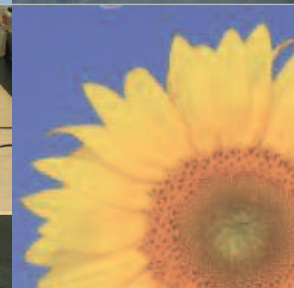


# TENNANT COMPANY 2006 ANNUAL REPORT



WE ARE TENNANT COMPANY

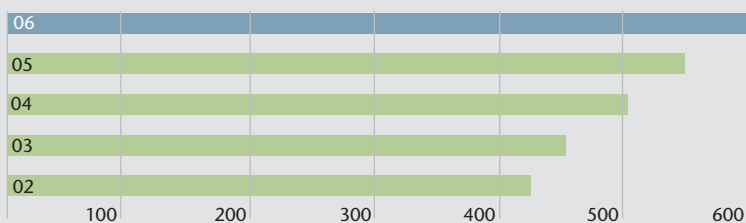
we are the future



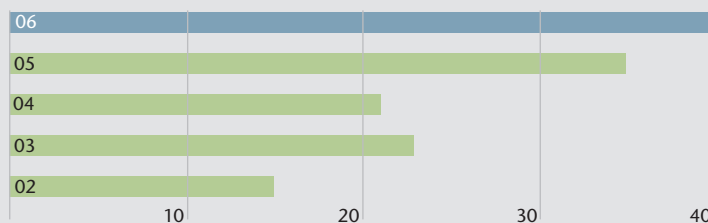
# Financial Highlights

	2006	2005	% Change
<b>For the year</b>			
Net sales	\$ 598,981	\$ 552,908	8.3%
Profit from operations	\$ 39,964	\$ 34,837	14.7%
% of net sales	6.7%	6.3%	—
Net earnings	\$ 29,809	\$ 22,936	30.0%
% of net earnings	5.0%	4.2%	—
Basic earning per share	\$ 1.61	\$ 1.27	26.8%
Diluted earnings per share	\$ 1.57	\$ 1.26	24.6%
Dividends per share	\$ 0.46	\$ 0.44	4.5%
Average shares outstanding – diluted	18,989	18,210	4.3%
<b>At year-end</b>			
Total assets	\$ 354,250	\$ 311,472	13.7%
Total debt	\$ 3,719	\$ 3,840	(3.2)%
Shareholders' equity	\$ 229,664	\$ 193,102	18.9%
Ratio of total debt to total capital	1.6%	2.0%	—
Shareholders' equity per share (ending)	\$ 12.25	\$ 10.50	16.7%

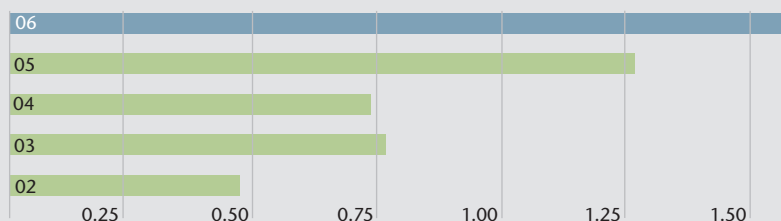
NET SALES (millions of dollars)



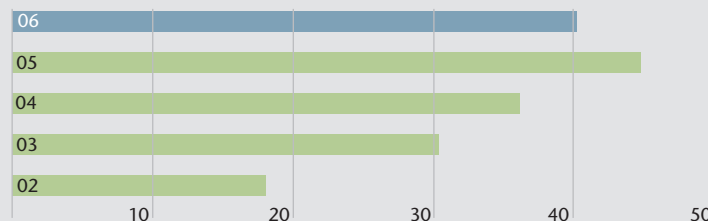
PROFIT FROM OPERATIONS (millions of dollars)



DILUTED EARNINGS PER SHARE (dollars)



CASH FLOW FROM OPERATIONS (millions of dollars)



## ABOUT THE COVER:

The five individuals photographed on the cover are five of the 2,600 Tennant Company employees worldwide who are at the heart of Tennant Company's success.

A. James Weston, manufacturing supervisor, 2-year employee B. Connie Mitlyng, benefits administrator, 7-year employee C. Tom Villebrun, material handler, 34-year employee D. Bruce Weiss, human resources, 2-year employee E. Abby Liubakka, new product engineer, 1-year employee F. The sunflower image was introduced in our 2005 annual report cover as a symbol of delivering "visible results" in connection with our long-term strategy to lead the industry as an environmental cleaning solutions company. The sunflower has long been an image positively associated with energy derived from the sun. Some have referred to it as a "trumpet of life." For Tennant Company, it has come to symbolize the radiance of a clean, safe environment and our organizational commitment to sustain it.

# Tennant Company At-A-Glance



Year Founded: 1870

Employees: 2,600

NYSE Trading Symbol: TNC

Headquarters: Minneapolis, Minnesota

Manufacturing: Minneapolis, Minnesota  
Holland, Michigan  
Northampton, United Kingdom

Maple Grove, Minnesota  
Uden, The Netherlands  
Shanghai, China

**Solutions:** Tennant Company offers comprehensive cleaning solutions that include a broad array of machines and equipment, parts and consumables, and service and repair programs. Under the brand names of Tennant and Nobles, our suite of products – sweepers and scrubbers, carpet extractors, floor polishers, vacuums and more – help our customers achieve peak performance, productivity and uptime for their cleaning equipment. Our Tennant ECO line of coatings and resurfacers is used to seal and protect concrete floors, improving appearance and making them easier to clean.

**Customers:** Tennant Company products are geared to the maintenance professionals who are responsible for keeping indoor and outdoor environments clean and safe. These professionals include employees of corporations and property managers who maintain their own facilities and premises themselves and building service contractors whose business is to clean and maintain facilities for others. Tennant and Nobles products are found just about everywhere – schools, retail complexes, airports, factories, healthcare facilities, government buildings, sports stadiums, warehouses, office facilities and more.

**Channels:** Tennant Company reaches customers through four primary channels: a strong *direct sales* organization in major industrialized countries complemented by a worldwide network of *distributors*. In addition, Tennant Company offers the industry's most extensive *field service* network and maximizes its customer support through *centralized customer service* and support.





# To Our Shareholders

**CHRIS KILLINGSTAD**  
President and Chief Executive Officer



I am very pleased to report on Tennant Company's outstanding performance in 2006, which topped last year's record results. Our strategic plans are on track and generating increased sales and profitability. We believe even greater growth and efficiency lie ahead, as we build on the strength of our people, strategies and growing culture of excellence. I'm excited about our progress and our future prospects.

## GENERATING RESULTS

Tennant Company's 2006 net sales grew to \$599.0 million, up 8.3 percent from last year's record net sales of \$552.9 million. Net earnings rose 30 percent to \$29.8 million, or \$1.57 per diluted share, versus 2005 net earnings of \$22.9 million, or \$1.26 per diluted share. The 2006 earnings include \$0.03 per diluted share for the non-cash expense of stock options in accordance with SFAS 123(R).

Fueled by new product sales, we saw sales gains in all of the company's geographies, as well as continuous improvement in our operating efficiency in 2006. The company has now posted nine consecutive quarters of double-digit earnings gains. During the year, Tennant also increased its cash dividend for the 35th consecutive year and declared a two-for-one stock split.

## ADDING NEW TALENT

Leading Tennant Company is a senior management team with many new faces. Two-thirds of the senior management team is either new to Tennant Company or filling new roles. Among those who joined are:

- Karel Huijser, vice president of international, is leading our international market growth and expansion. Karel was formerly with GE, serving as president and CEO of Asia Pacific for GE Infrastructure.
- Tom Paulson, vice president and chief financial officer, who came from Innovex, a publicly held technology company, where he was CFO and responsible for legal and IT.
- Steve Ulvi, vice president of global procurement, is championing our low-cost sourcing platform. He has an extensive background in worldwide supply chain management with IMI Cornelius and Caterpillar Paving Products.
- Don Westman, vice president of global operations, with responsibility for leveraging our lean manufacturing and supply chain opportunities and driving operational excellence. Don formerly headed Pentair's manufacturing and distribution operations in the U.S., China, Mexico and Canada.

Tennant Company has also welcomed two new members to its board of directors, bringing the total to 10. David Mathieson is a seasoned international executive currently serving as chief financial officer for Brady Corporation. William Austen is vice president of operations at Bemis Company and brings extensive experience in global expansion and best practices in operations.

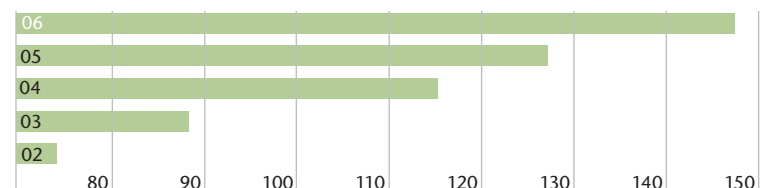
## GROWING MARKETS

We succeeded in increasing our top-line revenues through new products and services, and continued international market expansion. Sales in all of the company's geographic regions grew, as did new product sales for both large and small equipment. Notably, sales of new products introduced in the past three years generated almost 30 percent of our revenue growth during 2006.

### SALES BY GEOGRAPHIC AREAS



### EUROPE SALES (millions of dollars)



Our international focus is beginning to produce results. Europe generated particularly strong sales, up 16.3 percent, led by demand for the Tennant T-series scrubbers. The July acquisition of Hofmans Machinefabriek also was a strong contributor, adding approximately 3 percent to the sales increase. Hofmans offers a line of compact, outdoor street cleaning products that complement our current suite of products in Europe and may have other market applications.

In Tennant Company's other international markets, sales rose 7.5 percent versus 2005. Significant opportunities exist in Europe and in our other international markets, where our market share has tremendous room to grow. Under-penetrated markets include Eastern Europe, China, Japan, Brazil and India.



Tennant Company's acquisition of Hofmans Machinefabriek complements the current suite of Tennant equipment in Europe and potentially in other markets.

Sales in North America, our largest market, rose 5.7 percent. Again, new products were a big factor in our success, led by the Tennant M20, T20 and T5 products, as well as the Nobles Speed Scrub®.

## SETTING 2007 PRIORITIES

We remain focused on leveraging our efficiency and growing Tennant Company through our 2007 corporate priorities: process improvement, operational excellence, new products, integrated solutions and market expansion.

### Process Improvement

In this area, we are working to become better at sharing and accessing information companywide. Our global sales and operations planning process is an example of how we are aligning the business's financial plans with sales, production and inventory plans. The benefits include manufacturing efficiencies, improved inventory management and faster delivery of goods and services.

### Operational Excellence

Important priorities within operational excellence include continued attention to our manufacturing base in China, building a low-cost global sourcing platform and implementing lean manufacturing initiatives.

Within one year, we succeeded in getting our China facility up and running. Our first walk-behind machines manufactured in China rolled off the production line during the 2006 third quarter, on schedule. Additionally, we've expanded our market coverage and added distributors to our China organization.

China is also a focus area for low-cost global sourcing. Currently, 70 percent of our cost of goods comes from parts and components, but less than 8 percent of our parts and components are now sourced from low-cost regions. Our goal: drive that percentage higher. We've begun implementing a worldwide material sourcing strategy to deliver substantial savings in 2007 and beyond.

Establishing a lean enterprise, which includes consolidating our manufacturing footprint, is another key initiative. Our plans are on track to complete the consolidation of certain production lines and facilities by the end of 2007. As a result, we expect to see increasing benefits to our operations over the next year or two.

### New Products

We launched several exciting, new Tennant and Nobles branded products in the second half of 2006, and sales are on the rise. The introductions included new walk-behind scrubbers: the Tennant T5 and the Nobles

# A Commitment to "Green"



Tennant Company is becoming a leader in offering "green" cleaning technologies with products that conserve resources and protect the environment.



We create environmentally preferable solutions that may reduce water use by 70 percent and detergents by 90 percent with technologies like FaST® and ReadySpace®; recycle natural resources and packaging; and employ environmentally friendly cleaning agents.



Engine emissions on Tennant Company-engineered machines have dropped more than 90 percent since 2000 by implementing state-of-the-art technology that meets the most stringent emissions requirements in the United States and Europe.



Further proof of Tennant Company's environmental stewardship commitment is the growing number of third-party "green" certifications that many of our machines, detergents and floor coatings have earned. Through ongoing research and development, we continue to develop more environmentally friendly products – including proprietary technologies that make more efficient use of clean water and consequently reduce effluents released into the waste stream.



We are proud of our initial steps to become better environmental stewards. We intend to offer more green products and solutions in the future, in keeping with our commitment to deliver superior cleaning results in environmentally responsible ways.

*A booth fashioned after Lurie Garden, a 2.5 acre ecological and natural garden in Chicago, Illinois' Millennium Park, attracts customers to Tennant Company's demonstration of its commitment to "green" at ISSA/INTERCLEAN®, the industry's largest annual tradeshow. The native plantings were replanted in Lurie Garden, representing the largest corporate donation made to the garden.*



Tennant Company President and CEO Chris Killingstad formally opens the company's first China factory in Shanghai, China, during a traditional Chinese ceremony.

## SALES BY PRODUCT GROUPS

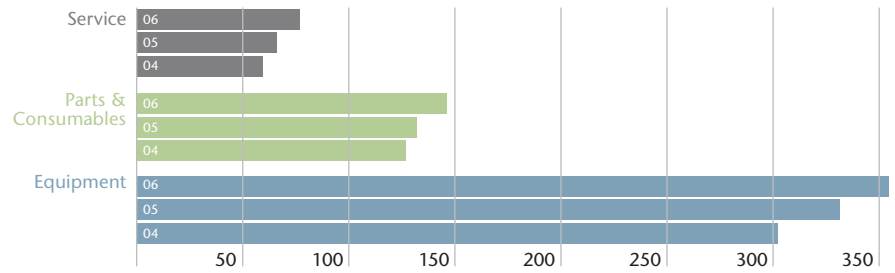


Equipment-60%

Service, parts & consumables-36%

Coatings-4%

## EQUIPMENT, SERVICE, PARTS & CONSUMABLES (thousands of dollars)



Historically, every \$1 of equipment sales drives approximately \$0.60 in service, parts and consumables sales.

Speed Scrub. These products are whisper-quiet and feature Hygenic® tanks to meet the needs of a wide range of applications and environments, such as retail, hospitality and light industrial. In addition, both products extend the use of our successful FaST® floor-cleaning technology.

We also extended our ReadySpace® carpet-cleaning line onto our popular micro-rider platform, launching two new rider machines: the Tennant R14 and the Nobles Strive® machine. These machines are dual technology carpet cleaners that offer two distinct cleaning functions – ReadySpace, which leaves carpets clean and dry in less than 30 minutes, and deep extraction – in a single machine.

Our other major 2006 new product launches include the M20, the cleaning industry's first integrated, single-system scrubber-sweeper, which we introduced in the second quarter in North America. Sharing the same design platform is the new T20 Rider Scrubber. Both have been received very positively.

We have a robust new product pipeline for 2007 and beyond. We introduced six major new products during 2006 and plan to launch about a dozen before the end of 2008.

### Integrated Solutions

As I mentioned in last year's report, we plan to move Tennant Company from a machine-centric business to a flexible-solutions business over time. While machines will remain the core of our business, we plan to expand our services to further fuel growth. These integrated solutions will wrap a variety of services and customer solutions around our equipment offerings. We have several exciting, integrated solutions in the development pipeline.

### Market Expansion

The new products we've launched and the organizational changes we've made have a common goal – to expand our domestic and international market share. We operate in a highly fragmented industry that offers us great potential to grow Tennant Company's business worldwide. We will continue to pursue growth organically and through targeted acquisitions.

Our acquisition of Hofmans Machinefabriek and its integration into our business have proceeded smoothly, and we believe the Hofmans line offers global growth potential. The opening of our Brazil sales office in 2006 and the acquisition of Floorep Limited, a cleaning equipment distributor based in Scotland, in February 2007, demonstrate Tennant Company's strategy to expand sales and service coverage in key International markets. The Floorep acquisition is anticipated to increase our customer base in the United Kingdom by about 25 percent.

## INSTILLING A CULTURE OF EXCELLENCE

I firmly believe that a company's success depends on a combination of its people, its strategy and its corporate culture. Companies that have the best people working to achieve a compelling strategy with a shared sense of purpose will have a higher degree of success. One of the reasons why I am confident about our future is that I am surrounded by great Tennant Company employees. Tennant employees around the world are linked through a shared value of stewardship, a commitment to excellence and a belief that we must share accountability for our customers, our community and our investors. It's exciting to see a powerful culture taking shape at Tennant Company.

## LOOKING AHEAD

We have high expectations and great momentum heading into 2007. We plan to drive continued revenue growth by offering innovative new products, services and solutions, growing our presence in current markets and expanding international market coverage. We are confident in our ability to grow and to leverage operating efficiencies.

Our objective is to achieve the following long-term financial metrics:

- 5 percent to 9 percent annual revenue growth;
- double-digit earnings growth;
- continuous improvement in economic profit and return on invested capital; and
- reaching our goal of 9.5 percent operating margin by the end of 2008.

I remain excited and motivated by our opportunities to transform Tennant Company from a non-residential floor maintenance company into a global leader of environmental cleaning solutions. We have begun this evolution and I look forward to updating you on our progress.

Sincerely,

H. Chris Killingstad  
President and Chief Executive Officer  
March 12, 2007



# Corporate Information

## BOARD OF DIRECTORS

**William F. Austen**

Vice President,  
Operations,  
Bemis Company

**Jeffrey A. Balagna**

Executive Vice President,  
Chief Information &  
Customer Technology  
Officer,  
Carlson Companies

**James T. Hale**

Retired Executive  
Vice President,  
General Counsel and  
Corporate Secretary,  
Target Corporation

**H. Chris Killingstad**

President and Chief  
Executive Officer,  
Tennant Company

**Pamela K. Knous**

Executive Vice President  
and Chief Financial  
Officer,  
SUPERVALU INC.

**David Mathieson**

Vice President and Chief  
Financial Officer,  
Brady Corporation

**Edwin L. Russell**

Chairman and  
Chief Executive,  
Horizon Investments

**Stephen G. Shank**

Chairman and Chief  
Executive Officer,  
Capella Education  
Company

**Frank L. Sims**

Corporate Vice President  
Transportation and  
Product Assurance,  
Cargill Incorporated

**Steven A. Sonnenberg**

President,  
Rosemount, Inc.,  
a division of Emerson  
Electric Co.

## OFFICERS



**H. Chris Killingstad**  
President and  
Chief Executive Officer



**Mark J. Fleigle**  
Vice President,  
Research and  
Development



**Don B. Westman**  
Vice President,  
Global Operations



**Steven M. Coopersmith**  
Vice President,  
Global Marketing



**Heidi M. Hoard**  
Vice President,  
General Counsel and  
Secretary

**Patrick J. O'Neill**  
Treasurer

**Steven K. Weeks**  
Vice President,  
North America  
Strategic Planning



**Thomas J. Dybsky**  
Vice President,  
Administration



**Karel Huijser**  
Vice President,  
International

**Gregory M. Siedschlag**  
Corporate Controller



**Andrew J. Eckert**  
Vice President,  
North America Sales



**Thomas Paulson**  
Vice President and  
Chief Financial Officer

**Steven G. Ulvi**  
Vice President,  
Global Sourcing

## Investor Information

### ANNUAL MEETING

The annual meeting of Tennant Company will take place Thursday, May 3, 2007, at 10:30 a.m. at the Golden Valley Country Club, 7001 Golden Valley Road, Golden Valley, MN 55427.

### FORM 10-K AND 10-Q

The Form 10-K filed with the Securities and Exchange Commission accompanies this profile and together they constitute the company's annual report to shareholders. For additional copies of our Form 10-K or to obtain a copy of the quarterly financial reports on Form 10-Q, visit the Investor portion of our website at [www.tennantco.com](http://www.tennantco.com), or contact:

Investor Relations  
Tennant Company  
P.O. Box 1452  
Minneapolis, MN 55440  
E-mail: [investors@tennantco.com](mailto:investors@tennantco.com)

### STOCK LISTING

New York Stock Exchange (TNC)

### INVESTOR INQUIRIES

Individual stockholders may direct any questions to Tennant Company's Investor Relations Department at 763-540-1204.

# TENNANT COMPANY

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Minneapolis, MN 55440

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