

2001 ANNUAL REPORT



ENVIRONMENTAL



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E N V I R O N M E N T A L

2001 ANNUAL REPORT

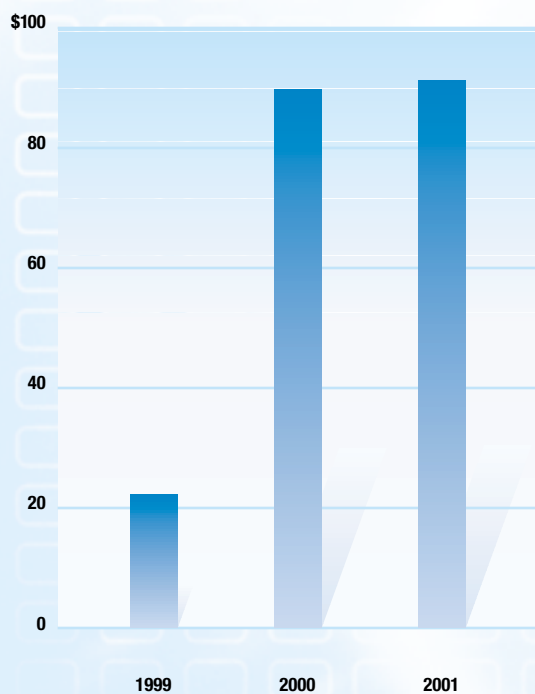
FINANCIAL SUMMARY

<i>(in thousands)</i>	2001	2000	1999
Net Revenue	\$90,994	\$89,817	\$22,414
Operating Income	3,005	2,010	442
Net Income (Loss)	(264)	(690)	(943)
EBITDA ⁽¹⁾	5,325	4,164	1,171
Backlog	18,628	12,119	15,600

(1) EBITDA (earnings before interest, taxes, depreciation and amortization)

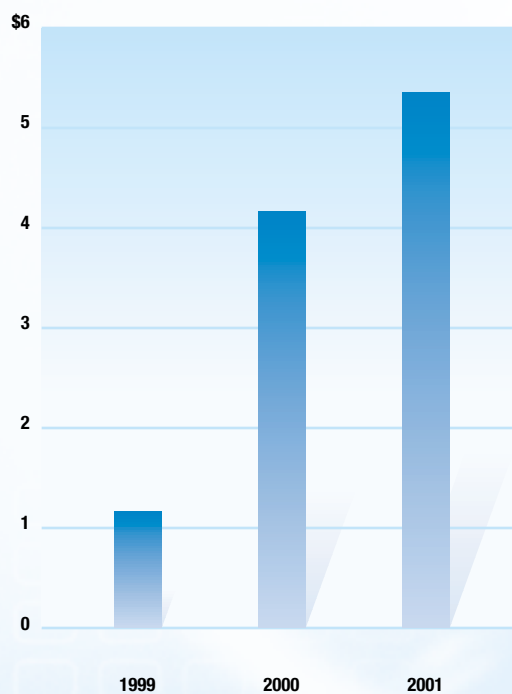
NET REVENUE

(in millions)



EBITDA

(in millions)



Creating Better Working Environments for Industries Around the World

Dear Fellow Shareholders

Air Quality has been and continues to be an important part of our everyday lives. Our company captures, cleans and destroys airborne contaminants. Demand for our air-pollution control and industrial ventilation products was strong in 2001. Our strategy of being a solutions-oriented company paved the way for CECO to post \$91.0 million in sales for 2001, a record level.

Each one of our divisions, on their own, attracts a strong customer following, but collectively they are very powerful in providing effective and differentiated products and services. We believe that the evidence of significant benefits to our customers is compelling. We fully expect that our customers will continue to integrate the value-added service from CECO Environmental Corp. into their air quality needs.

Last year, our letter to you spoke of a transformation from a products-based company to a solutions-based provider of air pollution-control products and services. This strategy is very important to our company's ongoing success. While the foundation has been laid in place for CECO to continue to succeed, we are prepared to respond deftly to changes in the business landscape, as this is a dynamic and evolving process. Much of our 2001 success occurred despite the general downturn in the economy, especially within the capital goods sector, and the lingering effects on the economy from the September 11, 2001 terrorists' attacks.

We would like to share with you some of the key 2001 accomplishments:

Capital

- We successfully raised \$2.1 million in new equity from a private investment fund in December 2001.
- We raised \$2.25 million in new equity from our subordinated debt holders who exercised warrants for 1,000,000 shares of common stock.

Growth

- CECO Abatement Systems, our newest subsidiary, was launched in May 2001. This subsidiary's first significant order was a contract valued at \$4.0 million to supply thermal oxidizers for alternative fuel plants located in North America.
- K&B Duct was established in 2001 to complement our existing Kirk & Blum component parts product line, which is sold across numerous sales channels. Initial sales commenced late in 2001.

Selected Contract Awards

- Kirk & Blum received contracts valued over \$6.0 million for automotive plants in North America, evidence that our customers continued to recognize our ability to deliver cost effective solutions.
- CECO Filters was awarded a contract valued over \$2.0 million to supply its patented fiber bed based-technology for oil mist collection and filtration to an automotive plant in North America.
- Busch International received contracts valued over \$3.0 million to supply specialty ventilation and fume exhaust systems for rolling mills located in North America and Asia.

Synergies Realized/Integration

- CECO Abatement Systems' design and engineering expertise was integrated with Kirk & Blum's manufacturing and project management expertise to successfully begin execution of the contracts awarded in 2001.
- Kirk & Blum's air handling and project management expertise were combined with CECO Filters' fiber bed design and engineering to successfully complete the automotive plant contract highlighted above.

Non-Core Divestitures

- We sold the operating assets of Air Purator Corp., a subsidiary of CECO Filters.
- We announced our intent to divest a non-strategic division, Busch Martec, and the transaction was completed in the second quarter of 2002.

Financial Highlights

Our 2001 performance showed significant improvement over 2000 with second half performance better than the first half of 2001. This seasonality is likely to continue in 2002.

We are very pleased with the tremendous turnaround in profitability in our CECO Filters subsidiary. Kirk & Blum provided the bulk of the operating profits for the company as a whole. We had a disappointing performance from our Busch subsidiary principally due to the lack of capital spending within its primary market, the metals sector. We abandoned Kirk & Blum's expansion into a specialty piping division late in 2001.

- Revenue in 2001 was \$91.0 million, an increase of \$1.2 million over 2000 revenue of \$89.8 million. The driving force behind this increase was the strong performance of Kirk & Blum.
- \$96.0 million of new orders were booked in 2001.
- Our backlog as of December 31, 2001, was \$18.6 million; this compares with \$12.1 million as of December 31, 2000.
- Gross profit was \$18.5 million, an increase of \$0.4 million over 2000. Gross margin percentage increased by .2 points to 20.4%
- We incurred a charge of \$1.3 million in connection with the abandonment of an expansion into a specialty piping division late in 2001.
- Operating income for 2001 was \$3.0 million compared to \$2.0 million in 2000.
- 2001 EBITDA was \$5.3 million compared to \$4.2 million in 2000.

- Interest expense (net of other non operating income) was \$3.1 million.
- Net loss was (\$264,000) or (\$.03) per share in 2001 compared to (\$689,924) or (\$0.08) per share in 2000.

Closing

We would like to wrap up this letter with a few comments that we believe are important to the ongoing success of our company and why we are so optimistic about the future of CECO Environmental Corp.

- *Worldwide demand for improved air quality is strong and expected to continue to grow,*
- *The CECO family of companies is strategically positioned and focused on meeting this demand and growing profitably,*
- *We will be opportunistic in searching for areas of internal and external growth,*
- *We will aggressively seek opportunities for reduction in our cost structure and,*
- *Lastly, we are personally committed to creating increased long-term and sustainable shareholder value.*

Respectfully submitted,



Phillip DeZwirek
Chairman and Chief Executive Officer



Richard J. Blum
President



KIRK & BLUM MANUFACTURING CO.

Cincinnati, Ohio

Defiance, Ohio

Louisville, Kentucky

Lexington, Kentucky

Indianapolis, Indiana

Greensboro, North Carolina

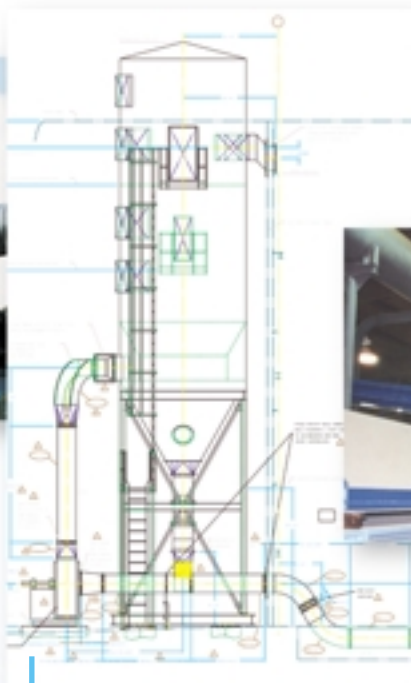
Columbia, Tennessee

*The Full Service Design
Through Installation Supplier*

The Kirk & Blum Manufacturing Company is a firmly established organization specializing in providing total turnkey solutions to customers' air ventilation needs, both domestically and internationally. Headquartered in Cincinnati since its founding in 1907, Kirk & Blum has grown to being one of North America's largest and best-known sheet metal contractors. With locations throughout the south, east and midwest, Kirk & Blum is strategically located to serve a diverse customer base in numerous industries. Kirk & Blum continues to execute its strategic plan during these uncertain economic times through four principal lines of business. The business lines include contracting, fabricating, parts and clamp-together duct systems.



Regenerative thermal oxidizer—
Printing facility



Fan and Chip Collector—
Aerospace machining



Fume collection—
Cast iron foundry

Contracting

The contracting group of Kirk & Blum specializes in providing turnkey solutions for customers' air ventilation needs. The contracting business includes the design, fabrication and installation of complete air systems for the control of dust, mist or fumes. Kirk & Blum's competitive advantage is providing cost-effective, engineered solutions to in-plant process problems to control airborne contaminants.

Custom Metal Fabrication

Capitalizing on the expertise gained in the contracting group, the custom metal fabrication business manufactures parts, subassemblies and customized products for air ventilation systems as well as other custom metal fabrication needs. The applications include sheet, plate and structurals.

Parts

The manufacturing of component parts for industrial air systems is the business of Kirk & Blum's parts business. Standard and custom components, i.e. angle rings, elbows and cutoffs, are manufactured for contractors and companies that design and/or install their own air systems, as well as for the other Kirk & Blum businesses.

K&B Duct

Kirk & Blum's newest business, K&B Duct, began operations in 2001. K&B Duct produces a clamp-together componetized duct system utilizing an over-center latching mechanism for industrial users across North America. These products are considered a cost effective alternative to traditional customized ductwork due to installation savings and reusability.



Steam turbine enclosure



K&B Duct components



Regenerative thermal oxidation—
Cement industry



CECO FILTERS, INC.

Conshohocken, Pennsylvania

*The Leader in
Fiber Bed Filtration
and Scrubber Technology*

CECO Filters has achieved a leadership role in filter systems through its product lines of fiber bed filter mist collector systems and scrubber systems. Building on its strength of offering state-of-the-art

filter systems, CECO Filters continues to increase its engineering capabilities by offering turnkey design solutions to an expanding customer base. CECO Filters offers filtration technology that removes damaging particulate matter from industrial processes, helping to ensure continued use of capital investments. The industries serviced by CECO Filters include manufacturers of chemicals, electronics, cooking oils, textiles, chlorine, paper, computers, automobiles, asphalt and pharmaceuticals.



CMC mist collector—
Non-woven fibers



FID mist collector—
Automotive parts machining



Catenary Grid Scrubber—
Semi-conductor plant

Fiber Bed Filter Mist Collector Systems

CECO Filters offers a complete line of fiber bed filter mist collector systems to eliminate liquid mist emissions. Fiber bed filter collectors are used to trap, collect and remove liquids and soluble particulate suspended in a gas stream. CECO Filters' product offerings include:

- Filter-In-Duct (FID) System
- CECO Mist Collector (CMC) System
- Filter-In-Vessel (FIV) System
- DLM Filter System
- Tank Vent Filter (TVF) System
- Modular (MOD) Filter® System
- STTOR and GATTOR Filter Systems

Scrubber Systems

CECO Filters' scrubber systems are used to clean contaminated gas streams and reduce particulate emissions. Using liquids or slurries within the filter to impact with the particulate for removal, reduces the particulate emissions. CECO Filters' offerings in this line of business are:

- Catenary Grid® Scrubber (CGS)
- Narrow Gap Venturi® (NGV) Scrubber

Modular Filter, Catenary Grid, and Narrow Gap Venturi are registered trademarks of CECO Filters, Inc.



MOD mist collector for acid emissions in metals processing



DLM mist collector for fryer in food processing



TVF mist collector—Asphalt fume



CECO ABATEMENT SYSTEMS, INC.

Chicago, Illinois

*Highest Destructive
Efficiency for Toughest
Industrial Emissions*

CECO Abatement Systems, newly established in 2001, provides customers with the means to satisfy the Best Available Control Techniques (BACT) air quality requirements for the control of fumes, volatile organic compounds ("VOCs") and process

and industrial odors. CECO Abatement Systems' utilization of high destruction technologies enables it to successfully meet customer needs. High destruction technologies utilized by CECO Abatement include:

- Thermal Oxidation
- Catalytic Oxidation
- Regenerative Thermal Oxidation
- Non-regenerative Thermal Oxidation
- Selective Catalytic Reduction



Regenerative Thermal Oxidizer for ethanol emissions applications



Ductwork installation at a Gypsum Wallboard Plant



Helicopter assistance of ductwork installation for an automotive paint shop

CECO Abatement Systems is uniquely qualified to satisfy customer needs with experience gained from hundreds of successful installations and supported by an experienced engineering team utilizing advanced design software and finite element analysis capabilities. From the initial concept phase through system service and maintenance, CECO Abatement Systems offers a complete range of solutions to meet the most stringent legislative and safety criteria. In addition, CECO Abatement Systems, with regional state-of-the-art fabrication facilities, allows for timely system delivery with minimal transportation cost.

CECO Abatement Systems adds another dimension to air ventilation control for the automotive, printing, metal converting, wood products, bio-solids and numerous other industries. CECO Abatement Systems' experience in process design provides turnkey solutions to various industries offering a fully integrated, cost-effective turnkey solution to air quality issues.



Bypass damper—
Printing facility



Plate fabrication and welding



Regenerative Thermal Oxidizer
in fabrication



KBD/TECHNIC, INC.

Cincinnati, Ohio

Specialists in Industrial Ventilation, Engineering and Stack Testing

KBD/Technic is a recognized leader in the highly specialized area of industrial ventilation engineering and dust and fume control. KBD/Technic's sole focus is to provide customers with the latest and most advanced air pollution control and ventilation technology through three specialized divisions:

Design Engineering

This division offers services from total plant ventilation systems design to the smallest system revision. The complex operations, processes, materials and chemical compounds utilized by modern industry can create environments that can reduce

productivity and actually rob from bottom-line profitability. KBD/Technic designs and engineers systems for better working environments in strictest compliance with federal, state and local requirements.

System Analysis

The system analysis division of KBD/Technic offers troubleshooting services for existing air handling equipment, routine checks and balancing of operating equipment, and start-up of newly designed and installed systems.

Stack/Emissions Testing

Pre-compliance testing or full compliance demonstrations by KBD/Technic is offered to customers that need to comply with the ever changing environmental regulations.

KBD/Technic is the "Air Engineering" company, offering complete system design through routine compliance testing.



NEBB certified air balancing.



Industrial ventilation systems design.



Stack emissions testing for all EPA reference methods.



NEW BUSCH CO., INC.

Pittsburgh, Pennsylvania

Pre-Assembled and Pre-Wired Clean-Air Solutions

Backed by a 50 year reputation for quality, Busch is a recognized leader in the design and supply of custom air systems to the steel, aluminum, chemical, paper, glass, cement, power generation and related industries. In addition to a complete line of custom engineered products, Busch provides a wide range of special services including conceptual studies, application engineering, and system start-up.

Busch designs, manufactures and supplies equipment that conditions air, filters, cools, heats, humidifies or dehumidifies. Busch also creates improved environments in motor rooms, computer rooms, and other enclosures housing electrical equipment. Busch provides systems for corrosion protection, fugitive emissions control, evaporative cooling, oil mist collection, mill building ventilation, crane cab ventilation and many other critical ventilation and air handling applications.

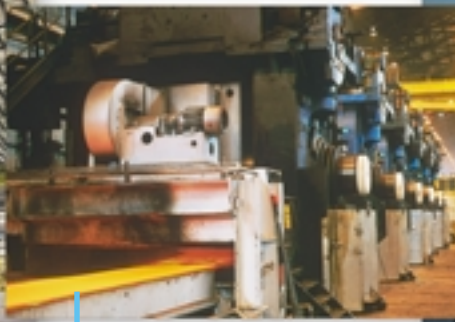
The air handling units are sold under the names of MRV-80™, MRV-81™, N-DUR-AIR™, RE-TREAT®, PCR™ and CR™ series.

Busch's FUME-SHIELD™ systems capture, contain, convey and completely clean contaminated environments. The Busch JET-STAR™ cooling and drying technology provides specific process requirement solutions for the nation's steel industry.

FUME-SHIELD and JET STAR are registered trademarks of New Busch Co., Inc.



Oil mist and fume hoods and closures for a steel mill in the eastern United States.



Jet Star™ steel strip water blow-off for a hot metal rolling mill in Pennsylvania.



Fume scrubber and stack with condensate collector on a stainless steel manufacturing plant in the Midwest.

Directors

Phillip DeZwirek
Chairman of the Board, Chief Executive Officer

Richard J. Blum
President

Jason Louis DeZwirek
Secretary, President of kaboose.com, Inc.

Josephine Grivas
Retired

Donald A. Wright
Principal, The Phillips Group

Paul C. Voet
*Retired President & CEO
National Sanitary Supply Co.*

Executive Officers

Phillip DeZwirek
Chief Executive Officer

Richard J. Blum
President

David D. Blum
Senior Vice President

Marshall J. Morris
*Vice President Finance & Administration,
Chief Financial Officer and Assistant Secretary*

Jason Louis DeZwirek
Secretary

Operating Officers

The Kirk & Blum Manufacturing Co.

Leonard J. Bertoli
Vice President, Cincinnati Division

Lawrence J. Blum
Vice President, Component Parts Division

Timothy D. Schneider
Vice President, Indianapolis Division

George L. Nelson
Vice President, Defiance Division

William D. Wells
Vice President, Lexington Division

John C. Witkowski
Vice President, Louisville Division

Thomas H. Kroeger
Vice President, Tennessee Division

Paul W. Gillespie
Vice President, Greensboro Division

Stephen A. McDaniel
Vice President, K&B Duct Division

KBD/Technic, Inc.

Gerry A. Lanham
President and General Manager

CECO Abatement Systems, Inc.

Robert A. Cloud
Vice President and General Manager

CECO Filters, Inc.

Michael J. Meyer
President and General Manager

New Busch Co., Inc.

Richard W. Perryman
President and General Manager

SHAREHOLDER INFORMATION

Legal Counsel

Sugar, Friedberg & Felsenthal
Chicago, Illinois

Registrar & Transfer Agent

American Stock Exchange & Trust Company
New York, New York

Stock Market

CECO Environmental Corp.'s Common Stock is publicly traded in the over-the-counter market and quoted in the NASDAQ system under the symbol CECE

Form 10-K

The CECO Environmental Corp. Form 10-K for 2001 is available upon written request to Investor Relations, CECO Environmental Corp., 3120 Forrer Street, Cincinnati, Ohio 45209

Investor Relations

Contact Mr. Phillip DeZwirek, Chairman and CEO at 505 University Avenue, Suite 1400, Toronto, Ontario M5G 1X3, call toll free 800/606-CECO or visit our web site at www.cecoenviro.com, or send an e-mail to investors@cecoenviro.com.

Annual Meeting

The CECO Environmental Corp. Annual Meeting will be held on November 11, 2002 at 11:30 a.m. at the Clarion Hotel, 5901 Pfeiffer Road, Cincinnati, Ohio 45242.

Executive Offices

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Fax 416/593-4658

Corporate Offices

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Fax 513/458-2647

Sales and Operating Locations

The Kirk & Blum Manufacturing Co.

Cincinnati, Ohio
Defiance, Ohio
Lexington, Kentucky
Louisville, Kentucky
Indianapolis, Indiana
Greensboro, North Carolina
Columbia, Tennessee

KBD/Technic, Inc.

Cincinnati, Ohio

New Busch Co., Inc.

Pittsburgh, Pennsylvania

CECO Abatement Systems, Inc.

Chicago, Illinois

CECO Filters, Inc.

Conshohocken, Pennsylvania



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