

Teknion

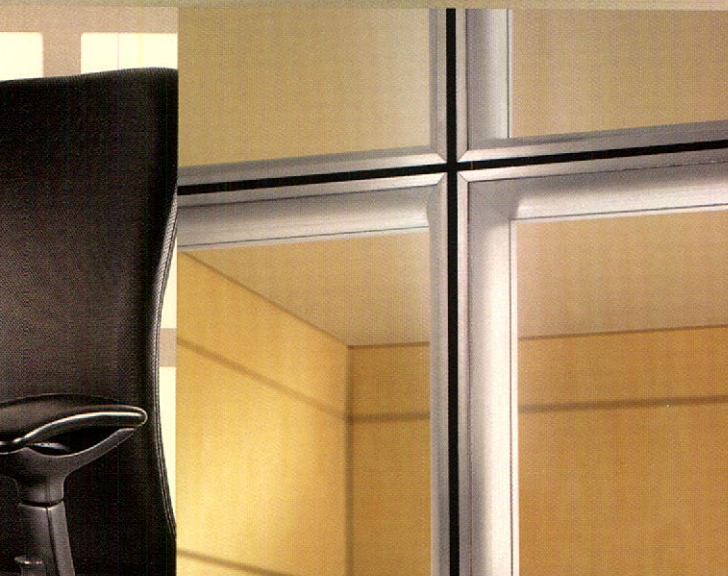
How to build an industry leader

2000 ANNUAL REPORT



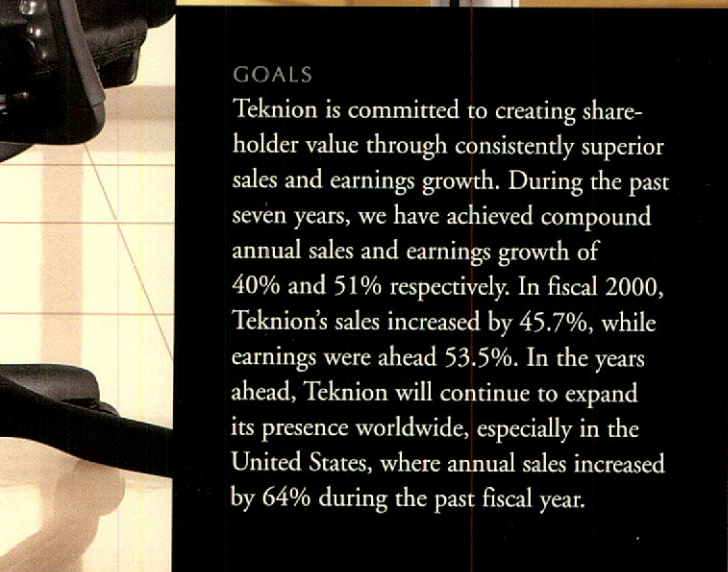
OFFICE SYSTEMS

Teknion designs, manufactures and markets advanced office systems under the Transit, T/O/S, Ability, Leverage and Expansion product lines. The Company also distributes the Boulevard and Vice Versa systems in the United States and Europe. All systems are modular workstations consisting of moveable, reconfigurable components such as panels, worksurfaces, storage units, electrical distribution systems, lighting and related components.



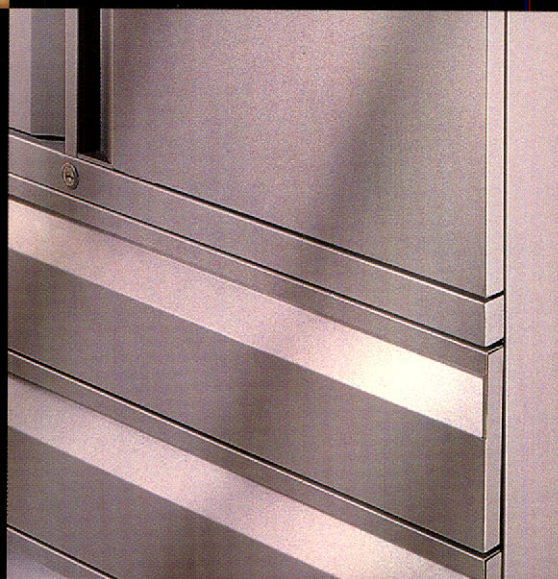
AWARDS

Since 1997, Teknion has been honored with more than 50 industry awards, including the Design of the Decade Award from the Industrial Designers Society of America for the Ability product line. Last year, Teknion again won many premier industry design awards including several at NeoCon in Chicago and IDEX/NeoCon Canada in Toronto.



GOALS

Teknion is committed to creating shareholder value through consistently superior sales and earnings growth. During the past seven years, we have achieved compound annual sales and earnings growth of 40% and 51% respectively. In fiscal 2000, Teknion's sales increased by 45.7%, while earnings were ahead 53.5%. In the years ahead, Teknion will continue to expand its presence worldwide, especially in the United States, where annual sales increased by 64% during the past fiscal year.



OTHER PRODUCTS

Teknion also offers a comprehensive range of highly functional and elegant products to complete the office environment including: the Altos architectural wall system; innovative filing and storage solutions for systems and standalone applications; mobile tables for panel and freestanding environments as well as height-adjustable and occasional tables; desks, credenzas and bookshelves; and workplace accessories such as articulating task lighting, adjustable keyboards and paper management tools.

Teknion at-a-glance

Teknion produces a comprehensive range of innovative, complementary products for each segment of the contract office furniture market.

SEATING

Teknion offers a distinctive selection of seating products designed to complement any office environment including task seating, general use seating, executive models, guest chairs and lounge seating. All lines offer a number of design options and an exceptional selection of upholstery treatments and finish options. The look of any chair can be tailored to the work area and corporate image. From the executive suite to the reception area to the workstation, Teknion offers comfortable, handsome seating well suited to the user, the task and the corporate environment.

FOCUS ON DESIGN

Teknion is an industry leader with a reputation for designing products that respond most effectively to emerging work trends. We carefully consider how our products can enhance workplace creativity, productivity and effectiveness. And we believe in evolutionary product development, an approach that protects our customers' investments by ensuring new products integrate well with our existing portfolio.

Teknion

GROWTH STRATEGY

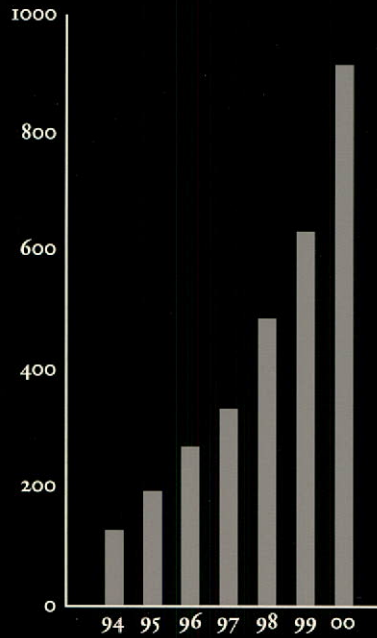
Our exceptional record of growth is based on the successful execution of four basic strategies:

- (1) consistently expand the breadth and depth of our product lines;
- (2) execute focused sales and marketing programs;
- (3) continuously invest in people, facilities and technology; and
- (4) pursue strategic, complementary acquisitions.

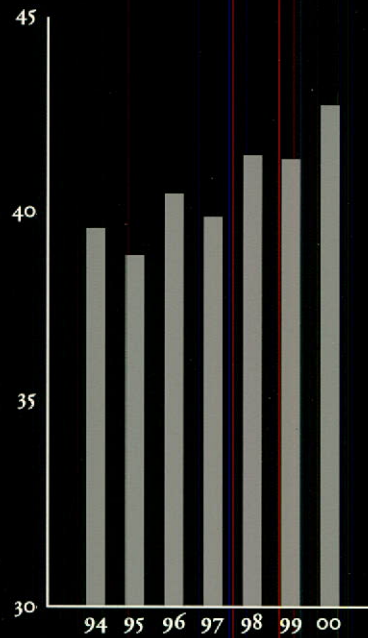
Building an industry leader

Since 1994, Teknion has led the contract office furniture industry in almost every performance measurement including compound annual sales growth of 40%, more than five times the industry average. This report describes the strategies and industry conditions upon which our success has been built, and why they continue to bode well for the future.

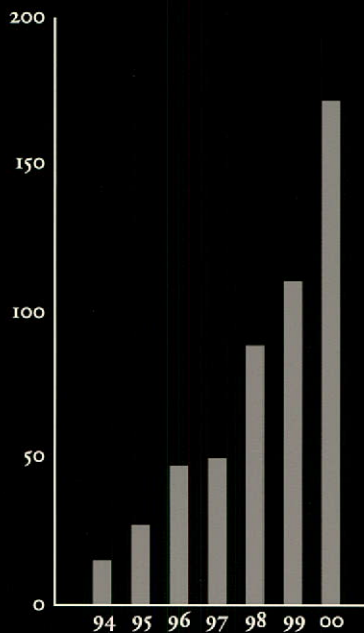
SALES
(IN MILLIONS OF DOLLARS)



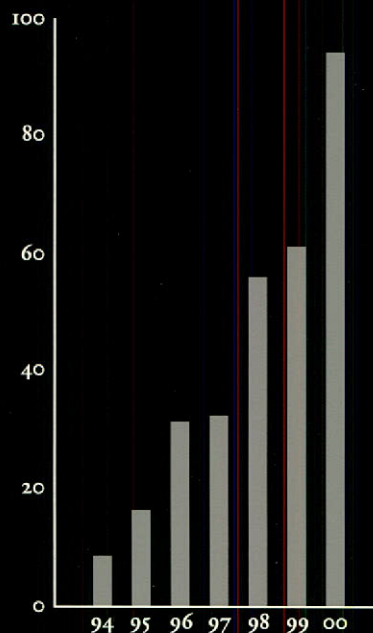
GROSS MARGIN
(AS A PERCENTAGE OF SALES)



EBITDA
(IN MILLIONS OF DOLLARS)



NET EARNINGS
(IN MILLIONS OF DOLLARS)



Teknion Shareholder Letter

OUTSTANDING GROWTH: EVEN GREATER OPPORTUNITY

The past year was another outstanding one for Teknion. Record results, once again far outpacing growth in the industry, reinforced our position as the fastest-growing company in the North American contract furniture business.

Our focus on sustaining a truly entrepreneurial environment, on innovative yet practical design, and a keen emphasis on nurturing close working relationships with our customers continue to be the critical factors as Teknion rapidly evolves into a \$1-billion-plus international player in the office systems and related office furniture products industry. We remain the fresh, young face in the business with 40% compound annual growth in sales since 1994.

This exceptional performance, combined with the outstanding opportunities that lie before us, sustains a high level of energy in every part of Teknion. Despite our impressive growth, the fact remains that 77% of the Canadian market, 97% of the United States market and more than 99% of overseas markets are not Teknion-supplied. In the world's largest markets we have barely begun to scratch the surface.

While we are very proud of our record growth at Teknion, we remain motivated by the challenges ahead. We believe we can continue to grow at a pace that far outdistances our competition.

SALES RISE 45.7%, EARNINGS UP 53.5%

In fiscal 2000, Teknion continued to make impressive gains. Sales for the year increased 45.7% to \$917 million. Net earnings rose 53.5% to \$94 million, or \$1.47 per share compared to \$0.97 per share in fiscal 1999. Net earnings at Teknion have grown even more quickly than revenues – at a compound annual rate of 51% over the past seven years. Gross margins as a percentage of sales were 42.9% in fiscal 2000 compared to 41.5% in 1999. Selling, general and administrative expenses as a percentage of sales were relatively flat at 24.2% in fiscal 2000 compared to 24.1% a year earlier.

Exactly how has Teknion managed to perform so strongly and so consistently? As pages 2 to 11 of this report explain, there is no simple answer. Rather, a combination of our own strategies and industry circumstances has produced tremendous momentum at Teknion. We have been adept at capturing and sustaining this momentum and we firmly believe we can continue to build upon it.

KEY FOCUS ON U.S. GROWTH

Our primary area of growth will continue to be the United States, where we claim a little more than 3% of a U.S. \$13.3 billion market. Over the past few years we have made great strides in capturing new business and market share and we have firmly established ourselves in many regions of the U.S. But in many other areas we have a limited presence and that presents a tremendous opportunity.

We are enjoying good success with a number of innovative programs specially designed to build relationships with key purchase influencers, including the important architecture and design (A&D) community. Our special relationship with this community has strengthened our ability to integrate workplace trends into our product development process. It has also allowed Teknion to benefit from the A&D community's growing involvement in customers' buying decisions.

We also further developed our strategic relationships with strong, dedicated and committed dealers.

MANAGING OUR EXPANSION

The result is that during the year, U.S. sales grew by 64%. We expect U.S. sales to continue to grow at a rate that far exceeds industry growth. We will continue to manage this growth in a manner that ensures flexibility and service are not impaired.

We expect growth, too, in Europe and Asia as we continue to build a sales infrastructure and market presence in those areas. In fiscal 2000, our non-North American sales grew 36%, including a remarkable 89% in Asia. We will be expanding our presence in the Pacific Rim region with an expansion of our manufacturing capability in Malaysia. The opening of a new dealer showroom in Tokyo featuring Teknion products also heralds a promising start to the new year for our international operations.

Even in Canada, where we have a leading 23% of the market share, Teknion sales grew 10% in fiscal 2000. We expect to continue to grow faster than the competition in Canada.

INVESTING TO MEET DEMAND

To meet the demand for Teknion products and services, we are investing heavily in state-of-the-art production capacity, with plans to add 1.1 million square feet of new manufacturing space over the next 12 months. Further investments are planned in new communications technology to, among other things, enhance customer service and supply chain management. These initiatives will be part of a new enterprise-wide information management system that will deliver data, speed processes and coordinate operations throughout the Company as various modules come on-line over the next few years.

In fiscal 2000, Teknion spent a record \$62.9 million on capital assets. Our rate of investment will continue to rise in 2001. However, we expect our financial position to remain strong. Cash generated from operations in fiscal 2000, after changes in working capital items, rose to \$60.9 million from \$32.4 million in fiscal 1999. Working capital at November 30, 2000, stood at \$123.8 million compared to \$75.1 million a year earlier. Our fiscal year end debt-to-equity ratio was 0.06:1.

NURTURING AN ENTREPRENEURIAL CULTURE

We will nurture the corporate attributes that have helped to establish Teknion's success – in particular our entrepreneurial culture, which breeds a high degree of flexibility and responsiveness to the needs of our customers. In many ways and in many areas of our operations, we still conduct business with a personal touch – and that represents a very real competitive edge for Teknion.

Our entrepreneurial culture means we build focused manufacturing units where local managers are given real responsibility. It means our sales efforts are more hands-on at a more senior level. Teknion's flatter organization structure puts senior executives closer to their customers than at many other firms. It breeds a culture that is agile and clever, as evidenced in Teknion's huge specials department where product is customized to meet particular customer needs.

This nimble, open approach has been instrumental in allowing Teknion to break into the mainstream in the contract office furniture market in North America over the past decade. We did it by being young and fresh, at a time when being “young and fresh” was very important to companies in burgeoning new areas of the economy.

Today, the sales momentum and brand strength that have been created at Teknion are allowing us to attract great talent in sales, marketing, design, engineering and manufacturing – both from within and outside the industry.

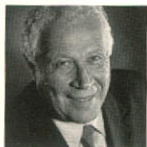
We would like to thank all of those in the growing family of employees at Teknion who continue to create and sustain this Company’s success. Their hard work, talent and perseverance have truly created a special organization. Our thanks, too, go to our customers, suppliers, dealers and Teknion’s Board of Directors for their support. Once again, we look forward to the year ahead.



A handwritten signature in cursive script that reads "David Feldberg".

David Feldberg

*President and
Chief Executive Officer*



A handwritten signature in cursive script that reads "Saul Feldberg".

Saul Feldberg

Chairman of the Board

TEKNION CORPORATION EXECUTIVE COMMITTEE



David Feldberg
*President and Chief Executive Officer,
Teknion Corporation*



Stephen M. Miner
*President and Chief Executive Officer, Teknion LLC
Executive Vice-President, Teknion Corporation*



Frank Delfino
*President, Canadian and International Markets,
Teknion Furniture Systems Co. Limited
Senior Vice-President, Teknion Corporation*



Michael Herman
*Senior Vice-President, Corporate Development
and Secretary, Teknion Corporation*



Robert E. Boyd
*Senior Vice-President, Finance and
Chief Financial Officer, Teknion Corporation*



Jeff Wilson
*Senior Vice-President, Manufacturing and
Supply Chain Management, Teknion Corporation*

Introduction

Teknion is a leading international designer, manufacturer and marketer of mid- to high-end systems and related products for the contract segment of the office furniture industry. We are the market share leader in Canada and the fastest growing of the major office furniture products companies in the United States. In fact, our sales have increased at a compound annual growth rate of 40% since 1994. The following pages describe the major drivers of Teknion's success.

Harness the power of brand momentum

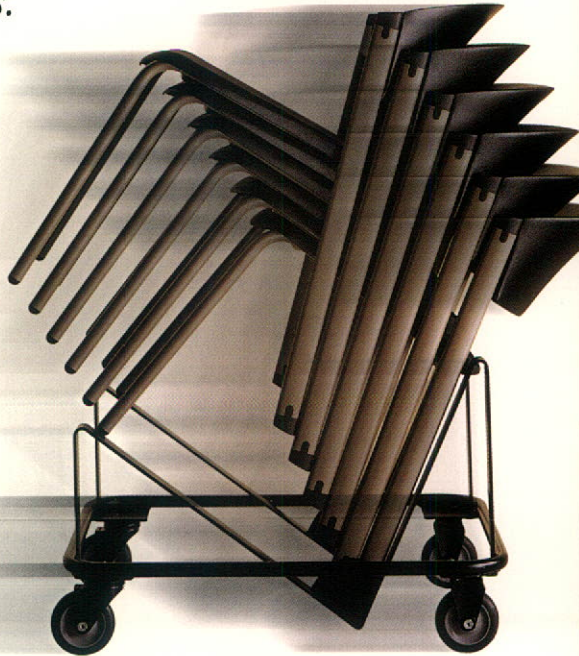
The benefits of a strong brand are clear. Customers assign higher value to well-branded products and they make more of an effort to find them. That's why we have worked so hard to build our brand in the past few years. Today, the name Teknion stands for the creative fusion of classic design and continuous innovation. Our products are deeply rooted in traditional design principles, but they are fresh and exciting, with a distinctive edge that customers invariably associate with the Teknion brand.

Of course, it's an impression firmly grounded in reality. Since 1997, Teknion has been recognized with more than 50 North American industry awards, one of the reasons we have been able to create such a stir in the influential architecture and design (A&D) community, which has taken an increasingly active role in shaping the working environments of the world's leading companies.

Teknion recognized the importance of cultivating strong relationships with the A&D community early on. In fact, the opportunity to build a brand that would complement the creative edge that architects and designers bring to their clients was the *raison d'être* for Teknion's establishment in 1983.

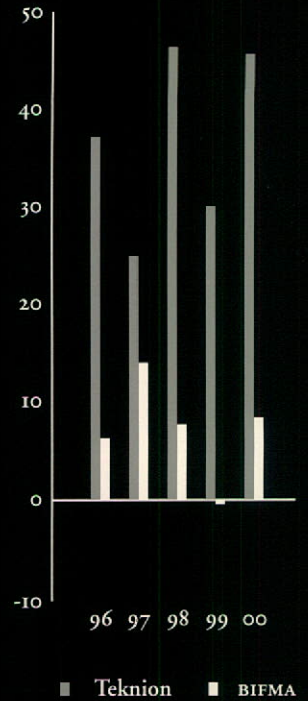
So far, that brand strategy is working. Sales have increased at a compound annual growth rate of 40% since 1994 – more than five times the industry average.

An unwavering investment in the Teknion brand has helped make us the fastest-growing and most-feared competitor in the business.



HOW TO BUILD AN INDUSTRY LEADER

TEKNION SALES GROWTH
VS. THE BUSINESS AND
INSTITUTIONAL FURNITURE
MANUFACTURER'S
ASSOCIATION (BIFMA)
(PERCENTAGE)



Since 1996, Teknion has significantly outpaced overall sales growth in the North American office products industry.

Don't try to predict the future

No one at Teknion is clairvoyant. That's why we position ourselves to respond quickly, no matter how the future unfolds.

Today's office environment is changing more quickly than ever before. The proliferation of new communications technologies – from Internet to wireless to flat-screen display – is redefining the way work gets done and driving changes in the design of office environments in the process. At the same time, the world's leading companies recognize that the look and feel of employees' physical surroundings have a measurable impact on the bottom line – from enhanced productivity to lower real estate costs. Increasingly, employment growth is concentrated in white-collar knowledge industries where flatter management structures and team-based work processes call for enhanced ergonomics, greater versatility, integrated communications technology and the kind of utility that will accommodate continuous reconfigurations of floor space. What this all adds up to is the need for responsiveness and flexibility – the kind that is built into our industry-leading office furniture.

Because speed to market is also of paramount importance, Teknion employs a concurrent product development process, which combines the abilities of design, engineering, manufacturing, product management, and marketing and sales staff from the moment of product conceptualization. This product development technique was first proven successful with the award-winning Ability line of mobile furniture, which was brought to market in less than 12 months or about half the time required by conventional techniques.



AWARDS

Teknion's reputation for forward-thinking design has been bolstered by more than 50 North American awards in the past four years.

The Interior Design Show

Gold

Outstanding Exhibitor
Booth Designs

46th I.D. Annual Design Review

Honorable Mention

Altos

NeoCon 2000

Gold

Solitär, Desks

Silver

Leverage,
Furniture Systems

Canadian Interiors Magazine

Best of Canada

Altos

Industrial Design Excellence Award (IDEA)

Gold

Advanced Concepts
Program Rug,
Concept Category

IIDEX/NeoCon Canada 2000

Silver

Booth Design,
Over 1,000 Square Feet,
Teknion

Silver

Innovative Product,
Power Column

Bronze

Fabrics and Finishes,
Finishes Category

Make the right friends

*Teknion belongs to a team of dedicated partners
that can meet customers' needs for quality, value
and service anywhere in the world.*



This means we don't try to be all things to all people. Instead, our approach is to establish strong relationships with other specialists who do what they do very well. That's why we have cultivated strong ties with the A&D community rather than compete with them for their clients. And it's why we have supported this unique marketing strategy by forging ties with industry-leading designers and an ever-stronger network of highly respected dealers.

The same spirit of partnership extends to our wide-ranging, long-term relationships with many of the world's largest companies. Such companies are leaders in those sectors of the international economy that are enjoying the fastest rate of growth in white-collar employment.

Thanks to worldwide manufacturing and service facilities, and an ever-stronger dealership network, we are able to offer our growing list of multi-national customers the benefits of a single point of contact, improved economies of scale, responsive local service, and the ability to implement consistently designed office environments anywhere their business takes them.

GEOGRAPHIC SALES (PERCENTAGE)



Teknion will continue to derive a growing portion of its business from U.S. and international markets.

Keep growing, but stay agile

After nearly 20 years of growth, we are still the newest kid on the block. So we listen better, work harder and respond more quickly than our competitors.



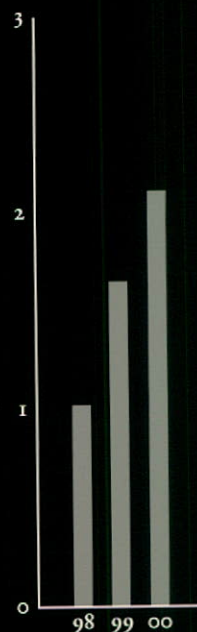
TEKNION CORPORATION

Our customers value a supplier as nimble and responsive as they are. Despite several years of phenomenal growth, our entrepreneurial philosophy and decision-making policies still allow us to move quickly to meet their needs. We have proven our ability and willingness to swiftly translate new ideas into innovative products, as evidenced by a high percentage of custom-manufactured production in our sales mix. Our production facilities are specialized and they are run by managers who retain a high degree of autonomy and responsibility for their performance. Such entrepreneurial thinking extends into every other aspect of our organization.

Despite the Company's phenomenal growth, we treat every sales and service opportunity with unwavering enthusiasm. Above all, we are focused on making Teknion the most creative, down-to-earth problem solver in the business. We provide dedicated project management and support services for our customers, and our Company's most senior executives play a vital and active role in establishing and nurturing long-term relationships with them.

Such personal attention is one of the main reasons a significant majority of Teknion's sales in fiscal 2000 came from repeat business, an important contributor to the Company's higher-than-average margins and exceptionally stable revenue flows.

MANUFACTURING FACILITIES (IN MILLIONS OF SQ. FT.)



Since 1981 Teknion has grown from one 30,000 square foot manufacturing facility to more than 2.1 million square feet of vertically integrated specialty manufacturing space.

We've only scratched the surface

Despite phenomenal growth, we haven't yet tapped 77% of the Canadian market, 97% of the U.S. market, and 99% of the rest of the world.

Between 1994 and 2000, Teknion's sales outside Canada rose from \$75 million to \$713 million, posting a 45.6% compound growth rate that was significantly higher than the industry at large. That is an exceptional performance, but Teknion is still a relatively new player in the U.S. with a 3% share of the office furniture market. Our presence overseas is even less established.

It will not be for long. During the past few years, we have established Teknion as a feared competitor in the United States, attracting leading dealers, opening showrooms in key centers and winning the business of leading corporations. Such efforts help explain why U.S. sales increased 64% in fiscal 2000. Despite such growth, Teknion to date has penetrated only a very small percentage of the U.S. \$13.3 billion office furniture market that we believe is available to us.

International markets also hold enormous potential. In fiscal 2000, non-North American sales were up 36%. In Asia, our sales increased 89% in fiscal 2000. The recent opening of a new dealership showroom in Tokyo and the future expansion of our manufacturing capacity in Malaysia will significantly extend our presence in this region. Even in the "mature" Canadian market, which we continue to lead, sales increased by 10% in fiscal 2000 and we will continue to outpace our competitors.

To support our ambitions well into the future, we intend to follow the same basic strategy that has made Teknion the fastest-growing company

in the industry. That means we will continue to expand the breadth and depth of our product lines. We will faithfully execute targeted sales and marketing strategies, especially our focus on the A&D community. We will pursue complementary acquisitions. And we will continue to invest in our people, facilities and technology to maintain our leadership and momentum. Above all, we will do it all in the Teknion way – by being agile, responsive, clever and human.

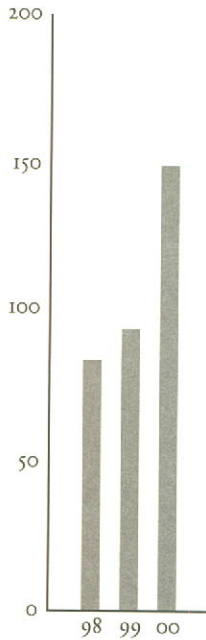
Teknion

Teknion Financial Review 2000

14.	Management's Discussion and Analysis
22.	Auditors' Report to the Shareholders
23.	Consolidated Financial Statements
26.	Notes to Consolidated Financial Statements
37.	Listing of Positions and Titles
38.	Corporate Information

MANAGEMENT'S DISCUSSION AND ANALYSIS

EBIT
(IN MILLIONS OF DOLLARS)



The following management's discussion and analysis of the financial condition and results of operations for Teknion Corporation ("Teknion" or the "Company") for the years ended November 30, 2000 and 1999 should be read in conjunction with the Company's consolidated financial statements and the notes to those statements included in this Annual Report.

OVERVIEW

Teknion is an international designer, manufacturer and marketer of office systems and related office furniture products. Since commencing business in 1981, the Company has grown from one 30,000 square foot manufacturing facility in Toronto to more than 2.5 million square feet of vertically integrated specialty manufacturing space, sales and marketing operations and showrooms located in major markets around the world. From its inception with a single office system product, the Company has grown and expanded into the six major office furniture product categories.

The Company's primary product offering is office systems, the fastest-growing segment of the office furniture market, which accounted for approximately 80% of the Company's sales in fiscal 2000. Office systems are typically modular workspaces which consist of moveable and reconfigurable components including panels, worksurfaces and storage units, electrical and communications distribution, lights, organizing tools and freestanding components. The Company has leveraged this strength in the office systems market and introduced companion products such as seating, storage, filing and tables. The Company continues to expand both the depth and breadth of its product lines.

The Company's products are sold around the world, primarily through authorized dealers. Sales have grown at a compound annual growth rate of 40% since 1994. Over this same period, Teknion has consistently outperformed the overall industry which in comparison produced a compound annual growth rate of approximately 6% to 7%, as measured by The Business and Institutional Furniture Manufacturer's Association (BIFMA). Teknion's superior track record of growth is the result of its continuing increase in market share, its introduction of new and innovative products, and its geographic expansion into new markets.

Fiscal 2000 was another year of superior financial performance for Teknion as sales, operating profits and net earnings achieved new records for the Company. Sales growth was experienced in all of the Company's markets as customers continued to respond to Teknion's innovative product design and its sales and marketing strategies. For the year ended November 30, 2000, sales rose 45.7% to \$917 million, producing a 53.5% increase in net earnings to \$94.0 million or \$1.47 per multiple voting and subordinate voting share ("share").

RESULTS OF OPERATIONS

*Annual*Year ended November 30,
(\$000s)

	2000	1999	1998
Sales	917,005	629,266	483,695
Gross margin	393,355	261,189	201,353
Gross margin (% of sales)	42.9%	41.5%	41.6%
Expenses	243,819	167,082	117,967
Net earnings	93,960	61,208	56,015
Earnings per share (basic)	\$1.47	\$0.97	\$0.89*

*Earnings per share in 1998 have been calculated using the weighted average number of shares outstanding had the initial public offering of July 14, 1998 occurred at the beginning of the 1998 fiscal year.

*Quarterly*Fiscal 2000
(\$000s)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	170,840	230,000	242,673	273,492	917,005
Gross margin	68,212	99,112	102,421	123,610	393,355
Gross margin (% of sales)	39.9%	43.1%	42.2%	45.2%	42.9%
Expenses	46,955	60,232	60,427	76,205	243,819
Net earnings	14,044	23,718	25,743	30,455	93,960
Earnings per share (basic)	\$0.22	\$0.37	\$0.41	\$0.47	\$1.47

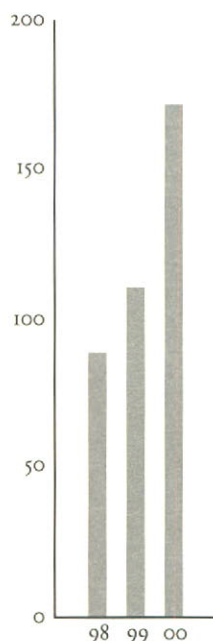
Fiscal 1999
(\$000s)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	134,521	146,238	166,343	182,164	629,266
Gross margin	57,700	61,677	69,282	72,530	261,189
Gross margin (% of sales)	42.9%	42.2%	41.7%	39.8%	41.5%
Expenses	34,621	39,500	44,791	48,170	167,082
Net earnings	14,635	14,113	16,232	16,228	61,208
Earnings per share (basic)	\$0.23	\$0.23	\$0.25	\$0.26	\$0.97

Sales growth was experienced in all of the Company's markets as customers continued to respond to Teknion's innovative product design and its sales and marketing strategies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EBITDA
(IN MILLIONS OF DOLLARS)



Sales

Teknion reported consolidated sales of \$917 million for the year ended November 30, 2000, a 45.7% increase over consolidated sales in the prior year. Sales in each consecutive quarter of fiscal 2000 demonstrated strong growth when compared to the same quarter of the prior year, and when compared to the immediately preceding quarter. Sales in each of the geographic regions in which the Company operates increased as compared to fiscal 1999.

Teknion purchased 100% of the shares of Halcon Corporation in January 1999 and 100% of the shares of Roy & Breton Inc. in May 1999. No major acquisitions were made in fiscal 2000. Acquisitions have had little impact on the Company's sales growth, representing 3.7% of the 45.7% sales growth in fiscal 2000 compared to 6.6% of the 30.1% sales growth in fiscal 1999.

Sales by Geographic Region

Teknion's sales, represented by geographic region, are set forth below.

Year ended November 30, (\$000s)	2000	%	1999	%	1998	%
Canada	203,591	22.2	185,362	29.5	147,226	30.4
United States	636,924	69.5	387,492	61.6	287,853	59.5
International	76,490	8.3	56,412	8.9	48,616	10.1
Total	917,005	100	629,266	100	483,695	100

In the United States, sales increased 64.4% over the prior year to \$636.9 million. Fiscal 1999 produced a 34.6% increase in U.S. sales over fiscal 1998. Management has focused significant efforts and resources over the past five years to expand the Company's U.S. presence. In fiscal 2000, Teknion increased its U.S. sales force by 23%, and opened a new showroom in Los Angeles and an expanded showroom in Atlanta. In fiscal 1999, the Company expanded its U.S. sales force by 50% and opened a showroom in San Francisco. With an estimated 3% share of the U.S. \$13.3 billion American office furniture market (as measured by BIFMA), Teknion recognizes that the U.S. market represents its largest opportunity to grow revenues and earnings for the benefit of shareholders, and the Company will continue to focus increased attention and resources on expanding its share of this large market.

In Canada, Teknion is the largest participant in the contract furniture industry. In fiscal 2000, Canadian sales rose 9.8% to \$203.6 million as the Company built on its leading market position and leveraged its existing strong relationships with dealers and customers. Canadian sales rose 25.9% in fiscal 1999 compared to fiscal 1998.

Sales to international markets, which include Europe, South America, the Middle East and the Pacific Rim, increased 35.6% in fiscal 2000 to \$76.5 million as the Company expanded its presence particularly in Asia, where sales increased 89% in fiscal 2000. In fiscal 1999, sales to the Company's international markets increased 16.0% compared to fiscal 1998. The Company announced that it plans to expand its manufacturing capacity in Malaysia during fiscal 2001 to meet increased demand in the Asian market.

Looking ahead, management remains cautiously optimistic about the international market for office furniture in fiscal 2001. Forecasts for fiscal 2001 indicate a period of slower growth in the North American markets through the first half of the year. According to BIFMA, the U.S. market for office furniture is forecast to grow by approximately 2.8% in 2001. Nevertheless, Teknion remains confident that its sales will continue to grow as its focused efforts, particularly in the United States, result in continued increases in market share. The U.S. market remains the key driver for the Company's growth over the next few years. In fiscal 2001, the Company will increase its U.S. sales force and will add new showrooms in Dallas, Washington, D.C., and Seattle in fiscal 2002. The Company will also be opening its state-of-the-art U.S. headquarters in Mount Laurel, New Jersey in April 2001.

Sales to international markets increased 35.6% in fiscal 2000 to \$76.5 million.

Gross Margins

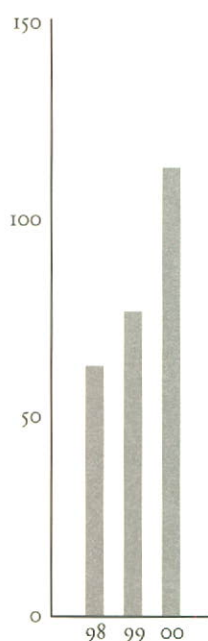
Consolidated gross margin as a percentage of sales improved to 42.9% in fiscal 2000 from 41.5% in fiscal 1999. Gross margin as a percentage of sales in fiscal 1998 was 41.6%. Although gross margin came under pressure during the first quarter of the year, gross margin improved in the balance of fiscal 2000 due to the higher level of sales in the period covering more fixed manufacturing overheads, production efficiencies realized during the year, and the impact of a price increase instituted in the third quarter for the majority of the Company's product lines.

To conform to its peer group, effective with the first quarter of fiscal 2000 Teknion began to include freight and installation costs as a selling expense rather than a cost of sales. Financial results for fiscal 1999 have been reclassified for comparative purposes to reflect this change (see Note 1(h) to Financial Statements). Figures for the 1998 fiscal year included in this management's discussion and analysis reflect this change for comparative purposes.

For the year ended November 30, 2001, management expects, assuming the Company is not subject to heavy discounting pressure by competitors due to the slower North American economy, gross margin as a percentage of sales will be similar to the gross margin in fiscal 2000. Improved manufacturing efficiencies gained in fiscal 2000 will also benefit margins in fiscal 2001, offset by increased costs associated with the introduction and ramp-up period of the Company's planned 1.1 million square foot expansion of its manufacturing facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH FROM OPERATIONS (IN MILLIONS OF DOLLARS)



Operating Expenses

Selling, general and administrative ("SG&A") expenses increased in dollar value in fiscal 2000 commensurate with the growth in sales and business activity during the year. As a percentage of sales, SG&A rose marginally to 24.2% from 24.1% in fiscal 1999. In fiscal 1998, total SG&A expenses were 23.4% of sales. The increase in actual dollar costs in fiscal 2000 reflects additional sales and marketing resources, primarily in the Company's United States operations. Teknion has focused its resources on increasing its share of the U.S. market, and during fiscal 2000 continued to build up its sales, marketing and service infrastructure in that market to ensure it could capitalize on the growth opportunity.

For fiscal 2001, management does not expect to see any significant increase in SG&A expenses as a percentage of sales from fiscal 2000 provided that the Company realizes anticipated sales growth.

Other Expenses

Depreciation and amortization rose in fiscal 2000 to \$19.4 million from \$13.0 million in fiscal 1999 due to the full year's impact of the amortization of acquisitions made during 1999 and the significantly higher level of investment in plant and equipment made in fiscal 2000. Depreciation and amortization expenses in fiscal 1998 were \$7.4 million.

Interest expense rose to \$3.1 million in fiscal 2000 from \$2.4 million in fiscal 1999 and interest income of \$553,000 in fiscal 1998 due primarily to higher operating loans incurred in connection with the Company's rapid growth.

The Company's effective tax rate in fiscal 2000 rose to 37.2% from 35% in fiscal 1999 and 32.8% in fiscal 1998. This increase is the result of a higher percentage of earnings than prior years coming from the Company's United States operations, where the income tax rate is higher than in Canada, and the impact of lower manufacturing and processing tax deductions than in prior years.

Net Earnings

Net earnings for the year ended November 30, 2000 were \$94.0 million or \$1.47 per share compared to \$61.2 million or \$0.97 per share in fiscal 1999 and \$56 million or \$0.89 per share in 1998. Earnings per share in 1998 have been calculated using the weighted average number of shares outstanding had the initial public offering of July 14, 1998 occurred at the beginning of the 1998 fiscal year. On a weighted average basis, there were 63.8 million shares outstanding in fiscal 2000 compared to 63.3 million in fiscal 1999 and 62.6 million in fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

Year ended November 30,
(\$000s)

	2000	1999	1998
Cash from operating activities	60,907	32,449	33,051
Capital expenditures	62,913	46,617	21,413
Long-term debt to equity	.06:1	.09:1	.01:1

Since its initial public offering in July 1998, the Company's cash requirements have been satisfied through cash generated by operating activities and available operating lines of credit. These sources of funds are expected to be sufficient to finance the expected capital needs of the Company for the foreseeable future, assuming that the Company does not make a significant acquisition. As at November 30, 2000 the Company utilized \$42.7 million of its \$99 million available operating lines of credit with the majority of its credit lines bearing interest below the prime rate.

Cash from operations rose to \$113.0 million in fiscal 2000 from \$75.7 million in fiscal 1999 due primarily to the significant increase in net earnings, excluding non-cash charges such as depreciation and amortization. Including the net change in operating working capital, the Company generated \$60.9 million in cash from operations in fiscal 2000 compared to \$32.4 million in fiscal 1999.

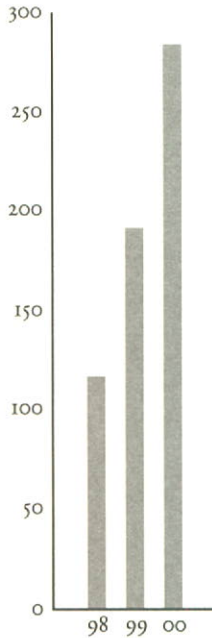
Accounts receivable in fiscal 2000 increased significantly, reflecting the higher levels of business experienced by the Company, in particular the significant increase in sales in the fourth quarter of the year. Days outstanding for accounts receivable were 71 as at November 30, 2000, compared to 69 at November 30, 1999. Investment in inventory rose to \$71.4 million as at November 30, 2000, compared to \$46.4 million at the end of the prior fiscal year to support the increased level of business experienced by the Company during fiscal 2000. The number of days of production in inventory rose four days to 41 days as at November 30, 2000, compared to the prior year. Teknion will focus closely in fiscal 2001 on increasing its cash flow from operations by maximizing the turnover of inventory and reducing the days outstanding for accounts receivable.

To mitigate the risk presented by foreign exchange rates, the Company enters into foreign exchange contracts from time to time to limit exposure to fluctuations in the value of the U.S. dollar. As at November 30, 2000, the Company held foreign exchange contracts maturing within 13 months for the sale of U.S. \$244.5 million at a weighted average rate of exchange of \$1.48.

Cash generated by operating activities and available operating lines of credit is expected to be sufficient to finance Teknion's capital needs for the foreseeable future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHAREHOLDERS' EQUITY (IN MILLIONS OF DOLLARS)



Cash generated by financing activities totaled \$9.7 million in fiscal 2000 compared to \$5.8 million in 1999. The increase is primarily the result of an increase in the use of the Company's operating lines of credit and proceeds from the issuance of subordinate voting shares upon the exercise of options pursuant to the Company's employee stock option plan.

Cash used in investing activities rose to \$61.9 million from \$55.1 million in 1999 due primarily to a planned increase in capital investments. During fiscal 2000, \$62.9 million was invested in capital, primarily in plant expansions, new facilities, production equipment, and new software and hardware technologies. For the fiscal year ended November 30, 2001, Teknion plans to spend \$100 to \$125 million in capital investments, including the previously announced 1.1 million square foot expansion of the Company's manufacturing facilities.

RISKS AND UNCERTAINTIES

This Annual Report and management's discussion and analysis of the financial condition and results of operations contain forward-looking statements with respect to the Company's future prospects. These statements involve certain risks and uncertainties that could cause the Company's financial results to differ materially from stated expectations. Factors that could cause actual results to differ from expectations include, but are not limited to, fluctuations in the Company's operating results due to product demand arising from competitive and general economic and business conditions in the Company's North American and international markets and operations; significant fluctuations in exchange rates for currencies in which the Company does business; the ability to maintain the proprietary nature of the Company's intellectual property in the design and manufacturing of its products; changes in the size and timing of customers' order patterns; changes in the Company's markets, including technology change, changes in customer requirements, frequent new product introductions by competitors and emerging standards; the Company's dependence on key personnel; the Company's dependence on key commitments from significant dealers and distributors; potential liabilities arising from product defects that exceed insurance coverage; and environmental matters.

OUTLOOK

The Company believes that today's business environment increasingly requires that organizations and institutions utilize costly office space more effectively and improve the working environment to increase employee productivity. The Company also believes that these factors, combined with increases in white-collar employment, commercial construction and capital spending, as well as the growing use of technology and the increasing awareness of workplace health and safety, will continue to fuel growth in the office furniture industry.

The Company's strategy to capitalize on the growth opportunities in its markets is to: continue to develop its sales and service infrastructure to expand its presence and market share throughout the world; leverage the strength and economies of scale resulting from the vertical integration of its manufacturing processes; maintain its focus on design and innovation to ensure it can respond quickly with new and improved products to meet the needs of its customers; and make prudent acquisitions that meet the Company's strict criteria.

Management remains cautiously optimistic about market conditions for fiscal 2001. While sales levels in each of the first two quarters of fiscal 2001 will not match the record results produced in the fourth quarter of fiscal 2000, management remains confident that sales through the first half of the year will be higher than the same period in the prior year on a comparative basis. Management is cognizant of the uncertainty that a slowing U.S. economy may have on demand. Should changing economic conditions materially affect the Company's business, management intends to aggressively control its operating costs and capital expenditures and preserve its capital. Nonetheless, management remains confident that the Company will show positive year-over-year sales growth for the 12 months ended November 30, 2001 as its aggressive strategies and product quality continue to win market share.

The Company believes that today's business environment increasingly requires that organizations and institutions utilize costly office space more effectively and improve the working environment to increase employee productivity.

AUDITORS' REPORT
TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Teknion Corporation as at November 30, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. 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 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the "K" and ends under the "P", with a small dot at the end.

Chartered Accountants
TORONTO, CANADA
JANUARY 26, 2001

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

NOVEMBER 30, 2000 AND 1999

	2000	1999
ASSETS		
Current assets:		
Cash	\$ 21,762	\$ 13,063
Accounts receivable	222,590	135,666
Inventory	71,371	46,372
Prepaid expenses and other deposits	6,696	5,954
Due from affiliated companies (NOTE 2)	1,173	1,495
	323,592	202,550
Capital assets (NOTE 3)	141,198	96,449
Goodwill (NOTE 4)	30,742	32,632
	\$ 495,532	\$ 331,631
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating loans (NOTE 5)	\$ 42,675	\$ 32,321
Accounts payable and accrued liabilities	131,476	83,016
Income taxes payable	15,565	3,742
Current portion of long-term debt (NOTE 6)	10,106	8,381
	199,822	127,460
Long-term debt (NOTE 6)	8,019	10,212
Deferred income taxes	2,787	2,291
Shareholders' equity:		
Share capital (NOTE 7)	104,153	103,112
Retained earnings	181,843	87,883
Currency translation adjustment	(1,092)	673
	284,904	191,668
	\$ 495,532	\$ 331,631

See accompanying notes to consolidated financial statements.

On behalf of the Board:



 Director Director

CONSOLIDATED
STATEMENTS OF EARNINGS
(in thousands of dollars, except per share amounts)
YEARS ENDED NOVEMBER 30,
2000 AND 1999

	2000	1999
Sales	\$ 917,005	\$ 629,266
Cost of sales	523,650	368,077
Gross margin	393,355	261,189
Expenses:		
Selling, general and administrative	221,695	151,455
Depreciation and amortization	19,397	13,020
	241,092	164,475
Earnings from operations	152,263	96,714
Interest expense, net (NOTE 6)	3,063	2,438
Loss (gain) on disposal of capital assets	(336)	169
Earnings before income taxes	149,536	94,107
Income taxes (recovery) (NOTE 8):		
Current	55,630	31,677
Deferred	(54)	1,222
	55,576	32,899
Net earnings	\$ 93,960	\$ 61,208
Earnings per share (NOTE 9):		
Basic	\$ 1.47	\$ 0.97
Fully diluted	1.41	0.95

CONSOLIDATED
STATEMENTS OF
RETAINED EARNINGS
(in thousands of dollars)
YEARS ENDED NOVEMBER 30,
2000 AND 1999

	2000	1999
Retained earnings, beginning of year	\$ 87,883	\$ 26,675
Net earnings	93,960	61,208
Retained earnings, end of year	\$ 181,843	\$ 87,883

See accompanying notes to consolidated financial statements.

CONSOLIDATED
STATEMENTS OF CASH FLOWS

(in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

	2000	1999
Cash provided by (used in):		
OPERATIONS:		
Net earnings	\$ 93,960	\$ 61,208
Items not affecting cash:		
Depreciation and amortization	19,397	13,020
Deferred income taxes	(54)	1,297
Loss (gain) on disposal of capital assets	(336)	169
	112,967	75,694
Change in operating working capital:		
Accounts receivable	(86,924)	(26,267)
Inventory	(24,999)	(14,436)
Prepaid expenses and other deposits	(742)	(1,403)
Accounts payable and accrued liabilities	48,460	21,326
Due from affiliated companies	322	(6,146)
Income taxes payable	11,823	(16,319)
	(52,060)	(43,245)
	60,907	32,449
FINANCING:		
Operating loans	10,354	18,325
Proceeds from long-term debt	8,215	—
Repayment of long-term debt	(8,683)	(12,803)
Issue of share capital	1,041	—
Currency translation adjustment	(1,215)	322
	9,712	5,844
INVESTMENTS:		
Purchase of capital assets	(62,913)	(46,617)
Net cash paid on acquisitions	—	(8,436)
Proceeds on disposal of capital assets	993	—
	(61,920)	(55,053)
Increase (decrease) in cash	8,699	(16,760)
Cash, beginning of year	13,063	29,823
Cash, end of year	\$ 21,762	\$ 13,063

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements include the accounts of Teknion Corporation ("Teknion" or the "Company") and all of its subsidiaries. All significant intercompany transactions have been eliminated on consolidation.

(b) Revenue recognition:

Revenue is recognized upon shipment of goods to customers.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) Capital assets:

The capital assets are recorded at cost and depreciated on a declining-balance basis at the following annual rates:

Buildings	5%
Computer hardware	20%
Computer software	20%
Manufacturing equipment	10%
Office equipment	20%
Tools and dies	10%

Showrooms are depreciated on a straight-line basis over four years.

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Patents and trademarks are amortized on a straight-line basis over 10 years.

(e) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is being amortized on a straight-line basis over 20 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in values are considered to be other than temporary based upon expected cash flows of the underlying companies.

(f) Translation of foreign currency:

Foreign operations are classified as integrated or self-sustaining.

(i) Self-sustaining foreign operations:

All assets and liabilities are translated at exchange rates in effect at year end. Revenues and expenses are translated at the average rates of exchange for the year. The resulting net gains or losses are shown under "Currency translation adjustment" in shareholders' equity.

(ii) Integrated foreign operations and accounts in foreign currencies:

Integrated foreign operations and accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary balance sheet items are translated at the rates of exchange in effect at year end and non-monetary items are translated at historical exchange rates. Revenues and expenses (other than depreciation and amortization, which is translated at the same rates as the related capital assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the year. The resulting gains or losses are included in the statement of earnings.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(h) Comparative figures:

To be consistent with its peer group, commencing in fiscal 2000, the Company has reported freight and installation costs as a selling, general and administrative expense rather than a cost of sales. The 1999 comparative figures have been reclassified to conform with the presentation adopted in 2000. Had the reclassification not been adopted, cost of sales would be \$563,782 (1999 – \$389,160), gross margin \$353,223 (1999 – \$240,106) and selling, general and administrative expense \$181,563 (1999 – \$130,372).

2. DUE FROM AFFILIATED COMPANIES:

These amounts are due from companies controlled or significantly influenced by the controlling shareholders and are unsecured, non-interest bearing and due on demand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

3. CAPITAL ASSETS:

2000	Cost	Accumulated depreciation and amortization	Net book value
Land	\$ 5,463	\$ –	\$ 5,463
Buildings	32,963	1,068	31,895
Computer hardware	18,684	7,927	10,757
Computer software	11,546	4,142	7,404
Manufacturing equipment, office equipment and showrooms	83,423	27,016	56,407
Tools and dies	23,905	6,208	17,697
Leasehold improvements	17,781	7,500	10,281
Patents and trademarks	2,109	815	1,294
	\$ 195,874	\$ 54,676	\$ 141,198

1999	Cost	Accumulated depreciation and amortization	Net book value
Land	\$ 5,519	\$ –	\$ 5,519
Buildings	17,605	403	17,202
Computer hardware	12,763	5,180	7,583
Computer software	7,820	2,324	5,496
Manufacturing equipment, office equipment and showrooms	58,457	19,750	38,707
Tools and dies	18,404	4,592	13,812
Leasehold improvements	11,981	5,009	6,972
Patents and trademarks	1,776	618	1,158
	\$ 134,325	\$ 37,876	\$ 96,449

4. GOODWILL:

2000	Cost	Accumulated amortization	Net book value
Goodwill	\$ 34,374	\$ 3,632	\$ 30,742

1999	Cost	Accumulated amortization	Net book value
Goodwill	\$ 34,374	\$ 1,742	\$ 32,632

5. OPERATING LOANS:

At November 30, 2000, Teknion had available operating lines of credit of up to \$99 million (1999 – \$54 million), of which \$90.4 million (1999 – \$46 million) is unsecured. Borrowings under these lines of credit bear interest at varying rates ranging from the banks' prime rate plus or minus 1.5% per annum. Certain subsidiaries of the Company have entered into general security agreements and undertaken an assignment of certain assets to secure bank borrowings.

6. LONG-TERM DEBT:

	2000	1999
U.S. \$5.169 million construction term loan, bearing interest at prime minus 0.75%, secured by a first mortgage lien on subject property, due October 2001	\$ 7,940	\$ —
U.S. \$4.529 million note payable to a minority shareholder, bearing interest at the 30-day LIBOR rate, payable monthly at U.S. \$0.7 million, including principal and interest, repaid in June 2000	—	6,679
U.S. \$2.970 million (1999 – \$3.290 million) 1998 industrial revenue bonds, bearing interest at the variable 7-day market rate plus 1.5%, principal repayments made monthly to March 1, 2018, secured by a second mortgage on real estate and a charge over book debts of the Company's Minnesota, U.S. subsidiary	4,562	4,851
5.907 million (1999 – 6.500 million) Malaysian ringgit term loan, bearing interest at prime plus 1.75%, payable in monthly installments of 0.08 million Malaysian ringgit, secured by a charge over land, buildings and all assets of the Company's Malaysian subsidiary, due November 2006	2,397	2,510
Various loans with blended monthly repayments, bearing interest at various rates to a maximum of 9%, due at various dates to 2008	3,226	4,553
	18,125	18,593
Less current portion	10,106	8,381
	\$ 8,019	\$ 10,212

Annual principal repayments on long-term debt are due as follows:

2001	\$ 10,106
2002	1,177
2003	1,987
2004	1,149
2005	1,045
Thereafter	2,661
	\$ 18,125

Interest paid on long-term debt was \$1,170 in 2000 and \$1,458 in 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

7. SHARE CAPITAL:

	2000	1999
Authorized:		
Unlimited Class A preference shares, non-voting		
Unlimited Class B preference shares, non-voting		
44,847,515 multiple voting shares		
Unlimited subordinate voting shares		
Issued:		
44,847,515 multiple voting shares	\$ 5,674	\$ 5,674
18,985,391 subordinate voting shares		
(1999 – 18,902,171)	98,479	97,438
	\$ 104,153	\$ 103,112

Fiscal 1998 reorganization and initial public offering:

In connection with the reorganization, predecessor business entities that are now subsidiaries of the Company made dividends and distributions of approximately \$82.9 million to their shareholders and partners. Premiums of \$49.8 million on redemption of shares were paid to certain of the same parties and redeemable preferred shares of one of the predecessor companies amounting to \$6.2 million were transferred to the Company.

On July 14, 1998, the Company issued 9,500,000 subordinate voting shares at a price of \$12.50 per share in connection with its initial public offering. In August 1998, 1,425,000 subordinate voting shares were issued at the same price pursuant to an over-allotment option exercised by the underwriters of the initial public offering.

Upon completion of the reorganization and initial public offering, the shareholders and partners of the predecessor business entities held a total of 44,847,515 multiple voting shares and 6,871,779 subordinate voting shares. At the closing of the public offering, a special resolution of the shareholders became effective to reduce the stated capital of the subordinate voting shares to create contributed surplus and to transfer the surplus to retained earnings in order to eliminate the deficit created by the reorganization transactions.

Class A and Class B preference shares:

Class A and Class B preference shares are issuable in series, with other attributes to be determined at the time of issuance. The Class A preference shares will rank prior to the Class B preference shares and both will rank prior to the multiple voting shares and subordinate voting shares as to dividends and as to distributions in the event of liquidation, dissolution or winding up of the Company.

Multiple voting shares and subordinate voting shares:

During 1999, 1,105,392 subordinate voting shares were issued in connection with the acquisitions described in note 14. In fiscal 2000, there were no acquisitions to report. During 2000, 83,220 subordinate voting shares were issued for cash consideration of \$1,041,000 on the exercise of stock options.

The multiple and subordinate voting shares rank equally with each other on a share-for-share basis as to dividends and as to distributions in the event of liquidation, dissolution or winding up of the Company. The multiple voting shares carry 10 votes per share and are convertible into subordinate voting shares on a one-for-one basis at the option of the holder. The subordinate voting shares carry one vote per share.

Share option plans:

The Company has two stock option plans for directors, officers, employees and affiliates of the Company. The stock option plans are administered by a committee of the Board of Directors of the Company. The maximum aggregate number of subordinate voting shares which may be issued to eligible persons pursuant to the stock option plans is 6,264,490. No compensation expense is recognized when shares or options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. If shares or stock options are repurchased from employees, the excess of consideration paid over the carrying amount of the share or stock option canceled is charged to retained earnings.

The limited purpose stock option plan was established at the time of the initial public offering for existing employees of the Company. Each eligible employee was entitled to options to purchase 100 subordinate voting shares at an exercise price of \$12.50 per share. These options vested six months after the date of grant and are exercisable for a period of four years from the date of grant. The maximum number of subordinate voting shares which may be issued to eligible employees pursuant to the limited purpose stock option plan is 192,300.

The general stock option plan is for employees, officers, directors and affiliates of the Company. The option exercise price cannot be less than the market price at issue of the subordinate voting shares on any stock exchange on which the subordinate voting shares are listed. The options have a maximum term of 10 years and are non-assignable, except in certain limited circumstances. The vesting periods of options granted under the general stock option plan are determined by a committee of the Board of Directors of the Company at the time the options are granted. The Board of Directors of the Company may, from time to time, amend or revise the terms of the general stock option plan, subject to applicable law and the rules of any stock exchange on which the subordinate voting shares are listed, or may discontinue the general stock option plan at any time. The maximum number of subordinate voting shares which may be issued pursuant to the general stock option plan is 6,072,190 subordinate voting shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

The following is a summary of the number of subordinate voting shares issuable pursuant to outstanding stock options:

	2000		1999	
	Number of shares	Weighted average price	Number of shares	Weighted average price
Options outstanding, beginning of year	1,833,300	\$12.53	1,660,800	\$12.44
Exercise of options	(83,220)	12.50	—	—
Grant of additional options	1,144,500	9.17	172,500	13.40
Options outstanding, end of year	2,894,580	11.27	1,833,300	12.53

	2000	1999
Weighted average subscription price of outstanding options	\$11.27	\$12.53
Exercisable (vested) at November 30	746,555	486,000
Weighted average subscription price of outstanding exercisable options	\$12.62	\$12.46

The range of subscription prices for options granted was as follows:

	2000		1999	
	High	Low	High	Low
Grant of options	\$18.40	\$ 9.00	\$14.00	\$12.25
Exercise of options	19.71	17.77	—	—

	Total options outstanding			Total options exercisable	
	Number outstanding, November 30, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable, November 30, 2000	Weighted average exercise price
Range of exercise prices					
\$ 9.00 to 12.50	2,695,580	6.0	\$11.07	681,180	\$12.50
12.51 to 16.00	197,000	6.2	13.92	65,375	13.94
16.01 to 19.50	2,000	7.8	18.40	—	—
	2,894,580	6.0	11.27	746,555	12.62

8. INCOME TAXES:

Income taxes have been determined in accordance with the legislation prevailing in Canada and the applicable foreign jurisdictions. The effective rate of tax differs from the basic Canadian consolidated federal and provincial rate as follows:

	2000	1999
Net earnings before taxes	\$ 149,536	\$ 94,107
Consolidated statutory tax rate	43.6%	44.6%
Expected provision for income taxes	\$ 65,198	\$ 41,972
Increase (decrease) resulting from:		
Manufacturing and processing profits deduction	(8,346)	(6,737)
International rate differences	(2,007)	(1,755)
Other differences	731	(581)
	\$ 55,576	\$ 32,899
Effective income tax rate	37.2%	35.0%

9. EARNINGS PER SHARE:

(a) *Basic earnings per share:*

Basic earnings per share have been calculated using the weighted average number of subordinate and multiple voting shares outstanding during the year. There were 63,768,000 basic weighted average shares outstanding at November 30, 2000 (1999 – 63,312,000).

(b) *Fully diluted earnings per share:*

Fully diluted earnings per share are calculated as if all stock options were exercised at the beginning of the year. There were 66,558,000 fully diluted weighted average shares outstanding at November 30, 2000 (1999 – 64,989,000).

10. COMMITMENTS:

The minimum annual lease payments under long-term operating leases for premises and equipment for the next five fiscal years are as follows:

2001	\$ 11,499
2002	10,117
2003	9,072
2004	8,038
2005	6,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

11. RELATED PARTY TRANSACTIONS:

Pursuant to agreements with a shareholder, Global Upholstery Co. Inc. ("Global"), transactions between the Company and Global and companies controlled or significantly influenced by Global occur at prices that reflect the continuation of pricing terms in place prior to the reorganization and public offering which management believes are competitive. The Corporate Governance Committee has the responsibility for approving, monitoring and establishing all policies for related party transactions.

Related party amounts included in accounts receivable and accounts payable are as follows:

	2000	1999
Accounts receivable	\$ 15,612	\$ 16,316
Accounts payable	20,039	12,728

Transactions with related parties are as follows:

	2000	1999
Sales	\$ 32,124	\$ 34,287
Purchases	105,265	85,514
Other	4,832	3,845

12. SEGMENT INFORMATION:

Industry:

The Company is considered to operate in one operating segment, that being the design, manufacture and marketing of office systems and related office furniture products.

Geographic:

	2000	1999
Sales (based on location of customer):		
Canada	\$ 203,591	\$ 185,362
United States	636,924	387,492
International	76,490	56,412
	\$ 917,005	\$ 629,266
Total assets:		
Canada	\$ 234,899	\$ 197,567
United States	205,660	101,660
International	54,973	32,404
	\$ 495,532	\$ 331,631

	2000	1999
Capital assets:		
Canada	\$ 93,081	\$ 64,770
United States	35,264	22,468
International	12,853	9,211
	\$ 141,198	\$ 96,449
Goodwill:		
Canada	\$ 10,790	\$ 11,456
United States	19,952	21,056
International	–	120
	\$ 30,742	\$ 32,632

13. FINANCIAL INSTRUMENTS:

Teknion operates internationally, which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign exchange rates. Foreign exchange contracts are used by the Company to manage foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes.

(a) Foreign exchange contracts:

Teknion enters into foreign exchange contracts to limit its exposure to foreign exchange fluctuations on existing assets and liabilities and on future revenue and expenditure streams. At November 30, 2000, the Company had outstanding foreign exchange contracts representing a commitment to sell approximately U.S. \$244.5 million at average rates of exchange of 1.48 (1999 – U.S. \$139.7 million at 1.49). The fair value of these contracts was \$9.5 million in favor of the counterparties at November 30, 2000 (1999 – \$2.9 million in favor of the Company). These contracts mature within thirteen months (1999 – twelve months).

(b) Fair values of other financial instruments:

Teknion has evaluated the fair values of its other financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying amounts of cash, receivables, operating loans, accounts payable and accrued liabilities and long-term debt are considered to approximate fair values.

(c) Credit risk:

The Company, in the normal course of business, is exposed to credit risk from its customers. In addition, Teknion is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company controls this credit risk by dealing with counterparties that are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands of dollars)

YEARS ENDED NOVEMBER 30,
2000 AND 1999

14. ACQUISITIONS:

Net assets acquired at fair market values:

	2000	1999
Current assets	\$ —	\$ 20,117
Capital assets	—	21,760
Goodwill	—	33,236
Liabilities assumed	—	(26,843)
Net assets acquired	\$ —	\$ 48,270
Consideration given:		
Cash	\$ —	\$ 17,020
Debt	—	16,696
Issue of shares	—	14,554
Total consideration	\$ —	\$ 48,270

During the year ended November 30, 1999, the Company purchased 100% of the outstanding shares of Halcon Corporation and Roy & Breton Inc. Both acquisitions were accounted for by the purchase method of accounting. The results of operations from the effective date of acquisition of the net assets acquired are included in these financial statements.

Company	Effective date of acquisition	Total assets	Total liabilities	Goodwill	Total consideration
Halcon Corporation	Jan. 25, 1999	\$ 19,255	\$ 13,102	\$ 21,991	\$ 28,144
Roy & Breton Inc.	May 1, 1999	22,622	13,741	11,245	20,126
		\$ 41,877	\$ 26,843	\$ 33,236	\$ 48,270

15. SUPPLEMENTAL CASH FLOW INFORMATION:

	2000	1999
Income taxes paid	\$ 43,807	\$ 47,996
Interest paid	3,975	3,972
Interest received	(912)	(1,534)

LISTING OF POSITIONS AND TITLES

BOARD OF DIRECTORS

Governor James J. Blanchard
Partner
Verner, Liipfert, Bernhard,
McPherson and Hand

Jeffrey M. Blidner
Vice-Chairman
Trilon Financial Corporation

David Feldberg
President and
Chief Executive Officer
Teknion Corporation

Saul Feldberg
Chairman
Global Upholstery Co. Inc.

Allen Karp
Chairman, President and
Chief Executive Officer
Cineplex Odeon Corporation

Stephen M. Miner
President and
Chief Executive Officer
Teknion LLC

Christi L. Strauss
President
General Mills Canada, Inc.

George S. Taylor
Consultant

TEKNION CORPORATION

David Feldberg
President and
Chief Executive Officer

Stephen M. Miner
Executive Vice-President

Frank Delfino
Senior Vice-President

Michael Herman
Senior Vice-President,
Corporate Development
and Secretary

Robert E. Boyd
Senior Vice-President,
Finance and
Chief Financial Officer

Jeff Wilson
Senior Vice-President,
Manufacturing and
Supply Chain Management

Allan Bartolini
Vice-President, Human
Resources and Development

Michael May
Vice-President and
Chief Information Officer

TEKNION FURNITURE SYSTEMS CO. LIMITED

Frank Delfino
President, Canadian and
International Markets

Gordon Carvelho
Vice President,
Customer Relations and
Operational Services

Terry K. Holland
Vice-President,
Marketing and Sales, Canada

Sholem Prasow
Vice-President,
Corporate Business
Development and
Strategic Planning

Arnie Rusinek
Vice-President,
International Operations

TK CANADA LIMITED
Sharon Breuer
Vice-President,
Finance and Administration

John Hellwig
Vice-President, Design,
Development and Innovation

Sergio Sottile
Vice-President, Manufacturing

TEKNION LLC

Stephen M. Miner
President and
Chief Executive Officer

Brian J. Schatzinger
Executive Vice-President

Alan F. Howard
Executive Vice-President, Sales

Robert F. Henry
Senior Vice-President,
Finance and Administration

Sheryl Silverman
Senior Vice-President,
Operations

Jeffrey M. Kraus
Vice-President, Sales,
Administration

Peter W. Guth
Vice-President,
Dealer Distribution

Bill Flanders
Vice-President,
Information Systems

TEKNION QUEBEC
Martin Chouinard
President

TEKNION (ALBERTA) LTD.
Myron Heppner
General Manager

TEKNION EUROPE
LIMITED
Christopher S. Hopkinson
Managing Director

TEKNION FURNITURE
SYSTEMS (MALAYSIA)
SDN. BHD.
Kulen Suntharalingam
Managing Director

LEIF JACOBSEN
Harry Toledano
Vice-President and
General Manager

HALCON CORPORATION

Peter Conway
President and
Chief Executive Officer

Bill Gludt
Vice-President, Finance

Bob Warda
Vice-President, Manufacturing

ROY & BRETON INC.

Alain Roy
President

Martin Chouinard
Executive Vice-President

FILECO

Scott Deugo
General Manager

TEKNION FORM

Ken Brown
General Manager

WIREFAB INDUSTRIES

ERGOTECH

ESMOND MANUFACTURING

Hanna Shaheen
President

TEKROLL FORMS

Armin Schabel
President

STAMPCO

MANUFACTURING

Alex Ribeiro
President

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

1150 Flint Road
Toronto, Ontario
M3J 2J5 Canada
Telephone 416.661.3370

STOCK LISTING

The Toronto Stock Exchange

REGISTRAR AND TRANSFER AGENT

SHAREHOLDER INQUIRIES

Computershare Trust
Company of Canada
P.O. Box 1542 Station B
Montreal, Quebec
H3B 3L2 Canada
Telephone 800.332.0095

CERTIFICATE TRANSFERS

AND ADDRESS CHANGES

Computershare Trust
Company of Canada
1800 McGill College Avenue
Montreal, Quebec
H3A 3K9 Canada
Telephone 800.332.0095

AUDITORS

KPMG LLP
Toronto, Ontario

ANNUAL MEETING

May 15, 2001
10:00 a.m. (Toronto time)
Design Exchange
Trading Floor
234 Bay Street
Toronto Dominion Centre
Toronto, Ontario
M5K 1B2 Canada

INVESTOR INFORMATION

Press releases and other general information about the Company are available on the World Wide Web at www.teknion.com

ALL OTHER INQUIRIES

SHOULD BE DIRECTED TO

Investor Information Department
1150 Flint Road
Toronto, Ontario
M3J 2J5 Canada
Telephone 416.667.6701
Facsimile 416.661.7970
E-mail
investor.information@teknion.com

Offices of the Future

Teknion's unwavering focus on design is very much alive in its Advanced Concepts Program. Created in 1998 as a formal process for design exploration, it brings basic human values to office furniture and design. The program encourages experimentation and nurtures new ideas in order to unearth and develop new business tools. It is aimed at identifying trends in all aspects of life – work, demographics, fashion, pop culture, art, technology, architecture and planning – and translating them into new ideas for office furniture systems and working environments.

Between February 8 and April 22, 2001, Teknion was invited to display part of its Advanced Concepts line at the New York Museum of Modern Art's *Workspheres* exhibit – a unique and forward-looking exploration of the vital role of design in workplace evolution. The entire line of Advanced Concepts designs is featured in the following foldout.



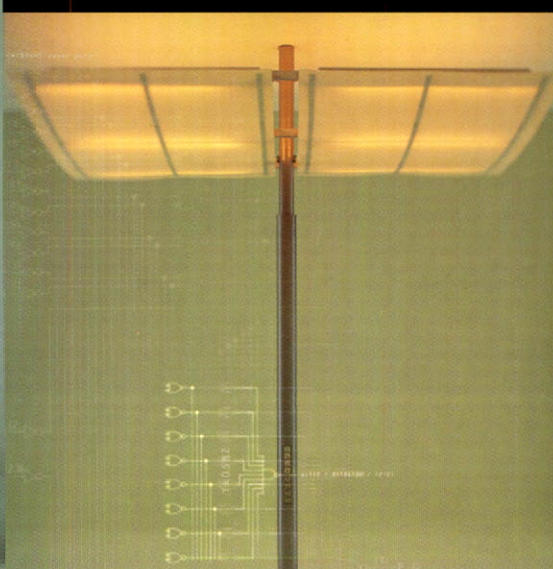
SPANDROBE

An expandable, lightweight closet designed to be hung on a wall, Spandrobe is essentially a 15-centimeter deep personal storage unit with a spandex door that elegantly reflects the individuality of its user.



FLEXIBLE WORKSTATION

Designed to fit the distinct needs of different occupants, the mobile Flexible Workstation accommodates various postures, standing or sitting. Power and data are delivered through a series of hitching posts that cluster units along a horizontal beam.



POWER COLUMN

Delivering power and communications to adjacent work areas, Power Column's arched canopy illuminates and defines space without creating barriers. It permits an organic form of order, allowing work areas to take shape with their users' needs. Power Column is scheduled for commercial launch in June 2001 under the name Outpost.



CALL CENTER

The components of Call Center create a new computing environment that merges technology with humanity. It assumes a future where virtually all work takes place on the computer yet it acknowledges the need for freedom of movement.



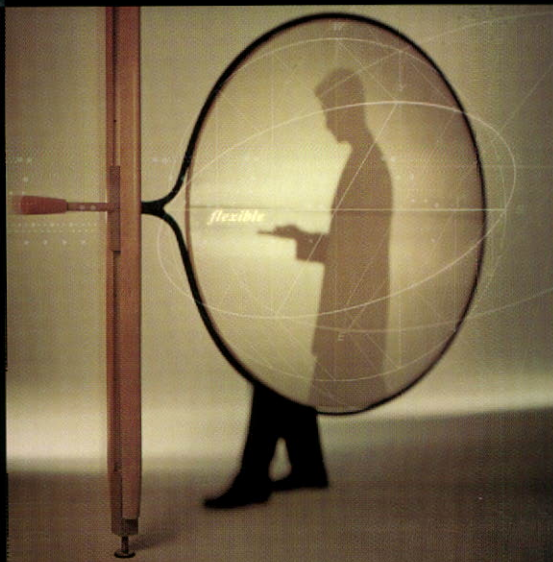
Teknion

RUG

A Gold medal winner in the concept product category at the 2000 Industrial Design Excellence Awards, Rug is a unique floor surface that activates office space through a matrix of embedded power/data point connections. The pattern of Rug indicates hot spots where power floor monuments can be installed, eliminating the clutter of conventional cables.

SCREEN

Mounted on a mast that allows infinite adjustments between the vertical and horizontal planes, Screen's translucent biomorphic shape can be used to provide the right amount of privacy, diffuse light or provide a handy backdrop for video-conferencing.



Teknion

FOR INVESTOR INFORMATION:

Teknion Corporation
1150 Flint Road
Toronto, Ontario
M3J 2J5 Canada
Telephone 416.661.3370
Facsimile 416.661.7970
E-mail investor.information@teknion.com

IN THE USA:

Teknion LLC
12000 Horizon Way
Mount Laurel, New Jersey
08054 USA
Telephone 877.TEKNION
Facsimile 856.596.8088
E-mail info.us@teknion.com

IN CANADA:

Teknion Furniture
Systems Co. Limited
1150 Flint Road
Toronto, Ontario
M3J 2J5 Canada
Telephone 416.661.3370
Facsimile 416.661.4586
E-mail info.can@teknion.com

IN EUROPE:

Teknion Europe Limited
50 Cannon Street
London EC4N 6JJ
UK
Telephone 020.7248.9090
Facsimile 020.7248.9191
E-mail info.eur@teknion.com

FOR INQUIRIES OUTSIDE
EUROPE AND NORTH AMERICA:

Teknion International
1150 Flint Road
Toronto, Ontario
M3J 2J5 Canada
Telephone 416.661.3370
Facsimile 416.663.6666
E-mail tekintl@teknion.com

© TEKNION 2001

® Trade marks of Teknion. Patents may be pending. Some products may not be available in all markets. Contact your local Teknion representative for availability.

SO070010