



TENNANT COMPANY 2008 Annual Report

Financial Highlights In thousands, except shares and per share data

FOR THE YEAR	2008	2007	% Change
Net sales	\$ 701,405	\$ 664,218	5.6%
Profit from operations	\$ 18,569 (1)	\$ 54,845 (2)	-66.1%
% of net sales	2.6%	8.3%	-
Net earnings	\$ 10,624 (1)	\$ 39,867 (2)	-73.4%
% of net sales	1.5%	6.0%	-
Basic earnings per share	\$ 0.58 (1)	\$ 2.14 (2)	-72.4%
Diluted earnings per share	\$ 0.57 (1)	\$ 2.08 (2)	-72.6%
Dividends per share	\$ 0.52	\$ 0.48	-7.7%
Average shares outstanding – diluted	18,581,840	19,146,025	-2.9%
AT YEAR-END			
Total assets	\$ 456,604	\$ 382,070	19.5%
Total debt	\$ 95,339	\$ 4,597	1973.9%
Shareholders' equity	\$ 209,904	\$ 252,431	-16.8%
Debt-to-capital ratio	31.2%	1.8%	-
Shareholders' equity per share (ending)	\$ 11.48	\$ 13.65	-15.9%

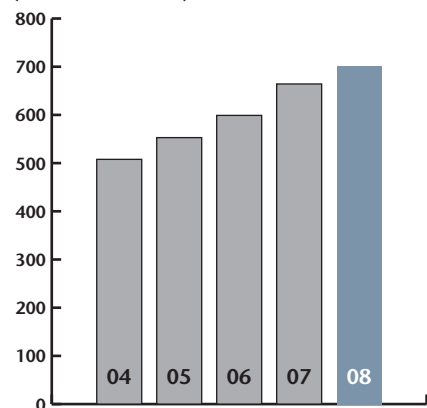
(1) 2008 includes workforce reduction charge and associated expenses of \$14,551 pretax (\$12,003 aftertax or \$0.65 per diluted share), increase in Allowance for Doubtful Accounts of \$3,361 pretax (\$3,038 aftertax or \$0.16 per diluted share), write-off of technology investments of \$1,842 pretax (\$1,246 aftertax or \$0.07 per diluted share), gain on sale of Centurion assets of \$229 pretax (\$143 aftertax or \$0.01 per diluted share).

(2) 2007 includes restructuring charge and associated expenses of \$2,507 pretax (\$1,656 aftertax or \$0.09 per diluted share), a one-time tax benefit relating to a reduction in valuation reserves, net of the impact of tax rate changes in foreign jurisdictions on deferred taxes of \$3,644 aftertax or \$0.19 per diluted share and gain on sale of the Maple Grove, Minnesota, facility of \$5,972 pretax (\$3,720 aftertax or \$0.19 per diluted share).

(3) 2004 includes workforce reduction expenses of \$2,301 pretax (\$1,458 aftertax or \$0.08 per diluted share).

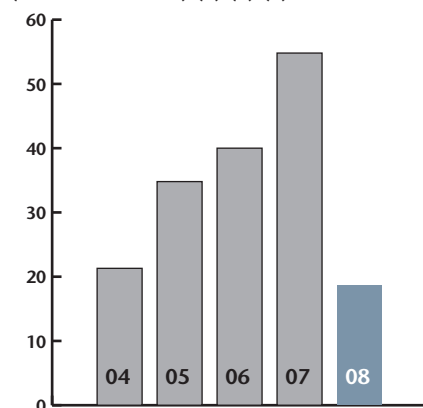
NET SALES

(millions of dollars)



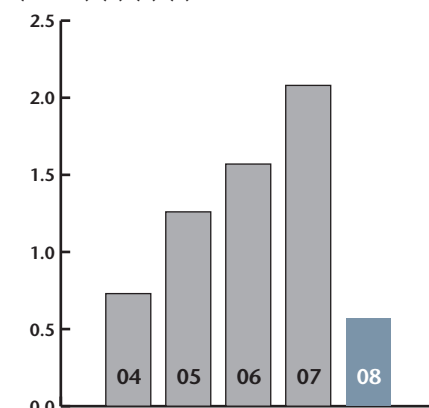
PROFIT FROM OPERATIONS

(millions of dollars) (1) (2) (3)



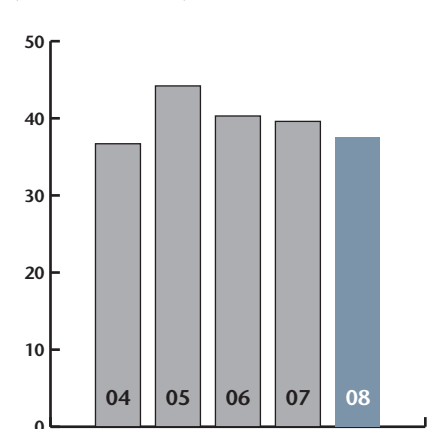
DILUTED EARNINGS PER SHARE

(dollars) (1) (2) (3)



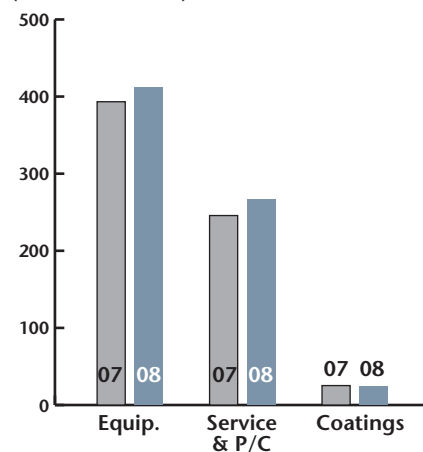
CASH FLOW FROM OPERATIONS

(millions of dollars)



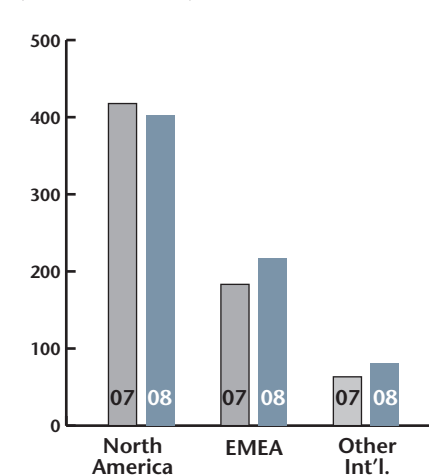
SALES OF EQUIPMENT, SERVICE & PARTS/CONSUMABLES, AND COATINGS

(millions of dollars)



SALES BY GEOGRAPHIC REGION

(millions of dollars)





Control what we can control.

CHRIS KILLINGSTAD

President and Chief Executive Officer

TO OUR SHAREHOLDERS:

We entered 2008 in a growth mode after posting record 2007 net sales. However, no one predicted the severity of the worldwide economic crisis that occurred late in 2008 and Tennant, along with most companies, felt the dramatic impact in the fourth quarter.

Although the global recession hurt our sales volume and profitability in 2008, we completed three strategic acquisitions that contributed to net sales and expanded our markets, and we introduced several key new products. Additionally, our efforts to improve operating efficiency were successful.

Impact of Global Recession

Following Tennant's strong performance in 2007, we anticipated further gains in 2008, but had contingency plans to reduce costs if the economy faltered. Around mid-March, we began implementing phase one of our contingency plans, taking action to decrease spending levels as sales softened in North America. At that time, we either cut or delayed discretionary spending and postponed non-revenue generating new hires.

These early steps lowered our variable costs, prevented unnecessary inventory buildup, and helped generate solid operating performance through the third quarter of 2008. In fact, our operating margins improved sequentially each quarter through the first nine months of 2008, reaching 8.8 percent in the 2008 third quarter. We also posted organic sales growth of approximately 4 percent in the 2008 second and third quarters.

Against this backdrop, economic forecasts continued to deteriorate heading into the fourth quarter, when we saw delayed customer purchases, stalled credit markets and unfavorable foreign currency exchange rates. As the magnitude of these issues became clear, we accelerated actions to rescale our business and align it with market conditions. We announced a workforce reduction in December 2008, which we expect will deliver at least \$15 million in annualized savings in 2009 and more than \$20 million in savings starting in 2010. We also continued to implement previous cost-containment strategies and froze salaries. Further, to preserve cash for operations and growth initiatives, we suspended our stock repurchases. Capital expenditures in 2008 were reduced to approxi-

mately \$21 million, versus our planned \$25 million to \$27 million range.

We performed well through the first nine months of 2008, but the speed with which the global economy deteriorated in the fourth quarter was unprecedented. Despite our vigilant cost controls, we could not scale back operations fast enough to match the drop in fourth quarter net sales. As a result, we reported 2008 net earnings of \$10.6 million, or \$0.57 per diluted share, on net sales of \$701.4 million. However, we believe that the actions we've taken to rescale our business will benefit the company going forward.

Commitment to Strategic Priorities

Amid the uncertainty that plagued us through most of 2008, we remained focused on our strategic priorities, and our direction has not changed.

Tennant's strategic priorities include:

- improving operational excellence through lean manufacturing initiatives and a global, low-cost sourcing platform;
- employing continuous process improvement; and
- growing sales through innovative new products and service solutions, as well as through international market expansion.

Achieved Savings from Operational Excellence

Our efforts to improve Tennant's operating efficiency have been successful. We met our 2008 goal to achieve approximately \$10 million in gross savings from global low-cost sourcing and lean manufacturing, in part by increasing the level of sourcing from low-cost regions from 14 percent in 2007 to 20 percent at the end of 2008. We will continue on this path and aim to achieve a 25 percent level of sourcing from low-cost regions in 2009.

Global Sourcing

	'06	'07	'08	'11
% of Parts Sourced from Low-Cost Countries	7%	14%	20%	40%+
Annual Savings		\$4M	\$10M	\$20M*

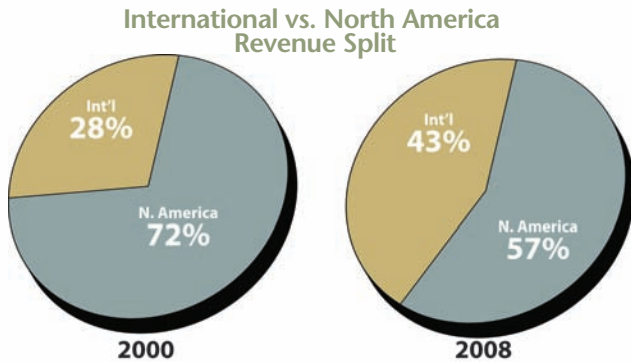
*Estimated planned savings

LEAN

- Skilled Talent
- Value Streams
- Innovative Product Platforms
- Supply Chain Efficiency
- Process Improvement – "Kaizen"

Expanded International Market Presence

We continued to see results from our long-term strategy to build our international business. Our 2008 acquisitions succeeded in expanding our markets, contributing revenues and growing international sales as a percent of Tennant's business.

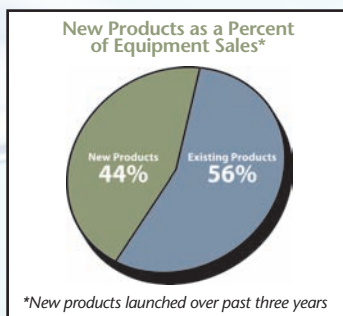


In February 2008, we completed the acquisition of Applied Sweepers Ltd., based in the United Kingdom. Applied's Green Machines™ compact city sweepers complement Tennant's current outdoor offerings for the city cleaning market, particularly in Europe. In March 2008, we completed the acquisition of Sociedade Alfa Ltda., the Brazilian market leader in commercial cleaning equipment, including ride-on scrubbers, ride-on sweepers and walk-behind scrubbers. Alfa expands Tennant's market reach for its industrial products and specialty coatings' offerings in Latin America. Additionally, in August 2008, we also acquired our distributor in China, Shanghai Shen Tan, in order to advance our market penetration there. Our Applied and Alfa acquisitions added approximately 5 percent to net sales for the full year.

In 2008, revenue outside of North America accounted for 43 percent of Tennant's sales versus 33 percent just four years ago, and only 28 percent of our total sales in 2000. We believe we have the people, structure and products to aggressively grow our international business when the worldwide economy improves.

Increased Sales from New Products

New product introductions that differentiate us from our competition are an important source of sales and will remain at the top of our priority list. In 2008, sales of new products introduced in the last three years generated 44 percent of equipment sales, exceeding our 30 percent target. We have been successful in introducing new products that carry comparable or higher gross margins than the



ones they replace. New products will continue to fuel a significant portion of our growth, and we remain committed to investing 3 to 4 percent of annual sales in product development.

Tennant introduced six new products during 2008, in addition to the global introduction of our award-winning and industry-changing electrically converted water technology called ec-H2O™ (pronounced "e-c-water"). Among our new equipment offerings are a family of three new products – a carpet cleaner, cylindrical floor scrubber and carpet extractor – that were built on a common platform, demonstrating our emphasis on lean manufacturing. We are excited about the global appeal of this new product family, which will enable us to reach market



segments where we have been traditionally underrepresented. These compact, maneuverable, cord-electric floor care machines were specifically designed to quickly and effectively clean small, congested spaces. The products are marketed globally under the Tennant brand as the R3 Carpet Cleaner, the T1 Cylindrical Scrubber and the E5 Carpet Extractor.

They also are marketed in North America under the Nobles brand as the Strive® Compact Carpet Cleaner, the Speed Scrub® Cylindrical Scrubber and the Speed EX Carpet Extractor.

Despite the recession, ec-H2O exceeded our 2008 expectations for both sales and customer satisfaction. We also were honored that R&D Magazine selected ec-H2O as one of the 100 most technologically significant products introduced into the marketplace over the past year. ec-H2O also won the inaugural Cleantech Award at the 2008 Minnesota High Tech Association Tekne Awards. The Cleantech Award recognizes businesses that manufacture environmentally friendly cleaning technologies that reduce costs, energy consumption and pollution. This cost-effective and environmentally friendly technology has either been adopted, or is currently being tested actively, by key accounts around the world, which we believe will lead to new business wins and accelerated growth going forward.



In 2008, we initially offered ec-H2O on six walk-behind scrubbers. In 2009, this technology will be introduced on five rider scrubbers. This will round out Tennant's portfolio of offerings to our commercial and light industrial customer base, with specific applications in aviation, education, food and beverage, healthcare, hospitality, logistics and retail environments.

Our new product launches in 2009 will focus on expand

ing the successful roll-out of ec-H2O, which is a game-changing technology platform for the cleaning industry.

We believe that ec-H2O has huge potential, and we plan to continue building on this platform to provide innovative and sustainable solutions for our customers.



We will also continue to explore licensing opportunities for Tennant's technology as a means of expanding our markets. For example, Tennant and BISSELL® Home-care, Inc., announced in November 2008 a licensing arrangement for a new consumer home floor-care product that cleans carpets and leaves them dry within 30 minutes. The technology includes a power roller that is designed to trap, lift

and remove dirt from carpet and eliminate excess water saturation. Under the agreement, BISSELL has licensed Tennant's patented ReadySpace® carpet-cleaning technology, which is marketed as BISSELL's PROdry® home carpet cleaner. For the first time, this placed a Tennant-developed solution in the consumer market. We are excited about this opportunity and are seeking other licensing avenues.

New Board Member

In August 2008, Carol Eicher joined Tennant's board of directors. Eicher adds nearly three decades of experience in operations and market expansion with global manufacturing companies. She also has led business turnaround, acquisition and joint venture activities. She currently serves as vice president and global business director for Primary Materials and Process Chemicals, a \$2 billion business for Rohm and Haas Company.

Guiding Principles for 2009

We are confident that the actions we have taken are the right ones to protect and grow our business over the long term. Whether an economic recovery occurs in 2009 or 2010, it's our job to manage the business through this difficult cycle.

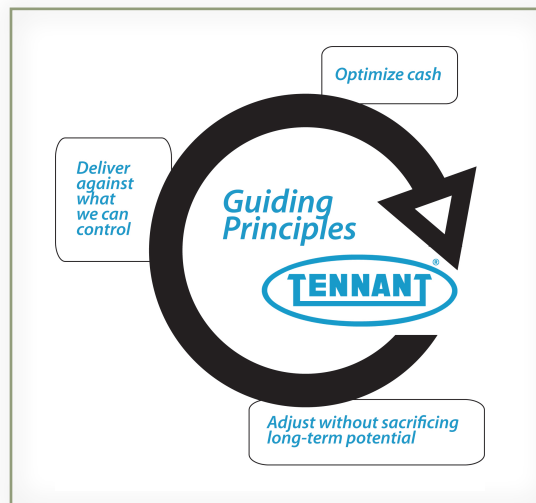
With that in mind, the three guiding principles that we will follow this year center around:

- first, adjusting to the low-growth economy, without sacrificing the company's long-term potential;
- second, prudently allocating scarce resources to initiatives that position the company to deliver against controllable objectives, such as increased savings from global low-cost sourcing and lean

manufacturing initiatives, reduced selling and administrative costs, and investments in research and development projects, such as ec-H2O, to drive sales growth; and

- third, optimizing cash in an uncertain environment through conservative planning, increased discipline in capital expenditures and a heightened focus on working capital management.

By moving forward with our key growth and operational excellence strategies and pursuing continuous process improvement despite the economic conditions, we are committed to having the right products in the right geographies with a lower cost structure. This should allow us to resume our historical track record of profitable growth when the economic recovery takes hold.



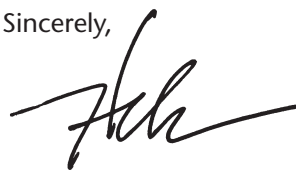
Challenging Year Ahead

We are expecting a very difficult selling environment in 2009, as are most companies. Given the current global economic uncertainties and lack of visibility into the year ahead, we are conservatively managing the business. The workforce reduction that we announced in December 2008 is on track to deliver anticipated savings, and we have additional contingency plans that we will implement, if needed.

Despite the current macroeconomic conditions, the management team and our employees are focused on controlling what we can control in 2009. We believe that our strategies are sound and that we are well positioned to compete in global markets with industry-leading products. And we remain confident in the long-term strength and value-creation potential of our business.

Times of adversity bring opportunity and a competitive advantage to strong companies like Tennant. We believe our great people, our performance-based culture, having the right products in the right geographies and a continued focus on creating environmental cleaning solutions position Tennant to emerge stronger than ever.

Sincerely,



Chris Killingstad
President and Chief Executive Officer
March 13, 2009



Company Profile

Minneapolis-based Tennant Company (NYSE: TNC) is a world leader in designing, manufacturing and marketing solutions that help create a cleaner, safer world. Its products include equipment for maintaining surfaces in industrial, commercial and outdoor environments; and specialty surface coatings for protecting, repairing and upgrading concrete floors. Tennant's global field service network is the most extensive in the industry. Tennant has manufacturing operations in Minneapolis, Minn.; Holland, Mich.; Uden, The Netherlands; the United Kingdom; São Paulo, Brazil; and Shanghai, China; and sells products directly in 15 countries and through distributors in more than 80 countries.

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Forward-Looking Statements

Certain statements contained in this document as well as other written and oral statements made by us from time to time are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. These statements do not relate to strictly historical or current facts and provide current expectations or forecasts of future events. Any such expectations or forecasts of future events are subject to a variety of factors. These include factors that affect all businesses operating in a global market as well as matters specific to us and the markets we serve. Particular risks and uncertainties presently facing us include: geopolitical and economic uncertainty throughout the world; cost and availability of financing for ourselves and our suppliers; our customers' ability to obtain credit to fund equipment purchases; successful integration of acquisitions, including the ability to carry acquired goodwill at current values; effects of potential impairment write down of our intangible assets value; ability to achieve growth plans; our ability to accurately project future financial and operating results and to achieve such projections; our ability to achieve operational efficiencies while reducing expenses and headcount; fluctuations in the cost or availability of raw materials and purchased components; the ability to achieve anticipated global sourcing cost reductions; the success and timing of new technologies and products; unforeseen product quality problems; the effects of litigation, including threatened or pending litigation; the relative strength of the U.S. dollar, which affects the cost of our materials and products purchased and sold internationally; our ability to effectively manage organizational changes, including workforce reductions; our ability to achieve the anticipated savings from our restructuring activities; our ability to attract and retain key personnel; our ability to acquire, retain and protect proprietary intellectual property rights; the potential for increased competition in our business; our ability to execute an amendment to our credit agreement to exclude restructuring charges from the calculation of our financial covenants prior to filing our Form 10-K for fiscal 2008; and changes in laws, including changes in accounting standards and taxation changes.

We caution that forward-looking statements must be considered carefully and that actual results may differ in material ways due to risks and uncertainties both known and unknown. Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. For additional information about factors that could materially affect Tennant's results, please see our other Securities and Exchange Commission filings, including disclosures under "Risk Factors."

We do not undertake to update any forward-looking statement, and investors are advised to consult any further disclosures by us on this matter in our filings with the Securities and Exchange Commission and in other written statements we make from time to time. It is not possible to anticipate or foresee all risk factors, and investors should not consider any list of such factors to be an exhaustive or complete list of all risks or uncertainties.