FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
(Mark One) Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended June 30, 1996
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
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
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

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 REGISTERED
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.

As of September 23, 1996, the aggregate market value of the voting stock held by non-affiliates (6,346,898 shares) of the Registrant was $46,015,010 (based on the closing price, on such date, of $7.25 per share).

As of September 23, 1996, there were 7,796,682 shares of common stock, $0.01 par value (the "Common Stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated October 4, 1996 (portion)(Part III) Annual Report to Shareholders for the Year Ended June 30, 1996(portion)(Parts I, II and IV)

ALLIED HEALTHCARE PRODUCTS, INC.

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PART I

ITEM 1. BUSINESS

GENERAL

Allied Healthcare Products, Inc. ("Allied" or the "Company") is a leading 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 therapy equipment, medical gas equipment and emergency medical products. The Company believes that it is one of the largest U.S. manufacturers of respiratory therapy products, with leading market shares in a number of its principal product lines. As a result of a number of acquisitions completed within recent years, the Company has diversified its product lines and expanded its distribution channels. While maintaining its position as a leading manufacturer in its traditional product lines, the Company has broadened its focus to emphasize more technologically-advanced respiratory therapy products for which it anticipates significant growth. Although the Company believes that these acquisitions will provide opportunity for future growth, integration of these operations in fiscal 1996 was more difficult and, to date, less successful than anticipated.

Allied offers a broad spectrum of respiratory therapy products for use in the trauma, hospital, home and post-acute care settings. 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 THERAPY EQUIPMENT
* RESPIRATORY CARE/ANESTHESIA PRODUCTS
* HOME RESPIRATORY CARE PRODUCTS

EMERGENCY MEDICAL PRODUCTS
* RESPIRATORY/RESUSCITATION PRODUCTS
* TRAUMA AND PATIENT HANDLING PRODUCTS

MEDICAL GAS EQUIPMENT
* MEDICAL GAS SYSTEM CONSTRUCTION PRODUCTS
* MEDICAL GAS SYSTEM REGULATION DEVICES
* DISPOSABLE OXYGEN AND SPECIALTY GAS CYLINDERS
* PORTABLE SUCTION EQUIPMENT

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

RESPIRATORY PRODUCTS INDUSTRY

The worldwide market for respiratory products is significant and growing due to an aging population, improved diagnostics, technology advancements and the increased occurence of respiratory illnesses, such as asthma and respiratory problems associated with AIDS and lung cancer. In addition, strong demand is expected in the sectors of the industry serving lower cost venues, such as post-acute care facilities and home health care. The treatment of respiratory illnesses in the United States is more advanced than in many other countries and, as a result, U.S. respiratory therapy manufacturers are well positioned to compete in international markets.

Although consolidation has begun to occur, the respiratory products industry remains fragmented, both domestically and internationally, with many companies focusing on selected niches. The Company believes that the influence of managed care and the ongoing consolidation of purchasers of respiratory products, such as hospitals and alternate site providers, will result in further consolidation among respiratory products suppliers. The Company believes that such consolidation will generate economies of scale and other operating efficiencies which will create a competitive advantage for those companies with broad product lines, especially those companies competing in international markets. In addition, this consolidation will result in larger buying groups and national accounts which will increase customers' ability to negotiate prices.

Sales of respiratory products continue to be impacted by the ongoing consolidation of the Company's health care provider customers and the continued uncertainty in their marketplace caused by the possibility of health care reform, particularly the possibility of changes in Medicare and Medicaid financing and health care provider reimbursement rates. In April 1996, Congress resolved uncertainty with respect to the federal fiscal 1996 budget but deferred resolution of health care policy issues. The Company is unable to predict the impact of the federal government's deferral of heath care policy decisions on the respiratory products industry.

The respiratory products industry can be categorized by the delivery site of respiratory care. Each setting is subject to different factors which influence demand for respiratory products. The principal venues are hospitals and alternate sites including post-acute care facilities, trauma care and home health care. The respiratory products industry will be affected by the continuing shift to less expensive alternate site care. As a result of cost control pressures, sales of respiratory products to alternate site settings are likely to grow more quickly than sales of products to hospitals.

BUSINESS STRATEGY

Allied's objective is to enhance its position in its core respiratory therapy and medical gas equipment markets while expanding its product lines to provide a continuum of respiratory products for use in hospital and alternate site settings. In addition, the Company continues to shift its emphasis from the lower growth sectors of the respiratory therapy market, such as medical gas construction equipment, to higher growth sectors, such as home health care, and higher technology sectors, such as ventilation monitoring systems through new product development.

Allied experienced disappointing results during 1996 which were the result of both external and internal factors. As discussed above, continued consolidation of health care providers and uncertainty over federal budget issues relating to Medicare and Medicaid impacted the Company's sales in fiscal 1996. In addition, Allied's recent acquisitions have taken longer to integrate than originally anticipated. As a result, the Company has refocused its efforts to develop and initiate strategic programs to return Allied to the historical level of performance it is capable of achieving. In order to implement its business strategy, Allied intends to:

RATIONALIZE OPERATIONS TO ACHIEVE EFFICIENCIES. Allied intends to continue to evaluate opportunities to consolidate acquired operations in order to eliminate excess capacity, reduce manufacturing, marketing and administrative overhead costs, and develop and implement financial and operational controls required for effective cost, inventory and accounts receivable control and market share advances. In fiscal 1996, Allied consolidated its disposable medical products operation in Mt. Vernon, Ohio into its facility in Toledo, Ohio. In August 1996, the Company initiated the consolidation of its ventilation and patient specialist field sales forces to increase sales coverage and optimize selling costs. Allied will continue to evaluate additional rationalization opportunities to achieve efficiencies with respect to both newly acquired businesses and existing facilities.

EMPHASIZE NEW PRODUCT DEVELOPMENT. The Company plans to enhance its market position by offering innovative, high quality products with superior technology coupled with high customer service levels and competitive pricing. The Company has recently introduced several respiratory therapy products which apply advanced technologies to improve clinical outcomes or reduce costs, including the Bear Cub 750R Infant Ventilator and the Smart TriggerTM for its adult critical care ventilator. The Company has significantly increased its commitment to internal research and development efforts and increased spending from $2.5 million in fiscal 1995 to $3.3 million in fiscal 1996. Research and development expenditures in fiscal 1997 are expected to be $3.5 million.

EXPAND THE COMPANY'S INTERNATIONAL PRESENCE. The Company intends to strategically expand its direct sales force abroad and expand its relationships with foreign distributors. Allied's international sales have increased from 18% of sales in fiscal 1994 to 26% of sales in fiscal 1996. Recent acquisitions have broadened the Company's product offerings which should enable Allied to compete more effectively in international markets. The Company believes that expanded access to international markets will be particularly important as these markets continue to grow.

UPGRADE MANUFACTURING CAPABILITIES. The Company is in the process of modernizing two of its primary manufacturing facilities. During the last quarter of fiscal 1996, the Company purchased five computer controlled machining centers and began the programming and installation process of this machinery in its St. Louis, Missouri facility. This $1.5 million investment, which should be fully operational by the end of the fiscal 1997 second quarter, will substantially modernize the Company's metal machining capabilities and will result in significant opportunities to reduce product costs as a result of shorter set-up times, elimination of secondary operations in component manufacturing, reduced inventory levels, reductions in scrap and improvements in quality. In addition, the Company will invest $1.8 million in molds and injection molding machinery to modernize and expand the production capacity and gain efficiencies at its Toledo, Ohio facility. This investment in enhanced injection molding capabilities is expected to increase production throughput by 20%, and to provide significant cost reduction opportunities, including reduced product material content and labor and utility costs, while improving overall quality. The injection molding machinery project is scheduled to be completed by the end of the fiscal 1997 second quarter. Finally, during fiscal 1997, the Company expects to implement a new information technology system in order to enhance customer service and improve materials management and production scheduling.

MARKETS AND PRODUCTS

In fiscal 1996, respiratory therapy equipment, medical gas equipment and emergency medical products represented approximately 53%, 36% and 11%, 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	PRIMARY USERS
RESPIRATORY THERAPY EQUIPMENT			
Respiratory Care/Anesthesia Products	Ventilators; large volume compressors; ventilator calibrators; humidifiers and monitoring systems	Bear; Timeter	Hospitals and post-acute care facilities
Home Respiratory Care Products	Oxygen concentrators; bottled oxygen equipment; pressure regulators; nebulizers; portable large volume compressors; portable suction equipment and portable ventilators	Timeter; B&F; Schuco; Bear	Patients at home
MEDICAL GAS EQUIPMENT			
Construction Products	In-wall medical gas system components; central station pumps and compressors and headwalls	Chemetron; Oxequip	Hospitals and post-acute care facilities
Regulation Devices	Flowmeters; vacuum regulators; pressure regulators and related products	Chemetron; Oxequip; Timeter	Hospitals
Disposable Cylinders	Disposable oxygen and specialty gas cylinders	Lif-O-Gen	First aid providers and substance abuse compliance personnel
Suction Equipment	Portable suction equipment and disposable suction canisters	Gomco	Hospitals and post-acute care facilities
EMERGENCY MEDICAL PRODUCTS			
Respiratory/Resuscitation Products	Demand resuscitation valves; portable resuscitation systems; emergency transport ventilators and oxygen products	LSP; Omni-Tech	Emergency service providers
Trauma and Patient Handling Products	Spine immobilization products; pneumatic anti-shock garments and trauma burn kits	LSP	Emergency service providers

RESPIRATORY THERAPY EQUIPMENT

MARKET. Respiratory therapy equipment is used in the treatment of chronic respiratory and pulmonary disease and temporary respiratory distress. Conditions treatable with respiratory therapy products include asthma and respiratory problems associated with AIDS and lung cancer. The Company believes that sales of respiratory therapy products will benefit from the treatment of AIDS patients, the aging population, improved diagnosis, technology advancements and an increased recognition of respiratory illnesses. Allied expects that the global home respiratory care equipment market will be a particularly significant growth area as cost containment pressures continue to encourage a shift in the delivery of health care from the hospital to lower cost alternate site settings while technology advancements make home treatment of respiratory patients possible.

Respiratory therapy equipment is used in both hospitals and alternate site settings. Sales of respiratory care and anesthesia products are made directly to hospitals and post-acute care facilities while sales of home respiratory therapy products are made through durable medical equipment dealers, which are increasingly national chains.

The Company believes that it holds a significant share of the U.S. market and selected foreign markets for certain respiratory therapy equipment, including large volume compressors and ventilator calibrators. The Company also believes that it has the leading share of the U.S. market for portable suction equipment and has a significant market presence in other areas, including CO2 absorbent, adult ventilation, bottled oxygen equipment and accessories. Through its acquisitions of B&F Medical Products, Inc. ("B&F") and Bear Medical Systems, Inc. ("Bear"), Allied broadened its line of home respiratory care products and believes that once its expansion of injection molding machinery is completed and capacity constraints are eliminated, it is well positioned to increase its penetration of the home health care market. Many durable medical equipment distributors have had previous experience in the hospital setting and are therefore familiar with Allied's traditional brands. The Company believes that the experience of these home health care providers with its products will provide it with significant sales opportunities in this market.

RESPIRATORY CARE/ANESTHESIA PRODUCTS. The Company manufactures and sells a broad range of products for use in respiratory care and anesthesia delivery. As a result of its acquisitions of Bear and BiCore Monitoring Systems, Inc. ("BiCore"), the Company markets a full line of critical care ventilators, humidifiers and monitoring systems to hospitals, post-acute care facilities and home health care dealers. Ventilators ease the work of patient breathing while monitoring other pulmonary functions for the care provider. The Company manufactures ventilators designed for both infants and adults. In August 1996, the Company received 510(k) approval from the United States Food and Drug Administration and introduced the Bear Cub 750R, a new infant ventilator which utilizes a unique patented "volume limits" technology which establishes an upper boundary to minimize the potential risk of overinflation of an infant's lungs.

In addition, the Company manufactures large volume compressors, which are utilized to power volume ventilators and to convert certain drugs into an aerosol form for delivery through the upper airways, and ventilator calibrators, which are used primarily by hospital biomedical departments for testing ventilators for compliance with manufacturers' specifications. The Company's ventilator calibrator is referred to in virtually every major ventilator manufacturer's operating and maintenance manuals.

The Company's other respiratory care/anesthesia products include CO2 absorbent which is used to absorb carbon dioxide in anesthesia machines that deliver gas through a closed system mask covering the patient's nose and mouth, oxygen tents, spirometers used to test lung capacity for purposes of detecting and analyzing lung disease, oxygen timers used to measure oxygen usage and ultrasonic nebulizers used to convert drugs into a fine mist for delivery to the lungs.

HOME RESPIRATORY CARE PRODUCTS. Home respiratory care products represent one of Allied's fastest growing businesses. Allied's broad line of home respiratory care products includes oxygen concentrators, bottled oxygen equipment, pressure regulators, portable large volume compressors, portable suction equipment and portable ventilators.

Allied's oxygen concentrators, bottled oxygen equipment and pressure regulators are all used in the delivery of home oxygen therapy. Oxygen concentrators take air from a room and convert it into approximately 95% pure oxygen. The Company believes that the market for oxygen concentrators will experience substantial growth, particularly in markets outside of the United States. Bottled oxygen equipment includes lightweight aluminum cylinders containing pure oxygen. This equipment is utilized by mobile patients when they leave the home. Pressure regulators manufactured by the Company, similar to those that Allied sells in the hospital market, are used on these aluminum cylinders.

Allied's portable large volume compressors are used to provide air to drive ventilators and to deliver aerosolized drugs in the home. Portable suction equipment is used in the home by people who have had tracheotomies and have had tracheal tubes temporarily inserted. Suctioning is used intermittently to keep the artificial airway clear.

The Company manufactures critical care ventilators and humidifiers which are sold to patients for use in the home. The Company also offers an extensive line of plastic disposable medical products, including tubing, humidifiers, cannulas, oxygen masks, aerosol masks used with nebulizers and ventilator circuits. In addition, Allied manufactures compressor nebulizers which convert liquid medicine into airborne particles for application deep into the lungs. Compressor nebulizers are primarily used by children suffering from asthma, cystic fibrosis and other breathing disorders.

MEDICAL GAS EQUIPMENT

MARKET. The market for medical gas equipment consists of hospitals and, to a lesser degree, alternate site settings, as well as durable medical equipment dealers and other users of portable equipment. Medical gas system construction products and regulation devices are sold to hospitals and post-acute care facilities. Medical gas equipment is used to deliver oxygen, air and suction to patients for brief or extended periods in settings ranging from intensive-care facilities in hospitals to restaurants and industrial facilities. The Company's medical gas equipment product line is subject to severe cost containment pressures as managed care programs increasingly direct patients to lower cost alternate site settings. The Company's medical gas products are sold directly to hospitals, hospital construction contractors and durable medical equipment dealers. Principal customers for disposable oxygen and specialty gas cylinders include substance abuse compliance personnel and customers that require oxygen for infrequent emergencies. Portable suction equipment is sold to health care facilities and durable medical equipment dealers.

The Company believes that it holds a leading share of the U.S. market for in-wall components, and that its Chemetron and Oxequip lines are well recognized by hospital construction contractors. The Company believes that its in-wall components are installed in more than 3,000 hospitals in the United States. The Company also believes that it holds a significant share of the U.S. market for flowmeters, vacuum regulators and pressure regulators and many medical gas system regulation and portable suction equipment devices. Allied tracks its market position through a proprietary database developed by management that registers and tracks hospital construction projects in the U.S. market and enables the Company to determine pricing trends, volume trends and market shares for each of Allied's sales territories and for the U.S. market as a whole.

Allied believes that its installed base of equipment in this market will continue to generate follow-on sales. Since hospitals typically do not have more than one medical gas system, the manufacturer of the existing installed system has a competitive advantage in sales of such products to a hospital in which its system is installed. Accordingly, the Company's existing installed equipment generates continued demand from its customers for replacement products and extensions of existing systems, which constitute a significant percentage of the Company's total sales of medical gas products. The Company also believes that most hospital and post-acute care facility construction spending is for expansion and renovation of existing facilities. Many hospital systems and individual hospitals undertake major renovations to upgrade and rationalize acquired operations, to improve the quality of care they provide and to attract patients and personnel. The Company expects that its installed equipment base will continue to provide the Company with a significant competitive advantage in the hospital renovation market.

MEDICAL GAS SYSTEM CONSTRUCTION PRODUCTS. Allied's medical gas system construction products consist of in-wall medical gas 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 and zone valves, serve a fundamental role in medical gas delivery systems by regulating and monitoring the flow of medical gases.

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 by the Company, which purchases pumps and compressors from suppliers and subcontracts the actual construction of the system. The Company's sales of pumps and compressors are driven, in large part, by its share of the in-wall components market.

Headwalls are prefabricated wall units for installation in patient rooms and intensive care areas which house medical gas, suction and electrical outlets and fixtures for monitoring equipment. These prefabricated walls also incorporate designs for lighting and nurse call systems. Headwalls are built to design specifications and eliminate the need for time-consuming installation of fixtures and outlets and related piping and wiring directly into the hospital wall. During fiscal 1995, the Company introduced the Trio headwall, which includes a detachable face plate that permits a health care provider to switch among one of three gases, thus providing greater flexibility to a hospital or post-acute care facility.

MEDICAL GAS SYSTEM REGULATION DEVICES. 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 or intensive care areas. The Company's leadership position in the in-wall components market gives the Company a competitive advantage in marketing medical gas system regulation devices that are compatible with those components. Hospitals that procure medical gas system regulation devices from the Company's competitors were previously required to utilize adapters in order to use Allied's in-wall components. However, in August 1996, the Company introduced its patented Connect II universal outlet, the first such outlet to allow a hospital to utilize medical gas system regulation devices and in-wall components produced by different manufacturers.

DISPOSABLE OXYGEN AND SPECIALTY GAS CYLINDERS. Disposable oxygen cylinders are designed to provide oxygen supplies for short periods 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. The Company also markets disposable cylinders to specialty gas manufacturers for use by substance abuse compliance personnel.

PORTABLE SUCTION EQUIPMENT AND SUCTION CANISTERS. 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.

EMERGENCY MEDICAL PRODUCTS

MARKET. Emergency medical products are used in the treatment of trauma-induced injuries. The Company's emergency medical products provide patients 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 in the health care industry towards providing health care outside the traditional hospital setting. The Company also expects that other countries will continue to develop trauma care systems in the future, although no assurance can be given that such systems will to continue to 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.

The Company believes it is a market share leader with respect to certain of its emergency medical products, including demand resuscitation valves, portable resuscitation systems and autovents.

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

Demand resuscitation valves are designed to provide 100% oxygen to breathing or non-breathing patients. In an emergency situation, the valve can be used with a mask or tracheotomy tubes and operates 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. Bag mask resuscitators 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 has introduced the first domestic line of emergency transport ventilators, or autovents, which are small and compact in design. The Company's autovent 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 for 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 enhance its position in the transport ventilation market, the Company acquired Omni-Tech Medical, Inc. The Omni-Vent Series D, a high-tech transport ventilator, is a pneumatically powered single circuit, volume-constant, time cycled and inspirtory flow variable ventilator which is used in demanding transport environments, including airmobile operations, hyperbaric chambers, emergency medicine and other transport settings.

To complement the family of respiratory/resuscitation products, the Company offers a full line of oxygen products 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 back board which 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 domestic direct sales force of 70 sales professionals, all of whom are full-time employees of the Company. The sales force includes 36 respiratory products specialists, 16 hospital construction specialists, 10 home health care specialists, five emergency medical specialists and three national account representatives. The Company also utilizes eight telemarketers to generate sales in the home health care market.

Respiratory products specialists are responsible for sales of medical gas system regulation devices, portable suction equipment and respiratory care/anesthesia products. These products are principally sold to the approximately 5,700 hospitals in the United States through specialized respiratory care/anesthesia product distributors. Many of these suppliers have had experience with the Company's products as hospital respiratory therapists. The Company hopes to capitalize on its brand name recognition and the familiarity of its products and their reputations among these former hospital therapists as a means of increasing its share of the home respiratory care products market.

Respiratory products specialists are also responsible for sales of the full line of infant and adult critical care ventilators and humidifiers, as well as related monitoring equipment. These products are principally sold to hospitals, post-acute care facilities and to durable medical equipment suppliers. In August 1996, Allied consolidated its patient care and ventilator specialists sales forces to form the respiratory products sales force. The Company believes this consolidation will yield several benefits, which include decreasing the cost to the Company of the sales call, increasing the amount of time spent with customers as opposed to traveling and, most importantly, satisfying the customer's desire to consolidate purchases and be presented with a larger group of products in one meeting.

Construction specialists are responsible for sales of medical gas system construction products, including in-wall components, central station pumps and compressors and headwalls. Construction specialists work with hospitals, architects and project management firms, but most frequently sell to mechanical and electrical contractors for new construction or renovation projects.

Home health care specialists are responsible for sales of home respiratory care products. These products are sold through durable medical equipment suppliers, who then rent or sell the products directly to the patient for use in the home.

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.

The Company employs national account representatives who are responsible for marketing Allied's products to national hospital groups, managed care organizations and other health care providers and to national chains of durable medical equipment suppliers through sales efforts at the executive level. Generally, the national account representatives secure a commitment from the purchaser to buy a specified quantity of Allied's products over a defined time period at a discounted price based on volume.

INTERNATIONAL. International sales represent a growth area which the Company has been emphasizing, as reflected by the 27% increase in international sales from $24.2 million in fiscal 1995 to $30.8 million in fiscal 1996. Allied's net sales to foreign markets totaled approximately 26% of the Company's total net sales in fiscal 1996. International sales are made through a network of dealers, agents and U.S. exporters who distribute the Company's products throughout the world. The Company currently maintains five international sales offices. Allied has market presence in Canada, Mexico, Central and South America, Europe, the Middle East and the Far East. Due to recent acquisitions and distribution-related improvements, the Company has increased its sales in the Far East, an area which is expected to show considerable market growth as a result of anticipated improvements in the health care infrastructure. In connection with the acquisition of Bear, the Company expanded its base of operations throughout Europe and anticipates that, based upon that presence, it will have the opportunity to

continue to increase its market share in Europe, particularly with respect to ventilation and home health care products. For information regarding the Company's export sales by geographic area, see Note 10 of the Notes to Consolidated Financial Statements incorporated by reference herein.

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 circuit boards 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 or plastics manufacturing assembly.

Allied manufactures small metal components from bar stock in a machine shop which includes automatic screw machines, horizontal lathes and drill presses. The Company makes larger metal components from sheet metal using computerized punch presses, brake presses and shears. The Company utilizes automated welding equipment and an automated paint line in the production of its disposable oxygen cylinders. In its plastics manufacturing processes, the Company utilizes both extrusion and injection molding. The Company believes that, with the improvements discussed below, its production facilities and equipment are in good condition and sufficient to meet planned increases in volume over the next few years and that conditions in local labor markets should permit the implementation of additional shifts and days operated to meet any future increased production capacity requirements.

The Company is in the process of modernizing two of its primary manufacturing facilities. During the last quarter of fiscal 1996, the Company purchased five computer controlled machining centers and began the programming and installation process of this machinery in its St. Louis, Missouri facility. This $1.5 million investment will substantially modernize the Company's metal machining capabilities and will result in significant opportunities to reduce product costs from shorter set-up times, elimination of secondary operations in component manufacturing, reduced inventory levels, reductions in scrap and improvements in quality.

Since its acquisition of B&F, Allied's production of its disposable products has been constrained by outdated molds and injection molding machinery. During fiscal 1996, manufacturing inefficiencies and capacity constraints prevented the Company from shipping to the level of demand for certain products. Accordingly, the Company will invest $2.0 million in molds and injection molding machinery to expand the production capacity and gain efficiencies at its Toledo, Ohio facility. This investment in enhanced injection molding capabilities is expected to increase production throughput by 20%, and to provide significant cost reduction opportunities, including reduced product material content, labor and utility costs, while improving overall quality.

Production and inventory control are becoming increasingly important as durable medical equipment dealers and other Allied customers decrease their inventory levels and expect same-day or next-day shipment of orders. As a result, the Company utilizes just-in-time ("JIT") manufacturing at all of its facilities. JIT manufacturing allows Allied to respond to customer requests more quickly. JIT processes are expected to result in work-in-process and finished inventory reductions, space savings, significant reductions in scrap and rework and corresponding productivity improvements, reduction in throughput time and increased service levels. Allied also utilizes a quality assurance program as part of its transition to the principles of KAIZEN or "lean" manufacturing. This program focuses on training all employees with respect to customer product specifications and inspection of machines, tools and finished products.

RESEARCH AND DEVELOPMENT

Consistent with its focus on more technologically-advanced products, the Company has increased the level of its research and development activities and anticipates committing more resources to research and development in the future. Research and development expenditures in fiscal 1995 and 1996 were approximately $2.5 million and $3.3 million, respectively, and are expected to be $3.5 million in fiscal 1997.

Expenditures for research and development activities primarily include updating current products and developing new respiratory therapy products. The Company has approximately 40 engineers and technicians working on research and development projects.

The Company has recently introduced several new products which are the result of its research and development efforts. Such products include the Bear Cub 750R infant ventilator, the Connect II universal medical gas outlet, the Schuco 2000 nebulizer, Chemetron'sTM line of flowmeters, the BearTM 1000 ventilator with Smart TriggerR and the GomcoTM Opti-Vac. The Bear Cub 750R infant ventilator utilizes a unique patented volume limit technology which establishes an upper boundary to minimize the potential risk of over inflation of an infant's lungs. The Schuco 2000 home care nebulizer is designed for the treatment of asthmatics, primarily children, and has lower production costs, an extended warranty and greater ease of use. The ChemetronTM flowmeter has been redesigned to more effectively utilize space with the metering knob in front and offers an extended warranty. The BearTM 1000 adult and pediatric ICU ventilator with Smart-TriggerR provides a unique mechanism for automatically adjusting pressure and flow thresholds. Finally, the GomcoTM Opti-Vac meets suctioning needs in all health care settings, including emergency, acute care, sub-acute care and the home.

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, civil fines, 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, withdrawal of previously approved marketing applications and criminal prosecution.

The Company will be required to file a premarket notification submission ("510(k) notification") or premarket approval ("PMA") application or supplement with FDA before it begins marketing a new medical device or changes or modifies an existing device in a manner that could significantly affect the device's safety or effectiveness or make a major change or modification in the device's intended use. Commercial distribution in certain foreign countries is subject to additional regulatory requirements and receipt of approvals that vary from country to country.

FDA categorizes medical devices into three regulatory classifications subject to varying degrees of regulatory control. In general, Class I devices are those whose safety and effectiveness can be reasonably ensured through general controls (e.g., labeling, premarket notification and adherence to the good manufacturing practice ("GMP") regulation for medical devices). Class II devices may be subject to additional regulatory controls, including performance standards and other special controls such as guidelines, postmarket surveillance and patient registries. Class III devices, which typically are life-sustaining or life-supporting and implantable devices, or new devices that have not been found to be substantially equivalent to a legally marketed predicate device, require clinical testing to ensure safety and effectiveness and FDA approval prior to marketing and distribution. FDA also has the authority to require clinical testing of Class I and Class II devices. Allied currently manufactures only Class I and Class II devices.

If a medical device manufacturer can establish that a newly developed device is "substantially equivalent" to a legally marketed Class I or Class II device, or to a Class III device for which FDA has not called for PMAs, the manufacturer may seek clearance from FDA to market the device by filing a 510(k) notification. The 510(k) notification may need to be supported by appropriate data establishing the claim of substantial equivalence to the satisfaction of FDA. FDA recently has been requiring a more rigorous demonstration of substantial equivalence.

Following submission of the 510(k) notification, the manufacturer or distributor may not place the device into commercial distribution until an order is issued by FDA. No law or regulation specifies the time limit by which FDA must respond to a 510(k) notification. At this time, FDA typically responds to the submission of a 510(k) premarket notification within 100 to 120 days. An FDA order may declare that the device is substantially equivalent to another legally marketed device and allow the proposed device to be marketed in the United States. FDA, however, may determine that the proposed device is not substantially equivalent or requires further information, such as additional test data, before the agency is able to make a determination regarding substantial equivalence. Such determination or request for additional information could delay the Company's market introduction of its products and could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company will obtain 510(k) notification clearance within the above time frames, if at all, for any of the devices for which it may file a 510(k) notification.

If a manufacturer or distributor of medical devices cannot establish that a proposed device is substantially equivalent, whether or not FDA has made a determination in response to a 510(k) notification, the manufacturer or distributor must seek premarket approval of the proposed device through submission of a PMA application. To date, none of the Company's products have been subject to PMA applications. A PMA application must be supported by extensive data, including preclinical and clinical trial data, as well as extensive literature to prove the safety and efficacy of the device. Upon receipt, FDA conducts a preliminary review of the PMA to determine whether the submission is sufficiently complete to permit a substantive review. If sufficiently complete, the submission is declared fileable by FDA. Under the FDC Act, FDA has 180 days to review a PMA application, although the review of such applications more often occurs over a significantly protracted time period, and generally takes approximately two years or more from the date of filing to complete.

The PMA process can be expensive, uncertain and lengthy. A number of devices for which FDA marketing approval has been sought have never been approved for marketing. There can be no assurance that the Company will be able to obtain necessary PMA application approval 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.

If human clinical trials of a proposed device are required and the device presents "significant risk," the manufacturer or distributor of the device will have to file an Investigational Device Exemption ("IDE") application with FDA prior to commencing human clinical trials. To date, none of the Company's products have been subject to IDE applications. The IDE application must be supported by data, typically including the results of animal and mechanical testing. If the IDE application is approved, human clinical trials may begin at the specified investigational sites, and the number of research subjects or patients included in the clinical trials must be limited to that approved by FDA. The conduct of preclinical studies must be done in conformity with FDA's good laboratory practice regulation. Clinical studies must comply with FDA's regulations for Institutional Review Board ("IRB") approval and informed consent.

The Company manufacturers 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. FDA's premarket notification regulation requires that agency clearance of a new 510(k) notification is required before the Company can market a previously cleared device that has been changed or modified, if the change or modification could significantly affect the safety or effectiveness of the device or if there is a major change or modification in the intended use of the device. These determinations are very fact specific, and FDA has stated that, initially, the manufacturer is best qualified to make these determinations, which should be based on adequate supporting data and documentation. FDA, however, may disagree with a manufacturer's determination and require the submission of a new 510(k) notification for the changed or modified device. Where 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 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, that submission of new 510(k) notifications to FDA is not required. There can be no assurance, however, that FDA would agree with the Company's determinations.

The Company's medical device manufacturing facilities are registered with FDA. As such, the Company will be inspected by FDA for compliance with the GMP regulations for medical devices. This regulation requires that the Company manufacture its products and maintain documents in a prescribed manner with respect to manufacturing, testing and control activities. The GMP regulation may be revised by FDA to include design controls as well. The Company also is subject to the registration and inspection requirements of state regulatory agencies.

During fiscal 1996, FDA conducted inspections at Allied's St. Louis, Missouri, Toledo, Ohio and Stuyvesant Falls, New York facilities. No alleged violations of the GMP and MDR regulations were identified by FDA. During fiscal 1995, FDA conducted an inspection of the Company's Riverside, California manufacturing facility and issued a Form FDA 483 and a Warning Letter during July and August 1995, respectively and a Form FDA 483 in January 1996. Subsequent to the receipt of these documents, the Company took all necessary corrective action at the Riverside facility. The Company has been notified by FDA that all restrictions on 510(k) applications have been lifted.

The Medical Device Reporting regulation requires that the Company provide information to 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 and oxygen concentrators, which are life-supporting or life-sustaining devices used outside of a device user facility or which are permanently implantable devices. The regulation requires that the method adopted by the Company ensures 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, 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.

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. 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.

No FDA approval is required to export a device that is legally marketed in the United States by the exporting company, or for a device that is eligible for marketing clearance by FDA through the 510(k) premarket notification process. Permission from FDA is required, however, to export an unapproved Class III medical device for which a PMA is required for marketing in the United States, unless the device has been approved for marketing in Australia, Canada, Israel, Japan, New Zealand, Switzerland, South Africa, the European Union or a country in the European Economic Area. FDA must determine that exportation of the device is not contrary to public health and safety and has the approval of the country to which it is intended for export. FDA approval also is required to export an investigational device to a country other than one of those listed in the proceeding sentence, unless the device is the subject of an FDA-approved IDE and will be marketed or used in clinical trials in the importing country for the same intended use, or the manufacturer has been informed by at least two IRBs in the United States that the device is a non-significant risk device and the device will be marketed or used for clinical trials in the importing county for the same intended use. In order to obtain FDA approval, a company must provide the agency

with documentation from the medical device regulatory authority of the country in which the purchaser is located, stating that the sale of the device is not in violation of the country's medical device laws. There can be no assurance that the Company will obtain any required approval by FDA or the country to which a device is intended for export.

The Company also is 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. There can be no assurance that it will not be required to incur significant cost to comply with such laws and regulations in the future or that such laws or regulations will not have a materially adverse effect upon the Company's ability to do business.

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 of hospitals and other health care providers have impacted negatively spending for services, consumables and capital goods. In addition, Congress has deferred resolution of health care policy issues, including the Medicare and Medicaid programs and whether there should be changes in the eligibility requirements for participation in such programs or whether they should be restructured. Restructuring of Medicare and Medicaid most likely will be considered again by Congress in 1997. A material decrease from current reimbursement levels or a material change in the method or basis of reimbursing health care providers, especially with respect to capital spending, as well as uncertainty with respect to the possibility of such changes, are likely to adversely affect future sales of the Company's products.

PATENTS, TRADEMARKS AND PROPRIETARY TECHNOLOGY

The Company has recently expanded the number of products it manufactures which are subject to patents and has applied for several patents for new product developments. Allied holds patents on the Bear Cub 750R infant ventilator, the Connect II universal gas outlet, the Trio headwall and certain ventilator components which it believes to be material to its business. The Company expects that as it shifts its focus to the higher technology portion of the respiratory products industry, new patents obtained through its research and development efforts and acquisitions will be increasingly material to the Company's business.

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 all countries where such products are sold and such registrations are considered necessary to preserve the Company's proprietary rights therein.

COMPETITION

Allied competes in the markets for respiratory products. The Company has different competitors within each of its product lines. The Company's principal competitors include: Nellcor Puritan-Bennett Corporation; DeVilbiss Health Care, Inc., a subsidiary of Sunrise Medical Inc.; Healthdyne Technologies, Inc.; Bird Medical Technologies, Inc., a subsidiary of Thermo Election Corp.; Invacare Corporation; Medaes Inc., Ohmeda, a division of BOC Group plc; Hill-Rom Company, Inc., a subsidiary of Hillenbrand Industries, Inc.; Laerdal Medical Corporation; Ambu, Inc.; Impact Instrumentation, Inc. and Ferno-Washington, Inc. 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 than the Company. 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, 1996, the Company had 814 full-time employees and 143 part-time employees. Approximately 265 employees in the Company's principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement which expires in May 1997. An aggregate of approximately 115 employees at the Company's facilities in Oakland, California, Toledo, Ohio and Stuyvesant Falls, New York are also covered by collective bargaining agreements which expire in 1997 and 1998. The Company has not experienced a strike or work stoppage during the past five years, and believes that its labor relations are good.

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, California, Ohio and New York. Set forth below is certain information with respect to the Company's manufacturing facilities.

LOCATION	SQUARE FOOTAGE (APPROXIMATE)	OWNED/ LEASED	ACTIVITIES/PRODUCTS
St. Louis, Missouri	270,000	Owned	Headquarters; medical gas equipment; respiratory therapy equipment; emergency medical products
Riverside, California	164,000	Leased	Respiratory therapy equipment
Toledo, Ohio	56,700	Owned	Home health care products
Stuyvesant Falls, New York	30,000	Owned	CO2 absorbent
Oakland, California	12,500	Leased	Headwalls

In the event of the expiration, cancellation or termination of a lease relating to any of the Company's leased properties, the Company anticipates no significant difficulty in connection with leasing alternate space at reasonable rates. The Company leases facilities in Mt. Vernon, Ohio, which it subleased in fiscal 1996 as a second stage of its plant consolidation strategy for its disposable products operations. In addition, the Company also owns an additional 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. To date, no such recalls have been material to the Company.

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

The information required by this item is set forth under the caption "Common Stock Information" appearing on page 29 of the Company's 1996 Annual Report to Shareholders (the "Annual Report"), which information is incorporated herein by reference thereto.

As of September 23, 1996, there were 244 record owners of the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is set forth under the caption "Income Statement Data" and "Balance Sheet Data" appearing on page 29 of the Annual Report, which information is incorporated herein by reference thereto.

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

The information required by this item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 10 through 16 of the Annual Report, which information is incorporated herein by reference thereto.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are presented under Item 14 and incorporated herein by reference.

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

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 4, 1996. The information required by this item is set forth under the caption "Election of Directors" on pages 2 through 4, under the caption "Executive Officers" on page 7 under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 18 of 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" on pages 8 through 14 of 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" on pages 4 through 6 of the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is set forth under the caption "Certain Transactions" on page 15 of the definitive proxy statement, which information is incorporated herein by reference thereto.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

1. FINANCIAL STATEMENTS

The following consolidated financial statements of the Company and its subsidiaries, included on pages 17 to 28 in the Annual Report are incorporated herein by reference:

Consolidated Statement of Income for the years ended June 30, 1996, 1995 and 1994

Consolidated Balance Sheet at June 30, 1996 and 1995

Consolidated Statement of Changes in Shareholders' Equity for the years ended June 30, 1996, 1995 and 1994

Consolidated Statement of Cash Flows for the years ended June 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

Report of Independent Accountants

2. FINANCIAL STATEMENT SCHEDULES

Report of Independent Accountants on Financial Statement Schedule

Valuation and Qualifying Accounts and Reserves for the Years Ended June 30, 1996, 1995 and 1994

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/ BARRY F.BAKER

Barry F. Baker
Vice President-Finance and Chief Financial Officer

Dated: September 27, 1996

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 27, 1996.

SIGNATURES	TITLE
*	Chairman of the Board
Dennis W. Sheehan	
*	President, Chief Executive Officer and Director (Principal Executive Officer)
James C. Janning	
/S/ BARRY F. BAKER	Vice President-Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Barry F. Baker	
*	Director
David A. Gee	
*	Director
Samuel A. Hamacher	
*	Director
Robert E. Lefton	
*	Director
Donald E. Nickelson	
*	Director
William A. Peck	

*By: /S/ BARRY F. BAKER

Barry F. Baker
Attorney-in-Fact

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

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

Our audits of the consolidated financial statements referred to in our report dated August 21, 1996, except as to Note 14, which is as of September 20, 1996, appearing in the 1996 Annual Report to Shareholders of Allied Healthcare Products, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in item 14(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

St. Louis, Missouri
August 21, 1996

ALLIED HEALTHCARE PRODUCTS, INC.
RULE 12-09 VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS - DESCRIBE	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD
FOR THE YEAR ENDED JUNE 30, 1996				
Reserve For Doubtful Accounts	($590,459)	($107,871)		$275,814(1)	($422,516)
Inventory Allowance For Obsolescence and Excess Quantities	($4,349,467)	$83,700		$2,453,225(2)	($1,812,542)
FOR THE YEAR ENDED JUNE 30, 1995				
Reserve For Doubtful Accounts	($320,000)	$124,205		($394,664)(3)	($590,459)
Inventory Allowance For Obsolescence and Excess Quantities	($812,389)	($469,664)		($4,006,742)	(($4,349,467)
FOR THE YEAR ENDED JUNE 30, 1994				
Reserve For Doubtful Accounts	($245,446)	$54,636		($129,190)(5)	($320,000)
Inventory Allowance For Obsolescence and Excess Quantities	($485,000)	($148,384)		$179,005(6)	($812,389)

(1) Decrease due to bad debt write-offs, bad debt recoveries and changes in estimate. Offsetting increase of $80,000 due to the acquisition of Omni-Tech Medical, Inc.

(2) Decrease due to inventory disposed of and changes in estimate. Offsetting increase of $105,470 due to the acquisition of Omni-Tech Medical, Inc.

(3) $404,993 due to the acquisition of B&F Medical Products, Inc., Bear Medical Systems, Inc. and BiCore Monitoring Systems, Inc. Offsetting decrease due to bad debt write-offs, bad debt recoveries and changes in estimate.

(4) $5,369,689 due to the acquisition of B&F Medical Products, Inc., Bear Medical Systems, Inc. and BiCore Monitoring Systems, Inc. Offsetting decrease due to inventory determined to be obsolete and disposed of and changes in estimate.

(5) $50,488 due to the acquisition of Life Support Products, Inc. and Hospital Systems, Inc. Remainder due to Bad debt write-offs, bad debt recoveries and changes in estimate.

(6) $294,393 due to the acquisition of Life Support Products, Inc. and Hospital Systems, Inc. Remainder due to inventory determined to be obsolete and disposed of and changes in estimate.

INDEX TO EXHIBITS

Exhibit No.	Description	Sequentially Numbered Page
2.1	Agreement and Plan of Merger, dated as of August 4, 1994, by and among Allied Healthcare Products, Inc., BFM Acquisition Corporation, B&F Medical Products, Inc., and the major stockholders listed therein (filed as Item 7(d) to the Current Report on Form 8-K, filed with the Commission on September 16, 1994, as amended on November 4, 1994, and incorporated herein by reference)	
2.2	Stock Purchase Agreement, dated as of February 10, 1995, by and among Allied Healthcare Products, Inc., Selwood, Inc., and BTR Dunlop, Inc. (filed as Item 7 (c) to the Current Report on Form 8-K filed with the Commission on February 24, 1995, as amended on April 24, 1995, and incorporated herein by reference)	
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 Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Allied Healthcare Products, Inc. dated August 21, 1996	
3.2	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Allied Healthcare Products, Inc. dated August 21, 1996.	
3.3	By-Laws of the Registrant (filed as Exhibit 3(2) to the Registration Statement and incorporated herein by reference)	
10.1	Lease Agreement, dated June 30, 1988, between Luke D. Wenger and Shirley A. Wenger and Timeter Instrument Corporation (filed as Exhibit 10(14) to the Registration Statement and incorporated herein by reference)	
10.2	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)	
10.3	Allied Healthcare Products, Inc. 1991 Directors Non-Qualified Stock Option Plan (filed as Exhibit 10(25) to the Registration Statement and incorporated herein by reference)	
10.4	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)	
10.5	Amended and Restated Registration Rights Agreement dated November 8, 1991 among Allied Healthcare Products, Inc., Harbour Group Investments, L.P., Earl R. Refsland and Robert L. Ricks (filed as Exhibit 10(41) to the Registration Statement and incorporated herein by reference)	

Exhibit No.	Description	Sequentially Numbered Page
10.6	Employee Stock Purchase Plan (filed with the Commission as Exhibit 10(45) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992 (the "1992 Form 10-K") and incorporated herein by reference)	
10.7	Amendment to Allied Healthcare Products, Inc. 1991 Directors Non-Qualified Stock Option Plan dated September 14, 1992 (filed as Exhibit 10(46) to the 1992 Form 10-K and incorporated herein by reference)	
10.8	First Amendment to Lease Agreement, dated January 24, 1992, between Luke D. Wenger and Shirley A. Wenger and Timeter Instrument Corporation (filed as Exhibit 10(32) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 and incorporated herein by reference)	
10.9	Operations Consulting and Advisory Services Agreement dated January 26, 1994 between Harbour Group Ltd. and Allied Healthcare Products, Inc. (filed with the Commission as Exhibit 10(33) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (the "1994 Form 10-K") and incorporated herein by reference)	
10.10	Corporate Development Consulting and Advisory Services Agreement dated January 26, 1994 between Harbour Group Industries, Inc. and Allied Healthcare Products, Inc. (filed with the Commission as Exhibit 10(34) to the 1994 Form 10-K and incorporated herein by reference)	
10.11	Allied Healthcare Products, Inc. 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(39) to the 1994 Form 10-K and incorporated herein by reference)	
10.12	Memorandum of Agreement dated June 1, 1994 covering June 1, 1994 - May 31, 1997 between Allied Healthcare Products, Inc. and District No. 9, International Association of Machinist and Aerospace Workers (filed with the Commission as Exhibit 10(40) to the 1994 Form 10-K and incorporated herein by reference)	
10.13	Letter Agreement dated August 4, 1994 between Harbour Group, Ltd. and Allied Healthcare Products, Inc. (filed with the Commission as Exhibit 10(42) to the 1994 Form 10-K and incorporated herein by reference)	
10.14	Lease dated as of November 4, 1993 between Essup Part and B&F Medical Products, Inc. (filed with the Commission as Exhibit 10(43) to the 1994 Form 10-K and incorporated herein by reference)	
10.15	Union Labor Agreement dated May 9, 1994 covering July 1, 1994 - June 30, 1997 between B&F Medical Products, Inc. and B&F Employee Committee (filed with the Commission as Exhibit 10(44) to the 1994 Form 10-K and incorporated herein by reference)	
10.16	Commercial Lease and Deposit Receipt between Hospital Systems, Inc. and 5301 Adeline Associates, a California Limited Partnership (filed with the Commission as Exhibit 10(47) to the 1994 Form 10-K and incorporated herein by reference)	

Exhibit No.	Description	Sequentially Numbered Page
10.17	1994-1997 Agreement dated June 24, 1994 covering May 1, 1994 - April 30, 1997 between Hospital Systems, Inc. and Electrical Workers Union, Local 2131 (filed with the Commission as Exhibit 10(48) to the 1994 Form 10-K and incorporated herein by reference)	
10.18	Lease dated as of December 27, 1982 by and between B.M.S./Riverside Limited Partnership and Intermed Holdings, Inc., as amended (filed with the Commission as Exhibit 10(31) 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)	
10.19	Allied Healthcare Products, Inc. 1995 Directors Non-Qualified Stock Option Plan (filed with the Commission as Exhibit 10(25) to the 1995 Form 10-K and incorporated herein by reference) 10.20 Assignment of Lease dated October 3, 1988 by Intermed Holdings, Inc. to Bear Medical Systems, Inc. (filed with the Commission as Exhibit 10(32) to the 1995 Form 10-K and incorporated herein by reference)	
10.21	Warehouse Lease dated December 7, 1990 by and between Mineola/Hemmer, L.P. and Bear Medical Systems, Inc. (filed with the Commission as Exhibit 10(33) to the 1995 Form 10-K and incorporated herein by reference)	
10.22	Agreement and Plan of Merger dated May 31, 1995 by and among Bear Medical Systems, Inc., BMS Acquisition Corporation and BiCore Monitoring Systems, Inc. (filed with the Commission as Exhibit 10(34) to the 1995 Form 10-K and incorporated herein by reference)	
10.23	Memorandum of Agreement dated April 19, 1995 covering April 16, 1995 - April 15, 1998 between Allied Healthcare Products, Inc., Chemetron Medical Division and International Chemical Workers Union, Local No. 626 (filed with the Commission as Exhibit 10(35) to the 1995 Form 10-K and incorporated herein by reference)	
10.24	Second Amended and Restated Loan and Reimbursement Agreement dated as of February 10, 1995 provided by The Boatmen's National Bank of St. Louis and The Daiwa Bank, Ltd. to Allied Healthcare Products, Inc., Life Support Products, Inc., B&F Medical Products, Inc., Hospital Systems, Inc. and Bear Medical Systems, Inc. (the "Restated Loan Agreement") (filed with the Commission as Exhibit 10(36) to the 1995 Form 10-K and incorporated herein by reference)	
10.25	Amendment No. 1, dated as of June 7, 1995, to the Restated Loan Agreement (filed with the Commission as Exhibit 10(37) to the 1995 Form 10-K and incorporated herein by reference)	
10.26	Amended and Restated Credit Facilities Agreement dated October 13, 1995 by and among Allied Healthcare Products, Inc. and its subsidiaries and The Boatman's National Bank of St. Louis as agent (filed with the Commission as Exhibit 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference)	

Exhibit No.	Description	Sequentially Numbered Page
10.27	Underwriting Agreement dated September 28, 1995 by and among Allied Healthcare Products, Inc., and Cowen & Company, Dillon, Read & Co. Inc. and A.G. Edwards & Sons, Inc., as representatives of the underwriters (filed as Exhibit 2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference)	
10.28	Allied Healthcare Products, Inc. Amendment to 1994 Employee Stock Option Plan	
10.29	Amendment Number One to Amended and Restated Credit Facilities Agreement dated April 19, 1996 among The Boatmen's National Bank of St. Louis, as Agent, and The Boatmen's National Bank of St. Louis and the other lenders listed on the signature pages thereof, as Lenders, and Allied Healthcare Products, Inc., and the other borrowers listed on the signature pages thereof, as Borrowers	
10.30	Amendment Number Two to Amended and Restated Credit Facilities Agreement dated September 23, 1996 among The Boatmen's National Bank of St. Louis, as Agent, and The Boatmen's National Bank of St. Louis and the other lenders listed on the signature pages thereof, as Lenders, and Allied Healthcare Products, Inc., and the other borrowers listed on the signature pages thereof, as Borrowers	
10.31	Consulting and Severance Agreement dated as of September 1, 1996 by and between Allied Healthcare Products, Inc. and David V. LaRusso	
10.32	Rights Agreement dated August 21, 1996 by and between Allied Healthcare Products, Inc. and Boatmen's Trust Company, as Rights Agent (filed with the Commission as Exhibit (2) to the Company's Current Report on Form 8-K dated August 7, 1996 and incorporated herein by reference)	
13	Annual Report to Stockholders	
21	Subsidiaries of the Registrant	
23	Consent of Price Waterhouse LLP	
24	Powers of Attorney	

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS
OF SERIES A PREFERRED STOCK

of

ALLIED HEALTHCARE PRODUCTS, INC.

Pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware.

ALLIED HEALTHCARE PRODUCTS, INC., a Delaware corporation (the "Corporation"), certifies that pursuant to the authority conferred in Article Fourth of its Amended and Restated Certificate of Incorporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has adopted the following resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof.

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series A Preferred Stock" and the number of shares constituting such series shall be 200,000.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock in preference to the holders of Common Stock, par value $0.01 per share (the "Common Stock"), shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, one hundred (100) times the aggregate per share amount of all cash dividends, and one hundred (100) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after August 21, 1996 (the "Rights Declaration Date") (i) declare any dividend on the Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend

Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends

paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to one hundred (100) votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on the Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Preferred Stock) with dividends in

arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting rights of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2)Directors or, if such right is exercised at an annual meeting, to elect two (2)Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or PARI PASSU with the Series A Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than twenty (20) days and not later than sixty (60) days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate

not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within sixty (60) days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation, if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this Paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by-law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. CERTAIN RESTRICTIONS.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions,

whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration anyshares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and nay be reissued as

part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP.

(A) Upon any liquidation (voluntary or otherwise), dissolution winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) one hundred (100) (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number, the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or

(iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to one hundred (100) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. NO REDEMPTION. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. RANKING. The Series A Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock which may be created in the future as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. AMENDMENT. The Amended and Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Section 11. FRACTIONAL SHARES. Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, ALLIED HEALTHCARE PRODUCTS, INC. has caused this Certificate of Designations, Preferences and Rights of Series A Preferred Stock to be executed by its President and Chief Executive Officer and attested to by its Secretary this 21st day of August, 1996.

ALLIED HEALTHCARE PRODUCTS, INC.

/s/ James C. Janning
By: _____
James C. Janning
President and Chief Executive Officer

ATTEST:

/s/ Barry F. Baker
By:_____
Barry F. Baker
Secretary

ALLIED HEALTHCARE PRODUCTS, INC.
AMENDMENT TO 1994 EMPLOYEE STOCK OPTION PLAN

WHEREAS, Allied Healthcare Products, Inc., a Delaware corporation (the "Company"), adopted the Allied Healthcare Products, Inc. 1994 Employee Stock Option Plan (the "Plan"), dated August 4, 1994. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Plan;

WHEREAS, Article IV of the Plan provides that the Board may at any time amend or revise the terms of the Plan, subject to stockholder approval as described therein; and

WHEREAS, the Board has resolved to make certain amendments and revisions to the Plan, subject to stockholder approval thereof.

NOW, THEREFORE, the Plan is hereby amended, effective upon stockholder approval thereof, as follows:

1. Section 1(a) of Article I and Section 3 of Article II thereof are hereby revised to state that a total of 550,000 shares are available for issuance pursuant to the Plan.

2. Section 2(a) of Article I thereof is hereby revised to read as follows:

a. The Plan shall be administered by a committee (the "Committee") as appointed from time to time by the Board of Directors (the "Board") of the Company (or any successor committee appointed by the Board). The Committee shall consist of two or more individuals who shall be members of the Board and each of whom shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Members of the Committee shall not be eligible to receive Options under the Plan while a member. Any member of the Committee may, however, exercise Options previously granted. A majority of the members of the Committee shall constitute a quorum. Any action of the Committee with respect to the

administration of the Plan shall be taken by majority vote or written consent of a majority of its members. The Board of Directors, acting by resolution approved at a duly convened meeting of the full Board of Directors at which a quorum was present or by written consent of all of the members of the Board of Directors, may exercise any of the powers granted to the Committee under the Plan.

In addition, Options may be granted with any terms and conditions not inconsistent with the Plan without approval of the Committee if such Options (i) are subject to shareholder approval or (ii) may not be exercised within six (6) months of the date of grant.

3. Section 6(a) of Article II thereof is hereby revised to read as follows:

a. A participant may exercise each Option granted to the participant in such installments as the Committee shall determine at the time of grant thereof.

4. Section 8(g) of Article III thereof is hereby revised to read as follows:

g. If the employment of any participant with the Company and all parent and subsidiary corporations of the Company shall terminate for any reason described in clause (i) or (ii) of paragraph a of this Section 8 and at the time of such termination a Non-Qualified Option previously granted to such participant was not fully exercisable solely because a period of time prior to exercise set forth in the applicable Non-Qualified Stock Option Agreement had not passed, then the Committee in its discretion may amend such Agreement to permit the exercise of such Options at such times, not after three years following such termination of employment, as the Committee may determine in its discretion to be appropriate in any particular instance.

5. Section 1(a) of Article IV thereof is hereby revised to read as follows:

a. The Board may, in its discretion, at any time suspend or terminate the Plan. The Board may also at any time amend or revise the terms of the Plan or any Option granted under the Plan.

6. No other provision of the Plan shall be altered, amended, revised or otherwise modified hereby.

7. This Amendment to 1994 Employee Stock Option Plan shall become effective upon stockholder approval hereof.

IN WITNESS WHEREOF, this Amendment has been duly executed by order of the Board as of the 10th day of September 1996.

ALLIED HEALTHCARE PRODUCTS, INC.

By: /S/ BARRY F. BAKER
Barry F. Baker
Vice President--Finance,
Chief Financial Officer and
Secretary

AMENDMENT NUMBER ONE
TO
AMENDED AND RESTATED CREDIT FACILITIES AGREEMENT
AMONG
THE BOATMEN'S NATIONAL BANK OF ST. LOUIS, AS "AGENT"
AND
THE BOATMEN'S NATIONAL BANK OF ST. LOUIS
AND
THE OTHER LENDERS LISTED ON THE SIGNATURE PAGES HEREOF, AS "LENDERS"
AND
ALLIED HEALTHCARE PRODUCTS, INC.
AND
THE OTHER BORROWERS LISTED ON THE SIGNATURE PAGES HEREOF, AS "BORROWERS"

AMENDMENT NUMBER ONE to AMENDED AND RESTATED CREDIT FACILITIES AGREEMENT (the "Amendment") entered into as of April 19, 1996, by and among Allied Healthcare Products, Inc. ("Allied"), a Delaware corporation, Life Support Products, Inc., a California corporation ("LSP"), B&F Medical Products, Inc., a Delaware corporation ("B&F"), Hospital Systems, Inc., a California corporation ("HSI"), Bear Medical Systems, Inc., a California corporation ("BMS") and BiCore Monitoring Systems, Inc., a California corporation ("Bicore") (Allied, LSP, B&F, HSI, BMS and Bicore are referred to herein both collectively and individually as "Borrower", The Boatmen's National Bank of St. Louis ("Boatmen's"), individually and as "Agent", and Boatmen's and the additional lenders listed on the signature pages hereof, as lenders (each a "Lender" and collectively, "Lenders").

RECITALS:

A. Borrower and Lenders are party to that certain Amended and Restated Credit Facilities Agreement dated as of October 13, 1995 (as it may be amended, restated, extended, renewed, or otherwise modified from time to time, the "Loan Agreement').

B. The Daiwa Bank, Ltd. has assigned all of its right, title and interest in and to the Loan Obligations and Loan Documents to The Sumitomo Bank, Ltd., effective as of February 2, 1996, which assignment has been accepted and consented to by Agent and Borrower.

C. Borrower has requested that Lenders make certain amendments to the Loan Agreement.

D. Lenders are willing to amend the Loan Agreement upon the terms and conditions hereinafter set forth.

Therefore, in consideration of the mutual agreements herein and other sufficient consideration, the receipt of which is hereby acknowledged, Borrower and Lenders hereby amend the Loan Agreement as follows:

1. DEFINITIONS. Capitalized terms used and not otherwise defined herein have the meanings given them in the Loan Agreement.

2. AMENDMENTS TO LOAN AGREEMENT.

2.1. NEW LENDER. The Sumitomo Bank, Ltd. replaced The Daiwa Bank, Ltd. as a Lender, effective as of February 2, 1996, in accordance with the terms of Section 20.4 of the Loan Agreement. All references in

the Loan Agreement to "The Daiwa Bank, Ltd." or "Daiwa" shall be deemed to be references to The Sumitomo Bank, Ltd.

2.2. MINIMUM OPERATING CASH FLOW. Section 17.10 of the Loan Agreement is hereby amended by deleting therefrom in its entirety the table therein and substituting the following in lieu thereof:

PERIOD	MINIMUM OPERATING CASH FLOW
four fiscal quarters ending 3/31/96	$19,400,000
four fiscal quarters ending 6/30/96	$19,400,000
four fiscal quarters ending 9/30/96	$19,400,000
four fiscal quarters ending 12/31/96	$20,000,000
four fiscal quarters ending 3/31/97	$20,000,000
four fiscal quarters ending 6/30/97	$21,000,000
four fiscal quarters ending 9/30/97	$22,000,000
four fiscal quarters ending 12/31/97 and the four fiscal quarters ending each June 30 and December 31 thereafter	$23,000,000

2.3. DEFINITIONS.

2.3.1. NEW DEFINITIONS. The following definitions are hereby added

to the Loan Agreement in proper alphabetical order:

"'Lease': a Capital Lease or an Operating Lease."

2.3.2. AMENDED DEFINITIONS.

The definition of "Qualified Financial Institution" is hereby deleted in its entirety and the following is substituted in lieu thereof:

"'Qualified Financial Institution': a commercial bank chartered under the laws of the United States or any state thereof having capital and surplus of at least $500,000,000."

2.4. EXHIBIT 13. Exhibit 13 to the Loan Agreement is hereby amended by adding thereto the disclosures contained in Exhibit A, attached hereto and incorporated herein by this reference.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower hereby represents and warrants to Lenders that (i) this Amendment has been duly authorized by Borrower's Board of Directors, (ii) no consents are necessary from any third parties for Borrower's execution, delivery or performance of this Amendment, (iii) this Amendment constitutes a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws related to creditors rights generally or by the application of equity principles, (iv) except as disclosed on the disclosure schedule attached hereto as Exhibit A, all of the representations and warranties contained in Section 13 of the Loan

Agreement, as amended by this Amendment, are true and correct in all material respects with the same force and effect as if made on and as of the effective date of this Amendment, except that with respect to the representations and warranties made regarding financial data in Section 13.15, such representations and warranties are hereby made with respect to the most recent Financial Statements and other financial data (in the form required by the Loan Agreement) delivered by Borrower to Lenders, (v) there is no Default which is continuing and no Event of Default has occurred under the Loan Agreement as amended by this Amendment, and (vi) the Loan Agreement (as modified by this Amendment) represents the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except to the extent that the enforceability thereof against Borrower may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforceability of creditor's rights generally or by equitable principles of general application (whether considered in an action at law or in equity).

4. EFFECT OF AMENDMENT. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or Lenders under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement, any of the other Loan Documents or any existing Default or Event of Default, nor act as a release or subordination of the Security Interests of Agent or Lenders under the Security Documents. Each reference in the Loan Agreement to "the Agreement", "hereunder", "hereof", "herein", or words of like import, shall be read as referring to the Loan Agreement as amended by this Amendment.

5. REAFFIRMATION. Borrower hereby acknowledges and confirms that (i) except as expressly amended hereby the Loan Agreement remains in full force and effect, (ii) the Loan Agreement, as amended hereby, is in full force and effect, (iii) Borrower has no defenses to its obligations under the Loan Agreement and the other Loan Documents, (iv) the Security Interests of Agent and Lenders under the Security Documents secure all the Loan Obligations under the Loan Agreement as amended by this Amendment, continue in full force and effect and have the same priority as before this Amendment, and (v) Borrower has no claim against Agent or any Lender arising from or in connection with the Loan Agreement or the other Loan Documents.

6. GOVERNING LAW. This Amendment has been executed and delivered in St. Louis, Missouri, and shall be governed by and construed under the laws of the State of Missouri without giving effect to choice or conflicts of law principles thereunder.

7. SECTION TITLES. The section titles in this Amendment are for convenience of reference only and shall not be construed so as to modify any provisions of this Amendment.

8. COUNTERPARTS; FACSIMILE TRANSMISSIONS. This Amendment may be executed in one or more counterparts and on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Amendment may be given by facsimile or other electronic transmission, and such signatures shall have the same binding effect as an original signature on an original document.

9. INCORPORATION BY REFERENCE. Lenders and Borrower hereby agree that all of the terms of the Loan Documents are incorporated in and made a part of this Amendment by this reference.

10. STATUTORY NOTICE. The following notice is given pursuant to Section 432.045 of the Missouri Revised Statutes; nothing contained in such notice will be deemed to limit or modify the terms of the Loan Documents or this Amendment:

> ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO

EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

BORROWER AND LENDERS HEREBY AFFIRM THAT THERE IS NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDERS WITH RESPECT TO THE SUBJECT MATTER OF THIS AMENDMENT.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by appropriate duly authorized officers as of the date first above written.

ALLIED HEALTHCARE PRODUCTS, INC.

/s/ David V. LaRusso
By: _____
Name: David V. LaRusso
Title: President

LIFE SUPPORT PRODUCTS, INC.

/s/ David V. LaRusso
By:_____
Name: David V. LaRusso
Title: President

B&F MEDICAL PRODUCTS, INC.

/s/ David V. LaRusso
By: _____
Name: David V. LaRusso
Title: President

HOSPITAL SYSTEMS, INC.

/s/ David V. LaRusso
By:_____
Name: David V. LaRusso
Title: President

BEAR MEDICAL SYSTEMS, INC.

/s/ David V. LaRusso
By: _____
Name: David V. LaRusso
Title: President

BICORE MONITORING SYSTEMS, INC.

/s/ David V. LaRusso
By:_____
Name: David V. LaRusso
Title: President

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS

/s/ Alex D. Fennoy
By:_____
Name: Alex D. Fennoy
Title: Corporate Banking Officer

CREDITANSTALT CORPORATE FINANCE, INC.

By: _____
Name: _____
Title: _____

THE SUMITOMO BANK, LIMITED

/s/ Jayleen R. P. Hague
By: _____
Name: Jayleen R. P. Hague
Title: Vice President

/s/ Theresa A. Lekich
By: _____
Name: Theresa A. Lekich
Title: Vice President

DRESDNER BANK A.G. CHICAGO AND GRAND CAYMAN BRANCHES

By: _____
Name: _____
Title: _____

FIRST BANK

/s/ Brenda J. Laux
By: _____
Name: Brenda J. Laux
Title: Senior Vice President

LASALLE NATIONAL BANK

By: _____
Name: _____
Title: _____

MERCANTILE BANK OF ST. LOUIS NATIONAL ASSOCIATION

/s/ L. Alec Blanc III
By: _____
Name: L. Alec Blanc III
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

SANWA BUSINESS CREDIT CORPORATION

/s/ Lawrence J. Placek
By: _____
Name:Lawrence J. Placek
Title: Vice President

THE SUMITOMO BANK, LTD.

By: _____
Name:_____
Title:_____

By: _____
Name:_____
Title:_____

DRESDNER BANK A.G. CHICAGO AND GRAND CAYMAN BRANCHES

/s/ Elizabeth Holden
By: _____
Name: Elizabeth Holden
Title: Vice President

/s/ Paul M.Casey
By: _____
Name: Paul M. Casey
Title: Assistant Vice President

FIRST BANK

By: _____
Name:_____
Title:_____

LASALLE NATIONAL BANK

By: _____
Name: _____
Title: _____

MERCANTILE BANK OF ST. LOUIS NATIONAL ASSOCIATION

By: _____
Name:_____
Title:_____

PNC BANK, NATIONAL ASSOCIATION

/s/ David M. Eichenlaub
By: _____
Name: David M. Eichenlaub
Title: Vice Presidet

SANWA BUSINESS CREDIT CORPORATION

By: _____
Name:_____
Title:_____

EXHIBIT A

Additions to Exhibit 13 of the Loan Agreement

None, if nothing listed below.

AMENDMENT NUMBER TWO
TO
AMENDED AND RESTATED CREDIT FACILITIES AGREEMENT
AMONG
THE BOATMEN'S NATIONAL BANK OF ST. LOUIS, AS "AGENT"
AND
THE BOATMEN'S NATIONAL BANK OF ST. LOUIS
AND
THE OTHER LENDERS LISTED ON THE SIGNATURE PAGES HEREOF, AS "LENDERS"
AND
ALLIED HEALTHCARE PRODUCTS, INC.
AND
THE OTHER BORROWERS LISTED ON THE SIGNATURE PAGES HEREOF,
AS "BORROWERS"

AMENDMENT NUMBER TWO to AMENDED AND RESTATED CREDIT FACILITIES AGREEMENT (the "Amendment") entered into as of September 23, 1996, by and among Allied Healthcare Products, Inc. ("Allied"), a Delaware corporation, Life Support Products, Inc., a California corporation ("LSP"), B&F Medical Products, Inc., a Delaware corporation ("B&F"), Hospital Systems, Inc., a California corporation ("HSI"), Bear Medical Systems, Inc., a California corporation ("BMS") and BiCore Monitoring Systems, Inc., a California corporation ("Bicore") (Allied, LSP, B&F, HSI, BMS and Bicore are referred to herein both collectively and individually as "Borrower", The Boatmen's National Bank of St. Louis ("Boatmen's"), individually and as "Agent", and Boatmen's and the additional lenders listed on the signature pages hereof, as lenders (each a "Lender" and collectively, "Lenders").

RECITALS:

A. Borrower and Lenders are party to that certain Amended and Restated Credit Facilities Agreement dated as of October 13, 1995, as amended by that certain Amendment Number One dated as of April 19, 1996 (as it may be further amended, restated, extended, renewed, or otherwise modified from time to time, the "Loan Agreement").

B. As of the date of this Amendment, the Term Loans and Acquisition Loans are as reflected on Exhibit 1 attached hereto and incorporated herein by this reference.

C. Borrower and Lenders desire to make certain amendments to the Loan Agreement upon the terms and conditions hereinafter set forth.

Therefore, in consideration of the mutual agreements herein and other sufficient consideration, the receipt of which is hereby acknowledged, Borrower and Lenders hereby amend the Loan Agreement as follows:

1. DEFINITIONS. Capitalized terms used and not otherwise defined herein have the meanings given them in the Loan Agreement. Section references are references to Sections of the Loan Agreement unless otherwise indicated. Exhibit references are references to Exhibits to the Loan Agreement unless otherwise indicated.

2. AMENDMENTS TO LOAN AGREEMENT.

2.1. CANCELLATION OF AGGREGATE ACQUISITION LOAN COMMITMENT. The Aggregate Acquisition Loan Commitment in Section 3.4 of the Loan Agreement is hereby canceled. Borrower shall continue to make payments and prepayments of the Aggregate Acquisition Term Loan as provided in the Loan Agreement.

2.2. EXHIBIT 3. Exhibit 3 to the Loan Agreement is hereby deleted in its entirety and replaced with Exhibit 3 attached hereto and incorporated herein by this reference.

2.3. BORROWING BASE. The following paragraph and table are added to the end of Section 3.1.3 of the Loan Agreement:

> The percentages set forth in Sections 3.1.3.1 and 3.1.3.2 above with respect to Eligible Accounts and Eligible Inventory, respectively, shall, for the periods listed below, be replaced with the respective percentages set forth in the following table:

PERIOD	SECTION 3.1.3.1 PERCENTAGE	SECTION 3.1.3.2 PERCENTAGE
Date of Amendment Number Two through 12/31/96	90%	70%
1/1/97 through 1/31/97	89%	67%
2/1/97 through 2/28/97	88%	64%
3/1/97 through 3/31/97	87%	61%
4/1/97 through 4/30/97	86%	58%

5/1/97 through 5/31/97	85%	54%
6/1/97 through 6/30/97	85%	52%
7/1/97 and thereafter	85%	50%

2.4. 1996 SECURED TERM LOAN. A new Section 3.3A is hereby added to the Loan Agreement immediately before Section 3.4 of the Loan Agreement as follows:

"3.3A. 1996 SECURED TERM LOAN COMMITMENT. Boatmen's for itself, and not on behalf of the other Lenders, commits to make a term loan to Borrower in the amount of $5,000,000 (the "1996 Secured Term Loan Commitment") in a single advance on the Amendment Number Two Effective Date (the "1996 Secured Term Loan Advance"). (The from time to time outstanding principal amount of the 1996 Secured Term Loan Advance is referred to herein as the "1996 Secured Term Loan". The obligation of Borrower to repay the 1996 Secured Term Loan shall be evidenced by a promissory note payable to the order of Boatmen's and satisfactory to Boatmen's (the "1996 Secured Term Note"). Amounts applied to reduce the 1996 Secured Term Loan may not be reborrowed."

2.5. INTEREST ON LOANS. Section 4.1 of the Loan Agreement is hereby amended by (i) deleting from the first sentence, the words "Each Loan other than the Swingline Loan" and inserting in lieu thereof, the words "Each Loan other than the Swingline Loan and the 1996 Secured Term Loan" and (ii) inserting the following sentence immediately after the second sentence of such Section: "The 1996 Secured Term Loan shall bear interest at the fixed rate of eleven and one-half percent (11 1/2%) per annum."

2.6. CONVERSION OF LOANS. Section 4.6 of the Loan Agreement is hereby amended by deleting the words "provided, further, that the Swingline Loan may not", and substituting in lieu thereof, the words "provided, further, that neither the Swingline Loan nor the 1996 Secured Term Loan may".

2.7. CBR INCREMENTS AND LIBOR INCREMENTS. Section 4.4 of the Loan Agreement is hereby amended by inserting the following immediately before the table therein:

"From the Amendment Number Two Effective Date through July 1, 1997, the CBR Increment shall be 1.00% and the LIBOR Increment shall be 3.00%. Thereafter, the CBR Increment and LIBOR Increment shall be the applicable increment as determined pursuant to the following table."

2.8. SCHEDULED PRINCIPAL PAYMENTS ON REVOLVING LOANS AND SWINGLINE LOAN. Sections 6.1.2, 6.1.2.1 and 6.1.2.2 of the Loan Agreement are hereby deleted in their entirety and the following is substituted in lieu thereof:

"6.1.2. PRINCIPAL.

6.1.2.1. DAILY PAYMENTS. Borrower shall maintain one or more lockboxes with Agent under its standard lockbox agreements or other institutions acceptable to Agent (the "Lockboxes"). Agent will establish on its books an account in the name of Borrower designated as the "Cash Collateral Account". Borrower shall direct all Account Debtors to remit payments on their Accounts to one or another of the Lockboxes. All proceeds of Collateral and all funds Borrower receives directly (other than Revolving Advances and Swingline Advances) shall be deposited in the Cash Collateral Account. Collected funds in the Cash Collateral Account on each Business Day, to the extent they do not exceed the Swingline Loan on such Business Day, shall be remitted by Agent to Boatmen's and applied by Boatmen's to reduce the Swingline Loan. The collected funds remaining in the Cash Collateral Account on every Wednesday (the "Settlement Date") after such remittance and application to reduce the Swingline Loan, to the extent they do not exceed the aggregate of the Alternate Base Rate Revolving Loans on the Settlement Date, shall be remitted by Agent to Lenders in accordance with their prorata shares of the Revolving Commitment and applied by Lenders to reduce the Alternate Base Rate Revolving Loans. Any collected funds still remaining in the Cash Collateral Account after such remittances and application to reduce the Swingline Loan and Alternate Base Rate Revolving Loans on any date which is the last day of an Interest Period for LIBOR Loans that are Revolving Loans shall be remitted by Agent to Lenders in accordance with their prorata shares of the respective Aggregate Commitments and applied by Lenders to reduce such LIBOR Loans.

6.1.2.2. PAYMENT ON REVOLVER MATURITY DATE. Borrower shall pay the entire amount of the Swingline Loan and the Aggregate Revolving Loan on the Revolver Maturity Date."

2.9. PRINCIPAL PAYMENTS ON TERM LOAN. Section 6.2.2 of the Loan Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

"6.2.2. PRINCIPAL. Borrower shall repay the Aggregate Term Loan in consecutive equal quarterly installments of $750,000 each commencing on the last Business Day of December, 1995 and continuing on the last Business Day of each calendar quarter thereafter through the last Business Day of June, 1998 and a final installment of the remaining balance of the Aggregate Term Loan on the Term Maturity Date."

2.10. SCHEDULED PAYMENTS ON THE 1996 SECURED TERM LOAN. A new Section 6.2A is hereby added to the Loan Agreement immediately before Section 6.3 as follows:

"6.2A. SCHEDULED PAYMENTS ON 1996 SECURED TERM LOAN.

6.2A.1. INTEREST. Borrower shall pay interest accrued at the per annum rate of eleven and one-half percent (11 1/2%) on the 1996 Secured Term Loan monthly in arrears, beginning on the last Business Day of the first calendar month beginning after the Amendment Number Two Effective Date, and continuing on the last Business Day of each calendar month thereafter, and on the Term Maturity Date. Borrower shall pay interest accrued on the 1996 Secured Term Loan after the Term Maturity Date on demand.

6.2A.2. PRINCIPAL. Borrower shall pay the entire amount of the 1996 Secured Term Loan on the Term Maturity Date; provided however, that Borrower shall not make, and Boatmen's shall not receive, any payments of principal on the 1996 Secured Term Loan so long as any principal or interest remains outstanding on any of the other Loans."

2.11. REVOLVER MATURITY DATE. Section 3.1.1 of the Loan Agreement is hereby amended by deleting from the first sentence thereof the words "the fifth anniversary of the Effective Date" and substituting in lieu thereof, the date "July 31, 1998".

2.12. TERM MATURITY DATE. Section 6.2.1 of the Loan Agreement is hereby amended by deleting from the first sentence thereof the words "the fifth anniversary of the Effective Date" and substituting in lieu thereof, the date "July 31, 1998".

2.13. ACQUISITION LOAN MATURITY DATE. Section 6.3.1 of the Loan Agreement is hereby amended by deleting therefrom the date "October 13, 2000" and substituting in lieu thereof, the date "July 31, 1998".

2.14. VOLUNTARY PREPAYMENTS. Section 6.4.1 of the Loan Agreement is hereby amended by adding the following sentence to the end of such Section: "Borrower may not prepay or otherwise make any principal payments on the 1996 Secured Term Loan until after all principal and interest on all other Loans has been fully and irrevocably paid."

2.15. EXHIBIT 13. Exhibit 13 to the Loan Agreement is hereby amended by adding thereto the disclosures contained in Exhibit 13 attached hereto and incorporated herein by this reference.

2.16. USE OF PROCEEDS. Section 15.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"15.1. USE OF PROCEEDS. Subject to the terms and conditions hereof, (i) the proceeds of the Term Advance shall be used only for Capital Expenditures permitted hereunder, general corporate purposes; and (ii) the proceeds of all Revolving Advances, Swingline Advances and the 1996 Secured Term Loan shall be used solely for Capital Expenditures permitted hereunder, working capital and general corporate purposes, including for payment of Borrower's reimbursement obligations with respect to draws on Letters of Credit and for payment of fees to Lenders."

2.17. BORROWING BASE CERTIFICATE. Section 15.15.1 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

15.15.1. BORROWING BASE CERTIFICATE. On date of Amendment Number Two, and periodically thereafter, but not less often than weekly within 5 Business Days after the close of business on each Friday, a borrowing base certificate in substantially the form of Exhibit 15.15.1 (the "Borrowing Base Certificate") duly completed and signed by the chief executive officer, the chief financial officer or any other authorized officer of Borrower's Representative. If there is an Existing Default, or the difference between the Maximum Available Amount and the Aggregate Revolving Loan is less than $250,000, Borrower shall provide a Borrowing Base Certificate more often if so requested by Agent in its discretion.

2.18. FOREIGN ACCOUNTS. A new Section 15.15.7 is hereby added to the Loan Agreement as follows:

15.15.7. FOREIGN ACCOUNTS. Borrower shall promptly obtain for the benefit of Agent foreign credit insurance policies insuring, or letters of credit securing, substantially all of Borrower's present and future International Accounts in a manner satisfactory to Agent. Borrower shall at all times be in compliance with all requirements under all such policies. Agent shall be named loss payee on each such insurance policy. Borrower shall cause all present and future letters of credit securing International Accounts to be assigned to the Agent.

2.19. AUDITS BY AGENT. Section 15.20 of the Loan Agreement is hereby amended by adding the following to the end of such Section:

"Agent may perform or cause to be performed from time to time (i) appraisals of any Collateral, including, without limitation, Accounts, Inventory, machinery, equipment, Real Property Collateral or any other Collateral; and (ii) Collateral monitoring and auditing services. Borrower shall cooperate with all persons performing such services and shall provide all access deemed necessary or desirable by Agent in its sole discretion for all such services to be performed.

2.20. DISTRIBUTIONS. The first sentence of Section 16.9 is deleted and replaced with the following: "Directly or indirectly declare or make, or incur any liability to make, (a) any Distribution during the period from the date of Amendment Number Two through June 30, 1997, or (b) thereafter, (i) when there is an Existing Default or (ii) Distributions which aggregate in excess of $2,300,000 in any fiscal year.

2.21. FINANCIAL COVENANTS. Sections 17.5, 17.6, 17.7, 17.8, 17.9 and 17.10 are deleted and replaced with the following:

17.5. MINIMUM FIXED CHARGE COVERAGE. The ratio of Borrower's Operating Cash Flow to Fixed Charges, calculated at the end of each fiscal quarter of Borrower on the basis of the four consecutive fiscal quarters then ended, shall not, for the four consecutive fiscal quarters ended on date specified below, be less than the ratio specified opposite such date:

PERIOD	MINIMUM FIXED CHARGE COVERAGE
9/30/96	0.50 to 1.00
12/31/96	0.50 to 1.00
3/31/97	0.60 to 1.00
6/30/97	0.90 to 1.00
thereafter	1.00 to 1.00

17.6. MINIMUM NET WORTH. Borrower's Net Worth shall at no time during any fiscal period specified in the table below be less than the amount specified below:

PERIOD	MINIMUM NET WORTH
9/30/96 through 6/30/97	$62,000,000
7/1/97 through 6/30/98	$66,000,000
thereafter	$72,000,000

17.7. MINIMUM INTEREST COVERAGE. The ratio of Borrower's EBIT to Interest Expense, calculated at the end of each fiscal quarter of Borrower on the basis of the four consecutive fiscal quarters then ended, shall not, for the four consecutive fiscal quarters ended on the date specified below, be less than the ratio set forth opposite such date:

PERIOD	RATIO OF EBIT TO INTEREST EXPENSE
Execution Date through 9/30/96	0.75 to 1.00
12/31/96	0.80 to 1.00
3/31/97	1.00 to 1.00
6/30/97	1.75 to 1.00
thereafter	2.00 to 1.00

17.8. INDEBTEDNESS TO OPERATING CASH FLOW. The ratio of Borrower's Indebtedness to Operating Cash Flow, calculated at the end of each fiscal quarter of Borrower on the basis of the four consecutive fiscal quarters then ended, shall not, for the four consecutive fiscal quarters ended on the date specified below, be greater than the ratio set forth opposite such date:

PERIOD	RATIO OF INDEBTEDNESS TO OPERATING CASH FLOW
9/30/96	8.00 to 1.00
12/31/96	7.50 to 1.00
3/31/97	5.75 to 1.00
6/30/97	4.00 to 1.00
6/30/98 and thereafter	3.50 to 1.00

17.9. INDEBTEDNESS TO CAPITALIZATION. The ratio of Borrower's Indebtedness to Capitalization shall not at any time during each fiscal period specified below, be greater than the ratio set forth opposite such period:

PERIOD	RATIO OF INDEBTEDNESS TO CAPITALIZATION
Execution Date through 9/30/96	.555 to 1.00
10/1/96 through 6/30/97	.500 to 1.00
7/1/97 through Maturity	.500 to 1.00

17.10. MINIMUM OPERATING CASH FLOW. Borrower's Operating Cash Flow, calculated at the end of each period specified in the table below on the basis of the four consecutive fiscal quarters then ended, shall not be less than the amount set forth opposite such period:

PERIOD	MINIMUM OPERATING CASH FLOW
9/30/96	$7,000,000
12/31/96	$7,700,000
3/31/97	$9,200,000
6/30/97	$13,500,000
thereafter	$15,000,000

Upon the completion of any Permitted Acquisition, the minimum Operating Cash Flow required during any period in the foregoing table shall be automatically increased by 75% of the Operating Cash Flow of such acquired company as set forth in the Historical Financial Statements provided pursuant to Section 15.24.

2.22. APPLICATION OF FUNDS. Section 18.3.10 of the Loan Agreement is hereby amended by deleting everything following the semi-colon at the end of clause (iv) and substituting in lieu thereof, the following: "(v) fifth, to the payment of interest accrued on the Loans (except interest accrued on the 1996 Secured Term Loan) prorata to each of the Lenders, (vi) sixth, to the payment of the Loans (except the 1996 Secured Term Loan) of each of the Lenders, in such order as each Lender determines in its absolute discretion, (vii) seventh, to the payment of all other Loan Obligations (except the 1996 Secured Term Loan and interest accrued thereon), (viii) eighth, to the payment of interest accrued on the 1996 Secured Term Loan, and (ix) ninth, to the payment of the 1996 Secured Term Loan. Any remaining amounts shall be paid to Borrower or such other Persons as shall be legally entitled thereto."

2.23. COLLECTIONS AND DISBURSEMENTS TO LENDERS BY AGENT. Section 19.14 of the Loan Agreement is hereby amended by (i) adding, inside the parenthetical clause, the words "and the 1996 Secured Term Loan" immediately after the words "Swingline Loan" and before the closing parenthesis, and (ii) adding the following sentence at the end of such Section: "Notwithstanding anything in this Section 19.14 to the contrary, no payment of principal or interest shall be made on the 1996 Secured Term Loan until all principal and interest on all other Loans has been fully and irrevocably paid."

2.24. SALE OF PARTICIPATIONS. Section 20.4.6.4 is hereby amended by adding the following to the end of such Section, immediately before the period:

"; provided that Boatmen's may sell (i) a participation in the 1996 Secured Term Loan in the amount of $2,500,000 to Sam Fox and (ii) other participations in the 1996 Secured Term Loan in a minimum amount of $1,125,000 or such lesser amount which constitutes Boatmen's entire 1996 Secured Term Loan Commitment"

2.25. PAYMENT OF EXPENSES. Section 20.5 of the Loan Agreement is hereby amended by (i) inserting in the first sentence, immediately after the words "Agent's out-of-pocket costs", the following parenthetical clause: "(including, without limitation all fees and disbursements of legal counsel, appraisers, accountants, financial advisors, collateral monitoring services and other consultants and experts employed or retained by Agent or its legal counsel notwithstanding any restrictions or limitations in Sections 15.20 and 15.22 or otherwise in this Agreement to the contrary)" and (ii) deleting the second sentence thereof in its entirety and substituting in lieu thereof, the following: "Borrower further agrees to pay or reimburse to each Lender all of such Lender's out-of-pocket costs incurred after a Default or Event of Default".

2.26. DEFINITIONS.

2.26.1. NEW DEFINITIONS. The following definitions are hereby added to the Loan Agreement in proper alphabetical order:

"`Amendment Number Two': That certain Amendment Number Two to Amended and Restated Credit Facilities Agreement among Agent, Lenders and Borrowers, dated as of the date first written in such Amendment.

"`Amendment Number Two Effective Date': the date first written in Amendment Number Two."

"`International Accounts': the Accounts described in clause (viii) of the definition of Eligible Accounts."

"`1996 Secured Term Loan': as defined in Section 3.3A."

"`1996 Secured Term Loan Advance': as defined in Section 3.3A."

"`1996 Secured Term Loan Commitment': as defined in Section 3.3A."

"`1996 Secured Term Note': as defined in Section 3.3A."

2.26.2. AMENDED DEFINITIONS. The following definitions are hereby deleted in their entirety and following is substituted in lieu thereof:

"`Advance': a Revolving Advance, a Swingline Advance, a Term Advance, an Acquisition Advance or the 1996 Secured Term Loan Advance."

"`Commitments': the Aggregate Revolving Commitment, the Swingline Commitment, the Aggregate Term Commitment, the Aggregate Acquisition Commitment, the Letter of Credit Commitment and the 1996 Secured Term Loan Commitment."

"Loan": a Revolving Loan, a Swingline Loan, a Term Loan, an Acquisition Term Loan or the 1996 Secured Term Loan."

"`Note": the Swingline Note, the 1996 Secured Term Note, any Revolving Note, any Term Note, or any Acquisition Note."

"Ultimate Maturity Date": July 31, 1998."

3. TEMPORARY BORROWING BASE ADJUSTMENT. On the Amendment Number Two Effective Date, the Borrowing Base shall be increased by the amount of $1,937,000 (the "Collateral Adjustment"), subject to the provisions of this paragraph. In no event shall (i) the Aggregate Revolving Loan exceed $33,500,000; nor (ii) any new Letters of Credit be issued, at any time when any portion of the Collateral Adjustment is outstanding. The from time to time Collateral Adjustment amount shall be reduced permanently, dollar for dollar, by (a) each from time to time increase in International Accounts that become Eligible Accounts, (b) all payments received on International Accounts that are not Eligible Accounts, and (c) the full amount of all payments received on the Account owed to Borrower by Medic Corporation; provided however, that in any event, the Collateral Adjustment shall be reduced permanently on the following dates to the lesser of (x) the following amounts, or (y) the Collateral Adjustment amount resulting the payments from the events in clauses (a), (b) and (c): (i) $968,500 as of 60 days after the Amendment Number Two Effective Date, (ii) $484,250 as of 90 days after the Amendment Number Two Effective Date and (iii) zero Dollars as of 120 days after the Amendment Number Two Effective Date. Borrower shall notify Agent within three (3) Business Days of the receipt of any payment on the Medic Corporation Account. Notwithstanding the daily principal payments on the Revolving Loan pursuant to Section 6.1.2.1, the reduction of the Collateral Adjustment as a result of any of the events set forth in clauses (a), (b) and (c) above, shall be effective upon receipt of the Borrowing Base immediately following such event.

4. CONDITION TO EFFECTIVENESS OF THIS AMENDMENT - CERTIFICATE OF SECRETARY OF EACH BORROWER. This Amendment shall not become effective, and the Loan Agreement shall continue in full force and effect as it existed in the absence of this Amendment unless (i) each Borrower shall deliver to Agent, in form and substance satisfactory to Agent, a Certificate of the Secretary of such Borrower certifying (a) that the articles or certificate of incorporation and bylaws of such Borrower previously certified to Lenders in connection with the execution of the Loan Agreement have not been amended, (b) that resolutions adopted by the Board of Directors of such Borrower authorizing the execution, delivery and performance of this Amendment by

such Borrower, are attached to the certificate and remain in full force and effect, and (c) the names, titles and true signatures of the incumbent corporate officers who are authorized to sign this Amendment or attest signatures or seals on this Amendment on behalf of Borrower and (ii) the 1996 Secured Term Loan has been fully advanced.

5. FURTHER ASSURANCES. Borrower hereby reaffirms and agrees that its obligations under the 1996 Secured Term Loan shall be and are secured by the Collateral as a part of and as provided in the Security Documents. Borrower shall execute and deliver, or cause to be executed and delivered, to Agent such amendments to the Security Documents as may be reasonably necessary to secure fully the 1996 Secured Term Loan by all of the Collateral, and thereafter shall take or cause to be taken such actions as Agent may from time to time request to carry out the terms and conditions of this Amendment and the transactions contemplated hereunder.

6. LENDERS' FEES. On the day of the full execution of Amendment Number Two, Borrower shall pay to Agent, for the ratable benefit of Lenders, the following fees:

6.1. FACILITY FEE INSTALLMENT. The portion of the Facility Fee in the amount of $312,500 which is currently due and payable under Section 5.1.

6.2. AMENDMENT FEE. An Amendment fee in the amount of $135,875.

7. BOATMEN'S FEE. At Maturity, Borrower shall pay to Boatmen's, for Boatmen's own account, a fee in connection with the 1996 Secured Term Loan in the amount of $75,000.

8. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower hereby represents and warrants to Lenders that (i) this Amendment and the 1996 Secured Term Loan have been duly authorized by Borrower's Board of Directors, (ii) no consents are necessary from any third parties for Borrower's execution, delivery or performance of this Amendment and the 1996 Secured Term Loan, (iii) this Amendment and the 1996 Secured Term Loan constitutes the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws related to creditors rights generally or by the application of equity principles, (iv) to the best of Borrower's knowledge, after due inquiry, except as disclosed on the disclosure schedule attached hereto as Exhibit 13, all of the representations and warranties contained in Section 13 of the Loan Agreement, as amended by this Amendment, are true and correct in all material respects with the same force and effect as if made on and as of the effective date of this Amendment, except that with respect to the representations and warranties made regarding financial data in Section 13.15, such representations and warranties are hereby made with respect to the most recent Financial Statements and other financial data (in the form required by the Loan Agreement) delivered by Borrower to Lenders, (v) to the best of Borrower's knowledge, after due inquiry, there is no Default which is continuing and no Event of Default has occurred under the Loan Agreement as amended by this Amendment, and (vi) the Loan Agreement (as modified by this Amendment) represents the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except to the extent that the enforceability thereof against Borrower may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforceability of creditor's rights generally or by equitable principles of general application (whether considered in an action at law or in equity).

9. EFFECT OF AMENDMENT. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or Lenders under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement, any of the

other Loan Documents or any existing Default or Event of Default, nor act as a release or subordination of the Security Interests of Agent or Lenders under the Security Documents. Each reference in the Loan Agreement to "the Agreement", "hereunder", "hereof", "herein", or words of like import, shall be read as referring to the Loan Agreement as amended by this Amendment.

10. REAFFIRMATION. Borrower hereby acknowledges and confirms that (i) except as expressly amended hereby the Loan Agreement remains in full force and effect, (ii) the Loan Agreement, as amended hereby, is in full force and effect, (iii) Borrower has no defenses to its obligation under the Loan Agreement and the other Loan Documents, (iv) the Security Interests of Agent and Lenders under the Security Documents secure all the Loan Obligations under the Loan Agreement as amended by this Amendment, continue in full force and effect and have the same priority as before this Amendment, and (v) Borrower has no claim against Agent or any Lender arising from or in connection with the Loan Agreement or the other Loan Documents.

11. GOVERNING LAW. This Amendment has been executed and delivered in St. Louis, Missouri, and shall be governed by and construed under the laws of the State of Missouri without giving effect to choice or conflicts of law principles thereunder.

12. SECTION TITLES. The section titles in this Amendment are for convenience of reference only and shall not be construed so as to modify any provisions of this Amendment.

13. COUNTERPARTS; FACSIMILE TRANSMISSIONS. This Amendment may be executed in one or more counterparts and on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A counterpart of this Amendment or a signature page of this Amendment transmitted by facsimile machine or telecopier and showing a signature shall have the same binding effect as an original bearing an original signature. No party may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Amendment.

14. INCORPORATION BY REFERENCE. Lenders and Borrower hereby agree that all of the terms of the Loan Documents (including that certain letter agreement dated August 26, 1996, waiving certain Events of Default) are incorporated in and made a part of this Amendment by this reference.

15. STATUTORY NOTICE. The following notice is given pursuant to Section 432.045 of the Missouri Revised Statutes; nothing contained in such notice will be deemed to limit or modify the terms of the Loan Documents or this Amendment:

> ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

BORROWER AND LENDERS HEREBY AFFIRM THAT THERE IS NO UNWRITTEN ORAL CREDIT AGREEMENT BETWEEN BORROWER AND LENDERS WITH RESPECT TO THE SUBJECT MATTER OF THIS AMENDMENT.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by appropriate duly authorized officers as of the date first above written.

ALLIED HEALTHCARE PRODUCTS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

LIFE SUPPORT PRODUCTS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

B&F MEDICAL PRODUCTS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

HOSPITAL SYSTEMS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

BEAR MEDICAL SYSTEMS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

BICORE MONITORING SYSTEMS, INC.

/s/ Barry F. Baker
By:_____
Name: Barry F. Baker
Title: Vice President Finance
Chief Financial Officer

THE BOATMEN'S NATIONAL BANK OF ST. LOUIS

/s/ Alex D. Fennoy
By:_____
Name: Alex D. Fennoy
Title: Corporate Banking Officer

CREDITANSTALT CORPORATE FINANCE, INC.

/s/ Christina T. Schoen
By:_____
Name: Christina T. Schoen
Title: Vice President

/s/ Richard P. Buckanavage
By:_____
Name: Richard P. Buckanavage
Title: Vice President

THE SUMITOMO BANK, LIMITED.

/s/ Jayleen R. P. Hague
By:_____
Name: Jayleen R. P. Hague
Title: Vice President

/s/ Theresa A. Lekich
By:_____
Name: Theresa A. Lekich
Title: Vice President

DRESDNER BANK A.G. NEW YORK AND GRAND CAYMAN BRANCHES

/s/ Thomas Nadramia
By:_____
Name: Thomas Nadramia
Title: Vice President

/s/ John W. Sweeney
By:_____
Name: John W. Sweeney
Title: Assistant Vice President

FIRST BANK

/s/ Brenda J. Laux
By:_____
Name: Brenda J. Laux
Title: Senior Vice President

LASALLE NATIONAL BANK

/s/ Mark E. McCarthy
By:_____
Name: Mark E. McCarthy
Title: Senior Vice President

MERCANTILE BANK OF ST. LOUIS NATIONAL ASSOCIATION

/s/ Peter W. Bakken
By:_____
Name: Peter W. Bakken
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

/s/ Charles Shoemake
By:_____
Name: Charles Shoemake
Title: Vice President

SANWA BUSINESS CREDIT CORPORATION

/s/ Lawrence J. Placek
By:_____
Name: /s/ Lawrence J. Placek
Title: Vice President

EXHIBIT 1

TERM LOANS AND ACQUISITION LOANS
(AS OF THE DATE OF AMENDMENT NUMBER TWO)

LENDER	TERM LOAN	ACQUISITION TERM
The Boatmen's National Bank of St. Louis	$2,550,000	$320,000
Sanwa Business Credit Corporation	$1,938,000	$243,200
The Sumitomo Bank, Limited.	$1,632,000	$204,800
Creditanstalt Corporate Finance, Inc.	$1,224,000	$153,600
Dresdner Bank A.G. New York and Grand Cayman Branches	$1,224,000	$153,600
LaSalle National Bank	$1,224,000	$153,600
Mercantile Bank of St. Louis National Association	$1,224,000	$153,600
PNC Bank National Association	$1,020,000	$128,000
First Bank	$714,000	$89,600
AGGREGATES	$12,750,000	$1,600,000

EXHIBIT 3

LENDERS' COMMITMENTS AND PRORATA SHARES1
(AS OF THE DATE OF AMENDMENT NUMBER TWO)

LENDER	TOTALS	REVOLVING COMMITMENT	TERM LOAN COMMITMENT	ACQUISITION TERM LOAN COMMITMENT	PRORATA SHARES
The Boatmen's National Bank of St. Louis	$10,870,000	$8,000,000	$2,550,000	$320,000	20.00%
Sanwa Business Credit Corporation	$8,261,200	$6,080,000	$1,938,000	$243,200	15.20%
The Sumitomo Bank, Limited.	$6,956,800	$5,120,000	$1,632,000	$204,800	12.80%
Creditanstalt Corporate Finance, Inc.	$5,217,600	$3,840,000	$1,224,000	$153,600	9.60%
Dresdner Bank A.G. New York and Grand Cayman Branches	$5,217,600	$3,840,000	$1,224,000	$153,600	9.60%
LaSalle National Bank	$5,217,600	$3,840,000	$1,224,000	$153,600	9.60%
Mercantile Bank of St. Louis National Association	$5,217,600	$3,840,000	$1,224,000	$153,600	9.60%
PNC Bank National Association	$4,348,000	$3,200,000	$1,020,000	$128,000	8.00%
First Bank	$3,043,600	$2,240,000	$714,000	$89,600	5.60%
AGGREGATES	$54,350,000	$40,000,000	$12,750,000	$1,600,000	100.00%

1/ Boatmen's 1996 Secured Term Loan Commitment is not included in the calculation of Lenders' pro rata shares.

EXHIBIT 13

ADDITIONS TO EXHIBIT 13 OF THE LOAN AGREEMENT

None, if nothing listed below.

CONSULTING AND SEVERANCE AGREEMENT

Agreement dated as of the 1st day of September, 1996 by and between David V. LaRusso ("Consultant") and Allied Healthcare Products, Inc. ("Allied"), a Delaware corporation.

WHEREAS, Consultant resigned as an officer and director of Allied and its subsidiaries on August 7, 1996 and terminated his service as an employee effective August 31, 1996; and

WHEREAS, Allied and Consultant wish to provide for consulting services to be rendered by Consultant to Allied, severance benefits and certain other matters.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. TERM. This Agreement shall be deemed to have commenced as of September 1, 1996 and shall expire on August 31, 1998.

2. DUTIES. During the term of this Agreement, Consultant shall upon specific written request therefor advise Allied orally or in writing with respect to any matters concerning Allied that relate to the period of Consultant's prior employment by Allied, and shall in that connection cooperate with Allied, its officers, agents and attorneys with respect thereto. Consultant shall not be required to perform any minimum number of hours of service hereunder and no request for advice or cooperation shall in any way impede or interfere with Consultant's other business activities or constitute an unreasonable burden upon Consultant. Consultant shall not be obligated to perform more than ten (10) hours of service per month hereunder.

3. COMPENSATION. In consideration of Consultant's obligations under Paragraphs 2, 6 and 7 and the release and covenant contained in Paragraph 8, and to provide a severance benefit to Consultant, Allied shall pay Consultant at the rate of $5,384.62 biweekly ($140,000 per annum) through August 31, 1997 and $2,307.70 biweekly ($60,000 per annum) from September 1, 1997 through August 31, 1998. Such payments shall be made on Allied's regularly scheduled payroll dates. In the event Consultant shall perform more than ten (10) hours of service per month hereunder, Allied shall pay consultant a fee for such services in excess of such ten (10) hours at an hourly, per diem, per project or other rate to be mutually agreed upon by Allied and Consultant; PROVIDED HOWEVER, that Allied shall not be obligated to pay Consultant for more than fourteen (14) hours of service per day. For purposes of this Agreement, hours of service shall be deemed to include travel time, other than commuting time. In the event Consultant shall die or be disabled during the term of this Agreement, Allied agrees to pay Consultant's designated beneficiary, or if no beneficiary has been designated in writing to Allied, Consultant's estate, the compensation provided for hereunder for the remaining term of this Agreement. Consultant shall also be reimbursed by Allied for any expenses incurred by him hereunder.

4. INDEPENDENT CONTRACTOR. Consultant and Allied agree that for the purposes of this Agreement, Consultant shall be an independent contractor and not an employee of Allied.

5. BENEFITS. Consultant shall be provided substantially the same medical and employee insurance benefits that he was receiving from Allied at the time of the termination of employment, including medical insurance for his dependents and life insurance, except that the term life insurance provided hereunder shall be limited to (a) $280,000 for the period September 1, 1996 through August 31, 1997 and (b) $120,000 for the period September 1, 1997 through August 31, 1998. Such benefits will continue for a period (the "Benefit Period") that ends on the earlier of (a) August 31, 1998 or (b) the date on which Consultant is first entitled to obtain medical insurance provided by a successor employer. In addition, Consultant shall be permitted to continue to utilize, at Allied's expense, the vehicle heretofore provided to him by Allied through December 31, 1996. At such time, Consultant may either return the vehicle to Allied or purchase the same at the lease buyout value specified in the vehicle lease.

6. COVENANT NOT TO DISCLOSE.

a. Consultant covenants and agrees that he will not, during the period of his consultancy with Allied or at any time thereafter, except with the express prior written consent of the President and Chief Executive Officer of Allied, directly or indirectly disclose, communicate or divulge to any Person (as defined in Section 15 hereof), or use

for the benefit of any Person, any Proprietary Information (as defined in Section 15 hereof). The restriction contained in the preceding sentence shall not apply to any Proprietary Information that (i) is a matter of public knowledge on the date of this Agreement, (ii) becomes a matter generally known in Allied's industry after the date of this Agreement from another source which is under no obligation of confidentiality to Allied or its Affiliates (as defined in Section 15 hereof) or (iii) is acquired from another source which is under no obligation of confidentiality to Allied or its Affiliates.

b. All written data, designs, drawings, blueprints, tracings, sketches, plans, layouts, specifications, models, programs, cards, tapes, disks, printouts, writings, manuals, guides, notes and any and all other memoranda which may be or has been furnished to Consultant during his employment with Allied or his consultancy hereunder or which was produced, prepared or designed by Consultant in connection with his employment with Allied or his consultancy hereunder shall be, become and remain the exclusive property of Allied. Consultant acknowledges that all originals, copies and reprints in Consultant's possession, custody or control have been surrendered and/or delivered to Allied and Consultant agrees that he shall thereafter make no further use (except as contemplated hereby), either directly or indirectly, of any such data, designs, drawings, blueprints, tracings, sketches, plans, layouts, specifications, models, programs, cards, tapes, disks, printouts, writings, manuals, guides, notes or other memoranda or written information.

7. COVENANT NOT TO SOLICIT CUSTOMERS OR EMPLOYEES; NONCOMPETITION COVENANT.

a. Consultant covenants and agrees that he will not personally and/or individually at any time during the term of this Agreement, whether as employee, owner, partner, agent, director, officer, consultant or shareholder (except as the holder of not more than one percent (1%) of the outstanding shares of a corporation whose stock is listed on any national or regional securities exchange or reported by The Nasdaq Stock Market or any successor thereto) solicit, divert or accept business competitive with Allied's business as of the date hereof from or otherwise take away or interfere with any customer of Allied.

b. Consultant further covenants and agrees that he will not personally and/or individually at any time during the term of this Agreement or for a period of three (3) years thereafter, whether as employee, owner, partner, agent, director, officer, consultant or shareholder (except as the holder of not more than one percent (1%) of the outstanding shares of a corporation whose stock is listed on any national or regional securities exchange or reported by The Nasdaq Stock Market or any successor thereto), without the prior written consent of the President and Chief Executive Officer of Allied, solicit or induce any person employed by Allied on the date hereof to accept employment in any capacity with Consultant or any firm, person or entity with whom Consultant is employed or associated whether as employee, owner, partner, agent, director, officer, consultant or shareholder (except as the holder of not more than one percent (1%) of the

outstanding shares of a corporation whose stock is listed on any national or regional securities exchange or reported by The Nasdaq Stock Market or any successor thereto).

c. Consultant further covenants and agrees that he will not, during the term of this Agreement, directly or indirectly, whether as employee, owner, partner, agent, director, officer, consultant, shareholder (except as the holder of not more than one percent (1%) of the outstanding shares of a corporation whose stock is listed on any national or regional securities exchange or reported by The Nasdaq Stock Market or any successor thereto) or in any other capacity, for his own account or for the benefit of any Person in any business in competition with Allied or any of its subsidiaries, without the prior written consent of the President and Chief Executive Officer of Allied, establish, engage in or be connected with any Person which competes with Allied or any of its subsidiaries or proposes to compete with Allied or any of its subsidiaries in any business in which Allied is engaged on the date hereof. For purposes of this Agreement, "business" shall mean the business engaged in by Allied and its subsidiaries on the date hereof in the manufacture and marketing of respiratory therapy, medical gas and emergency medical equipment. Notwithstanding the foregoing, Allied acknowledges and agrees that this Paragraph shall not prevent Consultant from accepting employment with or otherwise being associated with Sunrise Medical Inc.

d. If any provision of the covenants and agreements set forth in Paragraph 6 and this Paragraph 7 shall be held invalid or unenforceable because of the scope of the territory or the actions thereby restricted, or the period of time within which

such covenant or agreement is operative, or for any other reason, it is the intent of the parties hereto that such provision shall be construed by limiting and reducing it, or, if necessary, eliminating it so that the provisions hereof be valid and enforceable to the extent compatible with applicable law as determined by a court of competent jurisdiction.

8. RELEASE; NONDISPARAGEMENT. In further consideration of the payments to be made to Consultant hereunder, Consultant hereby (a) completely and irrevocably releases, to the extent he may lawfully do so, any claim that Consultant may have against Allied, its subsidiaries and Affiliates and their respective directors, officers, employees, partners and stockholders, except for claims arising under (i) indemnification rights contained in Allied's Amended and Restated Certificate of Incorporation or By-laws or arising under the Delaware General Corporation Law or any other statutory or common law rights to indemnification applicable to Consultant's service as a director, officer, employee and/or agent of Allied; or (ii) Allied's Internal Revenue Code Section 401(k) retirement savings plan; and (b) agrees that he shall not disparage Allied, its subsidiaries and Affiliates or their respective directors, officers, employees, partners or stockholders or their respective personnel, products or practices. Allied agrees that it will (a) instruct its executive officers not to disparage Consultant, (b) request its directors not to disparage Consultant and (c) as a corporate entity and body, not disparage Consultant. Without limiting the generality of the foregoing, Allied acknowledges and agrees that it shall indemnify Consultant against all liabilities, costs and expenses (including reasonable attorney's fees and expenses) arising from Consultant's service as a director and/or officer of Allied and its subsidiaries to the

fullest extent permitted by the Delaware General Corporation Law and as provided in the By-Laws of Allied as in effect on the date hereof.

9. ASSIGNMENT. Neither party shall have the right to assign this Agreement.

10. ENTIRE AGREEMENT. This Agreement contains all the understandings, terms and conditions between the parties regarding the subject matter hereof. This Agreement shall constitute the entire understanding and agreement between the parties and shall supersede and be in lieu of any and all prior agreements between the parties.

11. WAIVER. No waiver, alteration or modification of any of the provisions of this Agreement or cancellation or replacement of this Agreement shall be valid unless in writing and signed by the parties to this Agreement.

12. APPLICABLE LAW. The laws of the State of Missouri shall apply to this Agreement without regard to principles of conflicts of law. In the event any provision of this Agreement is declared null and void, it is hereby agreed that the remaining provisions of this Agreement shall be deemed separate and shall remain in full force and effect.

13. HEADINGS. The headings used in this Agreement have been included solely for ease of reference and shall not be considered in the interpretation or construction of this Agreement.

14. NOTICES. Any notice hereunder to Allied shall be addressed to it at its offices, 1720 Sublette Avenue, St. Louis, Missouri 63110, Attention: President and Chief

Executive Officer, and any notice hereunder to Consultant shall be addressed to him at 12511 Triple Oaks Drive, Sunset Hills, Missouri 63128 , subject to the right of either party to designate at any time hereafter in writing some other address. Such notices shall be sent by hand or certified mail, return receipt requested.

15. DEFINITIONS.

a. "Affiliate" means any Person now or hereafter controlling, controlled by, or under common control with another Person.

b. "Person" means any individual, corporation, firm, partnership or other business entity.

c. "Proprietary Information" means all secret, confidential or proprietary knowledge, information or data with respect to the conduct or details of the business of Allied including, as applicable but without limitation, methods of operation, customers and customer lists, products, products under development as of the date of this Agreement, proposed, pending or completed acquisitions of any company, division, product line or other business unit, prices, fees, costs, plans, designs, technology, know-how, software, marketing methods, policies, plans, personnel, suppliers, competitors, markets or other specialized information or proprietary matters of Allied.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first above written.

ALLIED HEALTHCARE PRODUCTS, INC.

/s/ James C. Janning
By:_____
Name: James C. Janning
Title: President and Chief Executive Officer

/s/ David V. LaRusso
_____
David V. LaRusso

What Allied is doing today...

to make a different tomorrow.

1996 ANNUAL REPORT TO SHAREHOLDERS

Allied

Medical Gas Equipment

Allied's medical gas systems consist of in-wall components, central pumps and compressors, and headwalls. These products serve a fundamental role in medical gas delivery systems by regulating and monitoring the flow of medical gases, and are typically installed during construction or renovation of a health care facility. The Company estimates that its in-wall medical gas systems are installed in approximately 3,000 acute-care hospitals.

In addition, Allied holds a leading domestic market share for in-wall components utilized in conjunction with in-wall medical gas systems. Examples include: flowmeters, vacuum regulators, pressure regulators and portable suction equipment. Allied's hospital equipment product line consists of well-recognized trade names, including: Chemetron(TM), Hospital Systems(TM), Gomco(TM), Timeter(TM) and Oxequip(TM). Medical gas devices comprise 36% of sales.

Corporate Overview

Global Support of Life

Allied Healthcare Products, Inc. is a leading 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 medical gas equipment, respiratory therapy equipment and emergency medical products. Allied's products are marketed worldwide under well-recognized and respected brand names. Recent acquisitions have strengthened Allied's global position, particularly within the ventilator, emergency medical and home health care market.

Allied currently maintains seven international sales offices, supported by a network of dealers, agents and U.S. exporters who distribute products throughout the world -- including the United States, Canada, Mexico, Central and South America, Europe, the Middle East and the Far East.

Respiratory Therapy

Recent acquisitions significantly broadened Allied's position within the respiratory therapy equipment market -- now representing 53% of total sales.

Demand for respiratory equipment is expected to increase in the foreseeable future, supported by increased recognition of respiratory illnesses, an aging population and technology advancement. Economic considerations also play a role, with increased attention on controlling medical costs and a desire to discharge patients from acute-care hospitals to lower-cost alternate sites, or the home, more quickly.

Allied's broad range of products for use in respiratory care and anesthesia delivery includes: large volume compressors; adult, pediatric, infant and transport ventilators and calibrators; humidifiers; monitoring systems; oxygen concentrators; and nebulizers.

Emergency Medical

The emergency medical services industry continues to be an important business opportunity for Allied, currently representing 11% of sales. Growth is being supported by ongoing changes within the health care industry, a focus on providing treatment outside the traditional hospital setting and a worldwide commitment to improving trauma treatment.

Allied's emergency medical sales specialists market, under the Life Support Products(TM) trade name, respiratory and resuscitation products, trauma and patient handling equipment and related; items to ambulance companies, fire departments and emergency medical system volunteer organizations. Industry sources estimate the market for Allied's specialized emergency medical products to be approximately $40 million in the United States alone, with significant additional potential in foreign countries that are seeking to improve their trauma care systems.

Financial Highlights

(Dollars in thousands, except per share data) For years ended June 30,	1996	1995	% Change (1996-1995)	1991	Five Year Compound Annual Rate (1996-1991)
Operating Results					
Net sales	$120,123	$111,639	7.6%	$54,609	17.1%
Income before income taxes	3,300	14,677	(77.5)%	6,762	(13.4)%
Net income	1,827	8,823	(79.3)%	4,231	(15.5)%
Net income as a % of sales	1.5%	7.9%	--	--	--
Financial Position					
Working capital	$ 38,030	$ 2,810	--	$ 7,591	--
Total assets	136,760	126,192	--	35,111	--
Total debt	52,882	69,022	--	13,167	--
Shareholders' equity	63,886	38,374	--	14,163	--
Current ratio	2.69:1	1.05:1	--	1.60:1	--
Per Share Data					
Net income	$ 0.25	$ 1.45	(82.7)%	$ 0.64	(17.1)%
Book value	$ 8.19	$ 6.20	--	$ 2.08	--

[graph]

Sales
(Dollars in millions)

Net sales in fiscal 1996 increased by $8.5 million, or 7.6%, to $120.1 million primarily as a result of acquisitions. Sales of existing products decreased by 10.3% due to a difficult macroeconomic environment.

[graph]

Net Income
(Dollars in millions)

Net income in fiscal 1996 was $1.8 million, a decrease of $7.0 million, or 79.3%. Reduced sales in the base business due to the dramatic swing to the managed care environment and the on-going consolidation of health care providers were among the primary causes for the decrease in net income.

[graph]

Earnings per Share
(Dollars)

After four consecutive increases in earnings per share since Allied's initial public offering in 1992, earnings per share decreased to $0.25 in fiscal 1996.

To Our Shareholders

After five years of reporting record results and accomplishments, fiscal 1996 was a period of great disappointment for management both in Allied's base business and recently acquired product lines.

As we reported to you over the last few quarters, the health care industry continues to be impacted by a variety of factors. The trends of rising medical costs, industry consolidation, new federal reimbursement guidelines and budget issues related to Medicare and Medicaid have remained in the public spotlight. Allied has certainly been affected by these issues. The situation has been further exacerbated by acquisitions that have taken longer than expected to assimilate and additional requirements for new manufacturing equipment and operating systems.

Realizing our Potential

However, we have not been complacent during these challenging times. Our disappointment with the results of fiscal 1996 has caused us to focus our efforts on improving our Company and moving it to reach its full potential.

The BEAR CUB(TM) 750 is a significant accomplishment for Allied and will greatly enhance the Company's growing line of ventilation products -- a market estimated to be over $150 million.

[photo]

Seated: James C. Janning, President and Chief Executive Officer
Standing: Dennis W. Sheehan, Chairman of the Board

We are continuing our efforts to strengthen Allied's management team, while developing and initiating strategic programs to return Allied to the historical level of performance it is capable of achieving. In addition, the Company continues its focus on improving existing products, while, at the same time, developing new technologies and products.

For example, subsequent to fiscal year end, Allied announced that it received FDA 510(k) clearance to market a new infant ventilator in the United States -- the BEAR CUB(TM) 750. The ventilator, available internationally since March, utilizes a unique U.S. patented "volume limit" technology which establishes an upper boundary for deliverable tidal volumes. This is a significant accomplishment for Allied and will greatly enhance the Company's growing line of ventilation products -- a market estimated to be over $150 million.

Financial Position
While net sales for fiscal 1996 rose 8% to $120.1 million from $111.6 million a year ago, net income of $1.8 million was significantly below the $8.8 million reported a year ago. On a per share basis, net income declined to $0.25 compared with $1.45 in fiscal 1995, based upon a 22% increase in the number of weighted average shares outstanding for the 12-month period.

Positioning for Tomorrow
Going forward, our acquisitions have helped position the Company in the high-growth areas of home health care, extended care and attractive international markets. The investments required in new product development, international expansion, manufacturing equipment and operating systems contributed to earnings problems in fiscal 1996, particularly in the fourth quarter. These investments, however, are expected to better position Allied for future growth in sales and earnings.

Management is continuing efforts to improve operational efficiencies, implementing plans to reduce costs and focusing on enhancing results throughout the organization. For example, in August, Allied initiated

[photo]

The new Vacutron(TM), which is scheduled for worldwide introduction later this fiscal year, is greatly reduced in size. This feature will allow health care providers to effectively utilize this product in all types of facilities including both acute care and non-acute care settings.

Our acquisitions have helped position
the Company in the high-growth areas
of home health care, extended care,
and attractive international markets.

a restructuring and consolidation of its field sales force to realize the potential synergies of recent acquisitions, optimize selling costs and further improve customer service. In summary, Allied's focus in 1997 includes:

- Reducing manufacturing costs through plant modernizations at two primary facilities;
- Intensifying efforts in new product development; and
- Enhancing international distribution capabilities.

On behalf of all the employees at Allied Healthcare Products, we appreciate your support during this difficult period and look forward to positive changes in fiscal 1997.

Sincerely,

/s/ James C. Janning
James C. Janning
President and CEO

/s/ D. W. Sheehan
Dennis W. Sheehan
Chairman

Allied's strategy in today's radically changing health care industry reflects a commitment to continuous improvement in product offerings, innovation and the highest level of customer service and satisfaction.

The combination of lower hospital admissions, shorter average stays, pricing pressures and a significant slowdown in health care inflation has substantially reduced the growth in domestic health care spending. Although an aging population, coupled with extended life expectancies and greater incidences of respiratory illnesses, will contribute to an increase in health care demand, overall industry trends will seek to meet these demands with more efficiency and fewer services.

Allied's philosophy that permeates our entire organization is one of continuous improvement in order to be effective in today's health care environment. We believe that it is vital for Allied to improve the way its business operates and we have taken the necessary steps in the areas of customer service, sales, marketing support, production capabilities, FDA compliance, new product development, post-sale service and information technology.

Allied is in the process of modernizing two of its primary manufacturing facilities. During the last quarter of fiscal 1996, five computer controlled machining centers were purchased and installed at the Healthcare Products Division located in St. Louis, Missouri. This $1.5 million investment will substantially modernize all of the Company's metal machining capabilities, resulting in significant opportunities to reduce product costs. Cost reductions will result from shorter set-up times, elimination of secondary operations in component

Both the health care provider and the patient will benefit from Allied's commitment to continuous improvement. Allied's dedication to improved product offerings will enhance patient outcomes and reduce health care costs.

manufacturing, reduced inventory levels, reductions in scrap and improvements in quality. Benefits from the return on this investment will enhance future Company performance.

The second site of continuous improvement to our manufacturing facilities is our Disposable Products Division, located in Toledo, Ohio. Since the acquisition of B&F Medical Products, Inc., our operation has been hindered by outdated molds and injection molding machinery. Approximately $2.0 million is being spent during the first half of fiscal 1997 to greatly expand the production capacity and to gain significant production efficiencies. Production throughput will be increased by 20%, allowing for greater sales of our disposable line of respiratory therapy products. In addition, this investment in improved injection molding capabilities will allow for significant cost-reduction opportunities in material, labor and utility costs, while improving the quality of our products.

Cost reductions will result from shorter set-up times, elimination of secondary operations in component manufacturing, reduced inventory levels, reductions in scrap and improvements in quality.

Another major initiative which will positively impact all of Allied's operations in fiscal 1997 is the implementation of a new information technology system. During the year, a new computer system is expected to be installed to enhance customer service and improve materials management and production scheduling. All Company operations will be networked on a common information technology platform, giving all personnel access to the necessary information to better serve our customers. Although this commitment has short-term cost implications, it will create long-term opportunities to reduce operating costs in all facets of Allied's operations.

The Chemetron(TM) and Timeter(TM) flowmeters, introduced into the marketplace in the second half of fiscal 1996, have been redesigned to more effectively utilize space with the metering knob in front. In addition, the new efficient design allows Allied to offer an extended warranty, thereby reducing the overall cost to a health care provider.

In early 1996, the Schuco 2000 nebulizer was introduced for the treatment of asthmatics. The Schuco 2000 was designed for lower production costs, and has an extended warranty and greater ease of use by patients, who are primarily children.

The Gomco(TM) "OptiVac" was recently introduced and fits the suctioning needs in all health care settings -- emergency, acute care, sub-acute care and the home. The AC/DC feature gives the clinician great flexibility, which is crucial in today's managed care environment.

R&D spending has been increased significantly since 1994. Allied is now poised to benefit from several new product offerings which were introduced in the second half of fiscal 1996 or are scheduled to be introduced during fiscal 1997.

Our customers expect products that are technologically advanced and effective in treating patients, while still simple to operate. Product reliability is a must in order to stay ahead of the competition.

Consistent with the Company's focus on offering technologically advanced products, Allied has increased the level of its research and development efforts. We anticipate continuing our commitment to research and development in the future. By way of reference, our research and development expenditures in fiscal 1994, 1995 and 1996 were approximately $1.5 million, $2.5 million and $3.3 million, respectively.

Expenditures for research and development activities include updating and/or reducing costs for current products and developing new and improved respiratory therapy devices. The Company has approximately 40 engineers and technicians working on new product development projects.

R&D Efforts
(Dollars in millions)

In the last half of fiscal 1996, a number of new product offerings were introduced, including the Schuco 2000 nebulizer, Chemetron's line of flowmeters, the Bear(TM) 1000 ventilator with Smart Trigger(R), and the Gomco "OptiVac" (AC/DC portable suction pump). Subsequent to fiscal 1996 year end, several new products have been introduced, including the Connect II universal medical gas outlet and the BEAR CUB 750 infant ventilator. It is anticipated that additional new products will be introduced during the course of fiscal 1997.

Consistent with the Company's focus on offering technologically advanced products, Allied has increased the level of its research and development efforts.

Although Allied has invested heavily in revitalizing its product offerings and introducing new technology into the marketplace, this is only one aspect of our corporate objective. Our mission is to enhance our leadership position by providing a broad spectrum of reliable and respected respiratory care products to the health care industry.

Hospitals and other health care facilities continue to benefit from the longevity of our products, utilizing equipment such as critical ventilators and surgical suction pumps. The average life of this equipment has been extended from a five-to-seven year period to eight-to-ten years. An additional important consideration is the fact that hospitals, in an effort to reduce operating costs, no longer employ as many trained service personnel. This, in turn, has placed the burden entirely on the manufacturer. Product reliability is, therefore, very important to health care purchasing personnel in determining the true total cost of products.

Allied has responded to this challenge by raising our standard above the already rigorous quality standards mandated by the FDA and through the introduction of a statistical control process utilized during manufacturing of metal and plastic components. Allied's Ventilation Products Division located in Riverside, California, is ISO 9001 certified, and we are working toward this certification in our two other primary manufacturing facilities. Also, greater utilization of bar coding technology will be implemented during the year to help reduce manufacturing lead times and to improve upon product identifications during the order fulfillment process.

Patients will be better served by the technically advanced products marketed by Allied. The Company is a leader in both medical gas system and invasive ventilation products.

[photo]

Excel to survive. This statement is the new creed by which we abide. The products we market must excel by either reducing the cost of patient care or by simply costing less.

The respiratory products industry can be categorized by the delivery site of respiratory care. Each setting is subject to different factors which influence demand for respiratory products. The principal venues are hospitals and alternate sites -- including post-acute care facilities, trauma care and home health care. The respiratory products industry will be affected by the continuing shift to less expensive alternate site care. Cost containment efforts have greatly accelerated demand for long-term care for individuals requiring complex medical services and equipment outside the acute care setting. Hospitals are discharging patients much more rapidly than ever before. Long-term care facilities are now part of the continuum of patient care, providing a broad range of services to patients of various ages and acuity levels. Many patients admitted to long-term care facilities are later discharged to home care settings.

Allied offers a broad spectrum of respiratory therapy products for use in trauma, hospital, home and post-acute care settings. 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 product dealers and others. As we face the challenges ahead, our strength will be in the utilization of Allied's broad product line, brand name recognition and an ability to provide respiratory therapy products that exceed the requirements of our customers who are participating in the competitive health care environment.

Allied is proud to participate in health care reform -- providing affordable yet better patient care. This is the challenge we face and we intend to be a leader in the new era of health care.

Allied has launched many initiatives during fiscal 1996, with a particular focus on producing long-term benefits. Current initiatives include the investment in modern machinery and equipment for two manufacturing facilities, implementation of a new information technology system, revitalization of many of our traditional product lines and the introduction of several technologically advanced products. These initiatives are vital to our future success, but represent only the beginning of many other opportunities. Allied completed seven acquisitions during fiscal years 1994, 1995 and 1996. These acquisitions are expected to better position Allied in an industry facing continued consolidation and competition.

Allied is committed to controlling
the cost of patient care by providing
superior and less expensive products,
and introducing products that result
in lower patient treatment costs.

Allied is committed to providing high quality products for the benefit of patients worldwide. We are further dedicated to controlling the cost of patient care by providing superior and less expensive products, and introducing products that result in lower patient treatment costs. Management believes that the formula for future success in today's health care system is very straightforward. We will continue the objective of enhancing our leadership position in our core respiratory therapy and medical gas equipment markets, while expanding Allied's product line to provide a continuum of respiratory products for use in hospital and alternate site settings.

The Bear 1000 adult and pediatric ICU ventilator with Smart-Trigger provides a unique state-of-the-art mechanism for automatically adjusting pressure and flow thresholds. Allied's complete line of ventilation products coupled with the BiCore monitoring system offer unparalleled technology in respiratory therapy.

The BEAR CUB 750 infant ventilator offers integrated synchrony and volume monitoring, dual flow capability, an internal battery and a graphics package. Also, the BEAR CUB 750 utilizes a unique patented volume limit technology which establishes an upper boundary to minimize the potential risk of over-inflation of an infant's lungs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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, 1996. 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.

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 achieve cost reductions through rationalization of acquired companies, difficulties or delays in the introduction of new products or disruptions in selling efforts.

Since December 1993, the Company has completed seven acquisitions which have significantly expanded its product lines. These acquisitions were each accounted for under the purchase method of accounting and were financed primarily through bank borrowings, resulting in a large increase in the Company's debt and interest expense. One acquisition was partially financed through the issuance of common stock. Results of operations of each acquired company have been included in Allied's consolidated statement of income from the date of acquisition. The purchase price of each acquisition was allocated to the assets acquired and liabilities assumed, based on their estimated fair value at the date of acquisition. The excess of purchase price over the estimated fair value of net assets acquired was, in each instance, recorded as goodwill and is amortized over 20- or 40-year periods from the date of acquisition. Primarily as a result of these acquisitions, the Company incurred a total of approximately $1.4 million in goodwill amortization expense in the fiscal year ended June 30, 1996.

The following table summarizes the seven acquisitions:

Date	Business	Products	(Dollars in millions) Purchase Price
December 1993	Life Support Products, Inc. ("LSP")	Emergency medical equipment	$15.7
March 1994	Hospital Systems, Inc. ("HSI")	Headwall products	2.2
September 1994	B&F Medical Products, Inc. ("B&F")	Home health care and respiratory therapy products	21.5
February 1995	Bear Medical Systems, Inc. ("Bear")	Critical care ventilators	15.4
May 1995	BiCore Monitoring Systems, Inc. ("BiCore")	Monitoring systems and equipment for ventilators	4.7
June 1995	Design Principles, Inc. ("DPI")	Emergency medical equipment	0.6
November 1995	Omni-Tech Medical, Inc. ("Omni-Tech")	Transport ventilators	1.6

These acquisitions have strategically placed the Company in the high growth areas of home health care and extended care markets, expanded the breadth of products offered and are expected to provide a source of future growth in sales and earnings. The Company believes that the expansion of product line offerings is particularly important in international markets as the Company continues to increase its worldwide sales force in an effort to be positioned to reach the growth potential of these emerging international markets. While the Company continues to believe that these acquisitions will have positive implications for the future, progress with respect to the integration and rationalization of the acquired businesses during fiscal 1996 was substantially less than expected and was a major contributor to the fiscal 1996 earnings decline -- particularly the fourth quarter 1996 net loss, as described below. The Company intends to emphasize reductions in manufacturing costs through plant consolidations and capital expenditure projects, sales force consolidation and training, and information systems enhancements in an attempt to realize the potential synergies of these acquisitions. There can be no assurance that the Company will be successful in realizing these potential synergies.

The fiscal 1996 fourth quarter results of operations represented a particularly difficult quarter for the Company. Core domestic markets, which had experienced softness since the second quarter of fiscal 1996, continued to be adversely impacted by numerous external and internal factors. The ongoing consolidation of the Company's health care provider customers and the continued uncertainty in their marketplace caused by health care reform adversely impacted operating results. In addition, the integration of the Company's recent complementary acquisitions has been more difficult than anticipated and had particularly negative ramifications on the fourth quarter of fiscal 1996. During the fourth quarter of fiscal 1996, the Company made significant investments in financial and human resources to position itself to realize the potential synergies of these acquisitions. Specifically, during the fourth quarter, the Company significantly invested in recruiting and training of its ventilation product line field sales force which had experienced high turnover levels. As a result of these factors, fourth quarter fiscal 1996 net sales were $30.2 million while the net loss was $2.2 million compared to fourth quarter sales of $33.8 million and net income of $2.8 million in the prior year.

Sales of respiratory therapy equipment for the fourth quarter of fiscal 1996 were $15.6 million, a decline of $2.1 million, or 12.1%, compared to sales of $17.7 million in the prior year. Declines in respiratory therapy equipment sales primarily were caused by macroeconomic factors impacting health care providers combined with declines in ventilation products caused by the disruption in field sales force personnel and significant training time spent during the quarter as well as declines in sales of home health care products caused by capacity constraints and customer pricing pressures. Sales of medical gas equipment products for the fourth quarter of fiscal 1996 were $11.3 million, a decline of $1.4 million, or 11.0%, compared to sales of $12.7 million in the prior year. The decline in new construction projects of acute care facilities as well as the consolidation of health care providers were the primary factors causing the sales decline. Emergency medical product sales were down slightly at $3.2 million in the fourth quarter of fiscal 1996 compared to $3.3 million in the fourth quarter of fiscal 1995. The sales decline in emergency medical products was attributable to the timing of orders and shipments.

Gross profit of $7.6 million in the fourth quarter of fiscal 1996 was $5.5 million, or 42.0%, below the gross profit of $13.1 million in the prior year. The decline in sales combined with an unfavorable product line sales mix, the increase in lower margin international sales, which included low margin stocking order sales to international distributors of the new BEAR CUB 750 infant ventilator, and customer pricing pressures brought on by the consolidation of health care providers all adversely impacted margins in the fourth quarter. In addition, the decline in manufacturing volumes in certain product lines resulted in the expensing of a portion of fixed plant overhead costs as period costs, further adversely impacting margins.

Selling, general and administrative (SG&A) expenses in the fourth quarter of fiscal 1996 were $9.3 million compared to $7.1 million in the prior year. Increased investments in field sales force recruiting and extensive training activities, sales promotions and literature, information technologies, and research and development activities all contributed to the increased spending in the fourth quarter of fiscal 1996. These increases in SG&A expenses primarily related to planned investments to improve future operating efficiencies and to increase sales. SG&A expenses in future periods are anticipated to decline.

The combination of decreased sales, decreased margins, and increased SG&A expenses in the fourth quarter of fiscal 1996 resulted in a net loss of $2.2 million compared to net income of $2.8 million in the comparable prior year period.

Results of Operations

Allied manufactures and markets respiratory products, including respiratory therapy equipment, 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 therapy equipment, medical gas equipment and emergency medical products for the fiscal years ended June 30, 1996, 1995, and 1994.

(Dollars in thousands) Year ended June 30,	1996 Net Sales	1996 % of Total Net Sales
Respiratory therapy equipment	$ 63,889	53.2%
Medical gas equipment	43,084	35.9
Emergency medical products	13,150	10.9
Total	$120,123	100.0%

(Dollars in thousands) Year ended June 30,	1995 Net Sales	1995 % of Total Net Sales
Respiratory therapy equipment	$ 48,421	43.4%
Medical gas equipment	50,397	45.1
Emergency medical products	12,821	11.5
Total	$111,639	100.0%

(Dollars in thousands) Year ended June 30,	1994 Net Sales	1994 % of Total Net Sales
Respiratory therapy equipment	$ 15,343	20.7%
Medical gas equipment	51,304	69.2
Emergency medical products	7,482	10.1
Total	$ 74,129	100.0%

The following table sets forth, for the fiscal periods indicated, the percentage of net sales represented by certain items reflected in the Company's consolidated statement of income.

Year ended June 30,	1996	1995	1994
Net sales	100.0%	100.0%	100.0%
Cost of sales	67.1	61.3	59.6
Gross profit	32.9	38.7	40.4
Total selling, general and administrative expenses	26.2	22.3	22.7
Income from operations	6.7	16.4	17.7
Interest expense	3.7	3.3	1.8
Other expense	0.3	--	--
Income before provision for income taxes	2.7	13.1	15.9
Provision for income taxes	1.2	5.2	6.1
Net income	1.5%	7.9%	9.8%

Fiscal 1996 Compared to Fiscal 1995

Net sales increased by $8.5 million, or 7.6%, to $120.1 million in fiscal 1996 from $111.6 million in fiscal 1995. The increase in net sales included $19.9 million in sales as a result of acquisitions partially offset by a decline of $11.5 million in sales of existing products. Numerous external and internal factors adversely impacted the Company's sales during fiscal 1996. Certain macroeconomic factors first experienced in the second quarter continued to impact sales throughout the remainder of fiscal 1996, most notably in the fourth quarter. Political uncertainty over the federal budget, particularly the possibility of changes in Medicare and Medicaid financing and health care provider reimbursement rates, adversely impacted customer purchasing decisions. In late April 1996, Congress resolved the federal fiscal 1996 budget issue, but deferred resolution of health care policy issues. The Company is unable to predict the impact of the government deferral of health care policy decisions on customer purchase decisions, but management believes that until reimbursement issues are resolved, current purchase patterns are likely to continue. The on-going consolidation of health care providers has also impacted sales as this activity appears to have caused customers to delay capital purchases as they rationalize their operations, and to delay non-capital purchases as they reduce their consolidated inventory levels. While the Company is unable to predict when these macroeconomic conditions will be resolved, the Company believes that over a long-term horizon it is positioned to capitalize on its ability to provide a broad product offering to meet the demands of respiratory health care caused by an aging population, an increase in the occurrence of lung disease, and other respiratory illnesses requiring treatment in the home, hospital, and sub-acute care facilities. The market softness experienced as a result of external factors heightened the impact of internal factors on fiscal 1996 sales, most notably in the fourth quarter. Internally, the Company experienced disruption in its ventilation product line field sales force due to the effects of high turnover rates. Due to the technical nature of selling the ventilation product line, significant efforts and resources were expended to recruit and train the current field sales force. In addition, transitioning from distributor sales to a direct field sales force in certain other product lines, as well as manufacturing capacity issues, have also adversely impacted fiscal 1996 sales. The Company also experienced margin pressures in a number of its product lines due to several factors. These factors included the significant consolidation of home health care dealers and the resultant pricing pressures from these customers, the adverse impact of reduced volume on the cost of manufacturing due to the fixed nature of a significant portion of the Company's production costs, the impact of manufacturing inefficiencies experienced at one of the Company's plants, and the higher mix of lower margin international sales.

Respiratory therapy equipment sales increased $15.5 million, or 31.9%, to $63.9 million for fiscal 1996 compared to sales of $48.4 million for fiscal 1995. The increase in sales of respiratory therapy products includes $19.2 million related to acquisitions partially offset by a decline of $3.7 million in sales of existing products. The impact of political uncertainty over the federal budget reconciliation legislation and a pledge by the Healthcare Financing Administration, the federal agency that administers Medicare, to significantly reduce the Medicare home oxygen rental fee rates contributed to the decline in sales of existing products. Market softness for capital expenditure products such as critical care ventilators, the consolidation of home health care dealers, and increased competitive pressure to obtain business from national accounts put pressure on pricing and margins throughout the last three quarters of 1996. These factors are expected to continue into fiscal 1997. In addition, manufacturing inefficiencies and capacity constraints experienced at one of the Company's facilities during fiscal 1996 prevented the Company from shipping to the level of demand for certain products. Although improvements have been implemented, capacity constraints are expected to continue through at least mid-fiscal 1997, at which time the Company's capital expenditure project at this plant is expected to be completed.

Medical gas equipment sales of $43.1 million for fiscal 1996 decreased $7.3 million, or 14.5%, compared to sales of $50.4 million during fiscal 1995. Consolidation of health care providers in the acute and post-acute care markets combined with customer concerns over the outcome of possible capital reimbursement policy changes adversely impacted fiscal 1996 sales. While the consolidation of health care providers appears to be slowing, management expects sales of medical gas equipment to continue to be adversely impacted until capital reimbursement policy issues are resolved.

Emergency medical products sales of $13.1 million for fiscal 1996 increased $0.3 million, or 2.6%, compared to sales of $12.8 million during fiscal 1995. The increase in sales includes $0.7 million related to acquisitions partially offset by a decline of $0.4 million in existing products. The Company believes the decline in existing emergency medical products sales is attributable to the timing of orders and shipments. The acquisition of Omni-Tech in November 1995 has had a favorable impact on sales to the U.S. Government, with $0.4 million in incremental sales during fiscal 1996. The Company continued to increase its presence in worldwide markets during the year. International sales, which are included in the product line sales discussion above, increased $6.6 million, or 27.3%, to $30.8 million

in fiscal 1996 compared to $24.2 million in fiscal 1995. The Company's strategy of diversification through acquisition has had a favorable impact on international sales as the increased breadth of products offered provides the critical mass necessary to increase the Company's worldwide sales force and realize the growth potential of emerging international markets. Acquisitions contributed $8.4 million of the fiscal 1996 increase in international sales which was partially offset by a decline in sales by $1.8 million of existing products. The decline in international sales of existing products primarily resulted from fewer new hospital construction projects in Mexico and other Latin American markets.

Gross profit of $39.6 million in fiscal 1996 decreased $3.6 million, or 8.4%, from $43.2 million in fiscal 1995 as a result of sales mix, customer pricing pressures and manufacturing volume issues. The change in gross profit resulting from sales mix issues is due to the continued shift in sales to the home health care market which has lower margins than the construction product line, which had previously been the Company's primary product group; the continued increase in international sales, which have lower margins than domestic sales due to the large quantity, bid-based nature of these sales; and due to an increase in sales of distributed versus manufactured products during fiscal 1996. The consolidation of the Company's customer base, particularly in the hospital and home health care markets, resulted in larger buying groups and national accounts which increased customers' ability to negotiate prices. Accordingly, these pricing pressures had an adverse impact on gross profit margins. In addition, the decline in existing product sales resulted in a decline in manufacturing volume in the Company's plants, particularly in the fourth quarter of fiscal 1996. As a result, a portion of fixed plant overhead costs was expensed as period costs, which adversely impacted margins. As a percentage of net sales, gross profit was 32.9% and 38.7% in fiscal 1996 and fiscal 1995, respectively. The Company anticipates continued pressures on margins caused by the previously discussed external and internal factors. In response to declining margins, the Company has embarked upon two significant capital expenditure programs which are designed to reduce manufacturing costs, improve manufacturing cycle times, improve quality, and reduce inventory levels. The Company continues to evaluate its business with an intent to streamline operations, improve productivity and reduce costs. Accordingly, the Company may implement additional sales force and manufacturing or other strategic rationalization programs in the future.

SG&A expenses for fiscal 1996 increased $6.6 million, or 26.6%, to $31.4 million in fiscal 1996 from $24.8 million in fiscal 1995. SG&A expenses increased $6.4 million as a result of acquisitions, most notably increased selling expenses for the demonstration-based, direct sales-intensive critical care ventilation product line, increased research and development costs for the critical care ventilation products, which include development of the new Smart Trigger and BEAR CUB 750 Infant Ventilator, and increased amortization expense attributable to the recent acquisitions. As described previously, base period SG&A expenses increased $0.4 million as the Company invested in additional training activities for the field sales force, technology upgrades in its information systems, and other strategic research and development projects. As a percentage of net sales, SG&A expenses increased to 26.2% in fiscal 1996 compared to 22.3% in fiscal 1995. This increase is attributable to the combined factors of a decline in sales of existing products and the strategic investments in training, technology and new products.

Income from operations in fiscal 1996 of $8.1 million was $10.2 million, or 55.8%, below fiscal 1995 income from operations of $18.4 million. As a percentage of net sales, income from operations decreased to 6.7% from 16.4% in fiscal 1996. This decrease is attributable to reduced sales of existing products, reduced gross margins, and the increase in SG&A expenses discussed above.

Other expenses increased $1.1 million, or 31.0%, to $4.8 million in fiscal 1996 from $3.7 million in fiscal 1995. Interest expense increased $0.8 million, or 20.7%, to $4.5 million in fiscal 1996 from $3.7 million in fiscal 1995. Interest expense increased $1.4 million due to increased debt required to finance recent acquisitions, offset almost entirely by a reduction in interest charges resulting from the reduction of existing bank debt as a consequence of the equity offering completed in October 1995. The additional debt required to finance working capital, capital expenditures and other operations accounted for the $0.8 million net increase in interest expense in fiscal 1996. The effective interest rate was 7.5% and 7.7% in fiscal 1996 and fiscal 1995, respectively. The Company pays prevailing market rates on its debt and has interest rates fixed with an interest rate protection agreement on $25.0 million in debt.

Income before provision for income taxes decreased $11.4 million, or 77.5%, to $3.3 million in fiscal 1996 from $14.7 million in the prior year. The Company's fiscal 1996 effective tax rate was 44.6% compared to 39.9% in fiscal 1995. This increase in the effective tax rate is primarily attributable to the amortization of non-tax deductible acquisition goodwill, which has an increasing impact on the effective tax rate as pre-tax income decreases.

Net income in fiscal 1996 was $1.8 million, a decrease of $7.0 million, or 79.3%, from $8.8 million in fiscal 1995. Earnings per share decreased to $0.25 in fiscal 1996 from $1.45 in fiscal 1995, or 82.7%. The weighted average number of common shares outstanding used in the calculation of earnings per share was 7,378,478 in fiscal

Management's Discussion and Analysis of Financial Condition and Results of Operations continued 1996 compared to 6,066,588 in fiscal 1995. The increase in the weighted average number of common shares was the result of the October 1995 sale of 1,610,000 shares of common stock and the September 1994 issuance of 640,000 shares of common stock in connection with the acquisition of B&F.

Fiscal 1995 Compared to Fiscal 1994 Net sales increased by $37.5 million, or 50.6%, to $111.6 million in fiscal 1995 from $74.1 million in fiscal 1994. The increase was primarily attributable to acquisitions made during the fiscal year, which contributed $32.8 million of incremental sales.

Excluding fiscal 1995 acquisitions, net sales increased by $4.7 million, which included a 1.8% price increase. Sales of medical gas equipment decreased by $0.9 million, or 1.8%, to $50.4 million in fiscal 1995 from $51.3 million in fiscal 1994. The decline in sales of medical gas equipment resulted from a $2.3 million decrease in sales of medical gas system construction products. Consolidation of health care providers in the hospital and post-acute care markets combined with customer concerns over health care reform adversely affected medical gas equipment sales in fiscal 1995, a trend which continued throughout fiscal 1996. Excluding fiscal 1995 acquisitions, sales of respiratory therapy products increased $0.3 million, or 2.1%, while sales of emergency medical products increased $5.3 million, which included the full year effect on sales resulting from the acquisition of LSP.

The Company increased its presence in worldwide markets during the year. International sales increased $10.6 million, or 77.9%, to $24.2 million in fiscal 1995 compared to $13.6 million in fiscal 1994. Acquisitions contributed $6.4 million of the $10.6 million increase in international sales during the year.

Gross profit increased 44.2% to $43.2 million in fiscal 1995 from $30.0 million in fiscal 1994. The gross profit margin percentage decreased to 38.7% from 40.4%. The change in the gross profit margin was due to decreased sales in the high margin medical gas system construction product line and a continued shift in the revenue mix to the home health care market, which has lower profit margins than the Company's other primary markets. This decrease in gross profit margin was partially offset by increased sales in the third and fourth quarter of higher margin ventilation products. In the fourth quarter of fiscal 1995, the Company initiated three plant consolidation projects and completed the consolidation of LSP's operations. The partial year savings from these consolidations offset the costs of consolidation and accordingly had no impact on fiscal 1995 gross profit margins.

SG&A expenses for fiscal 1995 increased $8.0 million, or 47.7%, to $24.8 million from $16.8 million in fiscal 1994. As a percent of net sales, SG&A expenses decreased to 22.3% in fiscal 1995 compared to 22.7% in fiscal 1994.\

Income from operations in fiscal 1995 increased $5.3 million, or 39.8%, to $18.4 million from $13.1 million in fiscal 1994. As a percentage of net sales, income from operations decreased to 16.4% from 17.7% in fiscal 1995. This decrease is attributable to the decline in gross profit margin which was partially offset by the decrease in SG&A expenses as a percent of net sales.

Interest expense in fiscal 1995 increased $2.4 million to $3.7 million from $1.3 million the prior year. This increase in interest expense was due to the $31.6 million of debt incurred in connection with the acquisition of B&F, Bear and BiCore. The effective interest rate on debt in fiscal 1995 was 7.7% compared to 5.9% in fiscal 1994. The increase in the effective interest rate is representative of the increase in prevailing market rates.

Income before provision for income taxes increased by 24.4% to $14.7 million in fiscal 1995 from $11.8 million in fiscal 1994. The Company's effective tax rate for fiscal 1995 was 39.9% compared to 38.5% in fiscal 1994. The increase in the effective tax rate is attributable to increased amortization of non-tax deductible acquisition goodwill.

Net income increased by $1.5 million, or 21.6%, to $8.8 million in fiscal 1995 from $7.3 million in fiscal 1994. Earnings per share increased to $1.45 in fiscal 1995 from $1.31 in fiscal 1994, an increase of 10.7% The weighted average number of common shares outstanding used in the calculation of earnings per share was 6,066,588 in fiscal 1995 compared to 5,521,659 in fiscal 1994. The increase in the weighted average number of common shares was the result of issuing 640,000 shares of common stock in connection with the acquisition of B&F.

Financial Condition, Liquidity and Capital Resources

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

(Dollars in thousands)

June 30,	1996	1995	1994
Cash	$ 1,489	$ 175	$ 1,394
Working capital	38,030	2,810	5,018
Total debt	52,882	69,022	29,621
Current ratio	2.69:1	1.05:1	1.19:1

The Company's working capital was $38.0 million at June 30, 1996 compared to $2.8 million at June 30, 1995, an increase of $35.2 million. This increase in

working capital primarily reflected a $30.6 million decrease in short-term indebtedness and debt refinancing which is discussed below. Accounts receivable decreased to $26.0 million from $27.6 million while inventories increased to $28.0 million at June 30, 1996 from $23.9 million at

June 30, 1995. The increase in inventories is a result of inventory stocking to shorten the period from order placement to delivery time to improve customer satisfaction, inventory stocking due to the transition from distributor sales to direct sales, and the decline in sales activity.

Net cash increase/(decrease) was $1.3 million, ($1.2) million, and ($0.7) million in fiscal 1996, 1995 and 1994, respectively. Net cash provided (used) from operations was $2.5 million, ($0.3) million, and $4.6 million for the same periods. Cash flow generated in fiscal 1996 resulted from operations and proceeds from the issuance of common stock which was partially offset by capital expenditures and reductions in debt. Prior year cash flows were significantly impacted by acquisitions and increases in debt levels to finance the previously noted acquisitions. The reduction in net income during fiscal 1996 has significantly impacted cash flows and the ability of the Company to continue historical levels of fixed payments. Accordingly, on August 21, 1996, the Company's Board of Directors voted to suspend quarterly dividends effective immediately with the fourth quarter of fiscal 1996. The Company also renegotiated its credit facilities in September 1996 as described below. The Company believes that subsequent to the suspension of cash dividends, cash flow from operations and available borrowings under its amended revolving credit facility, discussed below, will be sufficient to finance fixed debt service and planned capital expenditures in fiscal 1997.

At June 30, 1996, the Company had aggregate indebtedness of $52.9 million, including $3.9 million of short-term debt and $49.0 million of long-term debt. Aggregate indebtedness at June 30, 1995 was $69.0 million, including $34.4 million of short-term debt and $34.6 million of long-term debt. On October 4, 1995, the Company paid down its existing debt by $25.7 million with proceeds raised from the sale of 1,610,000 shares of common stock sold in a public offering. On October 13, 1995, the Company entered into credit facilities with a commercial bank syndicate to expire in the year 2000. The secured credit facilities included a $40.0 million revolving credit facility and term loans of $15.0 million and $70.0 million, or aggregate credit facilities of $125.0 million. In September 1996, subsequent to fiscal 1996 year end, the Company's credit facilities were amended such that the $68.4 million unused portion of the $70.0 million acquisition term loan facility is no longer available. Additionally, amendments were made to the Company's credit facilities to reset certain covenants, to increase advance rates on the revolving credit facility borrowing base and to enter into an additional $5.0 million term loan, leaving credit facilities totalling $60.0 million which can be utilized to finance operations and future growth. All credit facilities' maturity dates were reset to July 31, 1998. At June 30, 1996, the Company had total borrowings of $49.4 million on these credit facilities and was in compliance with or had received waivers on all covenants. (See Note 14).

Capital expenditures in fiscal 1996, 1995 and 1994 were $3.6 million, $6.3 million, and $1.9 million, respectively. Fiscal 1996 capital expenditures include strategic investments in a new machining center for the Company's St. Louis, Missouri facility, the purchase of machinery and molds to increase capacity at its Toledo, Ohio facility and other normal recurring replacements of machinery and equipment. Fiscal 1995 capital expenditures included an addition to the Company's manufacturing facility in St. Louis. The Company completed two separate plant consolidations in fiscal 1996. The Company's headwall construction manufacturing operation has been consolidated into its HSI operations in Oakland, California, and its disposable medical products operation in Mt. Vernon, Ohio was closed and consolidated into its Toledo, Ohio facility operations. These consolidations are consistent with the Company's strategy to rationalize operations to achieve efficiencies. Allied anticipates these consolidations will reduce manufacturing costs, increase manufacturing efficiencies, and reduce delivery times to customers. In addition, the Company acquired $2.6 million of computer equipment and software under capital leases to improve information technology systems.

The Company reduced its reserves recorded in connection with the previously discussed acquisitions by approximately $2.0 million in fiscal 1996. These reductions are primarily related to cash payments for various costs directly attributable to these acquisitions, including severance, facility rationalization and related matters and legal, accounting and consulting fees. The remaining acquisition reserves of approximately $2.0 million at June 30, 1996 are expected to be liquidated primarily over the next two years.

As of June 30, 1996, the Company had a backlog of $21.0 million compared to a $24.4 million backlog as of June 30, 1995. The Company's backlog, a significant portion of which is attributable to the Company's medical gas system construction products, consists of firm customer purchase orders which are subject to cancellation by the customer upon notification. Allied's policy is to recognize backlog orders only when they become shippable. The Company's backlog has decreased primarily in medical gas construction systems products; however, backlog in headwall construction products, emergency products and ventilation products have all increased from year to year.

Inflation has not had a material effect on the Company's business or results of operations.

Seasonality and Quarterly Results

In past fiscal years, the Company has experienced seasonal increases in net sales during its second and third fiscal quarters (October 1 through March 31) which, in turn, 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. As the Company has expanded its sales into the home health care, emergency medical and international markets, these seasonal variations have diminished, but not in their entirety.

The following table sets forth selected operating results for the eight quarters ended June 30, 1996. 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.

(Dollars in thousands, except per share data) Three months ended	June 30, 1996	March 31, 1996	Dec. 31, 1995	Sept. 30, 1995	June 30, 1995	March 31, 1995	Dec. 31, 1994	Sept. 30, 1994
Net sales	$30,161	$30,334	$28,439	$31,189	$33,759	$31,643	$26,391	$19,846
Gross profit	7,574	9,772	9,889	12,338	13,060	11,980	10,164	8,005
Income (Loss) from operations	(1,765)	2,461	2,705	4,723	5,927	4,672	4,419	3,342
Net income (loss)	(2,159)	978	1,012	1,996	2,762	2,087	2,236	1,738
Earnings (Loss) per share	$ (0.30)	$ 0.12	$ 0.11	$ 0.32	$ 0.44	$ 0.34	$ 0.37	$ 0.30

Consolidated Statement of Income

Year ended June 30,	1996	1995	1994
Net sales	$120,122,502	$111,638,712	$74,129,334
Cost of sales	80,549,685	68,430,068	44,171,947
Gross profit	39,572,817	43,208,644	29,957,387
Selling, general and administrative expenses	31,449,306	24,848,486	16,823,934
Income from operations	8,123,511	18,360,158	13,133,453
Other expenses:			
Interest expense	4,474,316	3,703,954	1,337,769
Other, net	349,445	(20,595)	2,040
	4,823,761	3,683,359	1,339,809
Income before provision for income taxes	3,299,750	14,676,799	11,793,644
Provision for income taxes	1,473,156	5,853,735	4,538,395
Net income	$ 1,826,594	$ 8,823,064	$ 7,255,249
Earnings per share	$ 0.25	$ 1.45	$ 1.31

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

June 30,	1996	1995
Assets		
Current assets:		
Cash	$ 1,489,133	$ 174,952
Accounts receivable, net of allowance for doubtful accounts of $422,517 and $590,459, respectively	25,964,658	27,586,290
Inventories	28,046,490	23,889,837
Income taxes receivable	2,285,224	--
Other current assets	2,713,497	3,378,079
Total current assets	60,499,002	55,029,158
Property, plant and equipment, net	21,968,504	18,099,690
Goodwill, net	52,821,411	52,518,771
Other assets, net	1,471,541	544,404
Total assets	$136,760,458	$126,192,023
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 13,104,299	$ 9,859,377
Current portion of long-term debt	3,848,780	4,669,959
Notes payable to bank	--	7,000,000
Short-term debt expected to be refinanced	--	22,750,000
Other accrued liabilities	5,516,045	7,939,770
Total current liabilities	22,469,124	52,219,106
Long-term debt	49,033,545	34,602,021
Deferred tax liability -- noncurrent	1,371,649	996,984
Commitments and contingencies (Notes 5 and 12)		
Shareholders' equity:		
Preferred stock; $.01 par value; 1,500,000 shares authorized; no shares issued and outstanding		
Common stock; $.01 par value; 30,000,000 shares authorized; 7,796,682 and 6,185,508 shares issued and outstanding at June 30, 1996 and June 30, 1995, respectively	101,002	84,890
Additional paid-in capital	46,945,971	21,206,090
Retained earnings	37,570,595	37,814,360
Common stock in treasury, at cost	(20,731,428)	(20,731,428)
Total shareholders' equity	63,886,140	38,373,912
Total liabilities and shareholders' equity	$136,760,458	$126,192,023

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

	Preferred Stock	Common Stock	Additional Paid-In Capital	Stock Subscriptions Receivable	Retained Earnings	Treasury Stock
Balance, June 30, 1993	$0	$ 78,250	$ 9,532,709	$(110,704)	$24,729,635	$(20,731,428)
Issuance of common stock	--	25	19,975	--	--	--
Tax benefits relating to employee stock options	--	--	545,012	--	--	--
Payments on stock subscriptions receivable	--	--	--	40,077	--	--
Dividends declared ($.27 per common share)	--	--	--	--	(1,325,163)	--
Net income for the year ended June 30, 1994	--	--	--	--	7,255,249	--
Balance, June 30, 1994	0	78,275	10,097,696	(70,627)	30,659,721	(20,731,428)
Issuance of common stock	--	6,615	10,168,570	--	--	--
Tax benefits relating to employee stock options	--	--	939,824	--	--	--
Payments on stock subscriptions receivable	--	--	--	70,627	--	--
Dividends declared ($.28 per common share)	--	--	--	--	(1,668,425)	--
Net income for the year ended June 30, 1995	--	--	--	--	8,823,064	--
Balance, June 30, 1995	0	84,890	21,206,090	0	37,814,360	(20,731,428)
Issuance of common stock	--	16,112	25,739,881	--	--	--
Dividends declared ($.28 per common share)	--	--	--	--	(2,070,359)	--
Net income for the year ended June 30, 1996	--	--	--	--	1,826,594	--
Balance, June 30, 1996	$0	$101,002	$46,945,971	$ 0	$37,570,595	$(20,731,428)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Year ended June 30,	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 1,826,594	$ 8,823,064	$ 7,255,249
Adjustments to reconcile net income to net cash provided by (used in) operating activities, excluding the effects of acquisitions:			
Depreciation and amortization	3,954,989	2,897,708	1,615,522
Tax benefits relating to employee stock options	--	939,824	545,012
Decrease (Increase) in accounts receivable, net	1,702,297	(4,230,876)	(2,591,146)
Increase in inventories	(4,156,653)	(3,325,328)	(2,757,486)
Increase in income taxes receivable	(2,285,224)	--	--
Decrease in other current assets	2,276,486	1,871,659	91,117
Increase (Decrease) in accounts payable	3,191,348	(223,020)	2,365,313
Increase (Decrease) in other accrued liabilities	(4,325,109)	(7,096,196)	(1,758,894)
Increase (Decrease) in deferred income taxes -- liability	315,892	1,309	(143,385)
Net cash (used) provided by operating activities	2,500,620	(341,856)	4,621,302
Cash flows from investing activities:			
Capital expenditures	(3,649,284)	(6,279,387)	(1,938,013)
Acquisition of LSP -- Net of cash acquired	--	--	(15,082,719)
Acquisition of HSI -- Net of cash acquired	--	--	(1,970,914)
Acquisition of B&F -- Net of cash acquired	--	(11,208,000)	--
Acquisition of Bear -- Net of cash acquired	--	(15,191,193)	--
Acquisition of BiCore -- Net of cash acquired	--	(4,699,102)	--
Acquisition of DPI -- Net of cash acquired	--	(600,000)	--
Acquisition of Omni-Tech -- Net of cash acquired	(1,557,000)	--	--
Acquisition of operating rights and licenses	--	(100,000)	--
Net cash used in investing activities	(5,206,284)	(38,077,682)	(18,991,646)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	16,600,000	61,750,000	18,150,000
Payment of long-term debt	(63,192,220)	(26,515,878)	(6,586,125)
Borrowings under revolving credit agreement	56,100,000	26,088,000	19,898,000
Payments under revolving credit agreement	(28,100,000)	(22,798,000)	(16,486,000)
Proceeds from issuance of common stock	25,755,993	171,985	20,000
Debt issuance costs	(1,186,351)	--	--
Dividends paid on common stock	(1,957,577)	(1,566,729)	(1,325,163)
Proceeds from payments on stock subscriptions receivable	--	70,627	40,077
Net cash provided by financing activities	4,019,845	37,200,005	13,710,789
Net increase (decrease) in cash and equivalents	1,314,181	(1,219,533)	(659,555)
Cash and equivalents at beginning of period	174,952	1,394,485	2,054,040
Cash and equivalents at end of period	$ 1,489,133	$ 174,952	$ 1,394,485
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 4,142,070	$ 3,964,112	$ 1,224,129
Income taxes	$ 2,587,091	$ 1,082,290	$ 5,115,230
Supplemental schedule of noncash investing and financing activities:			
Equipment acquired through capital leases	$ 2,452,565	--	--
Issuance of common stock in the acquisition of B&F Medical Products, Inc.	--	$ 10,003,200	--

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 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 therapy equipment, medical gas equipment and emergency medical products.

NOTE 2 Acquisitions

The following table summarizes certain information regarding the Company's acquisitions during the previous three years:

Date	Business	Products	(Dollars in Millions) Purchase Price
December 1993	Life Support Products, Inc. ("LSP")	Emergency medical equipment	$15.7
March 1994	Hospital Systems, Inc. ("HSI")	Headwall products	2.2
September 1994	B&F Medical Products, Inc. ("B&F")	Home health care and respiratory therapy products	21.5
February 1995	Bear Medical Systems, Inc. ("Bear")	Critical care ventilators	15.4
May 1995	BiCore Monitoring Systems, Inc. ("BiCore")	Monitoring systems and equipment for ventilators	4.7
June 1995	Design Principles, Inc. ("DPI")	Emergency medical equipment	0.6
November 1995	Omni-Tech Medical, Inc. ("Omni-Tech")	Transport ventilators	1.6

The above acquisitions were each accounted for under the purchase method of accounting. Such acquisitions were primarily financed through bank borrowings, except B&F which included the issuance of 640,000 shares of Allied common stock. The purchase price of each acquisition has been allocated to the assets acquired and liabilities assumed, based on their estimated fair values at the date of acquisition. The excess of purchase price over the estimated fair value of net assets acquired is recorded as goodwill. Results of operations of each acquired company have been included in Allied's consolidated statement of income from the date of acquisition.

The following table sets forth pro forma information for Allied as if each of the previously discussed acquisitions had taken place on July 1, 1993. This information is unaudited and does not purport to represent actual revenue, net income and earnings per share had the acquisitions actually occurred on July 1, 1993.

(Dollars in thousands)
Pro Forma Information (unaudited)

Year ended June 30,	1996	1995	1994
Net sales	$120,324	$133,873	$138,608
Net income	$ 1,951	$ 8,902	$ 8,752
Earnings per share	$ .26	$ 1.44	$ 1.42
Weighted average shares outstanding	7,378,478	6,177,054	6,161,658

NOTE 3 Summary of Significant Accounting Policies

The significant accounting policies followed by Allied are described below. The policies utilized by the Company in the preparation of the financial statements conform to generally accepted accounting principles, and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 balances are eliminated.

Revenue Recognition

Revenue from the sale of the Company's products is recognized upon shipment to the customer. Costs and related expenses to manufacture the Company's products are recorded as cost of sales when the related revenue is recognized.

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 $1,270,385 and $2,212,305 at June 30, 1996 and 1995, respectively, are included in accounts payable.

Concentrations of Credit
At June 30, 1996 and 1995, the Company's trade receivables were comprised as follows:

	1996	1995
Medical equipment distributors	75%	69%
Construction contractors	15%	13%
Health care institutions	10%	18%

The Company maintains reserves for potential credit losses and historically such losses have been within management's expectations. At June 30, 1996, the Company had 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 (FIFO) method (which approximates replacement cost) had been used in determining cost, inventories would have been $253,996 and $532,249 higher at June 30, 1996 and 1995, respectively. Inventories include the cost of materials, direct labor and manufacturing overhead.

Obsolete or unsalable inventories are reflected at their estimated realizable values.

Property, Plant and Equipment
Property, plant and equipment is carried at cost and is depreciated using the straight-line method over the estimated useful lives of the assets which range from three to 36 years. Properties held under capital leases are recorded at the present value of the noncancelable 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
The excess of the purchase price over the fair value of net assets acquired in business combinations is capitalized and amortized on a straight-line basis over the estimated period benefited, not to exceed 40 years. The amortization period for all acquisitions to date range from 20 to 40 years. Amortization expense for the years ended June 30, 1996, 1995 and 1994 was $1,446,756, $1,065,733 and $394,765, respectively. Accumulated amortization at June 30, 1996 and 1995 was $3,874,679 and $2,427,923, respectively. The carrying value of goodwill is assessed for recoverability by management based on an analysis of future expected cash flows from the underlying operations of the Company. Management believes that there has been no impairment at June 30, 1996.

Other Assets
Other assets are primarily comprised of debt issuance costs. Such costs are being amortized on a straight-line basis over the life of the related obligations.

Income Taxes
The Company files a consolidated federal income tax return which includes its wholly-owned subsidiaries. The provision for income taxes is based on consolidated income and expenses of the Company for financial reporting purposes.

During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." The adoption of FAS 109 changed the Company's method of accounting for income taxes from the deferred method (APB 11) to an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company adopted FAS 109 by restating prior years' financial statements. Application of FAS 109 increased the net deferred tax liability recognized for future taxable temporary differences by approximately $2,100,000 at June 30, 1993. This increase was largely offset by increases to property, plant and equipment, inventory and goodwill. This restatement did not have a material impact on the results of operations for the years ended June 30, 1993 and 1992. The cumulative effect of this accounting change did not materially impact retained earnings at June 30, 1993 and there was no impact on cash flows.

Research and Development Costs
Research and development costs are charged to income in the year incurred and are included in selling, general and administrative expenses. Research and development expense for the years ended June 30, 1996, 1995 and 1994 was $3,255,067, $2,486,622 and $1,492,197, respectively.

Earnings per Share
Earnings per share is computed by dividing net income available to common shareholders by the weighted average number of shares and share equivalents outstanding during the period, as adjusted for stock splits. The weighted average number of shares outstanding for the years ended June 30, 1996, 1995 and

1994 was 7,378,478, 6,066,588 and 5,521,659 shares, respectively.

NOTE 4 Financing

Long-term debt consisted of the following at June 30, 1996 and 1995:

	1996	1995
Unsubordinated Debt		
Notes payable to bank under a term loan, revolving credit facility and an acquisition line, secured by virtually all assets of the Company:		
Term Loan -- principal due in quarterly installments of $750,000 through September 30, 2000	$12,750,000	$ --
Revolving credit facility -- aggregate revolving commitment of $40,000,000, principal due at maturity on October 13, 2000	35,000,000	--
Acquisition line -- aggregate acquisition commitment of $70,000,000; principal on current borrowing due in quarterly installments of $64,000 commencing on August 31, 1996 and each calendar quarter thereafter through March 31, 1997; $80,000 through September 30, 2000; $224,000 due at maturity on October 13, 2000	1,600,000	--
Note payable to bank -- paid in 1996	--	37,050,000
Note payable to bank -- paid in 1996	--	22,750,000
Other	76,135	528,671
	$49,426,135	$60,328,671
Subordinated Debt		
Industrial Development Revenue Bonds -- principal due in annual installments of $200,000 through March 1, 1998; $250,000 through March 1, 2000; $255,000 at maturity on March 1, 2001; interest due monthly at variable rates (4.2% at June 30, 1996)	1,155,000	1,355,000
Capital lease obligations	2,301,190	338,309
	3,456,190	1,693,309
	52,882,325	62,021,980
Less -- Short term debt expected to be refinanced	--	(22,750,000)
Less -- Current portion of long-term debt, including $635,336 and $117,424 of capital lease obligations	(3,848,780)	(4,669,959)
	$49,033,545	$34,602,021

On October 13, 1995, the Company refinanced notes payable to a bank in conjunction with the sale of 1,610,000 shares of its common stock in a public offering which yielded net proceeds of $25.7 million. Such proceeds were used to reduce the outstanding balance of the Company's notes payable to a bank.

The new credit agreement (Credit Agreement) provided for borrowings of $15,000,000 under a term loan, $70,000,000 under a term loan available for acquisitions and $40,000,000 under a revolving loan, subject to certain limitations based on eligible accounts receivable, eligible inventory and outstanding letters of credit. Such loans bear interest at the London Interbank Offered Rate (LIBOR) or at a base rate plus a specified percentage as set forth within the loan agreement. The interest rate under each option is determined by the Company's ratio of total indebtedness to cash flow. As of June 30, 1996, interest on the facilities ranged from approximately 7.0% to 8.5%.

The revolving agreement and acquisition line require a commitment fee of 0.25% to 0.375% per annum, depending on the Company's ratio of total indebtedness to cash flow, payable quarterly on the unused portions of the loans.

The Credit Agreement contains restrictions and requirements, including limitations on capital expenditures, new indebtedness (including lease agreements) and the maintenance of certain minimum operating cash flow and net worth levels, among others. At June 30, 1996, the Company was in violation of certain of these covenants for which waivers have been received.

At June 30, 1996 the minimum principal payments of long-term debt, excluding capital lease obligations, for the five subsequent fiscal years are as follows:

1997	$ 3,213,444
1998	3,534,415
1999	3,585,457
2000	3,586,575
2001	36,661,244
	$50,581,135

The book value of long-term debt at June 30, 1996 approximates fair value.

See Note 14 for discussion of subsequent amendments to the Credit Agreement.

NOTE 5 Lease Commitments

The Company leases certain of its electronic data processing equipment under noncancelable lease agreements. These agreements extend for a period of up to 60 months and contain purchase or renewal options on a month-to-month basis. The leases are reflected in the consolidated financial statements as capitalized leases in accordance with the requirements of Statement of Financial

Accounting Standards No. 13 (FAS 13), "Accounting for Leases." In addition, the Company leases certain manufacturing facilities under noncancelable operating leases. These leases are reflected in the consolidated financial statements as operating leases in accordance with FAS 13.

Minimum lease payments under long-term capital leases and the operating leases at June 30, 1996 are as follows:

	Capital Leases	Operating Leases
1997	$ 803,110	$ 695,007
1998	782,220	906,390
1999	545,823	528,534
2000	478,392	69,120
2001	65,438	57,600
Thereafter	--	--
Total minimum lease payments	2,674,983	$2,256,651
Less amount representing interest	(373,793)	
Present value of net minimum lease payments, including current portion of $635,336	$2,301,190	

Rental expense incurred on the operating leases in fiscal 1996, 1995 and 1994 totaled $881,318, $558,910 and $116,815, respectively.

NOTE 6 Income Taxes

The provision for income taxes consisted of the following:

	1996	1995	1994
Current payable:			
Federal	$ 40,240	$3,335,097	$3,439,878
State	--	488,608	412,798
Total current	40,240	3,823,705	3,852,676
Deferred:			
Federal	1,217,979	1,767,979	613,538
State	214,937	262,051	72,181
Total deferred	1,432,916	2,030,030	685,719
	$1,473,156	$5,853,735	$4,538,395

Income taxes were 44.6%, 39.9% and 38.5% of pre-tax earnings in 1996, 1995 and 1994, respectively. A reconciliation of income taxes, with the amounts computed at the statutory federal rate, follows:

	1996	1995	1994
Computed tax at federal statutory rate	$1,121,915	$5,036,880	$4,027,775
State income taxes, net of federal tax benefit	169,770	498,653	368,303
Goodwill	482,876	366,010	128,304
Other, net	(301,405)	(47,808)	14,013
Total	$1,473,156	$5,853,735	$4,538,395

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 1996 and 1995 are as follows:

	June 30, 1996	
	Deferred Tax Assets	Deferred Tax Liabilities
Current:		
Bad debts	$ 165,933	$ --
Accrued liabilities	990,360	--
Inventory	--	731,879
Net operating loss carryforward	698,377	--
Other	237,420	--

	2,092,090	731,879
Noncurrent:		
Depreciation	--	411,969
Other property basis	--	449,083
Intangible assets	118,250	--
Other	--	306,127
	118,250	1,167,179
Valuation allowance	(322,720)	--
Total deferred taxes	$1,887,620	$1,899,058

	June 30, 1995	
	Deferred Tax Assets	Deferred Tax Liabilities
Current:		
Bad debts	$ 295,229	$ --
Accrued liabilities	361,282	--
Inventory	57,749	--
Stock option compensation	189,892	--
	904,152	--
Noncurrent:		
Depreciation	--	463,629
Other property basis	--	332,141
Intangible assets	414,618	--
Other	--	301,387
	414,618	1,097,157
Valuation allowance	(314,445)	--
Total deferred taxes	$1,004,325	$1,097,157

Income taxes receivable at June 30, 1996 reflect approximately $2.3 million of federal and state tax refunds to be received relative to estimated tax payments made by the Company in fiscal 1996. At June 30, 1996, the Company has approximately $698,377 of net operating loss carryforwards available to offset future regular taxable income. The carryforwards expire in 2011.

NOTE 7 Retirement Plan

The Company offers several retirement savings plans 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, 1996, 1995 and 1994, the Company made contributions of $535,017, $439,427 and $252,612, respectively.

NOTE 8 Related Parties

In 1994, Allied entered into an agreement with entities controlled by a significant shareholder of the Company for such entities to provide certain corporate development, consulting and advisory services to the Company. Charges under this agreement for direct management and administrative services provided to the Company for the years ended June 30, 1996 and 1995 were $180,821 and $138,693, respectively. Payments under this agreement in fiscal 1995 also included $408,310 for corporate development services provided in connection with the B&F, Bear and BiCore acquisitions.

NOTE 9 Shareholders' Equity

On October 4, 1995, the Company completed the sale of 1,610,000 shares of its common stock in a public offering which yielded net proceeds to the Company of $25.7 million. The proceeds were used to reduce debt and to provide financing for future growth. As of June 30, 1996, the number of outstanding shares is 7,796,682.

The Company has established a 1991 Employee Non-Qualified Stock Option Plan as well as a 1994 Employee Stock Option Plan (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 575,000 shares of common stock may be granted under the Employee Plans. Options currently outstanding entitle the holders to purchase common stock at prices ranging between $8.00 and $18.25, subject to adjustment. Options 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. The right to exercise the options expires 10 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 (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 currently outstanding entitle the holders to purchase common stock at prices ranging between $8.00 and $18.25, subject to adjustment. Options 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 six months or one year after the grant date. The right to exercise the options expires 10 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 1996 and 1995, respectively, pursuant to the Employee Plans and the Directors Plans follows:

	Average Price	Shares Subject to Option
Summary of Stock Options		
June 30, 1994	$10.01	239,300
Options granted	16.06	217,000
Options exercised	8.00	(14,000)
Options canceled	10.75	(54,300)
June 30, 1995	$13.36	388,000
Exercisable at June 30, 1995		53,180
June 30, 1995	$13.36	388,000
Options granted	17.58	63,500
Options exercised	8.00	(1,174)
Options canceled	15.96	(36,726)
June 30, 1996	$13.79	413,600
Exercisable at June 30, 1996		118,875

NOTE 10 Export Sales

Export sales for the years ended June 30, 1996, 1995 and 1994 are comprised as follows (in thousands):

	1996	1995	1994
Europe	$ 7,500	$ 5,100	$ 3,400
Canada	2,300	2,900	1,800
Latin America	5,600	4,600	3,000
Middle East	2,900	2,100	300
Far East	9,000	7,200	3,500
Other	3,500	2,300	1,600
	$30,800	$24,200	$13,600

NOTE 11 Supplemental Balance Sheet Information

	June 30, 1996	June 30, 1995
Inventories		
Raw materials	$ 179,042	$ 187,260
Work in progress	2,563,773	2,003,313
Component parts	18,428,851	14,899,495
Finished goods	6,874,824	6,799,769
	$28,046,490	$23,889,837
Property, Plant and Equipment		
Machinery and equipment	$15,167,835	$11,485,425
Buildings	13,476,157	13,718,476
Land and land improvements	989,516	989,516
Property held under capital leases	3,224,563	578,185
Total property, plant and equipment at cost	32,858,071	26,771,602
Less accumulated depreciation and amortization, including $281,499 and $170,496, respectively, related to property held under capital leases	(10,889,567)	(8,671,912)
	$21,968,504	$18,099,690
Other Accrued Liabilities		
Accrued compensation expense	$ 1,777,669	$ 2,098,152
Acquisition reserves	2,192,758	4,217,322
Accrued interest expense	332,246	--
Accrued income taxes	--	186,202
Other	1,213,372	1,438,094
	$ 5,516,045	$ 7,939,770

The Company reduced its reserves recorded in connection with the acquisitions discussed in Note 2 by approximately $2 million in fiscal 1996. These reductions primarily related to cash payments of various costs directly attributable to these acquisitions, including severance, facility rationalization and related matters, and legal, accounting and consulting fees. The remaining acquisition reserves of approximately $2 million at June 30, 1996 are expected to be liquidated over the next two years.

NOTE 12 Commitments and Contingencies

From time to time, the Company becomes party to various claims and legal actions arising during the ordinary course of business. Management believes that the Company's costs and any potential judgments resulting from such claims and actions would be covered by the Company's product liability insurance, except for deductible limits and self-insured retention. The Company intends to defend such claims and actions in cooperation with its insurers. It is management's opinion that, in any event, their outcome would not have a material effect on the Company's financial position or results of operations.

NOTE 13 Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for fiscal 1996 and 1995 appear below (all amounts in thousands except per share data):

	Net Sales 1996	Net Sales 1995

First quarter	$ 31,189	$ 19,846
Second quarter	28,439	26,391
Third quarter	30,334	31,643
Fourth quarter	30,161	33,759
Total year	$ 120,123	$ 111,639

	Gross Profit	
	1996	1995
First quarter	$ 12,338	$ 8,005
Second quarter	9,889	10,164
Third quarter	9,772	11,980
Fourth quarter	7,574	13,060
Total year	$ 39,573	$ 43,209

	Net Income	
	1996	1995
First quarter	$ 1,995.8	$ 1,738.5
Second quarter	1,011.7	2,235.5
Third quarter	977.8	2,087.5
Fourth quarter	(2,158.7)	2,761.6
Total year	$ 1,826.6	$ 8,823.1

	Earnings per Share	
	1996	1995
First quarter	$ .32	$ .30
Second quarter	.11	.37
Third quarter	.12	.34
Fourth quarter	(.30)	.44
Total year	$ .25	$ 1.45

The fiscal 1996 fourth quarter results of operations represented a particularly difficult quarter for the Company. Core domestic markets, which had experienced softness since the second quarter of fiscal 1996, continued to be adversely impacted by numerous external and internal factors. The ongoing consolidation of the Company's health care provider customers and the continued uncertainty in their marketplace caused by health care reform adversely impacted operating results. In addition, the integration of the Company's recent complementary acquisitions has been more difficult than anticipated and had particularly negative ramifications on the fourth quarter of fiscal 1996. During the fourth quarter of fiscal 1996, the Company made significant investments in financial and human resources to position itself to realize the potential synergies of these acquisitions, Specifically, during the fourth quarter, the Company significantly invested in recruiting and training its ventilation product line field sales force which had experienced high turnover levels. Further, the decline in manufacturing volumes in certain product lines in the fourth quarter of fiscal 1996 resulted in the expensing of a portion of fixed plant overhead costs or period costs, further adversely impacting margins and operating results. As a result of these factors, fourth quarter fiscal 1996 net sales were $30.2 million while the net loss was $2.2 million compared to fourth quarter sales of $33.8 million and net income of $2.8 million in the prior year.

NOTE 14 Subsequent Event -- Debt Amendment

On September 20, 1996 the Company amended its existing $125.0 million credit facilities with its commercial bank syndicate. The credit facilities were amended such that the $68.4 million unused portion of the $70.0 million acquisition term loan facility is no longer available and the remaining credit facilities' maturity dates were reset to July 31, 1998. In addition, the amendments were made to reset certain covenants and to increase the advance rates on the revolving credit facility borrowing base. Further, in connection with the amended credit facilities, the Company entered into an additional $5.0 million term loan, also maturing July 31, 1998, to provide the Company with credit facilities totalling $60.0 million which can be utilized to finance operations and future growth. The Company believes that cash flow from operations and available borrowings from its amended credit facilities will be sufficient to finance fixed debt service and planned capital expenditures.

Report of Independent Public Accountants

August 21, 1996, except as to Note 14, which is as of September 20, 1996

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity, and of cash flows present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and its subsidiaries at June 30, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 the opinion expressed above.

As discussed in Note 3 to the financial statements, the Company changed its method of accounting for income taxes in 1994.

/s/ Price Waterhouse LLP

St. Louis, Missouri

Statement of Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Allied Healthcare Products, Inc. have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgments. Financial information elsewhere in this annual report is consistent with that in the financial statements.

Management has established and maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded and that the financial records reflect the authorized transactions of the Company. The system of internal control includes widely communicated statements of policies and business practices that are designed to require all employees to maintain high ethical standards in the conduct of Company affairs. The internal controls are augmented by organizational arrangements that provide for appropriate delegation of authority and division of responsibility.

The financial statements have been audited by Price Waterhouse LLP, independent accountants. As part of their audit of the Company's 1996 financial statements, Price Waterhouse LLP considered the Company's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests.

The Board of Directors pursues its responsibility for the Company's financial reporting through its Audit Committee, which is composed entirely of outside directors. The Audit Committee meets periodically with the independent accountants and management. The independent accountants have direct access to the Audit Committee, with and without the presence of management representatives, to discuss the results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

/s/ James C. Janning

James C. Janning
President
Chief Executive Officer

/s/ Barry F. Baker

Barry F. Baker
Vice President, Finance
Chief Financial Officer

Selected Consolidated Financial Data

(In thousands, except per share data) Year ended June 30,	1996	1995	1994	1993	1992
Income Statement Data					
Net sales	$120,123	$111,639	$74,129	$61,230	$58,603
Cost of sales	80,550	68,430	44,172	36,213	35,498
Gross profit	39,573	43,209	29,957	25,017	23,105
Selling, general and administrative expenses	31,449	24,849	16,824	13,879	13,363
Income from operations	8,124	18,360	13,133	11,138	9,742
Interest expense	4,474	3,704	1,338	210	948
Other, net	350	(21)	1	276	149
Income before provision for income taxes	3,300	14,677	11,794	10,652	8,645
Provision for income taxes	1,473	5,854	4,539	3,967	3,194
Net income	$ 1,827	$ 8,823	$ 7,255	$ 6,685	$ 5,451
Earnings per share	$ 0.25	$ 1.45	$ 1.31	$ 0.93	$ 0.76
Weighted average common shares outstanding	7,378	6,067	5,522	7,207	7,179

(In thousands) June 30,	1996	1995	1994	1993	1992
Balance Sheet Data					
Working capital	$ 38,030	$ 2,810	$ 5,018	$10,527	$16,605
Total assets	136,760	126,192	64,593	36,926	38,167
Short-term debt	3,849	34,420	13,108	4,110	333
Long-term debt (net of current portion)	49,033	34,602	16,513	10,511	1,964
Shareholders' equity	63,886	38,374	20,034	13,498	27,921

Common Stock Information

1996	High	Low
September quarter	$18 3/4	$15 1/4
December quarter	19 1/2	15 1/2
March quarter	16 3/4	10 1/2
June quarter	13 1/4	8 7/16

1995	High	Low
September quarter	$16 1/4	$13 1/2
December quarter	17 1/2	15
March quarter	17 1/4	14 1/2
June quarter	16 1/4	14 1/4

Allied Healthcare Products, Inc. began trading on the Nasdaq National Market under the symbol AHPI on January 14, 1992, following its initial public offering. As of September 12, 1996, there were 244 shareholders of record.

Dividends Declared Per Share

	1996	1995
September quarter	$0.07	$0.06
December quarter	0.07	0.07
March quarter	0.07	0.07
June quarter	0.07	0.07
	$0.28	$0.27

Directors and Officers

Directors
Dennis W. Sheehan
Chairman of the Board, Allied Healthcare Products, Inc.
Chairman, President and Chief Executive Officer
AXIA Incorporated, Oak Brook, Illinois

James C. Janning
President and Chief Executive Officer, Allied Healthcare Products, Inc.
St. Louis, Missouri

David A. Gee
President -- Emeritus, The Jewish Hospital
St. Louis, Missouri

Samuel A. Hamacher
Executive Vice President, Harbour Group Industries, Inc.
St. Louis, Missouri

Robert E. Lefton, Ph.D.
President and Chief Executive Officer, Psychological Associates
St. Louis, Missouri

Donald E. Nickelson
Vice Chairman, Harbour Group Industries, Inc.
St. Louis, Missouri

William A. Peck, M.D.
Vice Chancellor of Medical Affairs, Washington University
St. Louis, Missouri

Officers
Front row left to right:
James C. Janning
President and Chief Executive Officer

Richard P. Kuntz
Vice President, Operations

Back row left to right:
Alan G. Coe
Vice President, Sales and Marketing

F.H. "Ted" Atwood
Vice President, Human Resources

Gabriel S. Kohn
Vice President, Engineering

Barry F. Baker
Vice President, Finance and Chief Financial Officer

[photo]

Corporate Information

Annual Meeting
The Annual Meeting of Shareholders of Allied Healthcare Products, Inc. will take place on Thursday, November 14, 1996, at 10 a.m. Pacific Time, at the Mission Inn, 3649 Seventh Street, Riverside, California 92501.

Common Stock Information
The common stock is traded on the Nasdaq National Market under the symbol AHPI. For more information, please contact:

Barry F. Baker
Vice President, Finance and Chief Financial Officer
Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110
(314) 771-2400
fax (314) 771-0650

Form 10-K
A copy of the annual report on Form 10-K for the year ended June 30, 1996, which was submitted by Allied Healthcare Products, Inc. to the Securities and Exchange Commission, can be obtained by any shareholder of the company at no charge upon request in writing to:

Barry F. Baker
Vice President, Finance and Chief Financial Officer
Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110
(314) 771-2400
fax (314) 771-0650

Transfer and Dividend Disbursing Agent
The Boatmen's National Bank of St. Louis
St. Louis, Missouri

Independent Accountants
Price Waterhouse LLP
St. Louis, Missouri

Legal Counsel
Dickstein Shapiro Morin & Oshinsky LLP
Washington, D.C.

Investor Relations
Gary S. Maier, Managing Director
Pondel Parsons & Wilkinson
Los Angeles, California
(310) 207-9300

Allied
HEALTHCARE PRODUCTS INC.

1720 Sublette Avenue
St. Louis, MO 63110
(314) 771-2400
fax (314) 771-0650

SUBSIDIARIES

Bear Medical Systems, Inc. (California)

1. BiCore Monitoring Systems, Inc. (California)

2. Bear Medical Systems AG - 50 shares outstanding of which Bear owns 47 shares

3. Bear Medical Systems FSC (U.S. Virgin Islands)

Hospital Systems, Inc. (California)

Life Support Products, Inc. (California)

B&F Medical Products, Inc. (Delaware)

Allied Healthcare Products Foreign Sales Corporation (Barbados)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 33-99960, No. 33-86019, No. 33-45147 and No. 33-45145) of Allied Healthcare Products, Inc. of our report dated August 21, 1996, except as to Note 14, which is as of September 20, 1996 appearing on page 28 of the Annual Report to Shareholders of Allied Healthcare Products, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K). We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-1 of this Form 10-K.

PRICE WATERHOUSE LLP

St. Louis, Missouri
September 26, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Dennis W. Sheehan

Dennis W. Sheehan

Date: August 12, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ James C. Janning

James C. Janning

Date: August 19, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ David A. Gee

David A. Gee

Date: August 5, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Samuel A. Hamcher

Samuel A. Hamacher

Date: September 1, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Robert E. Lefton

Robert E. Lefton

Date: August 12, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Donald E. Nickelson

Donald E. Nickelson

Date: August 8, 1996

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of James C. Janning and Barry F. Baker as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1996 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ William A. Peck

William A. Peck

Date: August 7, 1996

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ATTACHED ANNUAL REPORT ON FORM 10-K FOR THE PERIOD ENDED JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
1,000

YEAR
JUN-30-1996
JUL-01-1995
JUN-30-1996
1,489
0
26,387
423
28,046
60,499
32,858
10,890
136,760
22,469
0
0
0
101
63,785
136,760
120,123
120,123
80,550
80,550
4,824
0
4,474
3,300
1,473
1,827
0
0
0
1,827
0.25
0.25