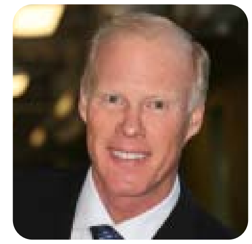
cleaner

healthier

better

2009 ANNUAL REPORT

Setting the standard for Sustainable Cleaning



CHRIS KILLINGSTAD
President and Chief Executive Officer

To our shareholders:

Reflecting on 2009, Tennant Company executed well in a challenging global sales environment. We also made investments in expanding our portfolio of innovative products that we believe will drive Tennant's future revenue growth. I'd like to thank our employees worldwide for their tireless efforts during a tough year.

The global recession caused lower demand for our cleaning equipment and service through the first three quarters of the year, compared with 2008. However, sales improved throughout the year and we are encouraged that the company achieved year-over-year growth in the fourth quarter for the first time since the third quarter, 2008. We ended the year with consolidated net sales of $595.9 million versus $701.4 million in 2008 and 2009 adjusted earnings per share of $0.67, excluding several special items.

Investing in Innovation to Fuel Growth

Throughout 2009, we maintained our commitment to drive innovation through new products, keeping R&D investment within our historical targeted range of between 3 percent and 4 percent of net sales.

We believe our proprietary ec-H2O™ platform will prove to be one of Tennant's most successful R&D efforts ever! This technology is the environmentally friendly process that converts plain tap water into a powerful cleaning agent without any added chemicals.

In 2009, sales of machines equipped with ec-H2O technology exceeded our expectations, demonstrating that this technology is gaining momentum in the marketplace. Tennant first launched scrubbers equipped with ec-H2O technology in the 2008 second quarter and, despite economic headwinds, we achieved $17 million of sales in 2008. Our sales of ec-H2O-equipped scrubbers tripled to $50 million in 2009. ec-H2O was the major contributor to 41 percent of Tennant's 2009 equipment sales coming from products introduced in the past three years, exceeding our ongoing goal of 30 percent.

This technology is so differentiated from the competition that it is helping Tennant gain market share. For customers with large fleets of cleaning machines, the costs to switch suppliers can be high but the benefits of ec-H2O have been compelling enough to motivate a shift to our equipment. In fact, approximately 50 percent of the customers buying ec-H2O equipment are new customers for Tennant. We believe this technology will continue to provide a significant market share advantage, especially when the economy recovers.

Today, Tennant offers 11 scrubbers with the award-winning ec-H2O technology, including six walk-behind scrubbers introduced in 2008 and five rider scrubbers that we launched in 2009. We plan to add three more riders with ec-H2O in 2010, which will round out our portfolio of scrubbers for our commercial and light industrial customer base. Specific applications are in retail, education, food and beverage, healthcare, hospitality, logistics and aviation environments.

Expanding Our Markets Through Partnerships

We announced three exciting new partnerships in 2009. These demonstrate our commitment to pursuing long-term growth opportunities through alliances that help us expand beyond our traditional markets.

We announced an exclusive licensing agreement with Activeion Cleaning Solutions, LLC, to commercialize ec-H2O technology for hand-held spray devices, adding complementary products to the growing suite of ec-H2O equipped products. Activeion has introduced two commercial and one consumer product under the license. The latest products, the ionatorHom and ionatorEXP, are portable, easy-to-use hand-held sprayers that effectively clean and sanitize a range of surfaces from glass and stainless, to wood and carpet. The partnership between Tennant and Activeion has the ability to expand ec-H2O technology beyond floor-cleaning applications in such markets as education, retail, hospitality and healthcare.

With Ecolab Inc., we have launched the Scrub-N-Go™ Floor Scrubber Vac System in North America. This product was selected to receive a National Restaurant Association Product Innovation Award for 2010. The Scrub-N-Go is a lithium-ion battery-powered cordless cleaning machine that our two companies jointly developed, initially for the quick-serve restaurant market segment. There are approximately 250,000 quick-serve restaurants in the United States. The product cleans floors up to 63 percent faster and more thoroughly than using a traditional mop and bucket, and it represents a huge labor savings for restaurant operators. In addition, floors cleaned with Scrub-N-Go dry faster, which greatly reduces the risk of slip-and-fall accidents. Tennant is manufacturing and servicing the Scrub-N-Go equipment, which is currently sold through Ecolab's sales and distribution channel. McDonald's recently approved the Scrub-N-Go for its corporate and franchisee stores, as did Yum! Brands for its franchisee stores, which include Taco Bell, KFC, Pizza Hut and Long John Silver's. We are now beginning to pilot the Scrub-N-Go in international markets.

Lastly, we teamed up with Kaivac, Inc., to jointly develop a spray-and-vac, or No-Touch Cleaning, system for restrooms that incorporates ec-H2O technology. When developed, we expect the system will enable customers to deep clean even heavily soiled restrooms, without the use of chemicals, making cleaning more effective, productive, safe and environmentally friendly.

Envisioning a "Greener" Future

Tennant's growth has been an evolution. Our business evolved from providing non-residential floor maintenance products in the 1990s to delivering what we called "clean, lean and green" solutions in 2002. This was the first time we used environmental benefits as a strategic and new product development filter. We began investing more aggressively in advanced product development efforts. Innovative cleaning technologies like FaST® and ReadySpace® stemmed from this strategic shift. Then in 2006, we began talking about becoming an environmental cleaning solutions company. We defined this as cleaning more of our customers' environments in more environmentally responsible ways – and this led directly to the successful introduction of ec-H2O technology.

Since 2007, we have learned a great deal about the capabilities of water cleaning technologies and, through this research, realized that ec-H2O could potentially transform our future. Late last year, we decided to enhance our vision and take the next step in Tennant's continuing evolution.

Today, our vision is to become a global leader in chemical-free cleaning and other technologies to help our customers create a cleaner, healthier world.

Leveraging ec-H2O into New Market Applications

Underlying our confidence in the new vision is the fact that we see ec-H2O as a technology platform that is potentially relevant in a broad array of markets and applications. This platform has two equally important benefits. First, is scalability. We have created an electrolyzed water cell that is large enough to be used on our scrubbers, and we have figured out how to miniaturize it so it fits into the head of a spray bottle.

The second benefit is performance. We know that ec-H2O on our scrubbers delivers great cleaning results. And, the ec-H2O technology on the Activeion spray bottle has been enhanced to the point that the EPA has approved it as a sanitizer. It kills 99.9 percent of common household bacteria, including e-coli, listeria and salmonella, and inactivates the H1N1 virus. We are now exploring the possibility that electrically activated technologies can be further developed to act as a disinfectant.

This could allow us the opportunity to offer an entire spectrum of cleaning devices that deliver basic cleaning, up to hospital-grade disinfecting – and everything in between. We think that is an exciting and potentially transformative prospect for Tennant. While we don't have all of the answers yet, we are committed to figuring out what is possible.

To help achieve our vision of becoming a global leader in chemical-free cleaning, we have created a new Tennant brand called ORBIO™ Technologies. This will be the overarching brand for our growing stable of chemical-free cleaning products and applications. Our goal is to establish ORBIO as the recognized standard for sustainable cleaning around the world. We have also formed a dedicated ORBIO team that is charged with determining how best to leverage our ec-H2O technology, and create a large and robust chemical-free cleaning business in both existing and new markets.

Meeting the Need for Environmental Stewardship

Tennant's customers are increasingly seeking eco-friendly cleaning solutions and using sustainability as a strategic decision-making filter. Companies understand that being good environmental stewards is important to their key constituencies – and to their long-term business success. We are able to show our customers the tangible environmental benefits they can derive from cleaning with ec-H2O compared to traditional chemicals.

Ecoform, an independent environmental performance analysis firm, has published a report showing that ec-H2O typically achieves environmental footprint reductions across seven categories ranging from 77 percent to 98 percent compared to traditional cleaning with chemicals.

With many ec-H2O opportunities in front of us, our focus is on leveraging this technology platform in three phases:

1) First, we are in the process of extending ec-H2O to all relevant existing products. The objective is to accelerate sales and market share growth in our current traditional markets.
2) The second phase involves cleaning more of our customers' spaces, in more environmentally friendly ways. We have research studies underway with key customers in North America and Europe to see how they clean their facilities so we can determine how best to leverage ec-H2O in most, if not all, of their cleaning applications. We are also figuring out what cleaning devices we need to develop, in order to deliver the required chemical-free

cleaning performance in key segments such as retail, healthcare and education.

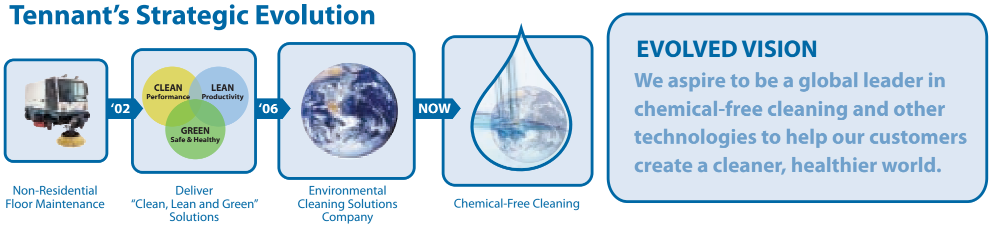
3) The third phase of leveraging the ec-H2O technology is to develop new markets and new applications. We believe there are significant opportunities in various market segments, including consumer products, food processing and healthare.

Finally, our aspiration is to become a global leader in chemical-free cleaning and other technologies. Our new Green Machines™ 500ze City Cleaning Sweeper is a good example of the other kinds of sustainable cleaning innovations Tennant plans to develop. The lithium-ion, battery-powered 500ze sweeper provides unmatched environmental benefits, including zero CO2 emissions and reduced noise levels, in addition to powerful cleaning. We introduced the 500ze in conjunction with the United Nations' COP15 Climate Change Conference, which was held in Copenhagen in December 2009. We will officially launch the 500ze in Europe in 2010.

Looking Ahead to Profitable Growth

Tennant reported 2009 consolidated net sales of $595.9 million versus $701.4 million in 2008. The company had a 2009 reported net loss of $26.2 million, or a loss of $1.42 per diluted share. This included a non-cash aftertax goodwill impairment charge of $42.3 million, or a loss of $2.29 per diluted share. The 2009 adjusted earnings per share, which excludes several special items, totaled $0.67, compared to 2008 adjusted diluted earnings per share of $1.36, which also excludes special items. Despite decreased revenues, Tennant's full-year gross profit margin rose to 41.3 percent, compared to 40.8 percent in the prior year, and reached our 2009 stated objective of 41 percent. Our emphasis on operating efficiency, including lean manufacturing and global low-cost sourcing, continued. We sourced 25 percent of our parts from low-cost regions in 2009, up from only 7 percent in 2006. We also saved more than $15 million, primarily in selling and administrative areas, from our 2008 actions to rescale the business.

Tennant's Strategic Evolution



Our reduced cost structure and improved working capital management helped the company generate $75.2 million in cash from operations in 2009 – more than double the amount of cash produced in 2008. Our stronger cash flow enabled us to significantly pay down debt. We ended 2009 with total debt of just $34.2 million compared to $95.3 million at the end of 2008. In addition, the company raised the 2009 fourth quarter dividend by 8 percent to $0.14 per share, marking the 38th consecutive year that Tennant has increased its annual cash dividend payout to shareholders.

Going forward, we are committed to continuing to drive profitable growth in Tennant's traditional business, while simultaneously developing a chemical-free cleaning business around ORBIO Technologies. We are known as a technology innovator, with a growing reputation for environmentally sustainable cleaning solutions. Our planned R&D spending levels for 2010 will be at the higher end of our targeted 3 percent to 4 percent of sales range because we believe it is critically important to invest in ORBIO Technologies now.

As we expand into new areas, a strong board of directors is more important than ever. I am pleased that in 2009 David Wichmann, an executive vice president at UnitedHealth Group Incorporated, and Don Mulligan, executive vice president and chief financial officer of General Mills, Inc., joined Tennant's board, which now stands at 10 members.

As we look to 2010, we have limited visibility into the future and order patterns remain unpredictable. Therefore, we will continue to manage the business conservatively, and if the economy falters, we will move swiftly to adjust our business plans accordingly, as we have done in the past. However, we believe Tennant is well positioned to benefit globally in our traditional business segments and with ec-H2O once the economy regains strength.

We're optimistic we have a winning formula to accelerate profitable growth: an exciting vision, a compelling strategy, improved operating efficiencies and an incredible team of dedicated, capable employees.

Future, here we come.

Sincerely,

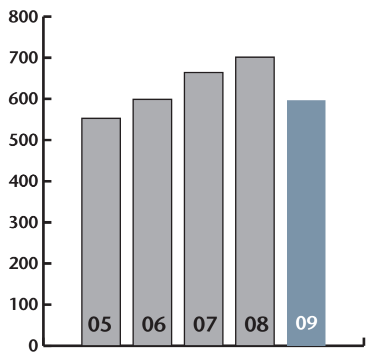
Chris Killingstad
President and Chief Executive Officer
March 12, 2010

Financial Highlights

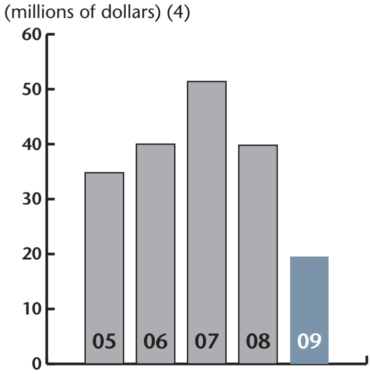
In thousands, except shares and per share data

FOR THE YEAR	Reported 2009	Reported 2008	Adjusted 2009	Adjusted 2008	Adjusted % change
Net sales	$ 595,875	$ 701,405	$ 595,875	$ 701,405	-15.0%
Profit (loss) from operations	$ (22,493) (1)	$ 18,569 (2)	$ 19,542 (4)	$ 39,816 (4)	-50.9%
% of net sales	-3.8%	2.6%	3.3%	5.7%	–
Net earnings (loss)	$ (26,241) (1)	$ 10,624 (2)	$ 12,321 (4)	$ 25,230 (4)	-51.2%
% of net sales	-4.4%	1.5%	2.1%	3.6%	–
Basic earnings (loss) per share	$ (1.42) (1)	$ 0.58 (2)	$ 0.67 (4)	$ 1.37 (4)	-51.1%
Diluted earnings (loss) per share	$ (1.42) (1)	$ 0.57 (2)	$ 0.67 (4)	$ 1.36 (4)	-50.7%
Dividends per common share	$ 0.53	$ 0.52	$ 0.53	$ 0.52	1.9%
Average shares outstanding – diluted	18,507,772	18,581,840	18,507,772	18,581,840	-0.4%
AT YEAR-END					
Total assets	$ 377,726	$ 456,604	$ 377,726	$ 456,604	-17.3%
Total debt	$ 34,211	$ 95,339	$ 34,211	$ 95,339	-64.1%
Shareholders' equity	$ 184,279	$ 209,904	$ 184,279	$ 209,904	-12.2%
Debt-to-capital ratio	15.7%	31.2%	15.7%	31.2%	–
Shareholders' equity per share (ending)	$ 9.83	$ 11.48	$ 9.83	$ 11.48	-14.4%

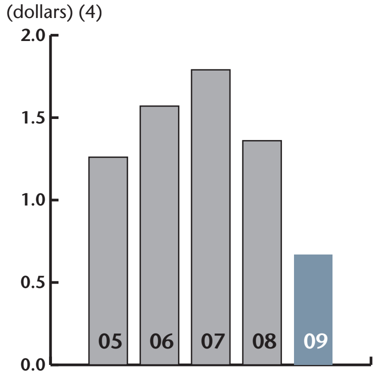
NET SALES
(millions of dollars)



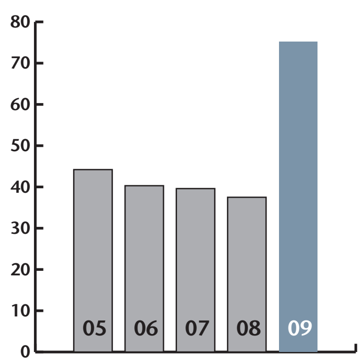
ADJUSTED PROFIT FROM OPERATIONS
(millions of dollars) (4)



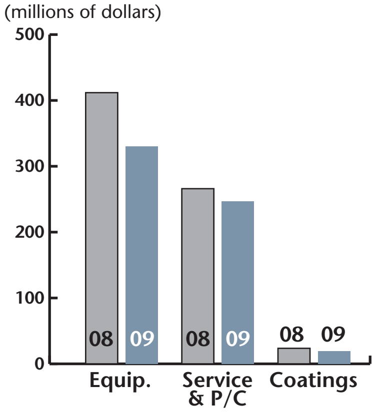
ADJUSTED DILUTED EARNINGS PER SHARE
(dollars) (4)



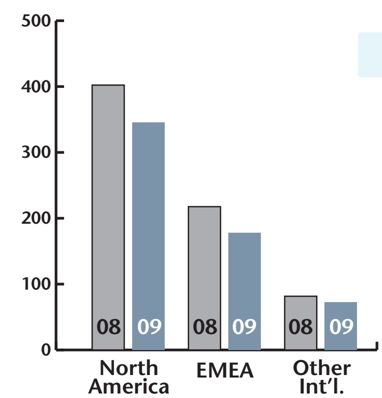
CASH FLOW FROM OPERATIONS
(millions of dollars)



SALES OF EQUIPMENT, SERVICE & PARTS/CONSUMABLES, AND SPECIALTY SURFACE COATINGS
(millions of dollars)



SALES BY GEOGRAPHIC REGION
(millions of dollars)



(1) 2009 includes a non-cash goodwill impairment charge of $43,363 pretax ($42,289 aftertax or $2.29 per diluted share), a benefit from a revision in 2009 to the 2008 workforce reduction charge of $1,328 pretax ($1,249 aftertax or $0.07 per diluted share), a net benefit from a United Kingdom business reorganization of $1,864 aftertax (or $0.10 per diluted share), and discrete net favorable tax items of $614 aftertax (or $0.03 per diluted share).

(2) 2008 includes a restructuring charge and associated expenses of $19,755 pretax ($16,287 aftertax or $0.88 per diluted share), special legal expenses of $1,721 pretax ($1,072 aftertax or $0.06 per diluted share), a gain on sale of Centurion assets of $229 pretax ($142 aftertax or $0.01 per diluted share), an unusual net foreign currency gain of $1,709 aftertax (or $0.09 per diluted share), curtailed acquisitions expenses of $451 aftertax (or $0.02 per diluted share), and discrete net favorable tax items of $1,353 aftertax (or $0.07 per diluted share).

(3) 2007 includes a restructuring charge and associated expenses of $2,507 pretax ($1,656 aftertax or $0.09 per diluted share), a gain on the sale of the Maple Grove, Minnesota, facility of $5,972 pretax ($3,720 aftertax or $0.19 per diluted share), and a one-time tax benefit related 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). Tennant reported 2007 profit from operations of $54,845 and diluted earnings per share of $2.08.

(4) 2009, 2008 and 2007 adjusted amounts exclude items (1), (2) and (3) above, respectively.

Company Profile

Minneapolis-based Tennant Company (NYSE: TNC) is a world leader in designing, manufacturing and marketing solutions that help create a cleaner, healthier world. Its products include equipment for maintaining surfaces in industrial, commercial and outdoor environments; chemical-free cleaning technologies; and specialty surface coatings for protecting, repairing and upgrading 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.

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; our ability to effectively manage organizational changes; our ability to optimize the allocation of resources to our strategic objectives; the competition in our business; our ability to acquire, retain and protect proprietary intellectual property rights; our ability to maintain and manage our computer systems and data; the occurrence of a significant business interruption; unforeseen product liability claims or product quality issues; fluctuations in the cost or availability of raw materials and purchased components; our ability to comply with laws and regulations; and the relative strength of the U.S. dollar, which affects the cost of our materials and products purchased and sold internationally.

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.

FSC
Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
Cert no. SCS-COC-001834
www.fsc.org
© 1996 Forest Stewardship Council

TENNANT COMPANY
701 North Lilac Drive, P.O. Box 1452, Minneapolis, MN 55440 www.tennantco.com