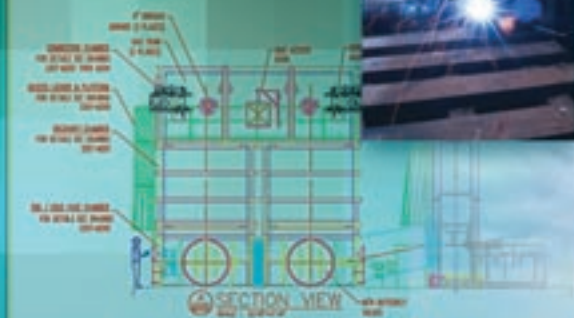




ENVIRONMENTAL



2003 ANNUAL REPORT

TABLE OF CONTENTS

FINANCIAL SUMMARY	1
LETTER TO SHAREHOLDERS	2
OUR CECO FAMILY	4
CORPORATE DIRECTORY	8
FINANCIAL SECTION (FORM 10-K)	
ITEM 1: BUSINESS	1
ITEM 2: PROPERTIES	9
ITEM 3: LEGAL PROCEEDINGS	10
ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	10
ITEM 5: MARKET OF REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	10
ITEM 6: SELECTED FINANCIAL DATA	11
FINANCIAL STATEMENTS	F-1
SHAREHOLDER INFORMATION	INSIDE BACK COVER



ENVIRONMENTAL

2003 ANNUAL REPORT

FINANCIAL SUMMARY

IN THOUSANDS	2003	2002
Net revenue	\$68,965	\$78,877
Operating income	1,834	2,201
Net income (loss)	(166)	(123)
Cash provided by operations	1,593	3,701
Backlog	7,300	14,600

NET REVENUE

IN MILLIONS

\$100

\$80

\$60

\$40

\$20

\$0

2002

2003

CASH FLOW PROVIDED BY OPERATIONS

IN MILLIONS

\$5

\$4

\$3

\$2

\$1

\$0

2002

2003

LETTER TO OUR SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS:

2003 remained a challenging business climate for most companies. However, CECO accomplished many of the objectives identified at the beginning of the year: We reduced debt, implemented further cost reductions, broadened product offerings and expanded our geographic footprint. Despite the difficult market conditions and \$10 million less in sales than the prior year, we nearly broke even with \$69 million in sales in 2003. Although the level of orders in 2003 was lower than we had anticipated, we did see significant activity in our pipeline of potential business and we are encouraged that some of this pent up demand is resulting in new orders in the second half of 2004.

2003 HIGHLIGHTS

We completed 2003 with \$69 million in sales. Gross margin held firm as sales hovered near breakeven as a result of our cost reduction initiatives and containment efforts. Several major achievements defined our 2003 results:

- We reduced our bank debt by \$4.2 million as a result of cash generated from operations, the sale of surplus real estate and capital raised.
- We implemented cost containment plans in 2003 that resulted in annualized savings of \$800,000 beginning in the third quarter.
- We started the CECOaire product line to market baghouses. Initial sales have been strong. We added engineering and design personnel to complement our strong fabrication and installation capabilities found in Kirk & Blum. This product line will enable us to internalize additional gross profit and capture sales that we would have previously contracted out.
- We opened a facility in Canton, Mississippi to serve the growing needs of the industrial markets in the southeastern United States. This site was selected due to its proximity to address the ongoing maintenance and service needs of this important market segment.
- Green Diamond Oil Corp, a related party, made a \$1.2 million capital infusion in September 2003. This capital transaction was structured as junior subordinated debt payable in 19 months with 6% annual interest.

- We sold our 35,000 square foot facility in Conshohocken in May 2003 and leased back less than half of the manufacturing and office space as a result of efficiencies realized in our CECO Filters operation. Sales proceeds of \$1.6 million were used to pay down term and revolving credit line debt.
- We successfully completed the largest contract awarded to CECO at an engine parts plant in the southeastern United States. This project is profiled as a case study later in this annual report.

MAJOR CONTRACT AWARDS

- \$4.4 million in orders for the design, fabrication and installation of ductwork, duct collectors and thermal oxidizers for the dust and fume collection systems at an insulation plant located in the southeastern United States.
- \$2.8 million contract for the design, fabrication and installation of a complete ventilation and pollution control system, which will ensure clean air in the plant and provide required pollution control for a new foundry on a greenfield site in Central Mexico.
- \$2.2 million contract for the design, fabrication and installation of a system to reduce emissions from an aluminum-melting furnace at a facility located in the southeastern United States. This contract was secured by CECO's Kirk and Blum subsidiary and includes a baghouse, which was designed by CECO Filters. This baghouse was the largest "CECOaire" produced to date.
- \$1.3 million contract for the design, fabrication and installation of a regenerative thermal oxidizer (RTO) for an ethanol manufacturing facility located in the Midwest. This contract was secured by CECO Abatement and was the seventh RTO that the company has sold to ethanol producers.

OPERATING RESULTS SUMMARY

- 2003 revenue was \$68.9 million, a \$9.9 million decrease from 2002 revenue.
- \$61.0 million of new orders were booked in 2003 with a \$7.3 million backlog at December 31, 2003.
- Gross profit generated in 2003 was \$13.8 million. Gross margin (20.0%) was consistent with 2002.
- Operating profit was \$1.8 million.

- Cash flow provided by operations was \$1.6 million.
- Interest expense (net of other income) was \$2.1 million.
- 2003 Net loss was (\$166,000) or \$(0.02) per share compared to (\$123,000) or \$(0.01) per share in 2002.

OUTLOOK FOR 2004

MANAGEMENT COMMITMENT

In May 2004, we implemented a cost reduction initiative that should generate \$1.3 million in annualized savings beginning in the second half of 2004. We bolstered our sales and marketing efforts and expect to see improvement in major projects during the second half of 2004. Our Component Parts and K&B Duct product lines have experienced significant increases in sales during the first half of 2004 and we expect to see further improvement in the second half. We will maintain our vigilance in generating cash to reduce overall debt.

BUSINESS DEVELOPMENT

During the first half of 2004, we started CECO Filters India Pvt. Ltd. and opened two offices in India to make significant headway into the Asian market with our fiber bed mist collectors and related products. We expect to grow our business in certain "hot" industrial sectors and will evaluate placing satellite operations to service these areas similar to the Canton facility opened in 2003. Our manufacturing, design and engineering expertise are strong and provide us with a competitive edge in the marketplace.

REFINANCING

Our refinancing efforts have been a major priority. To that end, we have extended the term loan until July 2005 (under certain conditions this can be extended until January 2006). We are in discussions with our revolving credit line bank to renegotiate and extend the line into a multi year agreement under current market terms and conditions. We have also entered into a new agreement to sell the Cincinnati property. If this transaction closes successfully, debt would be further reduced. The agreement contains several contingencies that permit the potential purchaser the right to terminate the agreement up through the November 2004 closing date. In the meantime, we are actively evaluating the best possible configuration and amount of space needed, if necessary to replace the current facility.

MARKET/INDUSTRY CHALLENGES

We expect the market to remain very competitive and as a result, margins will continue to be a key focus for us. On the cost side, we have experienced rising steel prices and in certain cases limited availability. Also, there have been some inflationary pressures in other areas such as transportation, energy, healthcare and insurance. Generally, most of the increases in direct product costs have been passed onto our customers.

SUBSEQUENT EVENT

We were awarded \$15.5 million in new orders in August, marking a single month record for CECO. This increased level of orders denotes a turning point as our bolstered sales and marketing efforts in the automotive, energy, steel, foundry sectors culminated in being awarded four major projects in August. Market conditions are improving, however, future order levels are not guaranteed. As a result of this increased level of orders, backlog will increase significantly.

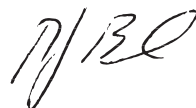
CLOSING

We believe that we have made our company stronger and better positioned in a challenging marketplace. We have reduced our bank debt by nearly 60% since acquiring Kirk & Blum in 1999 and will continue to reduce our reliance on our bank group. Tremendous strides have been made over the last five years transforming an equipment-based company into one that offers integrated solutions. New product lines have been added; we have expanded geographically and penetrated industries and markets not previously served by CECO. Together, these provide a solid foundation to deliver improved operating results and we remain committed to enhancing shareholder value.

Respectfully submitted,



Phillip DeZwirek
Chairman and
Chief Executive Officer



Richard J. Blum
President and
Chief Operating Officer

OUR CECO FAMILY

BRAND	INDUSTRIES SERVED	TYPICAL APPLICATIONS
	<ul style="list-style-type: none"> ■ Aerospace ■ Automotive ■ Food ■ Foundry ■ Glass ■ Primary Metals ■ Printing 	<ul style="list-style-type: none"> ■ Collection: <ul style="list-style-type: none"> ▪ Dust ▪ Oil Mist ▪ Fume Exhaust ■ Exhaust/Make-up Air ■ Paint/Finishing Booths ■ Pneumatic Conveying
	<ul style="list-style-type: none"> ■ Asphalt ■ Chemical ■ Fertilizer ■ Metals ■ Semiconductors 	<ul style="list-style-type: none"> ■ Acid/Caustic Mist ■ Storage Tank Emissions ■ Lubricant Emissions ■ Nitric Acid ■ Platinum Recovery ■ Wet Bench Acid Mist
	<ul style="list-style-type: none"> ■ Automotive ■ Food ■ Furniture ■ Glass ■ Metals ■ Plastics ■ Smelters 	<ul style="list-style-type: none"> ■ Emissions Testing and Compliance ■ Systems Analysis ■ Industrial Ventilation: <ul style="list-style-type: none"> ▪ Engineering ▪ Design
	<ul style="list-style-type: none"> ■ Aluminum ■ Chemical ■ Paper ■ Power ■ Steel 	<ul style="list-style-type: none"> ■ Rolling Mill Oil Mist Collection ■ Heavy Gauge Strip and Coil: <ul style="list-style-type: none"> ▪ Coolers ▪ Dryers
	<ul style="list-style-type: none"> ■ Chemical Processing ■ Ethanol ■ Paint Booth Emissions ■ Wastewater Treatment ■ Wood Products 	<ul style="list-style-type: none"> ■ High Efficiency Destruction: <ul style="list-style-type: none"> ▪ Volatile Organic Compounds ▪ Fumes ▪ Industrial Odors
	<ul style="list-style-type: none"> ■ Chemical ■ Food ■ Furniture ■ Metals ■ Pharmaceutical 	<ul style="list-style-type: none"> ■ Capture in Moderately Abrasive Environments: <ul style="list-style-type: none"> ▪ Dust Particles ▪ Fumes ▪ Oil Mist

PRIMARY GEOGRAPHIC MARKETS SERVED

ENGINEERED PRODUCTS/SERVICES

- United States
- Canada
- Mexico

- Turnkey Design, Build, Install:
 - Dust Collectors
 - Oil Mist Collectors
 - Chip Conveyance Systems
- Acoustical Enclosures
- Custom Sheet Metal Fabrication



- United States
- Canada
- Europe
- Asia

- Fiber-Bed Filter Mist Collectors
- Catenary Grid and Narrow Gap Venturi Scrubbers
- Replacement Filters
- Repack Services



- United States

- Air Flow and Contaminant Engineering and Design
- Ventilation System Testing and Balancing
- Emission Testing for Regulatory Compliance



- United States
- Mexico
- South America
- Europe
- Asia

- Heavy Duty Air Handling and Conditioning
- Fume Exhaust Systems
- Air-Curtain Hoods
- JET★STAR™ Strip/Coil Coolers and Dryers



- United States
- Asia

- Regenerative Thermal Oxidation
- Catalytic and Thermal Oxidation
- Selective and Regenerative Catalytic Reduction



- United States
- Canada

- Clamp-Together Componentized Ducting Systems



OIL MIST COLLECTION SYSTEM

THE SITUATION:

A North American automotive powertrain plant (1 million sq. ft) needed to change filters in oil mist collection systems every three to six months, requiring lengthy and costly shutdowns of entire machine lines during the change out.

The company approached CECO Environmental seeking an oil mist abatement system that would meet tough new OSHA regulations and could be installed entirely within the plant on a small footprint. Performance requirements included providing long filter life, easy access and replacement of filters, plus filters with minimal pressure drop and energy loss.

THE SOLUTION:

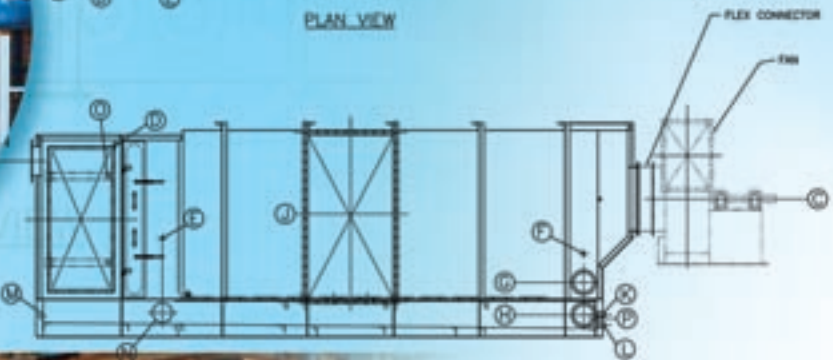
The most economical solution, the 750,000 cfm CMC System, was designed, fabricated and installed by CECO Filters and Kirk & Blum to remove oil mist from the air stream with maximum economy, efficiency and up to 10-year filter life. The turnkey CMC System was also built in two phases in order to meet the customer's time line, as the plant was being completed and brought on-line.

The CMC System utilized patented CECO Fiber Bed Filters, providing 99.5%-plus efficiency in collecting sub-micron particles. Each of the 17 collectors was designed with 77 cylindrical fiber bed filters and rated 17,500 acfm. And, not only did the collectors filter oil mist from every machine line throughout the plant, they also met the tight space requirements.

THE RESULT:

The CMC System provided the company with an efficient oil mist abatement system that actually exceeded the new OSHA regulations, operating well below the OSHA threshold of oil mist concentrations of only 0.5 milligrams per cubic meter of air. Also, since the plant is air conditioned, the CMC System re-circulates air back into the plant, instead of exhausting it outside and replacing it with more costly make-up air. As a result, the company has been able to reduce energy costs.

To date, no filters have needed replacement. When filter replacement does take place, the system will be shut down for only two hours while all the filters are changed out. And, because the CMC System facilitates side access to the collector and the filter size is relatively small, filters can even be replaced by hand.



DIRECTORS

Phillip DeZwirek

Chairman of the Board and
Chief Executive Officer

Richard J. Blum

President

Jason Louis DeZwirek

Secretary and President of kaboose.com, Inc.

Josephine Grivas

Retired

Donald A. Wright

Principal, The Phillips Group

Melvin F. Lazar, CPA

Founder, Lazar Levine & Felix LLP

Thomas J. Flaherty

Consultant and former Chief Operating Officer,
Fairchild Corporation

EXECUTIVE OFFICERS

Phillip DeZwirek

Chief Executive Officer

Richard J. Blum

President

David D. Blum

Senior Vice President and President,
The Kirk & Blum Manufacturing Company

Marshall J. Morris

Vice President Finance & Administration,
Chief Financial Officer and Assistant Secretary

Jason Louis DeZwirek

Secretary

OPERATING MANAGEMENT

THE KIRK & BLUM MANUFACTURING CO.

Leonard J. Bertoli III

Vice President, Cincinnati Division

Lawrence J. Blum

Vice President, Component Parts Division

William R. Nelson

Vice President, Indianapolis Division

George L. Nelson

Vice President, Defiance Division

William D. Wells

Vice President, Lexington Division

Daniel M. Smith

Manager, 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.

William W. Frank

President and General Manager

CECO FILTERS INDIA PVT. LTD.

R. Gopalakrishnan

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 and quoted on the NASDAQ system under the symbol CECE.

FORM 10-K

The CECO Environmental Corp. Form 10-K for 2003 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 (2326), 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 October 14, 2004 at 11:30 a.m. at the Clarion Hotel, 5901 Pfeiffer Road, Cincinnati, Ohio 45242.

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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
Canton, Mississippi

KBD/TECHNIC, INC.

Cincinnati, Ohio

NEW BUSCH CO., INC.

Pittsburgh, Pennsylvania

CECO ABATEMENT SYSTEMS, INC.

Chicago, Illinois

CECO FILTERS, INC.

Conshohocken, Pennsylvania

CECO FILTERS INDIA PVT. LTD.

Chennai, India



ENVIRONMENTAL

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Fax: 419/782-9888

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Toll Free: 800/234-5475
Fax: 859/253-2586

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Louisville, KY 40210
Phone: 502/635-2655
Fax: 502/637-4687

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Indianapolis, IN 46241
Phone: 317/244-3383
Toll Free: 800/678-5475
Fax: 317/243-1244

8735 West Market Street
Greensboro, NC 27409
Phone: 336/668-3773
Fax: 336/668-9779
www.kbduct.com

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Columbia, TN 38401
Phone: 931/381-0037
Fax: 931/381-2241

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