand resuscitation valves are designed to provide 100% oxygen to breathing or non-breathing patients. In an emergency situation, they can be used with a mask or tracheotomy tubes and operate from a standard regulated oxygen system. The Company's portable resuscitation systems provide fast, simple and effective means of ventilating a non-breathing patient during cardiopulmonary resuscitation and 100% oxygen to breathing patients on demand with minimal inspiratory effort. The Company also markets a full line of disposable and reusable bag mask resuscitators, which are available in a variety of adult and child-size configurations. Disposable mouth-to-mask resuscitation systems have the added advantage of reducing the risk of transmission of communicable diseases.

The Company's autovent transport ventilator can meet a variety of needs in different applications ranging from typical emergency medical situations to more sophisticated air and ground transport. Each autovent is accompanied by a patient valve, which provides effective ventilation during cardiopulmonary resuscitation or respiratory distress. When administration of oxygen is required at the scene of a disaster, in military field hospitals or in a multiple-victim incident, Allied's minilators and multilators are capable of providing oxygen to one or a large number of patients.

To complement the family of respiratory/resuscitation products, the Company offers a full line of oxygen product accessories. This line of accessory products includes reusable aspirators, tru-fit masks, disposable cuffed masks and related accessories.

TRAUMA AND PATIENT HANDLING PRODUCTS. The Company's trauma and patient

handling products include spine immobilization products, pneumatic anti-shock garments and trauma burn kits. Spine immobilization products include a backboard that is designed for safe immobilization of injury victims and provides a durable and cost effective means of emergency patient transportation and extrication. The infant/pediatric immobilization board is durable and scaled for children. The half back extractor/rescue vest is useful for both suspected cervical/spinal injuries and for mountain and air rescues. The Company's pneumatic anti-shock

garments are used to treat victims experiencing hypovolemic shock. Allied's trauma burn kits contain a comprehensive line of products for the treatment of trauma and burns.

SALES AND MARKETING

Allied sells its products primarily to respiratory care/anesthesia product distributors, hospital construction contractors, emergency medical equipment dealers and directly to hospitals. The Company maintains a sales force of 33 sales professionals, all of whom are full-time employees of the Company.

The sales force includes 24 medical gas specialists, 3 emergency specialists and 6 international sales representatives. Two product managers are responsible for the marketing activities of our product lines.

The 24 medical gas specialists are responsible for sales of all Allied products with the exception of emergency products within their territory. Sales of products are accomplished through respiratory care/ anesthesia distributors for the regulation devices, suction equipment, respiratory care/anesthesia products and disposable cylinders. The homecare products are sold primarily through our own in house telemarketing. Construction products are sold direct to hospital construction contractors and through distributors.

Emergency medical specialists are responsible for sales of respiratory/resuscitation products, trauma and patient handling products. These products are principally sold to ambulance companies, fire departments and emergency medical systems volunteer organizations through specialized emergency medical products distributors.

Allied's international business represents a potential growth area that the Company has been pursuing. Allied's net sales to foreign markets totaled 17% of the Company's net sales in fiscal 2004, 17% of the Company's net sales in fiscal 2003, and 16% of the Company's net sales in fiscal 2002. International sales are made through a network of dealers, agents and U.S. exporters who distribute the Company's products throughout the world. Allied has market presence in Canada, Mexico, Central and South America, Europe, the Middle East and the Far East.

MANUFACTURING

Allied's manufacturing processes include fabrication, electro-mechanical assembly operations and plastics manufacturing. A significant part of Allied's manufacturing operations involves electro-mechanical assembly of proprietary products and the Company is vertically integrated in most elements of metal machining and fabrication. Most of Allied's hourly employees are involved in machining, metal fabrication, plastics manufacturing and product assembly.

Allied manufactures small metal components from bar stock in a machine shop, which includes automatic screw machines, horizontal lathes and drill presses and computer controlled machining centers. The Company makes larger metal components from sheet metal using computerized punch presses, brake

presses and shears. In its plastics manufacturing processes, the Company utilizes both extrusion and injection molding. The Company believes that its production facilities and equipment are in good condition and sufficient to meet planned increases in volume over the next few years and that the conditions in local labor markets should permit the implementation of additional shifts and days operated.

RESEARCH AND DEVELOPMENT

Allied's research and development group is responsible for the development of new products. This group is staffed with mechanical and electrical engineers.

During fiscal year 2004 the research and development group completed the design and released to manufacturing a new suction pump for the emergency market and a cost reduced regulator design.

The new suction pump provides the EMS market with a rugged suction pump that is battery operated. This suction pump also includes a docking station for mounting in an emergency vehicle. The docking station is capable of recharging the battery or running the unit if the battery is low.

The research and development group has also completed the design of an additional product. Manufacturing is in the process of preparing to produce this product. This product is expected to be released for sale during the second quarter of fiscal year 2005.

As part of the agreement relating to the withdrawal of the Baralyme(R) product, Abbott has agreed to pay to Allied up to $2,150,000 in product development costs to pursue development of a new carbon dioxide absorption product for use in connection with inhalation anesthetics that does not contain potassium hydroxide and does not produce a significant exothermic reaction with currently available inhalation agents. It is Allied's intention to pursue development of a new carbon dioxide absorption product. More detailed information concerning this agreement is included in Item 7,Management's Discussion and Analysis of Financial Condition and Results of Operations.

GOVERNMENT REGULATION

The Company's products and its manufacturing activities are subject to extensive and rigorous government regulation by federal and state authorities in the United States and other countries. In the United States, medical devices for human use are subject to comprehensive review by the United States Food and Drug Administration (the "FDA"). The Federal Food, Drug, and Cosmetic Act ("FDC Act"), and other federal statutes and regulations, govern or influence the research, testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Noncompliance with applicable requirements can result in warning letters, fines, recall or seizure of products, injunction, refusal to permit products to be imported into or exported out of the United States, refusal of the government to clear or approve marketing applications or to allow the Company to enter into government supply contracts, or withdrawal of previously approved marketing applications and criminal prosecution.

The Company is required to file a premarket notification in the form of a premarket approval ("PMA") with the FDA before it begins marketing a new medical device that offers new technology that is currently not on the market. The Company also must file a premarket notification in the form of a 510(k) with the FDA before it begins marketing a new medical device that utilizes existing technology for devices that are currently on the market. The 510(k) submission

process is also required when the Company makes a change or modifies an existing device in a manner that could significantly affect the device's safety or effectiveness.

Compliance with the regulatory approval process in order to market a new or modified medical device can be uncertain, lengthy and, in some cases, expensive. There can be no assurance that necessary regulatory approvals will be obtained on a timely basis, or at all. Delays in receipt or failure to receive such approvals, the loss of previously received approvals, or failure to comply with existing or future regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company manufactures and distributes a broad spectrum of respiratory therapy equipment, emergency medical equipment and medical gas equipment. To date, all of the Company's FDA clearances have been obtained through the 510(k) clearance process. These determinations are very fact specific and the FDA has stated that, initially, the manufacturer is best qualified to make these determinations, which should be based on adequate supporting data and documentation. The FDA however, may disagree with a manufacturer's determination not to file a 510(k) and require the submission of a new 510(k) notification for the changed or modified device. Where the FDA believes that the change or modification raises significant new questions of safety or effectiveness, the agency may require a manufacturer to cease distribution of the device pending clearance of a new 510(k) notification. Certain of the Company's medical devices have been changed or modified subsequent to 510(k) marketing clearance of the original device by the FDA. Certain of the Company's medical devices, which were first marketed prior to May 28, 1976, and therefore, grandfathered and exempt from the 510(k) notification process, also have been subsequently changed or modified. The Company believes that these changes or modifications do not significantly affect the devices' safety or effectiveness, or make a major change or modification in the devices' intended uses and, accordingly, submission of new 510(k) notification to the FDA is not required. There can be no assurance, however, that the FDA would agree with the Company's determinations.

In addition, commercial distribution in certain foreign countries is subject to additional regulatory requirements and receipt of approvals that vary widely from country to country. The Company believes it is in compliance with regulatory requirements of the countries in which it sells its products.

The Medical Device Reporting regulation requires that the Company provide information to the FDA on deaths or serious injuries alleged to have been associated with the use of its devices, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The Medical Device Tracking regulation requires the Company to adopt a method of device tracking of certain devices, such as ventilators, which are life-supporting or life-sustaining devices used outside of a device user facility, some of which are permanently implantable devices. The regulation requires that the method adopted by the Company will ensure that the tracked device can be traced from the device manufacturer to the person for whom the device is indicated (i.e., the patient). In addition, the FDA prohibits a company from promoting an approved device for unapproved applications and reviews a company's labeling for accuracy. Labeling and promotional activities also are in certain instances, subject to scrutiny by the Federal Trade Commission.

The Company's medical device manufacturing facilities are registered with the FDA, and have received ISO 9001 Certification for the St. Louis facility and certification per the Medical Device Directive (MDD -- European) for certain

products in 1998. As such, the Company will be audited by the FDA, ISO, and European auditors for compliance with the Good Manufacturing Practices ("GMP"), the ISO and MDD regulations for medical devices. These regulations require the Company to manufacture its products and maintain its products and documentation in a prescribed manner with respect to design, manufacturing, testing and control activities. The Company also is subject to the registration and inspection requirements of state regulatory agencies.

There can be no assurance that any required FDA or other governmental approval will be granted, or, if granted, will not be withdrawn. Governmental regulation may prevent or substantially delay the marketing of the Company's proposed products and cause the Company to undertake costly procedures. In addition, the extent of potentially adverse government regulation that might arise from future administrative action or legislation cannot be predicted. Any failure to obtain, or delay in obtaining, such approvals could adversely affect the Company's ability to market its proposed products.

Sales of medical devices outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Medical products shipped to the European Community require CE certification. Whether or not FDA approval has been obtained, approval of a device by a comparable regulatory authority of a foreign country generally must be obtained prior to the commencement of marketing in those countries. The time required to obtain such approvals may be longer or shorter than that required for FDA approval. In addition, FDA approval may be required under certain circumstances to export certain medical devices.

The Company is also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protections, fire hazard control and disposal of hazardous or potentially hazardous substances.

THIRD PARTY REIMBURSEMENT

The cost of a majority of medical care in the United States is funded by the U.S. Government through the Medicare and Medicaid programs and by private insurance programs, such as corporate health insurance plans. Although the Company does not receive payments for its products directly from these programs, home respiratory care providers and durable medical equipment suppliers, who are the primary customers for several of the Company's products, depend heavily on payments from Medicare, Medicaid and private insurers as a major source of revenues. In addition, sales of certain of the Company's products are affected by the extent of hospital and health care facility construction and renovation at any given time. The federal government indirectly funds a significant percentage of such construction and renovation costs through Medicare and Medicaid reimbursements. In recent years, governmentally imposed limits on reimbursement to hospitals and other health care providers have impacted spending for services, consumables and capital goods. A material

decrease from current reimbursement levels or a material change in the method or basis of reimbursing health care providers is likely to adversely affect future sales of the Company's products.

PATENTS, TRADEMARKS AND PROPRIETARY TECHNOLOGY

The company owns and maintains patents on several products it believes are useful to the business and provides the company with an advantage over its competitors. During fiscal 2004 the company was granted a patent on the SurgeX post valve and continues to pursue several more on the SurgeX product. The company also applied for a patent on the XTRA backboard design.

The Company owns and maintains U.S. trademark registrations for Chemetron, Gomco, Oxequip, Lif-O-Gen, Life Support Products, Timeter, Vacutron and Schuco, its principal trademarks. Registrations for these trademarks are also owned and maintained in countries where such products are sold and such registrations are considered necessary to preserve the Company's proprietary rights therein.

COMPETITION

The Company has different competitors within each of its product lines. Many of the Company's principal competitors are larger than Allied and the Company believes that most of these competitors have greater financial and other resources. The Company competes primarily on the basis of price, quality and service. The Company believes that it is well positioned with respect to product cost, brand recognition, product reliability, and customer service to compete effectively in each of its markets.

EMPLOYEES

At June 30, 2004, the Company had approximately 438 full-time employees. Approximately 285 employees in the Company's principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that will expire on May 31, 2006. Approximately 12 employees at the Company's facility in Stuyvesant Falls, New York are also covered by a collective bargaining agreement scheduled to expire on April 15, 2007.

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied will cease production of its product Baralyme(R), will, within sixty days, effect the withdrawal of Baralyme(R) product held by distributors and will pursue the development of a new carbon dioxide absorbent product. Baralyme(R), a carbon dioxide absorbent product, has been used safely and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to concerns regarding the use of Baralyme(R) in conjunction with these newer inhalation anesthetics when Baralyme(R) has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide. More detailed information concerning this agreement is included in Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations. Baralyme(R) was produced at Allied's Stuyvesant Falls, New York facility.

On September 9th, 2004, Allied entered into a Closedown Agreement with the International Chemical Union representing the employees at the Stuyvesant Falls, New York facility. The Company has advised the Union that the plant will be closed and all bargaining unit employees related to such operation will be permanently laid off , no later than October 15, 2004. The collective bargaining agreement shall expire and be terminated as of the closing date. The Company will pay severance pay to those 12 bargaining unit employees on the active payroll as of August 27, 2004. Severance payments will total approximately $138,000.

ENVIRONMENTAL AND SAFETY REGULATION

The Company is subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the treatment,

storage and disposal of toxic and hazardous wastes. The Company is also subject to the federal Occupational Safety and Health Act and similar state statutes. From time to time the Company has been involved in environmental proceedings involving clean up of hazardous waste. There are no such material proceedings currently pending. Costs of compliance with environmental, health and safety requirements have not been material to the Company. The Company believes it is in material compliance with all applicable environmental laws and regulations.

ITEM 2. PROPERTIES

The Company's headquarters are located in St. Louis, Missouri and the Company maintains manufacturing facilities in Missouri and New York. Set forth below is certain information with respect to the Company's manufacturing facilities at June 30, 2004.

LOCATION	SQUARE FOOTAGE (APPROXIMATE)	OWNED/ LEASED	ACTIVITIES/PRODUCTS
St. Louis, Missouri.....	270,000	Owned	Headquarters; medical gas equipment; respiratory care products; emergency medical products
Stuyvesant Falls, New York....	30,000	Owned	CO(2) absorbent

In addition, the Company owns a 16.8-acre parcel of undeveloped land in Stuyvesant Falls, New York.

ITEM 3. LEGAL PROCEEDINGS

Product liability lawsuits are filed against the Company from time to time for various injuries alleged to have resulted from defects in the manufacture and/or design of the Company's products. Several such proceedings are currently pending, which are not expected to have a material adverse effect on the Company. The Company maintains comprehensive general liability insurance coverage which it believes to be adequate for the continued operation of its business, including coverage of product liability claims.

In addition, from time to time the Company's products may be subject to product recalls in order to correct design or manufacturing flaws in such products. The Company intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Allied Healthcare Products, Inc. trades on the NASDAQ National market under the symbol AHPI. As of August 24, 2004, there were 211 record owners of the

Company's Common Stock. The following tables summarize information with respect to the high and low closing prices for the Company's Common Stock as listed on the NASDAQ National market for each quarter of fiscal 2004 and 2003, respectively. The Company currently does not pay any dividend on its Common Stock.

COMMON STOCK INFORMATION

2004	HIGH	LOW
September quarter	$4.00	$2.90
December quarter	$4.20	$3.00
March quarter	$5.88	$3.50
June quarter	$6.93	$4.62

2003	HIGH	LOW
September quarter	$4.74	$3.56
December quarter	$4.10	$2.65
March quarter	$3.09	$2.40
June quarter	$3.70	$2.55

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA					
Net sales	$59,103	$60,863	$ 60,415	$64,928	$65,995
Cost of sales	42,748	46,809	49,999	48,265	50,511
Gross profit	16,355	14,054	10,416	16,663	15,484
Selling, general and administrative expenses(4)	12,660	13,551	12,786	14,573	16,097
Provision for product recall	--	--	(40)	80	(18)
Impairment of goodwill(1)	--	--	9,600	--	--
Income (loss) from operations	3,695	503	(11,930)	2,010	(595)
Interest expense	550	831	1,054	1,530	1,664
Other, net	8	41	41	74	149
Income (loss) before provision (benefit) for income taxes	3,136	(369)	(13,025)	406	(2,408)
Provision (benefit) for income taxes(2)	1,261	(211)	(1,294)	172	(695)
Net income (loss)	$ 1,875	$ (158)	$(11,731)	$ 234	$(1,713)
Basic earnings (loss) per share	$ 0.24	$ (0.02)	$ (1.50)	$ 0.03	$ (0.22)
Diluted earnings (loss) per share	$ 0.23	$ (0.02)	$ (1.50)	$ 0.03	$ (0.22)
Basic weighted average common shares outstanding	7,816	7,814	7,809	7,807	7,807
Diluted weighted average common shares outstanding	7,985	7,814	7,809	8,126	7,807

	JUNE 30,				
	2004	2003	2002	2001	2000
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA					
Working capital	$10,992	$ 9,445	$ 9,371	$20,682	$20,261
Total assets	47,139	50,413	52,870	65,993	67,212
Short-term debt(3)	1,245	5,409	7,985	1,169	1,017
Long-term debt (net of current portion)(3)	2,366	4,612	4,135	11,019	13,056
Stockholders' equity	36,453	34,567	34,725	46,440	46,206

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(1) Impairment loss on goodwill. See Note 3 to the June 30, 2004 Consolidated Financial Statements for further discussion.

(2) See Note 6 to the June 30, 2004 Consolidated Financial Statements for further discussion of the Company's effective tax rate.

(3) See Note 4 to the June 30, 2004 Consolidated Financial Statements for further discussion.

(4) During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". Prior to the adoption of this standard, goodwill amortization of $815 was recorded in 2001 and 2000, which is included above in selling, general and administrative expenses.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein are forward-looking statements. Actual results could differ materially from those anticipated as a result of various factors, including cyclical and other industry downturns, the effects of federal and state legislation on health care reform, including Medicare and Medicaid financing, the inability to realize the full benefit of recent capital expenditures or consolidation and rationalization activities, difficulties or delays in the introduction of new products or disruptions in selling, manufacturing and/or shipping efforts

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of the Company for the three fiscal years ended June 30, 2004. This discussion should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and selected consolidated financial data included elsewhere herein.

CRITICAL ACCOUNTING POLICIES

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the

reporting period. The Company evaluates estimates and judgments on an ongoing basis, including those related to bad debts, inventory valuations, property, plant and equipment, intangible assets, income taxes, and contingencies and litigation. Estimates and judgments are based on historical experience and on various other factors that may be reasonable under the circumstances. Actual results may differ from these estimates. The following areas are considered to be the Company's most significant accounting policies:

REVENUE RECOGNITION:

Revenue is recognized for all sales, including sales to agents and distributors, at the time products are shipped and title has transferred to the customer, provided that a purchase order has been received or a contract has been executed, there are no uncertainties regarding customer acceptance, the sales price has been fixed and determinable and collectibility is deemed probable. The Company's standard shipping terms are FOB shipping point. Sales discounts, returns and allowances are included in net sales, and the provision for doubtful accounts is included in selling, general and administrative expenses. Additionally, it is the Company's practice to include revenues generated from freight billed to customers in net sales with corresponding freight expense included in cost of sales in the consolidated statement of operations.

INVENTORY RESERVE FOR OBSOLETE AND EXCESS INVENTORY:

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two year's usage on hand. This analysis considers those identified inventory items to determine, in management's best estimate, if parts can be used beyond one year, if there are alternate uses or at what values such parts may be disposed for. During the fiscal year ended June 30, 2002, the Company implemented this detailed analysis of inventory in conjunction with its long-term product planning process. This review indicated that due to changes in product mix, other manufacturing changes to the Company's products, and declines in sales, a large number of component parts were deemed to be obsolete, resulting in a $3.2 million charge to increase the Company's reserve for obsolete and excess inventory. At June 30, 2004 and 2003, inventory is recorded net of a reserve for obsolete and excess inventory of $1.7 million and $2.3 million, respectively.

ACCOUNTS RECEIVABLE ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Accounts receivable are recorded net of an allowance for doubtful accounts which is determined based on an analysis of past due accounts and accounts placed with collection agencies. At June 30, 2004 and 2003, accounts receivable is recorded net of an allowance for doubtful accounts of $0.5 million.

GOODWILL:

At June 30, 2004 and 2003, the Company has goodwill of $15,979,830, resulting from the excess of the purchase price over the fair value of net assets acquired in business combinations. During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS No. 142, the Company ceased amortizing goodwill on July 1, 2001. During the first half of fiscal 2002, the Company performed the transitional impairment analysis of its goodwill as of the implementation date, following which the Company concluded that there was no impairment of goodwill at July 1, 2001. The

Company completed the required initial annual impairment review of its goodwill at June 30, 2002, which due to declining sales and profitability, resulted in a goodwill impairment loss of $9,600,000.

The Company conducts a formal impairment test of goodwill on an annual basis and between its annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. The annual impairment test did not indicate a further impairment of goodwill at June 30, 2003 or June 30, 2004.

The results of these annual impairment reviews are highly dependent on management's projection of future results of the Company and there can be no assurance that at the time such reviews are completed a material impairment charge will not be recorded. See Note 3 to the Consolidated Financial Statements for additional disclosure.

SIGNIFICANT FACTORS AFFECTING PAST AND FUTURE OPERATING RESULTS

The results of operations for fiscal 2002 were affected by several unusual items, which are discussed further below. During the first half of fiscal 2002 the Company transferred production of its B&F line of disposable homecare products to its St. Louis manufacturing facility. Inefficiencies associated with the transfer significantly reduced gross margins. As a result of the Company's annual impairment analysis of goodwill, the Company recorded a $9.6 million goodwill impairment charge in the fourth quarter of fiscal 2002. The goodwill impairment charge was primarily attributable to the declining results in the disposable home care products line. In addition, during the fourth quarter the Company recorded a pre-tax charge of $3.2 million to increase its reserve for slow-moving and obsolete inventory. During the fourth quarter of fiscal 2002, a detailed review of inventory was performed. This review indicated that due to changes in product mix, other manufacturing changes to the Company's products, and declines in sales levels, a large number of component parts were deemed to be obsolete.

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied will cease production of its product Baralyme(R), will, within sixty days, effect the withdrawal of Baralyme(R) product held by distributors and will pursue the development of a new carbon dioxide absorbent product. Baralyme(R), a carbon dioxide absorbent product, has been used safely and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to concerns regarding the use of Baralyme(R) in conjunction with these newer inhalation anesthetics when Baralyme(R) has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide.

In consideration of the foregoing, Abbott has agreed to pay Allied an aggregate of $5,250,000 of which $1,530,000 is currently due and the remainder payable in 4 equal annual installments of $930,000 due on July 1, 2005 through July 1, 2008. Allied has agreed with Abbott that in the event that it receives approval from the U.S. Food & Drug Administration for the commercial sale of a new carbon dioxide absorbent product not based upon potassium hydroxide prior to January 1, 2008, that Abbott will be relieved of any obligation to fund the $930,000 installment due July 1, 2008. Allied expects to suspend manufacturing operations at its Stuyvesant Falls, New York, facility and anticipates that costs associated with the withdrawal

and suspension of operations at that location, including severance and benefit payments due union employees, will be approximately $600,000.

In addition to the provisions of the agreement relating to the withdrawal of the Baralyme(R) product, Abbott has agreed to pay to Allied up to $2,150,000 in product development costs to pursue development of a new carbon dioxide absorption product for use in connection with inhalation anesthetics that does not contain potassium hydroxide and does not produce a significant exothermic reaction with currently available inhalation agents.

In 2004, Allied's sales of Baralyme(R) were approximately $1.9 million and contributed approximately $670,000 in pre-tax earnings and cash flow from operations. The majority of the $5,250,000 Allied is to receive from Abbott will be recognized into income over the eight-year term of the agreement. The net cash flow expected to be realized by Allied under the agreement with Abbott is projected be substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme(R) during the initial five years of the period.

RESULTS OF OPERATIONS

Allied manufactures and markets respiratory products, including respiratory care products, medical gas equipment and emergency medical products. Set forth below is certain information with respect to amounts and percentages of net sales attributable to respiratory care products, medical gas equipment and emergency medical products for the fiscal years ended June 30, 2004, 2003, and 2002.

	YEAR ENDED JUNE 30, 2004	
	NET SALES	% OF TOTAL NET SALES
	DOLLARS IN THOUSANDS	
Respiratory care products	$15,672	26.5%
Medical gas equipment	33,530	56.7%
Emergency medical products	9,901	16.8%
Total	$59,103	100.0%

	YEAR ENDED JUNE 30, 2003	
	NET SALES	% OF TOTAL NET SALES
Respiratory care products	$16,385	26.9%
Medical gas equipment	34,497	56.7%
Emergency medical products	9,981	16.4%
Total	$60,863	100.0%

	YEAR ENDED JUNE 30, 2002	
	NET SALES	% OF TOTAL NET SALES
Respiratory care products	$16,855	27.9%
Medical gas equipment	33,401	55.3%
Emergency medical products	10,159	16.8%
Total	$60,415	100.0%

The following table sets forth, for the fiscal periods indicated, the percentage of net sales represented by the various income and expense categories reflected in the Company's consolidated statement of operations.

	YEAR ENDED JUNE 30,		
	2004	2003	2002
Net sales	100.0%	100.0%	100.0%
Cost of sales	72.3	76.9	82.8
Gross profit	27.7	23.1	17.2
Selling, general and administrative expenses	21.4	22.3	21.1
Impairment of goodwill	--	--	15.9
Income (loss) from operations	6.3	0.8	(19.8)
Interest expense	1.0	1.4	1.7
Other, net	0.0	0.0	0.0
Income (loss) before provision (benefit) for income taxes	5.3	(0.6)	(21.5)
Provision (benefit) for income taxes	2.1	(0.3)	(2.1)
Net income (loss)	3.2%	(0.3)%	(19.4)%

FISCAL 2004 COMPARED TO FISCAL 2003

Net sales for fiscal 2004 of $59.1 million were $1.8 million, or 3.0% less than net sales of $60.9 million in fiscal 2003. Domestically, sales decreased by $1.1 million dollars. Domestically, sales increased in all regions of the country except in the Company's Eastern Region. The Company has reorganized its sales organization to better serve that market. Internationally, sales decreased by $0.7 million dollars. International business is dependent upon hospital construction projects, and the development of medical facilities in those regions in which the Company operates. The $0.7 million dollar decrease in international shipments includes a $0.4 million dollar decrease in sales to

Latin America, where economic progress has been uneven over the last several years.

Respiratory care products sales in fiscal 2004 of $15.7 million were $0.7 million, or 4.3% less than sales of $16.4 million in the prior year. This decrease is attributable to a decline in the sales of the Company's B&F line of homecare products. The Company has not been able to regain market share lost from delivery problems in prior years. These delivery problems are now rectified, and the Company continues to pursue this market.

Medical gas equipment sales of $33.5 million in fiscal 2004 were $1.0 million, or 2.9% less than prior year levels of $34.5 million. Of this decrease $0.4 million came from a decrease in international business. As discussed above, International business is dependent upon hospital construction projects and the development of medical facilities in those regions in which the Company operates. Domestic sales of Medical gas equipment decreased by $0.6 million, or 2.1%.

Emergency medical product sales in fiscal 2004 of $9.9 million were $0.1 million or 1.0% less than fiscal 2003 sales of $10.0 million. International sales of Emergency medical products declined by $0.2 million, while domestic sales increased by $0.1 million.

International sales, which are included in the product lines discussed above, decreased $0.7 million, or 6.6%, to $9.9 million in fiscal 2004 compared to sales of $10.6 million in fiscal 2003. As discussed above, the Company's international shipments are dependent on hospital construction projects and the expansion of medical care in those regions. In fiscal 2004, international shipments of medical gas equipment decreased by $0.4 million dollars. In addition, sales of Respiratory care products decreased by $0.1 million dollars, and Emergency medical products decreased by $0.2 million dollars.

Gross profit in fiscal 2004 was $16.4 million, or 27.7% of sales, compared to a gross profit of $14.1 million, or 23.1% of sales in fiscal 2003. In fiscal 2004 the Company continued to improve production efficiency and automation. The Company invested $3.7 million in capital expenditures during fiscal 2002, $0.5 million in

fiscal 2003, and $0.6 million in fiscal 2004 for manufacturing equipment, which continues to decrease production costs and improve efficiencies for several product lines. In addition, gross profit improved $0.2 million as a result of a distribution representing the Company's membership interest in the liquidation of the General American Mutual Holding Company, the Company's health care benefit provider. These savings were partially offset by an approximately $0.2 million increase in Worker's Compensation insurance, and the decreases to gross margins attributable to lower sales volumes.

Selling, General, and Administrative ("SG&A") expenses for fiscal 2004 were $12.7 million, a decrease of $0.9 million over SG&A expenses of $13.6 million in fiscal 2003. This decrease is the result of two main factors. On July 28th, 2003 the Company announced an immediate workforce reduction of 14 positions from its managerial and administrative staff. SG&A expenses decreased $0.8 million during fiscal 2004 primarily from this staff reduction. The Company's SG&A expenses decreased by $0.3 million as a result of a decrease in the cost of property and casualty insurance. These decreases were partially offset by increases in other SG&A expenses, including a $0.1 million increase in bad debt expense.

Interest expense decreased by $0.2 million, or 25.0%, to $0.6 million in fiscal 2004 from $0.8 million in fiscal 2003. Interest expense has been reduced

due to reductions in debt.

The Company had income of $3.1 million before taxes for fiscal 2004, compared to a loss of $0.4 million before taxes for fiscal 2003. The Company recorded an income tax provision of $1.3 million in fiscal 2004, compared to tax benefit of $0.2 million in fiscal 2003.

Net income in fiscal 2004 was $1.9 million or $0.24 per basic and $0.23 per diluted earnings per share, an increase of $2.1 million from net loss of $0.2 million, or $0.02 per basic and diluted earnings per share in fiscal 2003. In 2004, the weighted number of shares used in the calculation of basic earnings per share was 7,816,416 and the weighted number of shares used in the calculation of diluted earnings per share was 7,984,761. In 2003, the weighted number of shares used in the calculation of basic and diluted earnings per share was 7,813,932.

FISCAL 2003 COMPARED TO FISCAL 2002

Net sales for fiscal 2003 of $60.9 million were $0.5 million, or 0.8% more than net sales of $60.4 million in fiscal 2002. The $0.5 million increase in product sales is discussed below.

Respiratory care products sales in fiscal 2003 of $16.4 million were $0.5 million, or 3.0% less than sales of $16.9 million in the prior year. This decline is the result of domestic market share losses with our B&F disposable product line. In fiscal 2002 and in prior years, production delays with the Company's vendor resulted in delayed shipments and customer service issues. The Company moved production to its St. Louis facility in fiscal 2002 and these delivery problems are now rectified.

Medical gas equipment sales of $34.5 million in fiscal 2003 were $1.1 million, or 3.3% above prior year levels of $33.4 million. The majority of this increase came from international business. International business increased by $0.9 million in fiscal 2003 from 2002 levels. International business is dependent upon hospital construction projects and the development of medical facilities in those regions in which the Company operates. Poor economic conditions in those regions have slowed development and have resulted in lower shipments to those regions for the preceding two years. Domestically, the construction market was stronger in fiscal 2003 than in fiscal 2002, resulting in higher shipments of the Company's products, and contributing to the remaining increase in medical gas equipment sales.

Emergency medical product sales in fiscal 2003 of $10.0 million were $0.2 million or 2.0% less than fiscal 2002 sales of $10.2 million. This decrease is attributable to a $0.2 million decrease in international shipments, almost all attributable to our Japanese market, as we continued to experience negative impacts of the aluminum oxygen regulator recall.

International sales, which are included in the product lines discussed above, increased $0.8 million, or 8.2%, to $10.6 million in fiscal 2003 compared to sales of $9.8 million in fiscal 2002. As discussed above, the Company's international shipments are dependent on hospital construction projects and the expansion of

medical care in those regions. In fiscal 2003, international shipments of medical gas equipment did increase by $0.9 million dollars. This increase was partially offset by $0.1 million decrease in shipments to international markets of emergency medical products and respiratory care products. Poor economic conditions, which slow that development, have adversely affected the Company's

sales internationally over the past two years.

Gross profit in fiscal 2003 was $14.1 million, or 23.1% of sales, compared to a gross profit of $10.4 million, or 17.2% of sales in fiscal 2002. As discussed in the proceeding Overview section, fiscal 2002 gross profit was adversely affected by a $3.2 million charge to reserve for excess and slow moving inventory purchased in prior years. During the fourth quarter of fiscal 2002, a detailed review of inventory was performed in conjunction with the Company's long-term product planning process. This review indicated that due to changes in product mix, other manufacturing changes to the Company's products, and declines in sales levels, a large number of component parts were deemed to be obsolete. In addition, gross profit was adversely affected during fiscal 2002 by inefficiencies related to the transfer of the B&F line of disposable products to St. Louis. This transfer of production was undertaken to improve customer service and reduce manufacturing cost. In fiscal 2003 efficiencies in the B&F line were improved, through automation and management initiatives. In 2003, these improvements were offset by $0.2 million in higher cost for property and casualty insurance, and a $0.7 million increase in health benefits. The Company invested $3.7 million in capital expenditures during fiscal 2002 and $0.5 million in fiscal 2003 for manufacturing equipment, which is expected to further decrease production costs and improve efficiencies for several product lines.

Selling, General, and Administrative ("SG&A") expenses for fiscal 2003 were $13.6 million, an increase of $0.8 million over SG&A expenses of $12.8 million in fiscal 2002. This increase is the result of two main factors. SG&A expenses increased $0.6 million during fiscal 2003 due to an increase in expense for property and casualty insurance. This increase is due to both the market conditions for property and casualty insurance, and the Company's negative experience resulting from the litigation associated with aluminum oxygen regulators. An additional $0.2 million increase in SG&A expenses was the result of increased health insurance expenses. Increases in health insurance cost resulted from increases in the underlying cost of medical services and utilization by Company employees.

As discussed in the preceding Overview section, financial results for fiscal 2002 were adversely impacted by the write down of $9.6 million in goodwill. During fiscal 2002, the Company adopted SFAS 142, which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS 142, the Company ceased amortizing goodwill on July 1, 2001. During the first half of fiscal 2002, the Company performed the transitional impairment analysis of its goodwill as of the implementation date, following which the Company concluded that there was no impairment of goodwill at July 1, 2001. The Company completed the required annual impairment review of its goodwill at June 30, 2002, which due to negative events and declining sales and profitability, resulted in a goodwill impairment charge of $9.6 million. The Company's fiscal 2003 annual impairment analysis showed that no further goodwill impairment was required at June 30, 2003.

Interest expense decreased by $0.3 million, or 27.3%, to $0.8 million in fiscal 2003 from $1.1 million in fiscal 2002. Interest expense has been reduced due to reductions in debt and a reduction in interest rates.

The Company had a loss of $0.4 million before taxes for fiscal 2003, compared to a loss of $13.0 million before taxes for fiscal 2002. The Company recorded an income tax benefit of $0.2 million in fiscal 2003, compared to tax benefit of $1.3 million in fiscal 2002. The 2002 tax benefit was negatively impacted due to the non-deductibility of the goodwill impairment charge for federal income tax purposes. For further discussion of the Company's income taxes please refer to the "Notes to Consolidated Financial Statements" section included in this Form 10-K.

Net loss in fiscal 2003 was $0.2 million, or $0.02 per basic and diluted

earnings per share, a decrease of $11.5 million from net loss of $11.7 million, or $1.50 per basic and diluted earnings per share in fiscal 2002. The weighted number of shares used in the calculation of the basic and diluted earnings per share was 7,813,932 in fiscal 2003 and 7,809,266 in fiscal 2002.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth selected information concerning Allied's financial condition at June 30:

DOLLARS IN THOUSANDS	2004	2003	2002
Cash & cash equivalents	$ 8	$ 12	$ 1
Working Capital	$10,992	$ 9,445	$ 9,371
Total Debt	$ 3,612	$10,022	$12,121
Current Ratio	2.36:1	1.84:1	1.67:1

The Company's working capital was $11.0 million at June 30, 2004 compared to $9.5 million at June 30, 2003. Inventory declined by $1.2 million as a result of the Company's inventory reduction programs. Accounts receivable decreased to $7.7 million at June 30, 2004, down $0.1 million from $7.8 million at June 30, 2003. This decrease in accounts receivable is a result of improvements in collection performance and a decrease in sales. Accounts receivable as measured in days sales outstanding ("DSO") decreased to 46 DSO from 48 DSO the prior year. Income taxes receivable was reduced by $0.3 million as the Company received a federal tax refund resulting from the carry back of prior year losses. Accounts payable increased by $0.9 million during fiscal 2004, as a result of decreased purchases during the fourth quarter of fiscal 2003, from the Company's inventory reduction programs. These reductions in working capital were offset by a reduction in the current portion of long-term debt. The current portion of long-term debt decreased by $4.2 million reflecting the reduction in the Company's revolver debt.

The Company's working capital was $9.5 million at June 30, 2003 compared to $9.4 million at June 30, 2002. Inventory declined by $0.9 million as a result of the Company's inventory reduction programs. Accounts receivable decreased to $7.8 million at June 30, 2003, down $1.0 million from $8.8 million at June 30, 2002. This decrease in accounts receivable is a result of improvements in collection performance. Accounts receivable as measured in days sales outstanding ("DSO") decreased to 48 DSO from 51 DSO at June 30, 2002. Income taxes receivable was reduced by $0.4 million as the Company received a federal tax refund resulting from the carry back of the fiscal 2002 loss of $0.8 million which was offset by the $0.4 million receivable established for the carry back of the fiscal 2003 loss. The current deferred income tax asset was reduced by $0.7 million and the current deferred tax liability was increased by $0.4 million. The net change in current deferred income taxes, $1.1 million, is a result of the disposal of slow-moving and obsolete inventory during fiscal 2003 which had been reserved during fiscal 2002. The disposal of inventory generated net operating loss carry forwards which are presented as long-term deferred tax assets at June 30, 2003. Accrued liabilities decreased by $0.3 million, reflecting the timing of customer orders and payments. The working capital reductions are partially offset by the following changes in working capital during fiscal 2003. Accounts payable decreased by $1.2 million during fiscal 2003, as a result of decreased purchases during the fourth quarter of the fiscal year from the Company's inventory reduction programs. The current portion of

long-term debt decreased by $2.6 million reflecting the reduction in the Company's revolver debt.

The net decrease in cash for the fiscal year ended June 30, 2004 was $3,760. The net increase in cash for the fiscal year ended June 30, 2003 was $11,216. The net decrease in cash for the fiscal year ended June 30, 2002 was $19,565. Net cash provided by operating activities was $7.0 million, $2.6 million, and $3.8 million for the same periods.

Cash flows provided by operating activities for the fiscal year ended June 30, 2004 consisted of a net income of $1.9 million, supplemented by $1.3 million in non-cash charges to operations for amortization and depreciation. Changes in working capital and deferred tax accounts favorably impacted cash flow from operations by $3.8 million. Cash flow was used to reduce debt and capital lease obligations by $6.4 million and make capital expenditures of $0.6 million.

Cash flows provided by operating activities for the fiscal year ended June 30, 2003 consisted of a net loss $0.2 million, which was offset by $1.2 million in non-cash charges to operations for amortization and depreciation. Changes in working capital and deferred tax accounts favorably impacted cash flow from

operations by $1.6 million. Cash flow was used to reduce debt and capital lease obligations by $2.1 million and make capital expenditures of $0.5 million.

Cash flows provided by operating activities for the fiscal year ended June 30, 2002 consisted of a net loss of $11.7 million, which was offset by $1.4 million in non-cash charges to operations for amortization and depreciation. The net loss was also offset by a $9.6 million non-cash charge to operations for the impairment of goodwill. Changes in the provision for product recall resulted in a $0.1 million reduction. Changes in working capital and deferred tax accounts favorably impacted cash flow from operations by $4.7 million. Cash flow was used to reduce debt and capital lease obligations by $0.1 million and make capital expenditures of $3.7 million.

At June 30, 2004 the Company had aggregate indebtedness, including capital lease obligations, of $3.6 million, including $1.2 million of short-term debt and $2.4 million of long-term debt. At June 30, 2003 the Company had aggregate indebtedness including capital lease obligations of $10.0 million, $7.9 million of short-term debt and $2.1 million of long-term debt.

On April 24, 2002, the Company entered into a credit facility arrangement with LaSalle Bank National Association (the "Bank"), which was subsequently amended on September 26, 2002. The credit facility provided for total borrowings up to $19.0 million; consisting of up to $15.0 million through a revolving credit facility and up to $4.0 million under a term loan. The entire credit facility accrued interest at prime plus 0.75%. The term loan may be drawn against for capital expenditures during the first six months of the term of the credit facility. Repayment of the term loan began on October 24, 2002, with principal and interest due in equal monthly installments over five years (subject to payment in full at the maturity of the credit facility if that facility is not renewed or extended). The credit facility is collateralized by substantially all of the assets of the Company. The original maturity date of the new facility was April 24, 2005. The credit facility was further amended on September 26, 2003 and August 25, 2004, as described below.

The revolving credit facility provided for a borrowing base of 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or $7.0 million, subject to reserves as established by the Bank. At June 30, 2004, $8.0 million was available under the revolving credit facility for additional

borrowings. The credit facility calls for a 0.25% commitment fee payable quarterly based on the average daily unused portion of the revolving credit facility. The revolving credit facility also provides for a commitment guaranty of up to $5.0 million for letters of credit and requires a per annum fee of 2.50% on outstanding letters of credit. At June 30, 2004 and 2003, the Company had no letters of credit outstanding. Any outstanding letters of credit decreases the amount available for borrowing under the revolving credit facility. The weighted average interest rate on the revolving credit facility was 4.95% and 4.82% for the years ended June 30, 2004 and 2003, respectively.

Under the terms of the amended credit facility, the Company is required to be in compliance with certain financial covenants pertaining to stockholders' equity, capital expenditures and net income. At June 30, 2003, the Company was in violation of its EBITDA (net income after taxes, plus interest expense, income tax expense, and depreciation and amortization) covenant which were waived by the bank in a letter dated on September 26, 2003. On September 26, 2003, the Bank further amended the Company's credit facility (the amended credit facility). The Bank amended various financial covenants in conjunction with the amended credit facility including a reduction in the required fixed coverage charge ratio and the elimination of the EBITDA covenant. The Bank amended the borrowing base to include 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or $7.0 million, subject to reserves as established by the Bank. In addition, the outstanding loans under the amended credit facility will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate from August 1, 2003 to April 24, 2005. Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of $49,685. The real estate term loan will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. The Company also received a waiver from the Bank for its covenant violations pertaining to its EBITDA covenant, which the Company was in default of on June 30, 2003. Additionally, the terms of the new credit facility restrict the Company from the payment of dividends on any class of its stock.

The credit facility requires lockbox arrangement, which provide for all receipts to be swept daily to reduce borrowings outstanding under the credit facility. This arrangement, combined with the existence of a Material

Adverse Effect (MAE) clause in the credit facility, cause the revolving credit facility to be classified as a current liability, per guidance in the FASB's Emerging Issues Task Force Issue 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that Include Both a Subjective Acceleration Clause and a Lock-Box Arrangement." However, the Company does not expect to repay, or be required to repay, within one year, the balance of the revolving credit facility classified as a current liability. The MAE clause, which is a typical requirement in commercial credit agreements, allows the lender to require the loan to become due if it determines there has been a material adverse effect on the Company's operations, business, properties, assets, liabilities, condition or prospects. The classification of the revolving credit facility as a current liability is a result only of the combination of the two aforementioned factors: the lockbox arrangement and the MAE clause. However, the revolving credit facility does not expire or have a maturity date within one year. Additionally, the Bank has not notified the Company of any indication of a MAE at June 30, 2004.

The Company was in compliance with all of the financial covenants associated with its credit facility at June 30, 2004. On August 27, 2004, the Bank and the Company agreed to a further amendment of the credit facility (the amended credit facility). In conjunction with these amendments to the Company's

credit facility, the Bank extended the maturity on the Company's term loan on real estate, the Company's revolving credit facility, and term loan on capital expenditures from April 24, 2005 to April 24, 2007. The entire credit facility was amended to accrue interest at the Bank's prime rate. The Prime rate was 4.5% on August 27, 2004. The interest rate on Prime rate loans may increase from Prime to Prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 1.5. The amended credit facility also provides the Company with a rate of LIBOR plus 2.25%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 2.25% to LIBOR plus 3.00% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate was 1.79% at August 27, 2004. Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of $49,685. Amortization on the capital expenditure term loan shall continue on a five-year schedule with equal monthly payments of $50,772.

The following table summarizes the Company's cash obligations at June 30, 2004:

	PAYMENT DUE BY PERIOD		
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS
Long-Term Debt	$3,611,560	$1,205,484	$2,406,076(1)
Capital Lease Obligations	--	--	--
Operating Leases	542,165	235,407	306,758
Unconditional Purchase Obligations	--	--	--
Other Long-Term Obligations	--	--	--
Total Contractual Cash Obligations	$4,153,725	$1,440,891	$2,712,834

---

(1) Assumes the Company's revolving credit agreement currently classified as a current liability subject to the provisions of EITF 95-22 will be paid at maturity.

Capital expenditures, net of capital leases, were $0.6 million, $0.5 million and $3.7 million in fiscal 2004, 2003, and 2002, respectively. The Company believes that cash flows from operations and available borrowings under its credit facilities will be sufficient to finance fixed payments and planned capital expenditures of $1.2 million in 2005. Cash flows from operations may be negatively impacted by decreases in sales, market conditions, and adverse changes in working capital.

Inflation has not had a material effect on the Company's business or results of operations. The Company makes its foreign sales in dollars and, accordingly, sales proceeds are not affected by exchange rate fluctuations, although the effect on its customers does impact the pace of incoming orders.

SEASONALITY AND QUARTERLY RESULTS

In past fiscal years, the Company has experienced moderate seasonal increases in net sales during its second and third fiscal quarters (October 1

through March 31) which in turn have affected net income. Such seasonal variations were likely attributable to an increase in hospital equipment purchases at the beginning of each calendar year (which coincides with many hospitals' fiscal years) and an increase in the severity of influenza during winter months.

The following table sets forth selected operating results for the eight quarters ended June 30, 2004. The information for each of these quarters is unaudited, but includes all normal recurring adjustments which the Company considers necessary for a fair presentation thereof. These operating results, however, are not necessarily indicative of results for any future period. Further, operating results may fluctuate as a result of the timing of orders, the Company's product and customer mix, the introduction of new products by the Company and its competitors, and overall trends in the health care industry and the economy. While these patterns have an impact on the Company's quarterly operations, the Company is unable to predict the extent of this impact in any particular period.

	THREE MONTHS ENDED,					
	JUNE 30, 2004	MARCH 31, 2004	DEC. 31, 2003	SEPT. 30, 2003	JUNE 30, 2003	MARCH 31, 2003
	DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA					
Net sales	$15,261	$14,957	$15,077	$13,808	$14,327	$16,443
Gross profit	4,638	4,212	4,108	3,397	3,244	4,241
Income (loss) from operations	1,547	1157	774	217	(135)	818
Net income (loss)	861	627	384	3	(106)	365
Basic earnings (loss) per share	0.11	0.08	0.05	0.00	(0.01)	0.05
Diluted earnings (loss) per share	0.10	0.08	0.05	0.00	(0.01)	0.05

Earnings (loss) per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

LITIGATION AND CONTINGENCIES

The Company becomes, from time to time, a party to personal injury litigation arising out of incidents involving the use of its products. More specifically, there have been a number of lawsuits filed against the Company alleging that its aluminum oxygen pressure regulator, marketed under its Life Support Products label, has caused fires that have led to personal injury. The Company believes, based on preliminary findings, that its products did not cause the fires. The Company intends to defend these claims in cooperation with its insurers. Based on the progression of certain cases the Company recorded additional charges to operations during fiscal 2001 for amounts estimated to be payable by the Company under its self-insurance retention for legal costs associated with defending these claims. The Company believes that any potential judgments resulting from these claims over its self-insured retention will be covered by the Company's product liability insurance.

OFF BALANCE SHEET ARRANGEMENTS

Allied does not have any off balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of APB No. 30, "Reporting the Results of

Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a business. SFAS 144 provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the new rules change the criteria to be met to classify an asset as held-for-sale. The new rules also broaden the criteria regarding classification of a discontinued operation. The Company adopted the provisions of SFAS 144 effective July 1, 2002. Adoption of SFAS 144 did not have a material impact on the Company's results of operations, financial position or cash flows.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002. Adoption of SFAS 146 has not had a material impact on the Company's results of operations, financial position or cash flows.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company does not have any commitments that are within the scope of FIN No. 45.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 (SFAS 148), "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an amendment of FAS 123," which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 amends the disclosure requirements of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for financial statements issued for fiscal years ending after December 15, 2002 and for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS 148 did not have a material impact on the Company's results of operations, financial position or cash flows.

In January 2003, the FASB released FIN No. 46, "Consolidation of Variable Interest Entities -- an Interpretation of ARB No. 51", which was subsequently revised in December 2003 (collectively referred to as "FIN 46" or the "Interpretation"). The Interpretation, as revised, clarifies issues regarding the consolidation of entities which may have features that make it unclear whether consolidation or equity method accounting is appropriate. FIN 46 is generally effective in 2003. Adoption of FIN 46 had no impact on the Company, as it is not the beneficiary of any variable interest entities.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 provides guidance on distinguishing between liability and equity instruments and accounting for instruments that have characteristics of both. SFAS 150 requires specific types of freestanding financial instruments to be classified as liabilities including mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets and certain obligations to issue a variable number of shares. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003. For all other instruments, SFAS 150 is effective July 1, 2003. Adoption of SFAS 150 did not have a material impact on the Company's results of operations, financial position or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2004, the Company had $3.6 million in debt outstanding. This balance represents amounts outstanding under the Company's revolving credit facility of $40,000, the Company's capital expenditure loan for $2.1 million, and the Company's real estate for $1.4 million. The revolving credit facility, capital expenditure and real estate loan bear an interest rate using the commercial bank's "floating reference rate" or LIBOR as the basis, as defined in the loan agreement, and therefore is subject to additional expense should there be an increase in market interest rates.

The Company had no holdings of derivative financial or commodity instruments at June 30, 2004. Allied Healthcare Products has international sales, however these sales are denominated in U.S. dollars, mitigating foreign exchange rate fluctuation risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following described consolidated financial statements of Allied Healthcare Products, Inc. are included in response to this item:

Reports of Independent Registered Public Accounting Firms.

Consolidated Statement of Operations for the fiscal years ended June 30, 2004, 2003 and 2002.

Consolidated Balance Sheet for the fiscal years ended June 30, 2004 and 2003.

Consolidated Statement of Changes in Stockholders' Equity for the fiscal years ended June 30, 2004, 2003 and 2002.

Consolidated Statement of Cash Flows for the fiscal years ended June 30, 2004, 2003 and 2002.

Notes to Consolidated Financial Statements.

Schedule of Valuation and Qualifying Accounts and Reserves for the years ended June 30, 2004, 2003 and 2002.

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Allied Healthcare Products, Inc.

We have audited the accompanying consolidated balance sheet of Allied Healthcare Products, Inc. and subsidiaries as of June 30, 2004 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. In connection with our audit of the consolidated financial statements, we also have audited the related financial statement schedule of valuation and qualifying accounts and reserves for the year ended June 30, 2004. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and subsidiaries as of June 30, 2004 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule referred to above, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ RUBIN, BROWN, GORNSTEIN & CO. LLP

Rubin, Brown, Gornstein & Co. LLP

Saint Louis, Missouri
August 13, 2004, except for Notes 4 and 14, as to
which the date is August 27, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Allied Healthcare Products, Inc.

In our opinion, the consolidated financial statements listed in the

accompanying index present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and its subsidiaries at June 30, 2003 and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index represents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 of the consolidated financial statements, the Company changed its method of accounting for goodwill in 2002 to conform with Statement of Financial Accounting Standards No. 142.

/s/ PRICEWATERHOUSECOOPERS LLP
St. Louis, Missouri
September 26, 2003

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED JUNE 30,		
	2004	2003	2002
Net sales	$59,103,313	$60,863,358	$ 60,414,884
Cost of sales	42,748,342	46,809,726	49,998,428
Gross profit	16,354,971	14,053,632	10,416,456
Selling, general and administrative expenses	12,660,358	13,550,592	12,786,409
Provision for product recall	--	--	(39,567)
Impairment of goodwill	--	--	9,600,000
Income (loss) from operations	3,694,613	503,040	(11,930,386)
Other expenses:			
Interest expense	550,158	830,838	1,054,092
Other, net	8,378	41,135	40,950
	558,536	871,973	1,095,042
Income (loss) before provision (benefit) for income taxes	3,136,077	(368,933)	(13,025,428)
Provision (benefit) for income taxes	1,261,424	(211,374)	(1,294,420)

Net income (loss)	$ 1,874,653	$ (157,559)	$(11,731,008)
Basic income (loss) per share:	$ 0.24	$ (0.02)	$ (1.50)
Diluted income (loss) per share:	$ 0.23	$ (0.02)	$ (1.50)
Weighted average shares outstanding -- Basic	7,816,416	7,813,932	7,809,266
Weighted average shares outstanding -- Diluted	7,984,761	7,813,932	7,809,266

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED BALANCE SHEET

	JUNE 30,	
	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,256	$ 12,016
Accounts receivable, net of allowance for doubtful accounts of $475,000 and $475,000, respectively	7,708,969	7,848,977
Inventories, net	11,095,171	12,274,972
Income tax receivable	130,548	392,259
Other current assets	127,127	149,995
Total current assets	19,070,071	20,678,219
Property, plant and equipment, net	11,999,927	12,630,289
Deferred income taxes	--	989,710
Goodwill	15,979,830	15,979,830
Other assets, net	88,867	134,528
Total assets	$ 47,138,695	$ 50,412,576
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,125,593	$ 2,192,717
Current portion of long-term debt	1,245,484	5,409,304
Deferred income taxes	389,644	412,079
Other accrued liabilities	3,316,603	3,218,981
Total current liabilities	8,077,324	11,233,081
Deferred income taxes	242,478	--
Long-term debt	2,366,076	4,612,320
Commitments and contingencies (Notes 5 and 11)		
Stockholders' equity:		
Preferred stock; $0.01 par value; 1,500,000 shares		

authorized; no shares issued and outstanding.....	--	--
Series A preferred stock; $0.01 par value; 200,000 shares authorized; no shares issued and outstanding.....	--	--
Common stock; $0.01 par value; 30,000,000 shares authorized; 7,818,432 and 7,813,932 shares issued and outstanding at June 30, 2004 and 2003 respectively.....	101,220	101,175
Additional paid-in capital.....	47,041,493	47,030,549
Retained earnings.....	10,041,532	8,166,879
Common stock in treasury, at cost.....	(20,731,428)	(20,731,428)
Total stockholders' equity.....	36,452,817	34,567,175
Total liabilities and stockholders' equity.....	$ 47,138,695	$ 50,412,576

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	
Balance, June 30, 2001.....	$ --	$101,102	$47,014,621	$ 20,055,446	$(20,731,428)	$
Issuance of common stock.....	--	73	15,928	--	--	
Net loss for the year ended June 30, 2002...	--	--	--	(11,731,008)	--	(
Balance, June 30, 2002.....	--	101,175	47,030,549	8,324,438	(20,731,428)	
Net loss for the year ended June 30, 2003...	--	--	--	(157,559)	--	
Balance, June 30, 2003.....	--	101,175	47,030,549	8,166,879	(20,731,428)	
Issuance of common stock.....	--	45	10,944	--	--	
Net income for the year ended June 30, 2004...	--	--	--	1,874,653	--	
Balance, June 30, 2004.....	$ --	$101,220	$47,041,493	$ 10,041,532	$(20,731,428)	$

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30,		
	2004	2003	2002
Cash flows from operating activities:			
Net income (loss)	$ 1,874,653	$ (157,559)	$(11,731,008)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,306,571	1,168,326	1,389,254
Impairment of goodwill	--	--	9,600,000
Provision for product recall	--	--	(39,567)
Deferred income taxes	1,209,753	268,771	(279,941)
Changes in operating assets and liabilities:			
Accounts receivable, net	140,008	939,043	2,871,037
Inventories, net	1,179,801	925,949	3,878,112
Income tax receivable	261,711	353,636	(745,895)
Other current assets	22,868	13,515	129,086
Accounts payable	932,876	(1,234,085)	(416,290)
Accrual for product recall	--	--	(106,614)
Other accrued liabilities	97,622	357,008	(717,875)
Net cash provided by operating activities	7,025,863	2,634,604	3,830,299
Cash flows from investing activities:			
Capital expenditures	(630,548)	(524,450)	(3,698,060)
Net cash used in investing activities	(630,548)	(524,450)	(3,698,060)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	--	1,799,966	1,246,325
Proceeds from issuance of common stock	10,989	--	16,001
Payment of long-term debt	(2,246,236)	(763,104)	(415,440)
Payment of capital lease obligations	--	(192,425)	(552,146)
Borrowings under revolving credit agreements	57,628,047	63,069,229	64,209,225
Payments under revolving credit agreements	(61,791,875)	(66,012,604)	(64,555,527)
Debt issuance costs	--	--	(100,242)
Net cash used in financing activities	(6,399,075)	(2,098,938)	(151,804)
Net increase (decrease) in cash and equivalents	(3,760)	11,216	(19,565)
Cash and equivalents at beginning of year	12,016	800	20,365
Cash and equivalents at end of year	$ 8,256	$ 12,016	$ 800
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 566,571	$ 830,228	$ 1,116,711
Income taxes	$ 138,581	$ 9,375	$ 658,780

See accompanying Notes to Consolidated Financial Statements.

1. ORGANIZATION

Allied Healthcare Products, Inc. (the "Company" or "Allied") is a manufacturer of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including post-acute care facilities, home health care and trauma care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Allied are described below.

USE OF ESTIMATES

The policies utilized by the Company in the preparation of the consolidated financial statements conform to accounting principles generally accepted in the United States of America, and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and intercompany balances are eliminated.

RECLASSIFICATIONS

Certain financial statement amounts have been reclassified to conform to the current year presentation.

REVENUE RECOGNITION

Revenue is recognized for all sales, including sales to agents and distributors, at the time products are shipped and title has transferred to the customer, provided that a purchase order has been received or a contract has been executed, there are no uncertainties regarding customer acceptance, the sales price is fixed and determinable and collectibility is deemed probable. The Company's standard shipping terms are FOB shipping point. Sales discounts, returns and allowances are included in net sales, and the provision for doubtful accounts is included in selling, general and administrative expenses. Additionally, it is the Company's practice to include revenues generated from freight billed to customers in net sales with corresponding freight expense included in cost of sales in the consolidated statement of operations.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Book cash overdrafts on the Company's disbursement accounts totaling $639,403 and $523,955 at June 30, 2004 and 2003, respectively, are included in accounts payable.

FOREIGN CURRENCY TRANSACTIONS

Allied has international sales which are denominated in U.S. dollars, the functional currency for these transactions.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

Accounts receivable are recorded at the invoiced amount. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses based on past experience and an analysis of current amounts due, and historically such losses have been within management's expectations. The Company's customers can be grouped into three main categories: medical equipment distributors, construction contractors and health care institutions. At June 30, 2004 the Company believes that it has no significant concentration of credit risk.

INVENTORIES

Inventories are stated at the lower of cost, determined using the last-in, first-out ("LIFO") method, or market. If the first-in, first-out method (which approximates replacement cost) had been used in determining cost, inventories would have been $1,087,952 and $421,902 higher at June 30, 2004 and 2003, respectively. Changes in the LIFO reserve are included in cost of sales. Cost of sales were reduced by $319,742 and $270,226 in fiscal 2004 and 2003, respectively, as a result of LIFO liquidations. Costs in inventory include raw materials, direct labor and manufacturing overhead.

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two year's usage on hand. The reserve for obsolete and excess inventory was $1,742,490 and $2,324,258 at June 30, 2004 and 2003, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 35 years. Properties held under capital leases are recorded at the present value of the non-cancelable lease payments over the term of the lease and are amortized over the shorter of the lease term or the estimated useful lives of the assets. Expenditures for repairs, maintenance and renewals are charged to income as incurred. Expenditures, which improve an asset or extend its estimated useful life, are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

GOODWILL

At June 30, 2004 and 2003, the Company has goodwill of $15,979,830, resulting from the excess of the purchase price over the fair value of net assets acquired in business combinations. During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS No. 142, the Company ceased amortizing goodwill on July 1, 2001. During the first half of fiscal 2002, the Company performed the transitional impairment analysis of its goodwill as of the implementation date, following which the Company concluded that there was no impairment of goodwill at July 1, 2001. The Company completed the required initial annual impairment review of its goodwill at June 30, 2002, which due to declining sales and profitability, resulted in a goodwill impairment loss of $9,600,000.

The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below it's carrying value. The annual impairment test did not indicate a further impairment of goodwill at June 30, 2004 or June 30, 2003.

The results of these annual impairment reviews are highly dependent on management's projection of future results of the Company and there can be no assurance that at the time such future reviews are completed a material impairment charge will not be recorded.

OTHER ASSETS

Other assets are primarily comprised of debt issuance costs. These costs are amortized using the effective interest rate method over the life of the related obligations.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company evaluates impairment of long-lived assets under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Under SFAS No. 144, if the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment loss will be recognized. No impairment losses of long-lived assets or identifiable intangibles were recorded by the Company for fiscal years ended June 30, 2004 and 2003.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and debt. The carrying amounts for cash, accounts receivable and accounts payable approximate their fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value due to the notes bearing interest at a variable rate.

INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, the deferred tax provision is determined using the liability method, whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax bases of assets and liabilities using presently enacted tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses for the years ended June 30, 2004, 2003 and 2002 were $627,822, $577,278 and $622,793, respectively.

EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share are based on the sum of the weighted averaged number of shares of common stock and common stock equivalents outstanding during the year. The weighted average number of basic shares outstanding for the years ended June 30, 2004, 2003 and 2002 was 7,816,416, 7,813,932, and 7,809,266 shares, respectively. The weighted average number of diluted shares outstanding for the years ended June 30, 2004, 2003 and 2002 was 7,984,761, 7,813,932, and 7,809,266 shares, respectively. The dilutive effect of Company's employee and director stock option plans are determined by use of the treasury stock method. Employee and director stock option plans are not included as common stock

equivalents for earnings per share purposes in fiscal 2003 and 2002 as the impact on the number of shares outstanding would have been anti-dilutive.

EMPLOYEE STOCK-BASED COMPENSATION

The Company accounts for employee stock options and variable stock awards in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and its related interpretations. Under APB 25, the Company applies the intrinsic value method of accounting. For employee stock options accounted for using the intrinsic value method, no compensation expense is recognized because the options are granted with an exercise price equal to the market value of the stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") prescribes the recognition of compensation expense based on the fair value of options or stock awards determined on the date of grant. Companies that elect to account for stock-based compensation plans in accordance with APB 25 are required to make certain pro forma disclosures as if the fair value method had been utilized. The fair value of options granted (which is amortized over the option vesting period in determining the pro forma impact) is estimated on the date of grant using the Black-Scholes multiple option-pricing model. For options granted during the fiscal years ended June 30, 2004, 2003 and 2002, the assumptions utilized in the Black-Scholes multiple option-pricing model included an expected option life of 10 years, risk-free interest rates ranging from 2.43% to 5.95%, volatility ranging from 46% to 49% and no dividend yield. The following table shows stock-based compensation expense included in net income and pro forma stock-based compensation expense, net income/(loss) and earnings per share had the Company elected to record compensation expense based on the fair value of options at the grant date for the fiscal years ended June 30, 2004, 2003, and 2002:

	2004	2003	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Stock-based compensation			
As reported	$ --	$ --	$ --
Pro forma	65	157	194
Net income (loss)			

As reported	$1,875	$ (158)	$(11,731)
Pro forma	1,810	(315)	(11,925)
Basic earnings (loss) per share			
As reported	$ 0.24	$(0.02)	$ (1.50)
Pro forma	$ 0.23	$(0.04)	$ (1.53)
Diluted earnings (loss) per share			
As reported	$ 0.23	$(0.02)	$ (1.50)
Pro forma	$ 0.23	$(0.04)	$ (1.53)

NEW ACCOUNTING STANDARDS

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a business. SFAS 144 provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the new

rules change the criteria to be met to classify an asset as held-for-sale. The new rules also broaden the criteria regarding classification of a discontinued operation. The Company adopted the provisions of SFAS 144 effective July 1, 2002. Adoption of SFAS 144 did not have a material impact on the Company's results of operations, financial position or cash flows.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002. Adoption of SFAS 146 has not had a material impact on the Company's results of operations, financial position or cash flows.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company does not have any commitments that are within the scope of FIN No. 45.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 (SFAS 148), "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an amendment of FAS 123," which

provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 amends the disclosure requirements of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for financial statements issued for fiscal years ending after December 15, 2002 and for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS 148 did not have a material impact on the Company's results of operations, financial position or cash flows.

In January 2003, the FASB released FIN No. 46, "Consolidation of Variable Interest Entities -- an Interpretation of ARB No. 51", which was subsequently revised in December 2003 (collectively referred to as "FIN 46" or the "Interpretation"). The Interpretation, as revised, clarifies issues regarding the consolidation of entities which may have features that make it unclear whether consolidation or equity method accounting is appropriate. FIN 46 is generally effective in 2003. Adoption of FIN 46 had no impact on the Company, as it is not the beneficiary of any variable interest entities.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 provides guidance on distinguishing between liability and equity instruments and accounting for instruments that have characteristics of both. SFAS 150 requires specific types of freestanding financial instruments to be classified as liabilities including mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets and certain obligations to issue a variable number of shares. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003. For all other instruments, SFAS 150 is effective July 1, 2003. Adoption of SFAS 150 did not have a material impact on the Company's results of operations, financial position or cash flows.

3. GOODWILL

For the fiscal year ending June 30, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS No. 142, the Company ceased amortizing goodwill on July 1, 2001.

As required by SFAS 142, the Company completed its transitional goodwill impairment analysis as of July 1, 2001, for which it concluded that the carrying value of its goodwill was not impaired. The fair value of the Company utilized in the transitional goodwill impairment analysis was estimated using a discounted cash flow approach incorporating the Company's fiscal 2002 plan.

The Company completed its initial annual goodwill impairment test during the fourth quarter of the fiscal year ended June 30, 2002. Due to operating inefficiencies, a general slow down in orders, and delivery issues, which led to a drop in market share, operating profits and cash flows were lower than expected during fiscal 2002. Based on that trend, management revised its earnings forecast for fiscal 2003. During the fourth quarter of the fiscal year ended June 30, 2002, the Company recognized a goodwill impairment loss of

$9,600,000. The annual impairment test did not indicate a further impairment of goodwill at June 30, 2003 or June 30, 2004. The fair value of the Company was estimated using a discounted cash flow approach incorporating its most recent business plan forecasts in the performance of its annual analysis of goodwill impairment.

4. FINANCING

Long-term debt consisted of the following at June 30:

	2004	2003
UNSUBORDINATED DEBT		
Notes payable to bank or other financial lending institution:		
Term loan on real estate -- principal of $49,685 due monthly with remaining balance due April 24, 2007	$ 1,439,156	$ 3,076,135
Revolving credit facility -- aggregate revolving commitment of $15,000,000; principal due at maturity on April 24, 2007	40,000	4,203,828
Term loan on capital expenditures -- principal of $50,772 due monthly with remaining balance due on April 24, 2007	2,132,404	2,741,661
	3,611,560	10,021,624
Less -- Current portion of long-term debt	$(1,245,484)	$(5,409,304)
	$ 2,366,076	$ 4,612,320

On April 24, 2002, the Company entered into a credit facility arrangement with LaSalle Bank National Association (the "Bank"), which was subsequently amended on September 26, 2002. The credit facility provided for total borrowings up to $19.0 million; consisting of up to $15.0 million through a revolving credit facility and up to $4.0 million under a term loan. The entire credit facility accrued interest at prime plus 0.75%. The term loan may be drawn against for capital expenditures during the first six months of the term of the credit facility. Repayment of the term loan began on October 24, 2002, with principal and interest due in equal monthly installments over five years (subject to payment in full at the maturity of the credit facility if that facility is not renewed or extended). The credit facility is collateralized by substantially all of the assets of the Company. The original maturity date of the new facility was April 24, 2005. The credit facility was further amended on September 26, 2003 and August 27, 2004, as described below.

The revolving credit facility provided for a borrowing base of 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or $7.0 million, subject to reserves as established by the Bank. At June 30,

2004, $8.0 million was available under the revolving credit facility for additional borrowings. The credit facility calls for a 0.25% commitment fee

payable quarterly based on the average daily unused portion of the revolving credit facility. The revolving credit facility also provides for a commitment guaranty of up to $5.0 million for letters of credit and requires a per annum fee of 2.50% on outstanding letters of credit. At June 30, 2004 and 2003, the Company had no letters of credit outstanding. Any outstanding letters of credit decreases the amount available for borrowing under the revolving credit facility. The weighted average interest rate on the revolving credit facility was 4.95% and 4.82% for the years ended June 30, 2004 and 2003, respectively.

Under the terms of the amended credit facility, the Company is required to be in compliance with certain financial covenants pertaining to stockholders' equity, capital expenditures and net income. At June 30, 2003, the Company was in violation of its EBITDA (net income after taxes, plus interest expense, income tax expense, and depreciation and amortization) covenant which was waived by the bank in a letter dated on September 26, 2003. On September 26, 2003, the Bank further amended the Company's credit facility (the amended credit facility). The Bank amended various financial covenants in conjunction with the amended credit facility including a reduction in the required fixed coverage charge ratio and the elimination of the EBITDA covenant. The Bank amended the borrowing base to include 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or $7.0 million, subject to reserves as established by the Bank. In addition, the outstanding loans under the amended credit facility will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate from August 1, 2003 to April 24, 2005. Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of $49,685. The real estate term loan will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. The Company also received a waiver from the Bank for its covenant violations pertaining to its EBITDA covenant, which the Company was in default of on June 30, 2003. Additionally, the terms of the new credit facility restrict the Company from the payment of dividends on any class of its stock.

The credit facility requires a lockbox arrangement, which provide for all receipts to be swept daily to reduce borrowings outstanding under the credit facility. This arrangement, combined with the existence of a Material Adverse Effect (MAE) clause in the credit facility, cause the revolving credit facility to be classified as a current liability, per guidance in the FASB's Emerging Issues Task Force Issue 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that Include Both a Subjective Acceleration Clause and a Lock-Box Arrangement." However, the Company does not expect to repay, or be required to repay, within one year, the balance of the revolving credit facility classified as a current liability. The MAE clause, which is a typical requirement in commercial credit agreements, allows the lender to require the loan to become due if it determines there has been a material adverse effect on the Company's operations, business, properties, assets, liabilities, condition or prospects. The classification of the revolving credit facility as a current liability is a result only of the combination of the two aforementioned factors: the lockbox arrangement and the MAE clause. However, the revolving credit facility does not expire or have a maturity date within one year. Additionally, the Bank has not notified the Company of any indication of a MAE at June 30, 2004.

The Company was in compliance with all of the financial covenants associated with its credit facility at June 30, 2004. On August 27, 2004, the Bank and the Company agreed to a further amendment of the credit facility (the amended credit facility). In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate, the Company's revolving credit facility, and term loan on capital expenditures from April 24, 2005 to April 24, 2007. The entire credit facility was amended to accrue interest at the Bank's prime rate. The Prime rate was 4.5%

on August 27, 2004. The interest rate on Prime rate loans may increase from Prime to Prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 1.5. The amended credit facility also provides the Company with a rate of LIBOR plus 2.25%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 2.25% to LIBOR plus 3.00% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate

was 1.79% at August 27, 2004. Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of $49,685. Amortization on the capital expenditure term loan shall continue on a five-year schedule with equal monthly payments of $50,772.

Aggregate maturities of long-term debt, reflecting the amendments made on August 27, 2004, for each of the two fiscal years subsequent to June 30, 2004 are as follows, assuming that the Company's bank does not claim a MAE with respect to the revolving credit facility. While the revolving credit facility is classified as a current liability, it is not expected to mature until 2007.

FISCAL YEAR	REVOLVING CREDIT FACILITY	REAL ESTATE TERM LOAN	CAPITAL EXPENDITURE TERM LOAN	TOTAL
2005	$ --	$ 596,220	$ 609,264	$1,205,484
2006	--	596,220	609,264	1,205,484
2007	40,000	246,716	913,876	1,200,592
	$40,000	$1,439,156	$2,132,404	$3,611,560

5. LEASE COMMITMENTS

The Company leases certain of its equipment under non-cancelable operating lease agreements. Minimum lease payments under operating leases at June 30, 2004 are as follows:

FISCAL YEAR	OPERATING LEASES
2005	$235,407
2006	181,761
2007	119,088
2008	5,909
Total minimum lease payments	$542,165

Rental expense incurred on operating leases in fiscal 2004, 2003, and 2002 totaled $397,702, $378,665 and $489,154 respectively.

6. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	2004	2003	2002
Current:			
Federal	$ 51,671	$(480,145)	$(1,014,479)
State	--	--	--
Total current	51,671	(480,145)	(1,014,479)
Deferred:			
Federal	902,186	310,145	(124,267)
State	307,567	(41,374)	(155,674)
Total deferred	1,209,753	268,771	(279,941)
	$1,261,424	$(211,374)	$(1,294,420)

Income taxes were 40.2%, 57.3%, and 9.9% of pre-tax earnings (losses) in 2004, 2003, and 2002, respectively. A reconciliation of income taxes, with the amounts computed at the statutory federal rate is as follows:

	2004	2003	2002
Computed tax at federal statutory rate	$1,066,266	$(125,437)	$(4,428,646)
State income taxes, net of federal tax benefit	125,355	(78,072)	(88,959)
Non deductible goodwill	--	--	3,264,000
Other, net	69,803	(7,865)	(40,815)
Total	$1,261,424	$(211,374)	$(1,294,420)

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 2004 and 2003 are as follows:

	2004		2003	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Current:				
Bad debts	$190,000	$ --	$ 185,250	$ --

Accrued liabilities.....	428,582	--	331,469	--
Inventory.....	--	1,059,896	--	928,798
Other property basis.....	51,670	--	--	--
	670,252	1,059,896	516,719	928,798
Non Current:				
Depreciation.....	--	464,751	--	51,927
Other property basis.....	--	83,041	--	103,041
Intangible assets.....	74,416	--	89,293	--
Net operating loss carryforward...	230,181	--	1,132,820	--
Other.....	717	--	--	77,435
	305,314	547,792	1,222,113	232,403
Total deferred taxes.....	$975,566	$1,607,688	$1,738,832	$1,161,201

7. RETIREMENT PLAN

The Company offers a retirement savings plan under Section 401(k) of the Internal Revenue Code to certain eligible salaried employees. Each employee may elect to enter a written salary deferral agreement under which a portion of such employee's pre-tax earnings may be contributed to the plan.

During the fiscal years ended June 30, 2004, 2003 and 2002, the Company made contributions of $233,288, $254,673, and $252,997, respectively.

8. STOCKHOLDERS' EQUITY

The Company has established a 1991 Employee Non-Qualified Stock Option Plan, a 1994 Employee Stock Option Plan, and a 1999 Incentive Stock Plan (collectively the "Employee Plans"). The Employee Plans provide for the granting of options to the Company's executive officers and key employees to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to

purchase up to 1,800,000 shares of common stock may be granted under the Employee Plans. Options generally become exercisable ratably over a four year period or one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the first or second anniversary of the date granted, except certain options granted under the 1994 Employee Stock Option Plan which become exercisable when the fair market value of the common stock exceeds required levels. The right to exercise the options expires in ten years, from the date of grant, or earlier if an option holder ceases to be employed by the Company.

In addition, the Company has established a 1991 Directors Non-Qualified Stock Option Plan and a 1995 Directors Non-Qualified Stock Option Plan (collectively the "Directors Plans"). The Directors Plans provide for the granting of options to the Company's directors who are not employees of the Company to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 250,000 shares of common stock may be granted under the Directors Plans. Options shall become exercisable with respect to one-fourth of the shares covered thereby on

each anniversary of the date of grant, commencing on the second anniversary of the date granted, except for certain options granted under the 1995 Directors Non-Qualified Stock Option Plan which become exercisable with respect to all of the shares covered thereby one year after the grant date. The right to exercise the options expires in ten years from the date of grant, or earlier if an option holder ceases to be a director of the Company.

A summary of stock option transactions in 2004, 2003 and 2002, respectively, pursuant to the Employee Plans and the Directors Plans is as follows:

	WEIGHTED AVERAGE PRICE	SHARES SUBJECT TO OPTION
June 30, 2001	$3.50	795,400
Options Granted	3.40	35,500
Options Exercised	2.21	(7,250)
Options Canceled	6.43	(27,350)
June 30, 2002	$3.41	796,300
Exercisable at June 30, 2002		525,675
June 30, 2002	$3.41	796,300
Options Granted	2.66	65,500
Options Exercised	--	--
Options Canceled	7.11	(90,700)
June 30, 2003	$2.91	771,100
Exercisable at June 30, 2003		630,475
June 30, 2003	$2.91	771,100
Options Granted	4.58	15,500
Options Exercised	2.44	(4,500)
Options Canceled	13.06	(18,850)
June 30, 2004	$2.70	763,250
Exercisable at June 30, 2004		680,250

The following table provides additional information for options outstanding and exercisable at June 30, 2004.

OPTIONS OUTSTANDING

RANGE OF PRICES	NUMBER	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE

$1.00-1.99	11,750	4.8 years	$ 1.88
2.00	542,000	5.2 years	2.00
2.01-6.99	164,000	7.6 years	3.31
7.00-7.99	38,000	3.3 years	7.35
8.00-18.50	7,500	0.9 years	17.17
$1.00-18.50	763,250	5.6 years	$ 2.70

OPTIONS EXERCISABLE

RANGE OF PRICES	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
$1.00-1.99	11,750	$ 1.88
2.00	542,000	2.00
2.01-6.99	81,000	3.42
7.00-7.99	38,000	7.35
8.00-18.50	7,500	17.17
$1.00-18.50	680,250	$ 2.63

See Note 2 for discussion of accounting for stock awards, and related fair value and pro forma income disclosures.

STOCKHOLDER RIGHTS PLAN

The Board of Directors adopted a Stockholder Rights Plan in 1996 that would permit stockholders to purchase common stock at prices substantially below market value under certain change-in-control scenarios. At June 30, 2004, no common stock has been purchased under this plan.

9. EXPORT SALES

Export sales for the years ended June 30, 2004, 2003, and 2002 are approximately as follows (in thousands):

	2004	2003	2002
Europe	$1,200	$ 1,200	$1,400
Canada	1,300	1,100	1,300
Latin America	3,200	3,600	2,900
Middle East	800	800	1,100
Far East	2,700	2,900	2,300
Other	700	900	800
	$9,900	$10,500	$9,800

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. SUPPLEMENTAL BALANCE SHEET INFORMATION

	JUNE 30, 2004	JUNE 30, 2003
INVENTORIES		
Work in progress	$ 722,894	$ 536,695
Component parts	9,170,682	10,577,713
Finished goods	2,944,085	3,484,822
Reserve for obsolete and excess inventory	(1,742,490)	(2,324,258)
	$11,095,171	$12,274,972

	ESTIMATED USEFUL LIFE (YEARS)		
PROPERTY, PLANT AND EQUIPMENT			
Machinery and equipment	5-10	$ 20,001,361	$ 19,545,408
Buildings	28-35	11,935,298	11,935,298
Land and land improvements	5-7	934,216	934,216
Total property, plant and equipment at cost		32,870,875	32,414,922
Less accumulated depreciation and amortization		(20,870,948)	(19,784,633)
		$ 11,999,927	$ 12,630,289
OTHER ACCRUED LIABILITIES			
Accrued compensation expense		$ 1,773,011	$ 1,416,554
Accrued interest expense		11,046	27,459
Accrued income tax		702,933	821,187
Customer deposits		454,069	590,368
Other		375,544	363,413
		$ 3,316,603	$ 3,218,981

11. COMMITMENTS AND CONTINGENCIES

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

The Company has recognized the costs and associated liabilities only for those investigations, claims and legal proceedings for which, in its view, it is probable that liabilities have been incurred and the related amounts are

estimable. Based upon information currently available, management believes that existing accrued liabilities are sufficient and that it is not reasonably possible at this time that any additional liabilities will result from the resolution of these matters that would have a material adverse effect on the Company's consolidated results of operations, financial position, or cash flows.

12. SEGMENT INFORMATION

The Company operates in one segment consisting of the manufacturing, marketing and distribution of a variety of respiratory products used in the health care industry to hospitals, hospital equipment dealers,

hospital construction contractors, home health care dealers and emergency medical product dealers. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company does not have any one single customer that represents more than 10 percent of total sales.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for fiscal 2004 and 2003 appears below (all amounts in thousands):

	THREE MONTHS ENDED,					
	JUNE 30, 2004	MARCH 31, 2004	DEC. 31, 2003	SEPT. 30, 2003	JUNE 30, 2003	MARCH 31, 2003
Net sales	$15,261	$14,957	$15,077	$13,808	$14,327	$16,443
Gross profit	4,638	4,212	4,108	3,397	3,244	4,241
Income (loss) from operations	1,547	1,157	774	217	(135)	818
Net income (loss)	861	627	384	3	(106)	365
Basic earnings (loss) per share	0.11	0.08	0.05	0.00	(0.01)	0.05
Diluted earnings (loss) per share	0.10	0.08	0.05	0.00	(0.01)	0.05

Earnings (loss) per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

14. SUBSEQUENT EVENTS

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied will cease production of its product Baralyme(R), will, within sixty days, effect the withdrawal of Baralyme(R) product held by distributors and will pursue the development of a new carbon dioxide absorbent product. Baralyme(R), a carbon dioxide absorbent product, has been used safely and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to

concerns regarding the use of Baralyme(R) in conjunction with these newer inhalation anesthetics when Baralyme(R) has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide.

In consideration of the foregoing, Abbott has agreed to pay Allied an aggregate of $5,250,000 of which $1,530,000 is currently due and the remainder payable in 4 equal annual installments of $930,000 due on July 1, 2005 through July 1, 2008. Allied has agreed with Abbott that in the event that it receives approval from the U.S. Food & Drug Administration for the commercial sale of a new carbon dioxide absorbent product not based upon potassium hydroxide prior to January 1, 2008, that Abbott will be relieved of any obligation to fund the $930,000 installment due July 1, 2008. Allied expects to suspend manufacturing operations at its Stuyvesant Falls, New York, facility and anticipates that costs associated with the withdrawal and suspension of operations at that location, including severance and benefit payments due union employees, will be approximately $600,000.

In addition to the provisions of the agreement relating to the withdrawal of the Baralyme(R) product, Abbott has agreed to pay to Allied up to $2,150,000 in product development costs to pursue development of a new carbon dioxide absorption product for use in connection with inhalation anesthetics that does not contain

potassium hydroxide and does not produce a significant exothermic reaction with currently available inhalation agents.

In 2004, Allied's sales of Baralyme(R) were approximately $1.9 million and contributed approximately $670,000 in pre-tax earnings and cash flow from operations. The majority of the $5,250,000 Allied is to receive from Abbott will be recognized into income over the eight-year term of the agreement. The net cash flow expected to be realized by Allied under the agreement with Abbott is projected be substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme(R) during the initial five years of the period.

As described in Note 4, the Company amended its credit facility on August 27, 2004.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as of the end of the period covered by this report and under the

supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective in ensuring that material information relating to the Company, including its consolidated subsidiaries, is made known to the certifying officers by others within the Company and its consolidated subsidiaries during the period covered by this report.

(b) Changes in Internal Controls.

There were no changes in the Company's internal controls for financial reporting or other factors during the fourth quarter of the most recent fiscal year that could significantly affect such internal controls. However, in connection with the new rules, the Company has been engaged in the process of further reviewing and documenting its disclosure controls and procedures, including its internal accounting controls. The company may from time to time make changes aimed at enhancing the effectiveness of its disclosure controls and procedures, including its internal controls, to ensure that the Company's systems evolve with its business.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A definitive proxy statement is expected to be filed with the Securities and Exchange Commission on or about October 11, 2004. The information required by this item is set forth under the caption "Election of Directors", under the caption "Executive Officers", and under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the caption "Executive Compensation" in the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information by this item will appear in the section entitled "Audit Fees" included in the Company's definitive Proxy Statement to be filed on or about October 11, 2004, relating to the 2004 Annual Meeting of Shareowners, and

such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

1. FINANCIAL STATEMENTS

The following consolidated financial statements of the Company and its subsidiaries are included in response to Item 8:

Consolidated Statement of Operations for the years ended June 30, 2004, 2003, and 2002

Consolidated Balance Sheet at June 30, 2004 and 2003

Consolidated Statement of Changes in Stockholders' Equity for the years ended June 30, 2004, 2003 and 2002

Consolidated Statement of Cash Flows for the years ended June 30, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

2. FINANCIAL STATEMENT SCHEDULE

Valuation and Qualifying Accounts and Reserves for the Years Ended June 30, 2004, 2003 and 2002

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. EXHIBITS

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Report.

4. REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALLIED HEALTHCARE PRODUCTS, INC.

By:

/s/ EARL R. REFSLAND

Earl R. Refsland
President and Chief Executive Officer

/s/ DANIEL C. DUNN

Daniel C. Dunn
Vice President, Chief Financial Officer, and Secretary

Dated: September 27, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 25, 2004.

SIGNATURES	TITLE
*	Chairman of the Board
John D. Weil	
*	President, Chief Executive Officer and Director (principal Executive Officer)
Earl R. Refsland	
*	Director
William A. Peck	
*	Director
Brent D. Baird	
*	Director
James B. Hickey, Jr.	
*	Director
Judy Graves	

*By: /s/ EARL R. REFSLAND
Earl R. Refsland
Attorney-in-Fact

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* Such signature has been affixed pursuant to the following Power of Attorney.

RULE 12-09 VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

COLUMN A	COLUMN B	COLUMN C		COLUMN D	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -- DESCRIBE	DEDUCTIONS -- DESCRIBE	BAL O
FOR THE YEAR ENDED JUNE 30, 2004					
Reserve For Doubtful Accounts.....	$ (475,000)	$ (181,489)		$ 181,489(1)	
Inventory Allowance For Obsolescence And Excess Quantities....	$(2,324,258)		$(385,451)(3)	$ 967,219(2)	$(
FOR THE YEAR ENDED JUNE 30, 2003					
Reserve For Doubtful Accounts.....	$ (450,000)	$ (36,569)		$ 11,569(1)	
Inventory Allowance For Obsolescence And Excess Quantities....	$(4,812,074)			$2,487,816(2)	$(
FOR THE YEAR ENDED JUNE 30, 2002					
Reserve For Doubtful Accounts.....	$ (605,714)	$ (171,412)		$ 327,126(1)	$
Inventory Allowance For Obsolescence And Excess Quantities....	$(2,572,967)	$(3,216,916)		$ 977,809(2)	$(

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(1) Decrease due to bad debt write-offs and recoveries.

(2) Decrease due to disposal of obsolete inventory.

(3) Increase due to inventory revaluation.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3(1) to the Company's Registration Statement on Form S-1, as amended, Registration No. 33-40128, filed with the Commission on May 8, 1991 (the "Registration Statement") and incorporated herein by reference)

3.2	By-Laws of the Registrant (filed as Exhibit 3(2) to the Registration Statement and incorporated herein by reference)
4.1	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Allied Healthcare Products, Inc. dated August 21, 1996 (filed with the Commission as Exhibit 4(1) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (the "1997 Form 10-K") and incorporated herein by reference)
10.1	NCG Trademark License Agreement, dated April 16, 1982, between Liquid Air Corporation and Allied Healthcare Products, Inc. (filed as Exhibit 10(24) to the Registration Statement and incorporated herein by reference)
10.2	Allied Healthcare Products, Inc. 1991 Employee Non-Qualified Stock Option Plan (filed as Exhibit 10(26) to the Registration Statement and incorporated herein by reference)
10.3	Employee Stock Purchase Plan (filed as Exhibit 10(3) to the Company's Annual Report on Form 10-K for the year ended June 30, 1998 (the "1998 Form 10-K") and incorporated by reference)
10.4	Allied Healthcare Products, Inc. 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(39) to the Company's Annual Report on Form 10-K for the year ended June 30, 1994 (the "1994 Form 10-K") and incorporated herein by reference)
10.5	Allied Healthcare Products, Inc. 1995 Directors Non-Qualified Stock Option Plan (filed with the Commission as Exhibit 10(25) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K") and incorporated herein by reference)
10.6	Allied Healthcare Products, Inc. Amended 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(28) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (the "1996 Form 10-K") and incorporated herein by reference)
10.12	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Woodbourne Partners, L.P. (filed with the Commission as Exhibit 10(36) to the 1997 Form 10-K and incorporated herein by reference)
10.13	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Donald E. Nickelson (filed with the Commission as Exhibit 10(37) to the 1997 Form 10-K and incorporated herein by reference)
10.14	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Dennis W. Sheehan (filed with the Commission as Exhibit 10(38) to the 1997 form 10-K and incorporated herein by reference)
10.22	Form of Indemnification Agreement with officers and directors (filed with the Commission as Exhibit 10.22 to the 2002 Form 10-K and incorporated herein by reference)
10.25	Employment Agreement dated August 24, 1999 by and between Allied Healthcare Products, Inc. and Earl Refsland (filed with the Commission as Exhibit 10(25) to the 1999 Form 10-K and incorporated herein by reference)
10.26	Allied Healthcare Products, Inc. 1999 Incentive Stock Plan (filed with the Commission as Exhibit 10(26) to the 1999 Form 10-K and incorporated herein by reference)
10.28	Agreement between Allied Healthcare Products, Inc. Medical Products Division and District No. 9 International Association of Machinists and Aerospace Workers dated August 1, 2000 through May 31, 2003 (filed with the Commission as Exhibit 10.28 to the 2002 Form 10-K)
10.29	Letter Agreement dated July 2, 2001 between Allied

Healthcare Products, Inc. and Daniel C. Dunn (filed with the Commission as Exhibit 10.29 to the 2002 Form 10-K)

EXHIBIT NO.	DESCRIPTION
10.30	Loan and security agreement dated April 24, 2002 between the Company and LaSalle Bank National Association, including form of notes (filed with the Commission as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed May 15, 2002)
10.30.1	Amendment to Loan and security agreement dated September 26,2002 (filed with the Commission as an exhibit to Current Report on Form 8-K on October 1, 2002)
10.30.2	Amendment to Loan and security agreement dated September 26, 2003 (filed as exhibit 10.30.2 to the 2003 Form 10-K)
10.30.3	Amendment to Loan and Security Agreement dated August 27, 2004 (filed herewith)
10.31	Agreement dated August 27, 2004 between Allied Healthcare Products, Inc and Abbott Laboratories, Inc. (incorporated by reference to 8-K filed August 30, 2004 with event date of August 27, 2004)
21	Subsidiaries of the Registrant (filed with the Commission as Exhibit 21 to the 2000 Form 10-K)
23.1	Consent of Rubin, Brown, Gornstein & Co. LLP (filed herewith)
23.2	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Form of Power of Attorney -- (filed herewith)
31.1	Certification of Chief Executive Officer (filed herewith)
31.2	Certification of Chief Financial Officer (filed herewith)
32.1	Sarbanes-Oxley Certification of Chief Executive Officer (provided herewith)*
32.2	Sarbanes-Oxley Certification of Chief Financial Officer (provided herewith)*

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* Notwithstanding any incorporation of this Annual Report on Form 10-K in any other filing by the Registrant, Exhibits designated with an asterisk (*) shall not be deemed incorporated by reference to any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically otherwise set forth therein.