CECO

ENVIRONMENTAL

2004 Annual Report

Working clean. Working safe. Working better.

2004 ANNUAL R

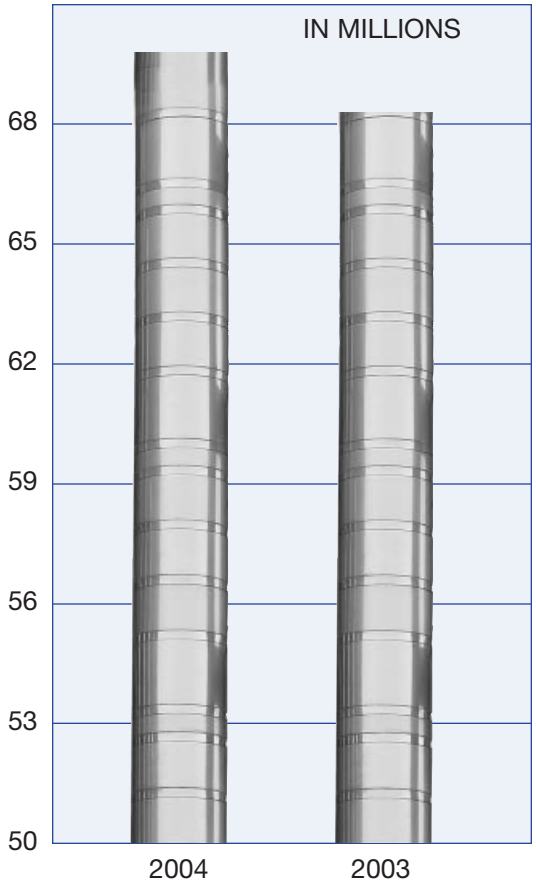
2004 Annual Report

TABLE OF CONTENTS

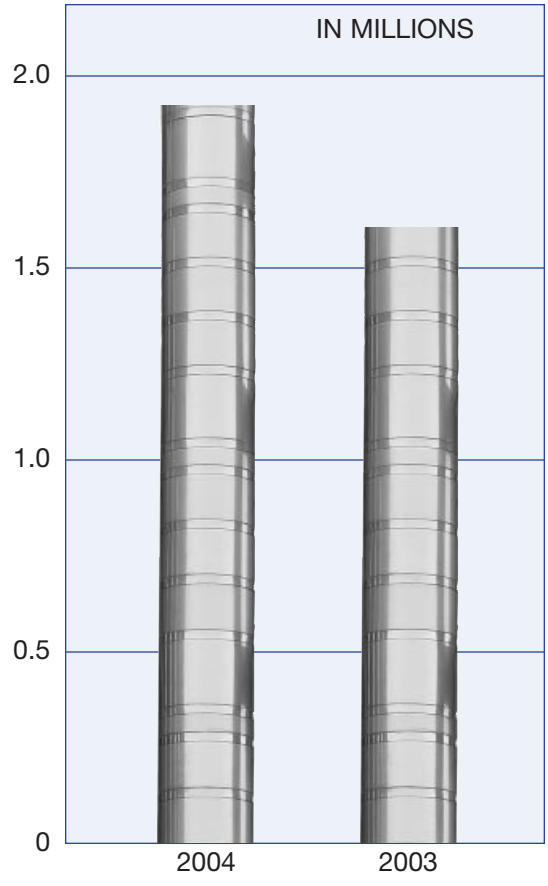
FINANCIAL SUMMARY

IN THOUSANDS	2004	2003
Net revenue	**$69,366**	$68,159
Operating income	**1,185**	1,364
Net income (loss)	**(928)**	(667)
Cash provided by operations	**1,882**	1,593
Backlog	**21,700**	7,300

NET REVENUE



CASH FLOW PROVIDED BY OPERATIONS



LETTER TO SHARE

Dear Fellow Shareholders:

In our ongoing pursuit of sustainable growth, CECO is constantly aiding our client customers to be safer, more efficient, more technologically advanced and more productive. Learning from experiences in leaner years, we are making ourselves more profitable and investment worthy. In short, we are doing more with less, as all U.S. businesses are in the global economy.

We are strongly optimistic. CECO is engaged in selling pollution control solutions to enterprises that are building their own businesses as they honor their societal and environmental commitments. This gradually shifting attitude by our customers is the basis for confidence. It assures stakeholders that we are heading into a period of sustained value delivery along with growth.

This isn't blue-sky thinking by a long shot. We are strategically positioned for future growth. Our family of affiliates enables us to offer a wide range of technology solutions, skilled and knowledgeable personnel, mature management counsel, tested documentation procedures and a wealth of specialized experience. This potential has been recognized in the doubling of our share price in 2004, and the significant number of our common shares purchased by two respected Wall Street investors.

It is critical to the future success of our company and our employees to remember and practice the Mission and Heritage of CECO Environmental, which is to *satisfy our customers and build shareholder value*. So let's examine our scorecard of 2004 accomplishments.

First, we continued to expand our business. In June 2004, we announced the opening of an office and fiber bed filter manufacturing operation in Chennai, India. This provides local presence as we make headway into the burgeoning Asian market. Sales from this office are ahead of plan, as of this writing.

Next, our CECO Abatement subsidiary had a very strong run of business (see item one under notable contracts) for thermal oxidation systems needed by ethanol production facilities. Because of increasing global demand for oil, production facilities for fuel supplements, such as ethanol, continue to come on line, representing strong business potential for us.

Our KB Duct product line grew at a whopping 60 percent in 2004 and our parts business for OEM and replacement work grew at a 17 percent rate.

During the year we targeted several key areas of our management reporting system for updating. We implemented stronger internal controls and are reviewing our cost accounting systems and financial reporting systems. And getting us in step with our industry practices, we elected to switch from the last-in, first-out inventory method to the first-in, first-out method.

In September 2004 Tom Flaherty agreed to become an independent member of our Board of Directors. This business-savvy executive has over 40 years of senior management experience with multi-billion dollar corporations. His mature counsel is welcomed by all.

Importantly, beginning with the third quarter 2004, we enjoyed two consecutive quarters of positive income before tax. This was due to our solutions-based selling strategy, which materially aided in securing the contracts noted below. This second half activity also reflects the spending cycle typical of our industry.

NOTABLE 2004 CONTRACTS

- CECO Abatement secured four separate contracts for design, fabrication and installation of regenerative thermal oxidizer (RTO) systems for three different ethanol production facilities in the Midwest. Fabrication and installation will be performed by Kirk & Blum.
  Total: $6.9 million.
- Fabrication of a phosphate/e-coat line for a major automotive manufacturer located in the Midwest secured by Kirk & Blum.
  Total: $1.3 million.

- Design, fabrication and installation of a baghouse to control fugitive emissions from a basic oxygen furnace for a Midwestern steel maker. The contract was secured by Busch International and the baghouse will be provided by CECOaire. Project management and fabrication will be provided by Kirk & Blum.
  Total: $4.3 million.
- Design, fabrication and installation of a complete dust collection and air pollution control system for a Midwest foundry.
  Total: $1.4 million.

2005 MAJOR CONTRACTS TO DATE

- As the economy improves, so does CECO's momentum. And so does our backlog which continues to exceed that of our first quarter of 2004. Orders booked through March 31, 2005 were **$14.8 million** and the backlog as of this date continues to be maintained.
- CECO Abatement subsequently received a contract for just over **$3.4 million** to supply and install equipment for another ethanol manufacturing facility in the Midwest. This is in addition to two previous orders already booked in 2005 for ethanol facilities owned by a different customer.

OPERATING RESULTS SUMMARY

Here are the significant operating results for 2004:

- Despite a weak backlog and slow orders at the start of 2004, we enjoyed an increase in bookings of 36 percent over 2003, from $61.0 million to $82.8 million, due to a strengthening economy and several large contracts. Additionally, our backlog on December 31, 2004 was $20.7 million, compared to $7.3 million on December 31, 2003.
- Consolidated sales in 2004 were $69.4 million, an increase of $1.2 million over 2003.
- Gross profit, excluding depreciation and amortization, for the year was $13.1 million, an increase of $0.1 million over 2003. Gross margin percentage decreased slightly by 0.2%.
- Operating income was $1.2 million in 2004 vs. $1.4 million in 2003.
- Cash flow provided by operations was $1.9 million, an increase of $0.3 million over 2003.
- Interest expense remained constant at $2.6 million.
- 2004 Net Loss was ($928,000) or ($0.9) per share compared to ($667,000) or ($.07) per share in 2003.

OUTLOOK FOR 2005

Because of our lower operating costs and increased revenue generating activity in all areas of our business, we remain optimistic that 2005 will show improved results.

REFINANCING

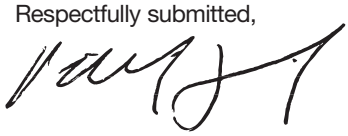
We are negotiating a new financing package with our existing revolving credit lender which consolidates our fixed term debt and variable line of credit into one credit facility with better terms than the current agreement. Additionally, we are in ongoing negotiations with a potential buyer for the Cincinnati property, which will allow us to further reduce debt when this transaction closes.

CLOSING

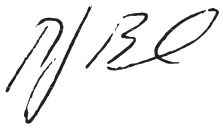
An upswing in customer inquiries and quoting activity that began in the second half of 2004 continues in early 2005. We believe this is partially attributable to customer perceptions of improvement in the economy, resulting in increased capital spending on air quality. We anticipate that this favorable trend will lead to an increase in sales. Coupled with our strong management team, high employee morale, fiscal discipline and excellent industry reputation, we expect to build greater long-term shareholder value.

A final note. Josephine Grivas, our long-time friend and Director, passed away on March 7, 2005. She will be greatly missed.

Respectfully submitted,



Phillip DeZwirek
Chairman and
Chief Executive Officer



Richard J. Blum
President and
Chief Operating Officer

OUR CECO FAMI

Our Ceco Family

KIRK & BLUM

INDUSTRIES SERVED
- Aerospace
- Automotive
- Food
- Foundry
- Glass
- Primary Metals
- Printing

TYPICAL APPLICATIONS
- Collection:
  - Dust
  - Oil Mist
  - Fume Exhaust
- Exhaust/Make-up Air
- Paint/Finishing Booths
- Pneumatic Conveying

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Canada
- Mexico

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

CECO Filters

INDUSTRIES SERVED
- Asphalt
- Chemical
- Fertilizer
- Metals
- Semiconductors

TYPICAL APPLICATIONS
- Acid/Caustic Mist
- Storage Tank Emissions
- Lubricant Emissions
- Nitric Acid
- Platinum Recovery
- Wet Bench Acid Mist

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Canada
- Europe
- Asia

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

CECOaire

INDUSTRIES SERVED
- Cement
- Lime
- Steel
- Foundry
- Any Process Generating Dry Particulate Matter

TYPICAL APPLICATIONS
- Collection:
  - Dust
  - Dry Particulate Matter
  - Kiln Exhaust
  - Raw Mill Exhaust
  - Electric Furnace

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Canada
- Mexico

ENGINEERED PRODUCTS/SERVICES
- Turnkey Design, Build, Install:
  - Pulsejet Baghouses
  - Reverse Air Baghouses
  - Pulsejet Cartridge Filters
  - Oil Mist Filters

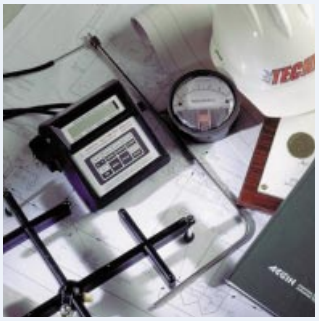
KBD TECHNIC

INDUSTRIES SERVED
- Automotive
- Food
- Furniture
- Glass
- Metals
- Plastics
- Smelters

TYPICAL APPLICATIONS
- Emissions Testing and Compliance
- Systems Analysis
- Industrial Ventilation:
  - Engineering
  - Design

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States

ENGINEERED PRODUCTS/SERVICES
- Air Flow and Contaminant Engineering and Design
- Ventilation System Testing and Balancing
- Emission Testing for Regulatory Compliance



BUSCH INTERNATIONAL

INDUSTRIES SERVED
- Aluminum
- Chemical
- Paper
- Power
- Steel

TYPICAL APPLICATIONS
- Rolling Mill Oil Mist Collection
- Heavy Gauge Strip and Coil:
  - Coolers
  - Dryers

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Mexico
- South America
- Europe
- Asia

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

CECO Abatement

INDUSTRIES SERVED
- Chemical Processing
- Ethanol
- Paint Booth Emissions
- Wastewater Treatment
- Wood Products

TYPICAL APPLICATIONS
- High Efficiency Destruction:
  - Volatile Organic Compounds
  - Fumes
  - Industrial Odors

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Asia

ENGINEERED PRODUCTS/SERVICES
- Regenerative Thermal Oxidation
- Catalytic and Thermal Oxidation
- Selective and Regenerative Catalytic Reduction

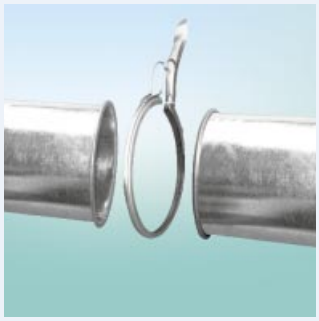
KB DUCT

INDUSTRIES SERVED
- Chemical
- Food
- Furniture
- Metals
- Pharmaceuticals

TYPICAL APPLICATIONS
- Capture in Moderately Abrasive Environments:
  - Dust Particles
  - Fumes
  - Oil Mist

PRIMARY GEOGRAPHIC MARKETS SERVED
- United States
- Canada

ENGINEERED PRODUCTS/SERVICES
- Clamp-Together Componentized Ducting Systems



CLEANING THE

Aluminum Recycling Plant Turns to CECO Environmental For New Furnace Dust Collector System

Dust collection from melt and holding furnaces had been an issue for a major beverage can recycling plant. But the air inside the facility is now crystal clear after a December 2003 installation of a CECOaire Fabric Dust Collector System from CECO Environmental, a leader in large-scale dust and mist collection systems. The 176,000 ACFM system with four-module baghouse was designed, fabricated and installed as a turnkey project by the Kirk & Blum and CECO Filters units of CECO Environmental in only four months. The new system comfortably meets a performance standard <4 milligrams per cubic meter of plant air.

The mid south recycling facility is the world's largest dedicated used beverage can (UBC) recycling operation. The plant will melt 14 billion UBCs, or close to 200,000 tons this year, representing almost 25 percent of the total UBCs recycled annually in the U.S. The UBCs form the melt stock for over 250,000 tons of aluminum ingots the plant will cast this year, most of it shipped to a nearby mill co-owned by the customer, to be rolled again into canstock for beer and soft drinks.

A NEEDED UPGRADE

The 500,000 sq. ft. facility was built in 1989 with a capacity of 120,000 tons of ingot, and expansions, the most recent in 2001, have more than doubled that output. Despite the expansions, however, the original dust collection system with two baghouses, installed when the plant opened, had not been upgraded., said the company's engineering and maintenance manager. "Our existing collection system was overmatched for dust collection at the main doors and charge wells on our four melt furnaces and two holding furnaces," he explained.

Dust originates after the UBC's are shredded and processed to remove paint and lacquer. The shredded metal, heated to well above 200°F. from the processing, is then charged into the 100-ton capacity melt furnaces, but some remaining paint and lacquer generates ash, oxide and particulates, he said. "That's where our dust problem originated."

In addition, he noted, air pollution codes required no control measures for the furnace stacks, though some opacity at the stacks was visible. "We felt the opacity was unacceptable from an environmental standpoint, so we decided to the take in stack emissions while we were upgrading the furnace collection system."

The company's requirements for the system, developed by an engineering consulting firm, included volume of 156,000 ACFM at 360°F, the installation of four furnace hoods, and connecting the stack emissions into the system. And all to be done on an accelerated construction schedule.

GETTING IT DONE FAST

The biggest challenge facing Kirk & Blum was a very tight four-month timeframe for design, fabrication and installation, said Fred Pergram, sales engineer at Kirk & Blum's Lexington, KY plant. "Annual furnace maintenance was scheduled for the two weeks before Christmas, so that's the only window we had to get the system tied-in because the plant runs 24/7. We had to have the baghouse in place and ready to connect during that two week span. Coordinating the installation also was a delicate issue, because three other contractors were working in the plant with cranes and lifts at the same time we were," Pergram explained.

CECO Filters and Kirk & Blum were chosen for the project, the engineering and maintenance manger said, because they were the only ones that could complete the system in the short timeframe. "When we put this out for bid with four companies, it was a case of 'can anybody meet this schedule?' The other bidders told us they couldn't have a system installed before February," he continued. "Kirk & Blum showed a lot of flexibility getting this project done."

The four module baghouse with a 36' x 100' footprint, the largest ever fabricated at Kirk & Blum - Lexington, is designed with more than 2,500 Arimid fiber filter bags and is insulated with 3" of mineral wool to prevent condensation on the inside walls. In the design phase, CECO Filters suggested that the system volume could be raised to 176,000 ACFM and run cooler at 260°F with the addition of a dilution air damper, allowing less expensive polyester filter bags to be used. "The customer said to raise it to 176,000 ACFM but keep the 360°F as specified, so instead we turned to Arimid fiber filter bags, which worked out well," said Dale Arvin, CECO Filters manager, dry fabric filters. "The system is running cool. The dilution damper is closed so it's running at around 150°F to 160°F right now."

Arvin explained that the airstream, dust-laden from the furnaces, enters the baghouse modules through a baffled inlet. The baffle causes heavier particles to fall into the hopper while the lighter particles are evenly distributed through the collector. As the air passes through the filter bags, the dust is collected on the outside while the clean air

travels up through the inside of the bags to the clean air plenum before exiting the collector. When the filter bags are pulsed with compressed air, the dust falls into a screw conveyor, is carried to rotary discharge valves and falls into collection bags.

MORE DUST THAN EXPECTED

Dust generated by two melt furnaces and both holding furnaces is collected in the new baghouse while the other two melt furnaces are each collected in one of the older baghouses. “The amount of dust being collected from the furnaces is much higher than the customer had anticipated,” Arvin continued. “The bags under the dust collector are filling up in only a couple of days.” That's fine with the engineering and maintenance manager, who said, “One of the best sights I see at this plant are those full collection bags going to the dumpster twice a week.”

Filter replacement will not be required for three years and the changeover will require about two days for all four modules, Arvin said. The individual modules can be isolated for filter replacement so the entire system need not be shut down.

The system's 120 linear feet of 3/16" mild steel ductwork, fabricated at Kirk & Blum - Lexington, is comprised of 84" diameter round duct from all collection points to the baghouse and 52-3/4" x 80-5/8" square duct from baghouse to the stack. All the preparatory work for the baghouse, including excavation, concrete, electrical systems, piping, air compression systems and insulation, was carried out by Kirk & Blum as part of the total turnkey package, Pergram said.

The two furnace hoods in use since the plant opened were replaced by four new hoods, designed jointly by the customer and Kirk & Blum, and installed by the customer’s personnel using Kirk & Blum ductwork. Before the upgrade, only one of the hoods could be used which meant only one furnace at a time could be cleaned and skimmed. “The new installation allows them to do both simultaneously, basically doubling the volume of the hoods, and has resulted in a five to 10 percent productivity improvement,” Pergram noted.

Though Kirk & Blum did not install the original dust collector system in this plant, the company has enjoyed a long relationship with the facility, performing repair and maintenance projects since the facility was built. “This is an old and valued customer,” Pergram said, “and we were glad we had the opportunity to carry out a project of this size for them, to show them how quickly we can get the job done.”

The customer’s reaction to the system? “We’re very pleased with it. The air hasn't been this clean in years. And the EPA are OSHA are happy that we’re exceeding their high expectations, which was the whole point of this project.”

DIRECTORS AND OFFICERS

Directors and Officers

DIRECTORS

Phillip DeZwirek
Chairman of the Board and
Chief Executive Officer

Richard J. Blum
President and Chief Operating Officer

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

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 and Chief Operating Officer

David D. Blum
Senior Vice President and President,
The Kirk & Blum Manufacturing Company

Dennis W. Blazer
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.

Mary R. Keenan
President and General Manager

CECOAIRE, INC.

Dale P. Arvin
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

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 2004 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 May 25, 2005 at 11:30 a.m. at the Clarion Hotel, 5901 Pfeiffer Road, Cincinnati, Ohio 45242.

EXECUTIVE OFFICES

505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
Phone: 416/593-6543
Toll Free: 800/606-CECO (2326)
Fax: 416/593-4658

CORPORATE OFFICES

3120 Forrer Street
Cincinnati, Ohio 45209
Phone: 513/458-2600
Toll Free: 800/333-5475
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

CECOAIRE
Louisville, Kentucky

CECO FILTERS INDIA PVT. LTD.
Chennai, India

CECO

ENVIRONMENTAL

EXECUTIVE OFFICES

505 University Avenue
Suite 1400
Toronto, Ontario M5G 1X3
Phone: 416/593-6543
Toll Free: 800/606-CECO (2326)
Fax: 416/593-4658
www.cecoenviro.com

CORPORATE OFFICES

3120 Forrer Street
Cincinnati, Ohio 45209
Phone: 513/458-2600
Toll Free: 800/333-5475
Fax: 513/458-2647

KIRK & BLUM MANUFACTURING CO.

KB KIRK & BLUM

3120 Forrer Street
Cincinnati, OH 45209
Phone: 513/458-2600
Toll Free: 800/333-5475
Fax: 513/351-5475
www.kirkblum.com

1712 Spruce Street
Defiance, OH 43512
Phone: 419/782-9885
Fax: 419/782-9888

550 Horton Court
Lexington, KY 40511
Phone: 859/254-0386
Toll Free: 800/234-5475
Fax: 859/253-2586

1450 South 15th Street
Louisville, KY 40210
Phone: 502/635-2655
Fax: 502/637-4687

3501 West Kelly Street
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

1761 North Pointe Road
Columbia, TN 38401
Phone: 931/381-0037
Fax: 931/381-2241

KBD/TECHNIC, INC.

KBD TECHNIC

3131 Disney Street
Cincinnati, OH 45209
Phone: 513/351-6200
Fax: 513/351-4071
www.kbd-technic.com

NEW BUSCH CO., INC.

BUSCH INTERNATIONAL

10431 Perry Highway
Suite 201
Wexford, PA 15090
Phone: 724/940-CECO (2326)
Toll Free: 800/627-8321
Fax: 724/940-4140
www.busch-co.com

CECO ABATEMENT SYSTEMS, INC.

CECO Abatement

5201 Walnut Avenue
Suite #1
Downers Grove, IL 60515
Phone: 630/493-0624
Fax: 630/493-1837
www.cecoenviro.com

CECOAIRE, INC.

CECOaire

1450 South 15th Street
Louisville, KY 40210
Phone: 502/635-2655
Fax: 502/637-4687

CECO FILTERS, INC.

CECO Filters

1029 Conshohocken Road
Conshohocken, PA 19428-0683
Phone: 610/825-8585
Toll Free: 800/220-8021
Fax: 610/825-3108
www.cecoenviro.com

CECO FILTERS INDIA PVT. LTD.

CECO Filters India

B15 SIDCO Industrial Estate
Arumbakkam
Chennai, India 600106
Phone/Fax: 91 44 5204 2633