

TENNANT CO

FORM 10-K (Annual Report)

Filed 02/24/12 for the Period Ending 02/24/12

Address	701 N LILAC DR PO BOX 1452 MINNEAPOLIS, MN 55440
Telephone	6125401200
CIK	0000097134
Symbol	TNC
SIC Code	3580 - Refrigeration And Service Industry Machinery
Industry	Misc. Capital Goods
Sector	Capital Goods
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number **001-16191**



TENNANT COMPANY

(Exact name of registrant as specified in its charter)

Minnesota

State or other jurisdiction of
incorporation or organization

41-0572550

(I.R.S. Employer
Identification No.)

**701 North Lilac Drive, P.O. Box 1452
Minneapolis, Minnesota 55440**

(Address of principal executive offices) (Zip
Code)

Registrant's telephone number, including area code 763-540-1200

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Common Stock, par value \$0.375 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months

(or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and

posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit

and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer _____

(Do not check if a smaller reporting
Non-accelerated filer _____ company)

Smaller reporting company _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). _____ Yes No
The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2011, was \$744,989,320.
As of February 16, 2012, there were 18,866,419 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2012 annual meeting of shareholders (the "2012 Proxy Statement") are incorporated by reference in Part III.

Tennant Company
Form 10-K
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**TENNANT COMPANY
2011
ANNUAL REPORT**

Form 10-K

(Pursuant to Securities Exchange Act of 1934)

PART I

ITEM 1 – Business

General Development of Business

Tennant Company, a Minnesota corporation that was incorporated in 1909, is a world leader in designing, manufacturing and marketing solutions that help create a cleaner, safer, healthier world. The Company's floor maintenance and outdoor cleaning equipment, chemical-free and other sustainable cleaning technologies, coatings and related products are used to clean and coat surfaces in factories, office buildings, parking lots and streets, airports, hospitals, schools, warehouses, shopping centers and other retail environments, and more. Customers include building service contract cleaners to whom organizations outsource facilities maintenance, as well as end-user businesses, healthcare facilities, schools and local, state and federal governments who handle facilities maintenance themselves. The Company reaches these customers through the industry's largest direct sales and service organization and through a strong and well-supported network of authorized distributors worldwide.

Segment and Geographic Area Financial Information

The Company has one reportable business segment. Sales to customers geographically located in the United States were \$392.5 million, \$354.5 million and \$313.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. Additional financial information on the Company's segment and geographic areas is provided in Note 18 of the Consolidated Financial Statements.

Principal Products, Markets and Distribution

The Company offers products and solutions mainly consisting of mechanized cleaning equipment targeted at commercial and industrial markets; parts, consumables and service maintenance and repair; business solutions such as pay-for-use offerings, rental and leasing programs; and water-based cleaning technologies that reduce the need for chemicals in the cleaning process. Adjacent products include coatings and floor preservation products. Tennant Company's suite of offerings are marketed and sold under a variety of brands, including Tennant®, Nobles®, Green Machines®, Alfa and Orbio®. The Orbio brand of products and solutions is developed and managed by Orbio Technologies, a group created by Tennant to focus on expanding the opportunities for water-based sustainable technologies such as ec-H₂O™ technology and Orbio 5000-Sc. Tennant Company's products are sold through direct and distribution channels in various regions around the world. In North America, Brazil, Australia, China, Japan and most of Western Europe products are sold through a direct sales organization and independent distributors. In more than 80 other countries, Tennant relies on a broad network of independent distributors.

Raw Materials

The Company has not experienced any significant or unusual problems in the availability of raw materials or other product components. The Company has sole-source vendors for certain components. A disruption in supply from such vendors may disrupt the Company's operations. However, the Company believes that it can find alternate sources in the event there is a disruption in supply from such vendors.

Intellectual Property

Although the Company considers that its patents, proprietary technologies, customer relationships, licenses, trademarks, trade names and brand names in the aggregate constitute a valuable asset, it does not regard its business as being materially dependent upon any single intellectual property.

Seasonality

Although the Company's business is not seasonal in the traditional sense, historically revenues and earnings have been more concentrated in the fourth quarter of each year reflecting the tendency of customers to increase capital spending during such quarter and the Company's efforts to close those orders which then reduces order backlogs. In addition, the Company offers annual distributor rebates and sales commissions which tend to drive sales in the fourth quarter. In 2011, the highest sales quarter was the second quarter due primarily to very strong sales of scrubbers, most equipped with ec-H₂O technology.

Working Capital

The Company funds operations through a combination of cash and cash equivalents and cash flows from operations. Wherever possible, cash management is centralized and intercompany financing is used to provide working capital to subsidiaries as needed. In addition, credit facilities are available for additional working capital needs or investment opportunities.

Major Customers

The Company sells its products to a wide variety of customers, none of which is of material importance in relation to the business as a whole. The customer base includes several governmental entities which generally have terms similar to other customers.

Competition

While there is no publicly available industry data concerning market share, the Company believes, through its own market research, that it is a world-leading manufacturer of floor maintenance and cleaning equipment. Significant competitors exist in all key geographic regions. However, the key competitors vary by region. The Company competes primarily on the basis of offering a broad line of high-quality, innovative products supported by an extensive sales and service network in major markets.

The Company's competition has initiated legal and/or regulatory challenges in multiple jurisdictions challenging Tennant's advertising claims pertaining to its ec-H2O water-based technology. The Company does not currently view these proceedings as material and does not expect the outcome to have a material adverse effect on operating results or financial condition.

Research and Development

The Company strives to be an industry leader in innovation and is committed to investing in research and development. The Company's Global Innovation Center in Minnesota and engineers throughout the global locations are dedicated to various activities including researching new technologies to create meaningful product differentiation, development of new products, improvements of existing product design or manufacturing processes and exploring new product applications with customers. In 2011, 2010 and 2009, the Company spent \$27.9 million, \$26.0 million and \$23.0 million on research and development, respectively.

Environmental Compliance

Compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and the Company does not expect it to have, a material effect upon the Company's capital expenditures, earnings or competitive position.

Employees

The Company employed 2,865 people in worldwide operations as of December 31, 2011.

Available Information

The Company makes available free of charge, through the Company's website at www.tennantco.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable when such material is filed electronically with, or furnished to, the Securities and Exchange Commission ("SEC").

ITEM 1A – Risk Factors

The following are significant factors known to us that could materially adversely affect our business, financial condition or operating results.

We may encounter additional financial difficulties if the United States or other global economies continue to experience a significant long-term economic downturn, decreasing the demand for our products.

To the extent that the U.S. and other global economies experience a continued significant long-term economic downturn, our revenues could decline to the point that we may have to take additional cost-saving measures to reduce our fixed costs to a level that is in line with a lower level of sales in order to stay in business long-term in a depressed economic environment. Our product sales are sensitive to declines in capital spending by our customers. Decreased demand for our products could result in decreased revenues, profitability and cash flows and may impair our ability to maintain our operations and fund our obligations to others.

We are subject to competitive risks associated with developing innovative products and technologies, including but not limited to, the risk that customers do not continue to pay for innovation and the risk of competitive challenges to our products and technology and the underlying intellectual property.

Our products are sold in competitive markets throughout the world. Competition is based on product features and design, brand recognition, reliability, durability, technology, breadth of product offerings, price, customer relationships and after-sale service. Although we believe that the performance and price characteristics of our products will produce competitive solutions for our customers' needs, because of our dedication to innovation and continued investments in research and development, our products generally cost more than our competitors' products. We believe that customers will pay for the innovations and quality in our products; however, in the current economic environment, it may be difficult for us to compete with lower cost products offered by our competitors and there can be no assurance that our customers will continue to choose our products over products offered by our competitors. If our products, markets and services are not competitive, we may experience a decline in sales, pricing and market share, which adversely impacts revenues, margin and the success of our operations.

In addition, we may be vulnerable to competitors who attempt to challenge our technology and our products or diminish the reputation of our brand, all of which could adversely affect our business. Our competition has recently initiated legal and regulatory proceedings and launched a negative media campaign in multiple jurisdictions challenging certain advertising claims made pertaining to our ec-H₂O™ technology. While we do not view these challenges to be material, defense of such claims may require substantial commitment of time and money and divert resources from other ongoing projects and the claims may influence new customers from readily accepting products with our ec-H₂O technology, which could adversely affect our business.

Competitors may also initiate litigation to challenge the validity of our patents or claims, allege that we infringe upon their patents, or they may use their resources to design comparable products that do not infringe upon our patents. Regardless of whether such litigation is successful, the litigation could significantly increase our costs and divert management's attention from the operation of our business, which could adversely affect our results of operations and financial condition.

We may not be able to effectively manage organizational changes which could negatively impact our operating results or financial condition.

We are continuing to implement global standardized processes in our business and asking our workforce to perform at a high level despite reduced staffing levels as a result of our prior workforce reduction and restructuring actions. This consolidation and reallocation of resources is part of our ongoing efforts to optimize our cost structure in the current economy. Our operating results may be negatively impacted if we are unable to manage these organizational changes by failing to assimilate the work of the positions that are eliminated or redeployed as part of our actions to reduce headcount and restructure positions. In addition, if we do not effectively manage the transition of these positions, we may not fully realize the anticipated savings of these actions or they may negatively impact our ability to serve our customers or meet our strategic objectives.

We are subject to many laws and regulations and any non-compliance could negatively impact our financial condition or business operations.

Our policies and procedures are designed to comply with applicable laws and regulations in all countries in which we operate and conduct business. U.S. as well as foreign government regulations continue to become increasingly stringent and are impacting more areas of our business operations each year. Failure to comply with present or future laws, rules and regulations of any kind that govern our business could result in suspension of all or a portion of our operations or the imposition of significant regulatory, administrative, civil or criminal penalties or sanctions.

We may encounter difficulties as we invest in changes to our processes and computer systems that are foundational to our ability to maintain and manage the data in our systems.

We rely on our computer systems to effectively manage our business, serve our customers and report financial data. Our current systems are adequate for our current business operations; however, we are in the process of standardizing our processes and the way we utilize our computer systems with the objective that we will improve our ability to effectively maintain and manage our systems data so that as our business grows, our processes will be able to more efficiently handle this growth. There are inherent risks in changing processes and systems data and if we are not successful in our attempts to improve our data and system processes, we may experience higher costs or an interruption in our business which could adversely impact our ability to serve our customers and our operating results.

We are subject to product liability claims and product quality issues that could adversely affect our operating results or financial condition.

Our business exposes us to potential product liability risks that are inherent in the design, manufacturing and distribution of our products. If products are used incorrectly by our customers, injury may result leading to product liability claims against us. Some of our products or product improvements may have defects or risks that we have not yet identified that may give rise to product quality issues, liability and warranty claims. If product liability claims are brought against us for damages that are in excess of our insurance coverage or for uninsured liabilities and it is determined we are liable, our business could be adversely impacted. Any losses we suffer from any liability claims, and the effect that any product liability litigation may have upon the reputation and marketability of our products, may have a negative impact on our business and operating results. We could experience a material design or manufacturing failure in our products, a quality system failure, other safety issues, or heightened regulatory scrutiny that could warrant a recall of some of our products. Any unforeseen product quality problems could result in loss of market share, reduced sales, and higher warranty expense.

Inadequate funding of new technologies may result in an inability to develop new innovative products and services.

We strive to develop new and innovative products and services to differentiate ourselves in the marketplace. New product development relies heavily on our financial and resource investments in both the short term and long term. If we fail to adequately fund product development projects we risk not meeting our customer expectations, which could result in decreased revenues, declines in margin and loss of market share.

Our ability to effectively operate our Company could be adversely affected if we are unable to attract and retain key personnel and other highly skilled employees.

Our continued success will depend on, among other things, the skills and services of our executive officers and other key personnel. Our ability to attract and retain other highly qualified managerial, technical, manufacturing, research, sales and marketing personnel also impacts our ability to effectively operate our business. As the economy recovers and companies grow and increase their hiring activities, there is an inherent risk of increased employee turnover and the loss of valuable employees in key positions, especially in emerging markets throughout the world. We believe the increased loss of key personnel within a concentrated region could adversely affect our sales growth.

We may encounter difficulties as we upgrade and evolve the capabilities of our computer systems, which could adversely impact our abilities to accomplish anticipated future cost savings and better serve our customers.

We have many information technology systems that are important to the operation of our business. Significantly upgrading and evolving the capabilities of our existing systems could lead to inefficient or ineffective use of our technology due to lack of training or expertise in these evolving technology systems. These factors could lead to significant expenses, adversely impacting our results of operations and hinder our ability to offer better technology solutions to our customers.

We may be unable to conduct business if we experience a significant business interruption in our computer systems, manufacturing plants or distribution facilities for a significant period of time.

We rely on our computer systems, manufacturing plants and distribution facilities to efficiently operate our business. If we experience an interruption in the functionality in any of these items for a significant period of time, we may not have adequate business continuity planning contingencies in place to allow us to continue our normal business operations on a long-term basis. Significant long-term interruption in our business could cause a decline in sales, an increase in expenses and could adversely impact our operating results.

ITEM 1B – Unresolved Staff Comments

None.

ITEM 2 – Properties

The Company's corporate offices are owned by the Company and are located in the Minneapolis, Minnesota, metropolitan area. Manufacturing facilities are located in Minneapolis, Minnesota; Holland, Michigan; Louisville, Kentucky; Uden, The Netherlands; Falkirk, United Kingdom; São Paulo, Brazil; and Shanghai, China. Sales offices, warehouse and storage facilities are leased in various locations in North America, Europe, Japan, China, Asia, Australia, New Zealand and Latin America. The Company's facilities are in good operating condition, suitable for their respective uses and adequate for current needs. Further information regarding the Company's property and lease commitments is included in the Contractual Obligations section of Item 7 and in Note 13 of the Consolidated Financial Statements.

ITEM 3 – Legal Proceedings

There are no material pending legal proceedings other than ordinary routine litigation incidental to the Company's business.

ITEM 4 – Mine Safety Disclosures

Not applicable.

PART II

ITEM 5 – Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

MARKET INFORMATION – Tennant common stock is traded on the New York Stock Exchange, under the ticker symbol TNC. As of January 31, 2012, there were 488 shareholders of record. The common stock price was \$38.48 per share on January 31, 2012.

The accompanying chart shows the high and low sales prices for the Company’s shares for each full quarterly period over the past two years as reported by the New York Stock Exchange:

	2011		2010	
	High	Low	High	Low
First	\$ 43.24	\$ 35.66	\$ 28.38	\$ 21.84
Second	42.82	33.51	37.42	27.17
Third	44.25	34.36	38.13	28.82
Fourth	41.98	32.92	38.82	30.30

DIVIDEND INFORMATION – Cash dividends on Tennant’s common stock have been paid for 67 consecutive years. Tennant’s annual cash dividend payout increased for the 40th consecutive year to \$0.68 per share in 2011, an increase of \$0.09 per share over 2010. Dividends are generally declared each quarter. On February 15, 2012, the Company announced a quarterly cash dividend of \$0.17 per share payable March 15, 2012, to shareholders of record on February 29, 2012.

DIVIDEND REINVESTMENT OR DIRECT DEPOSIT OPTIONS – Shareholders have the option of reinvesting quarterly dividends in additional shares of Company stock or having dividends deposited directly to a bank account. The Transfer Agent should be contacted for additional information.

TRANSFER AGENT AND REGISTRAR – Shareholders with a change of address or questions about their account may contact:

Wells Fargo Bank, N.A.
Shareowner Services
P.O. Box 64854
South St. Paul, MN 55164-0854
(800) 468-9716

EQUITY COMPENSATION PLAN INFORMATION – Information regarding equity compensation plans required by Regulation S-K Item 201(d) is incorporated by reference in Item 12 of this annual report on Form 10-K from the 2012 Proxy Statement.

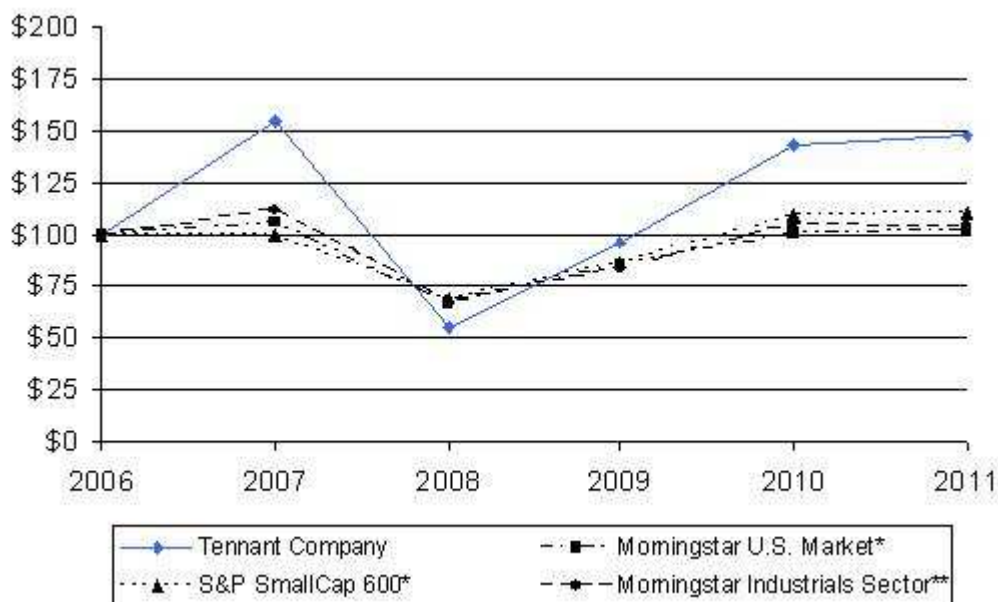
SHARE REPURCHASES – On February 21, 2011, the Board of Directors authorized the repurchase of an additional 1,000,000 shares of our common stock. This was in addition to the 188,874 shares remaining under our previous repurchase program at that time. Share repurchases are made from time to time in the open market or through privately negotiated transactions, primarily to offset the dilutive effect of shares issued through our stock-based compensation programs. Our Credit Agreement limits the payment of dividends and repurchases of stock to an amount ranging from \$50.0 million to \$75.0 million per fiscal year based on our leverage ratio after giving effect to such payments.

For the Quarter Ended December 31, 2011	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1–31, 2011	283	\$ 35.37	-	731,235
November 1–30, 2011	11,665	37.50	11,665	719,570
December 1–31, 2011	-	-	-	719,570
Total	11,948	\$ 37.45	11,665	719,570

(1) Includes 283 shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by employees who exercised stock options or restricted stock under employee stock compensation plans.

STOCK PERFORMANCE GRAPH – The following graph compares the cumulative total shareholder return on Tennant’s common stock to three indices: Morningstar U.S. Market, S&P SmallCap 600 and Morningstar Industrials Sector. The graph below compares the performance for the last five fiscal years, assuming an investment of \$100 on December 31, 2006, including the reinvestment of all dividends.

5-YEAR CUMULATIVE TOTAL RETURN COMPARISON



	2006	2007	2008	2009	2010	2011
Tennant Company	\$ 100	\$ 155	\$ 55	\$ 96	\$ 143	\$ 147
Morningstar U.S. Market *	\$ 100	\$ 106	\$ 67	\$ 86	\$ 100	\$ 102
S&P SmallCap 600 *	\$ 100	\$ 100	\$ 69	\$ 86	\$ 109	\$ 110
Morningstar Industrials Sector**	\$ 100	\$ 112	\$ 68	\$ 84	\$ 104	\$ 104

* The Morningstar U.S. Market Index is being retired in favor of the S&P SmallCap 600 Index, as a result of Tennant’s inclusion within the S&P SmallCap 600 Index during 2011. We feel that the S&P SmallCap 600 Index includes companies that are more comparable than the Morningstar U.S. Market Index. For 2011 we will show both of these indices for consistency. Going forward, we will include only the S&P SmallCap 600 Index.

** In prior years, we used the Morningstar Manufacturing Sector Index as our industry index; however, that index has been reconstituted and historical information is no longer available. Accordingly, this year we used the Morningstar Industrials Sector Index, in which Tennant is included, to replace the Morningstar Manufacturing Sector Index as our industry market index. Because historical information for the Morningstar Manufacturing Sector Index is no longer available, we cannot provide a concurrent comparison to that index.

IT EM 6 – Selected Financial Data*(In thousands, except shares and per share data)*

Years Ended December 31	2011	2010	2009	2008	2007
Financial Results:					
Net Sales	\$ 753,998	\$ 667,667	\$ 595,875	\$ 701,405	\$ 664,218
Cost of Sales	434,817 (1)	383,341 (2)	349,767	415,155	385,234
Gross Margin - %	42.3	42.6	41.3	40.8	42.0
Research and Development Expense	27,911	25,957	22,978	24,296	23,869
% of Net Sales	3.7	3.9	3.9	3.5	3.6
Selling and Administrative Expense	241,625 (1)	221,235 (2)	245,623 (3)	243,385 (4)	200,270 (5)
% of Net Sales	32.0	33.1	41.2	34.7	30.2
Profit (Loss) from Operations	49,645 (1)	37,134 (2)	(22,493) (3)	18,569 (4)	54,845 (5)
% of Net Sales	6.6	5.6	(3.8)	2.6	8.3
Total Other (Expense) Income, Net	(915)	(2,407)	(1,827)	(994)	2,867 (5)
Income Tax Expense	16,017 (1)	(76) (2)	1,921 (3)	6,951 (4)	17,845 (5)
Effective Tax Rate - %	32.9	(0.2)	7.9	39.6	30.9
Net Earnings (Loss)	32,713 (1)	34,803 (2)	(26,241) (3)	10,624 (4)	39,867 (5)
% of Net Sales	4.3	5.2	(4.4)	1.5	6.0
Per Share Data:					
Basic Net Earnings (Loss)	\$ 1.74 (1)	\$ 1.85 (2)	\$ (1.42) (3)	\$ 0.58 (4)	\$ 2.41 (5)
Diluted Net Earnings (Loss)	\$ 1.69 (1)	\$ 1.80 (2)	\$ (1.42) (3)	\$ 0.57 (4)	\$ 2.08 (5)
Diluted Weighted Average Shares	19,360,428	19,332,103	18,507,772	18,581,840	19,146,000
Cash Dividends	\$ 0.68	\$ 0.59	\$ 0.53	\$ 0.52	\$ 0.48
Financial Position:					
Total Assets	\$ 424,262	\$ 403,668	\$ 377,726	\$ 456,604	\$ 382,070
Total Debt	36,455	30,828	34,211	95,339	4,597
Total Shareholders' Equity	220,852	216,133	184,279	209,904	252,431
Current Ratio	2.2	2.1	1.9	2.3	2.5
Debt-to-Capital Ratio	14.2%	12.5%	15.7%	31.2%	1.8%
Cash Flows:					
Net Cash Provided by Operations	\$ 56,909	\$ 42,530	\$ 75,185	\$ 37,394	\$ 39,640
Capital Expenditures, Net of Disposals	(13,301)	(9,934)	(11,172)	(19,982)	(21,466)
Free Cash Flow	43,608	32,596	64,013	17,412	18,174
Other Data:					
Depreciation and Amortization	\$ 21,418	\$ 21,192	\$ 22,803	\$ 22,959	\$ 18,054
Number of employees at year-end	2,865	2,793	2,786	3,002	2,774

The results of operations from our 2011, 2009 and 2008 acquisitions have been included in the Consolidated Financial Statements, as well as the Selected Financial Data presented above, since each of their respective dates of acquisition.

(1) 2011 includes a Product Line Obsolescence charge of \$4,300 pretax (\$3,811 aftertax or \$0.20 per diluted share) and an international executive severance charge of \$1,217 (or \$0.06 per diluted share).

(2) 2010 includes a tax benefit from the international entity restructuring of \$10,913 (or \$0.56 per diluted share), a workforce redeployment charge of \$1,671 pretax (\$1,196 aftertax or \$0.06 per diluted share), inventory revaluation from change in functional currency designation due to international entity restructuring of \$647 pretax (\$453 aftertax or \$0.02 per diluted share) and a revision of our 2008 workforce reduction reserve of \$277 pretax (\$173 aftertax or \$0.01 per diluted share).

(3) 2009 includes a goodwill impairment charge of \$43,363 pretax (\$42,289 aftertax or \$2.29 per diluted share), a benefit from a revision during the first quarter of 2009 to the 2008 workforce reduction charge of \$1,328 pretax (\$1,249 aftertax or \$0.07 per diluted share) and a net tax benefit, primarily from a United Kingdom business reorganization, of \$1,864 aftertax (or \$0.10 per diluted share).

(4) 2008 includes a 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) and a gain on sale of Centurion assets of \$229 pretax (\$143 aftertax or \$0.01 per diluted share).

(5) 2007 includes a 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 a gain on the sale of the Maple Grove, Minnesota facility of \$5,972 pretax (\$3,720 aftertax or \$0.19 per diluted share).

diluted share).

ITE M 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Tennant Company is a world leader in designing, manufacturing and marketing solutions that help create a cleaner, safer, healthier world. Our products include equipment for maintaining surfaces in industrial, commercial and outdoor environments; chemical-free and other sustainable cleaning technologies; and coatings for protecting, repairing and upgrading floors and other surfaces. We sell our products through our direct sales and service organization and a network of authorized distributors worldwide. Geographically, our customers are located in North America, Latin America, Europe, the Middle East, Africa and Asia Pacific. We strive to be an innovator in our industry through our commitment to understanding our customers’ needs and using our expertise to create innovative products and solutions.

Net Earnings for 2011 were \$32.7 million, or \$1.69 per diluted share, compared to Net Earnings of \$34.8 million, or \$1.80 per diluted share, for 2010. Net Earnings for 2011 were \$2.1 million lower than 2010 due primarily to the large favorable tax benefit of \$10.9 million in 2010 from an international entity restructuring which was nearly offset by increased Net Sales and improved profitability in 2011. Net Sales totaled \$754.0 million, up 12.9% from 2010 due primarily to sales unit volume increases with continued growth of scrubbers equipped with our ec-H₂O technology. Gross Profit margins decreased 30 basis points to 42.3% as a result of cost increases. Selling and Administrative Expense (“S&A Expense”) decreased 110 basis points as a percentage of Net Sales to 32.0% as compared to 33.1% due to continued tight cost controls and improved operating efficiencies.

Tennant continues to invest in innovative product development with 3.7% of 2011 Net Sales spent on Research and Development. During 2011 there were increased investments in electrically-activated water technology platforms to further expand our chemical-free and other sustainable cleaning technologies offerings as well as investments in our core business including the work to redesign our large equipment portfolio. Sales of new products introduced in the past three years generated approximately 35% of our equipment sales during 2011, exceeding our long-stated goal of 30%.

We ended 2011 with a Debt-to-Capital ratio of 14.2%, \$52.3 million in Cash and Cash Equivalents compared to \$39.5 million at the end of 2010, and Shareholders’ Equity of \$220.9 million. During 2011, we generated operating cash flows of \$56.9 million. Total debt was \$36.5 million as of December 31, 2011 compared to \$30.8 million at the end of 2010.

Historical Results

The following table compares the historical results of operations for the years ended December 31, 2011, 2010 and 2009 in dollars and as a percentage of Net Sales (in thousands, except per share amounts and percentages):

	2011	%	2010	%	2009	%
Net Sales	\$ 753,998	100.0	\$ 667,667	100.0	\$ 595,875	100.0
Cost of Sales	434,817	57.7	383,341	57.4	349,767	58.7
Gross Profit	319,181	42.3	284,326	42.6	246,108	41.3
Operating Expense:						
Research and Development Expense	27,911	3.7	25,957	3.9	22,978	3.9
Selling and Administrative Expense	241,625	32.0	221,235	33.1	202,260	33.9
Goodwill Impairment Charge	-	-	-	-	43,363	7.3
Total Operating Expenses	269,536	35.7	247,192	37.0	268,601	45.1
Profit (Loss) from Operations	49,645	6.6	37,134	5.6	(22,493)	(3.8)
Other Income (Expense):						
Interest Income	752	0.1	133	-	393	0.1
Interest Expense	(2,238)	(0.3)	(1,619)	(0.2)	(2,830)	(0.5)
Net Foreign Currency Transaction Gains (Losses)	559	0.1	(902)	(0.1)	(412)	(0.1)
ESOP Income	-	-	-	-	990	0.2
Other Income (Expense), Net	12	-	(19)	-	32	-
Total Other (Expense) Income, Net	(915)	(0.1)	(2,407)	(0.4)	(1,827)	(0.3)
Profit (Loss) Before Income Taxes	48,730	6.5	34,727	5.2	(24,320)	(4.1)
Income Tax Expense	16,017	2.1	(76)	-	1,921	0.3
Net Earnings (Loss)	\$ 32,713	4.3	\$ 34,803	5.2	\$ (26,241)	(4.4)
Net Earnings (Loss) per Diluted Share	\$ 1.69		\$ 1.80		\$ (1.42)	

Consolidated Financial Results

Net Earnings for 2011 were \$32.7 million, or \$1.69 per diluted share, compared to \$34.8 million, or \$1.80 per diluted share for 2010. Net Earnings were impacted by:

- An increase in Net Sales of 12.9%, primarily driven by equipment unit volume increases.

- A decrease in S&A Expense as a percentage of Net Sales of 110 basis points due to continued tight cost controls and improved operating efficiencies.

Net Earnings for 2010 were \$34.8 million, or \$1.80 per diluted share, compared to a Net Loss of \$26.2 million, or \$1.42 loss per diluted share for 2009. Net Earnings were impacted by:

- An increase in Net Sales of 12.0%, primarily driven by equipment unit volume increases.
- A 130 basis point increase in Gross Profit margin to 42.6% due to higher sales volume, continued tight spending controls and flexible production management.
- A decrease in S&A Expense as a percentage of Net Sales of 80 basis points due to continued tight spending controls and leveraging our existing resources.
- A tax benefit from an international entity restructuring contributed \$0.56 per diluted share.

Net Sales

In 2011, consolidated Net Sales were \$754.0 million, an increase of 12.9% as compared to 2010. Consolidated Net Sales were \$667.7 million in 2010, an increase of 12.0% as compared to 2009.

The components of the consolidated Net Sales change for 2011 as compared to 2010, and 2010 as compared to 2009, were as follows:

Growth Elements	2011 v. 2010	2010 v. 2009
Organic Growth:		
Volume	8.9%	12.0%
Price	1.5%	-
Organic Growth	10.4%	12.0%
Foreign Currency	2.5%	-
Acquisitions	-	-
Total	12.9%	12.0%

The 12.9% increase in consolidated Net Sales for 2011 as compared to 2010 was primarily driven by an increase in equipment unit sales volume.

The 12.0% increase in consolidated Net Sales for 2010 as compared to 2009 was primarily driven by an increase in equipment unit sales volume.

The following table sets forth annual Net Sales by operating segment and the related percent change from the prior year (in thousands, except percentages):

	2011	%	2010	%	2009	%
Americas	\$ 481,426	13.4	\$ 424,462	16.0	\$ 366,034	(15.2)
Europe, Middle East and Africa	188,338	9.1	172,619	(2.9)	177,829	(18.3)
Asia Pacific	84,234	19.3	70,586	35.7	52,012	(0.5)
Total	\$ 753,998	12.9	\$ 667,667	12.0	\$ 595,875	(15.0)

Americas – In 2011, Americas Net Sales increased 13.4% to \$481.4 million as compared with \$424.5 million in 2010. The primary driver of the increase in Net Sales was attributable to sales unit volume increases with continued growth of scrubbers equipped with our ec-H2O technology in North America and growth of industrial equipment in Latin America. Favorable direct foreign currency translation exchange effects increased Net Sales by approximately 0.5%.

In 2010, Americas Net Sales increased 16.0% to \$424.5 million as compared with \$366.0 million in 2009. The primary driver of the increase in Net Sales is attributable to sales unit volume increases, primarily from industrial equipment and scrubbers equipped with our ec-H2O technology. Favorable direct foreign currency translation exchange effects increased Net Sales by approximately 1%.

Europe, Middle East and Africa – Europe, Middle East and Africa (“EMEA”) Net Sales in 2011 increased 9.1% to \$188.3 million as compared to 2010 Net Sales of \$172.6 million. Favorable direct foreign currency exchange effects increased EMEA Net Sales by approximately 4.5% in 2011. An organic sales increase of approximately 4.6% was primarily due to growth of indoor equipment, in particular increased sales of scrubbers equipped with our ec-H2O technology, which was somewhat offset by lower sales of outdoor equipment.

EMEA Net Sales in 2010 decreased 2.9% to \$172.6 million as compared to 2009 Net Sales of \$177.8 million. Unfavorable direct foreign currency exchange effects decreased EMEA Net Sales by approximately 4.5% in 2010. An organic sales increase of approximately 1.6% was primarily due to increased unit volume in our service, parts and consumables business, partially offset by lower equipment unit volume.

Asia Pacific – Asia Pacific Net Sales in 2011 increased 19.3% to \$84.2 million over 2010 Net Sales of \$70.6 million. An organic sales increase of approximately 10.3% was primarily due to strong growth of industrial scrubbers, especially in China, which was somewhat offset by selling price decreases in some mature markets related to movements in foreign exchange rates. Favorable direct foreign currency exchange effects increased Net Sales by approximately 9.0% in 2011.

Asia Pacific Net Sales in 2010 increased 35.7% to \$70.6 million over 2009 Net Sales of \$52.0 million. An organic sales increase of approximately 25.2% was primarily due to equipment unit volume increases in both Australia and China. Favorable direct foreign currency exchange effects increased Net Sales by approximately 10.5% in 2010.

Gross Profit

Gross Profit margin was 42.3% in 2011, a decrease of 30 basis points as compared to 2010. Gross Profit margin in 2011 was adversely impacted by 30 basis points due to an unfavorable net adjustment to LIFO inventory resulting from an increase in inventories and higher cost indices. Raw material cost inflation in 2011 was mitigated by selling price increases, productivity improvements, tight cost controls and leverage from higher production levels.

Gross Profit margin was 42.6% in 2010, an increase of 130 basis points as compared to 2009. Gross Profit margin was favorably impacted by manufacturing efficiencies from increased sales volume, somewhat offset by higher commodity costs.

Operating Expenses

Research and Development Expense – Research and Development Expense (“R&D Expense”) increased \$2.0 million, or 7.5%, in 2011 as compared to 2010. As a percentage of Net Sales, 2011 R&D Expense decreased 20 basis points to 3.7% in 2011 from 3.9% in the prior year. R&D Expense increased in 2011 as we made additional investments in our chemical-free and other sustainable cleaning technologies as well as our core business.

R&D Expense increased \$3.0 million, or 13.0%, in 2010 as compared to 2009 and remained consistent with the prior year at 3.9% as a percentage of Net Sales. Higher sales and improved profitability in 2010 allowed increased investment levels in key research and development projects, primarily for our chemical-free technologies.

Selling and Administrative Expense – Selling and Administrative Expense (“S&A Expense”) increased by \$20.4 million, or 9.2%, in 2011 compared to 2010 due to higher variable costs related to the increased sales volume, \$4.0 million related to the Hofmans product obsolescence and international executive severance, and investments in our sustainable cleaning business. As a percentage of Net Sales, 2011 S&A Expense decreased 110 basis points to 32.0% due to continued tight cost controls and improved operating efficiencies.

S&A Expense increased by \$19.0 million, or 9.4%, in 2010 as compared to 2009 due primarily to higher variable selling expenses and incentives. As a percentage of Net Sales, 2010 S&A Expense decreased 80 basis points to 33.1%. S&A Expense benefited from tight spending controls and leveraging our existing resources as we have kept our employee headcount consistent with 2009 year end levels.

Goodwill Impairment Charge – During the first quarter of 2009, we recorded a non-cash pretax goodwill impairment charge of \$43.4 million related to our EMEA reporting unit. Only \$3.8 million of this charge was tax deductible.

Total Other Income (Expense), Net

Interest Income – Interest Income was \$0.8 million in 2011, an increase of \$0.6 million from 2010. The increase between 2011 and 2010 is due to higher interest rates on higher cash investments.

Interest Income was \$0.1 million in 2010, a decrease of \$0.3 million from 2009. The decrease between 2010 and 2009 mainly reflects the impact of no ESOP interest income in 2010 as the ESOP loan matured on December 31, 2009.

Interest Expense – Interest Expense was \$2.2 million in 2011 as compared to \$1.6 million in 2010. This increase is primarily due to a higher level of debt with a higher interest rate related to long-term fixed rate borrowings initiated in 2011.

Interest Expense was \$1.6 million in 2010 as compared to \$2.8 million in 2009. This decline is primarily due to a lower level of borrowings against our revolving credit facility in 2010 as compared to 2009.

Net Foreign Currency Transaction Gains (Losses) – Net Foreign Currency Transaction Gains were \$0.6 million in 2011 as compared to Losses of \$0.9 million in 2010. The favorable increase from the prior year was due to fluctuations in foreign currency rates in the normal course of business.

Net Foreign Currency Transaction Losses were \$0.9 million in 2010 as compared to \$0.4 million in 2009. The decrease from the prior year was due to fluctuations in foreign currency rates in the normal course of business.

ESOP Income – There was no ESOP Income during 2011 and 2010. On December 31, 2009, the term for this ESOP program expired.

Other (Expense) Income, Net – There was no significant change in Other (Expense) Income, Net in 2011 as compared to 2010 or in 2010 as compared to 2009.

Income Taxes

The overall effective income tax rate was 32.9%, (0.2%) and 7.9% in 2011, 2010 and 2009 respectively. The tax expense for 2011 includes only a \$0.5 million tax benefit in the second quarter associated with the \$5.5 million pre-tax charges related to Hofmans product obsolescence and international executive severance which contributed to an increased overall effective rate. Excluding these charges, the overall effective tax rate would have been 30.4%. The decrease in the 2011 overall effective tax rate as compared to the prior year, excluding the effect of these one-time charges, was primarily related to changes in our full year taxable earnings by country, and a decrease in the statutory tax rates in various foreign jurisdictions.

The 2010 net tax benefit included a \$10.9 million tax benefit associated with a restructuring and realignment of international operations recorded in the fourth quarter, materially impacting the overall effective rate. Excluding the tax benefit associated with the fourth quarter restructuring and realignment of international operations, the 2010 overall rate would have been 31.3%.

Liquidity and Capital Resources

Liquidity – Cash and Cash Equivalents totaled \$52.3 million at December 31, 2011, as compared to \$39.5 million of Cash and Cash Equivalents as of December 31, 2010. Cash and Cash Equivalents held by our foreign subsidiaries totaled \$11.3 million as of December 31, 2011 as compared to \$10.6 million of Cash and Cash Equivalents held by our foreign subsidiaries as of December 31, 2010. Wherever possible, cash management is centralized and intercompany financing is used to provide working capital to subsidiaries as needed. Our current ratio was 2.2 and 2.1 as of December 31, 2011 and 2010, respectively, based on working capital of \$148.1 million and \$132.1 million, respectively.

Our Debt-to-Capital ratio was 14.2% as of December 31, 2011, compared with 12.5% as of December 31, 2010. Our capital structure was comprised of \$36.5 million of Long-Term Debt and \$220.9 million of Shareholders' Equity as of December 31, 2011.

Cash Flow Summary – Cash provided by (used in) our operating, investing and financing activities is summarized as follows (in thousands):

	2011	2010	2009
Operating Activities	\$ 56,909	\$ 42,530	\$ 75,185
Investing Activities:			
Purchases of Property, Plant and Equipment, Net of Disposals	(13,301)	(9,934)	(11,172)
Acquisitions of Businesses, Net of Cash Acquired	(2,917)	(86)	(2,162)
Restricted Cash	(3,279)	-	-
Financing Activities	(24,247)	(10,342)	(74,068)
Effect of Exchange Reate Changes on Cash and Cash Equivalents	(355)	(701)	994
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,810	\$ 21,467	\$ (11,223)

Operating Activities – Cash provided by operating activities was \$56.9 million in 2011, \$42.5 million in 2010 and \$75.2 million in 2009. In 2011, cash provided by operating activities was driven by \$32.7 million of Net Earnings and increased Accounts Payable, somewhat offset by increases in Inventories and Receivables. The increase in Inventories is due to sales and service initiatives. The increases in Accounts Payable and Receivables is due to higher levels of sales. Cash provided by operating activities was \$14.4 million higher in 2011 as compared to 2010 primarily due to the smaller increase in Deferred Income Taxes in 2011 as compared to 2010 which was impacted by the international entity restructuring that occurred in the 2010 fourth quarter.

In 2010, cash provided by operating activities was driven by \$34.8 million of Net Earnings as well as increased Accrued Expenses, primarily from sales and management incentives, somewhat offset by increases in Receivables and Inventories, both increasing at year end due

to strong fourth quarter Net Sales. Cash provided by operating activities was \$32.7 million lower in 2010 as compared to 2009. This decrease was primarily driven by higher working capital related to higher sales levels as of year end 2010 as compared to year end 2009.

For 2011, we used operating profit and working capital as key indicators of financial performance and the primary metrics for performance-based incentives.

Two metrics used by management to evaluate how effectively we utilize our net assets are “Accounts Receivable Days Sales Outstanding” (“DSO”) and “Days Inventory on Hand” (“DIOH”), on a FIFO basis. The metrics are calculated on a rolling three month basis in order to more readily reflect changing trends in the business. These metrics for the quarters ended December 31 were as follows (in days):

	2011	2010	2009
DSO	58	59	67
DIOH	88	83	87

DSO decreased 1 day in 2011 as compared to 2010 primarily due to increased Net Sales as well as our continued focus on proactively managing Accounts Receivable by enforcing tighter credit limits and collecting past due balances.

DIOH increased 5 days in 2011 as compared to 2010 primarily due to higher levels of inventories to support fourth quarter 2011 sales and service initiatives.

Investing Activities – Net cash used for investing activities was \$19.5 million in 2011, \$10.0 million in 2010 and \$13.3 million in 2009. Net capital expenditures were \$13.3 million during 2011 as compared to \$9.9 million in 2010. Net capital expenditures were \$11.2 million in 2009. Our 2011 capital expenditures included tooling related to new product development, investments in our facilities including the new plant in China, technology upgrades, and manufacturing and lab equipment.

Capital expenditures in 2010 included technology upgrades and tooling related to new product development and manufacturing equipment. Capital expenditures in 2009 included technology upgrades, tooling related to new product development and investments in our Minnesota facilities to complete the Global Innovation Center to support new product innovation efforts.

Financing Activities – Net cash used for financing activities was \$24.2 million in 2011 and \$10.3 million in 2010. Net cash used for financing activities was \$74.1 million in 2009. In 2011, payments of floating rate Long-Term Debt used \$19.3 million, which was more than offset by \$20.0 million issuance of fixed rate Long-Term Debt, and payments of dividends used \$12.9 million. In 2010, payments of dividends used \$11.2 million and payments of Long-Term Debt used \$4.2 million. In 2009, payments of Long-Term Debt used \$67.2 million and dividend payments used \$9.9 million. Our annual cash dividend payout increased for the 40th consecutive year to \$0.68 per share in 2011, an increase of \$0.09 per share over 2010.

Proceeds from the issuance of Common Stock generated \$4.2 million in 2011, \$6.5 million in 2010 and \$0.9 million in 2009.

On May 3, 2007, the Board of Directors authorized the repurchase of 1,000,000 shares of our Common Stock. On February 21, 2011, the Board of Directors authorized the repurchase of an additional 1,000,000 shares of our common stock. At December 31, 2011, there were 719,570 remaining shares authorized for repurchase.

There were 469,304 shares repurchased in 2011, 100,000 shares repurchased during 2010 and no shares repurchased in 2009, at average repurchase prices of \$37.51 during 2011 and \$31.53 during 2010. Our Credit Agreement with JPMorgan Chase Bank limits the payment of dividends and repurchases of stock to amounts ranging from \$50.0 million to \$75.0 million per fiscal year based on our leverage ratio after giving effect to such payments for the life of the agreement.

Indebtedness – As of December 31, 2011, we had committed lines of credit totaling approximately \$125.0 million and uncommitted lines of credit totaling \$82.6 million. There was \$10.0 million in outstanding borrowings under our JPMorgan facility and \$20.0 million in outstanding borrowings under our Prudential facility as of December 31, 2011. In addition, we had stand alone letters of credit of approximately \$1.8 million outstanding and bank guarantees in the amount of approximately \$1.0 million. Commitment fees on unused lines of credit for the year ended December 31, 2011 were \$0.3 million.

Our most restrictive covenants are part of our Credit Agreement with JPMorgan, which are the same covenants in the Shelf Agreement with Prudential, and require us to maintain an indebtedness to EBITDA ratio of not greater than 3.00 to 1 and to maintain an EBITDA to interest expense ratio of no less than 3.50 to 1 as of the end of each quarter. As of December 31, 2011, our indebtedness to EBITDA ratio was 0.54 to 1 and our EBITDA to interest expense ratio was 32.82 to 1.

JPMorgan Chase Bank, National Association

On May 5, 2011, we entered into a Credit Agreement (the “2011 Credit Agreement”) with JPMorgan Chase Bank, N. A. (“JPMorgan”), as administrative agent and collateral agent, U.S. Bank National Association, as syndication agent, Wells Fargo Bank, National Association, and RBS Citizens, N.A., as co-documentation agents, and the Lenders (including JPMorgan) from time to time party thereto. Upon entry into the 2011 Credit Agreement, we repaid and terminated our June 19, 2007 Credit Agreement. The 2011 Credit Agreement provides us and certain of our foreign subsidiaries access to a senior unsecured credit facility until May 5, 2016, in the amount of \$125.0 million, with an option to expand by up to \$62.5 million to a total of \$187.5 million. Borrowings may be denominated in U.S. Dollars or certain other currencies. The 2011 Credit Agreement contains a \$100.0 million sublimit on borrowings by foreign subsidiaries.

The fee for committed funds under the 2011 Credit Agreement ranges from an annual rate of 0.25% to 0.40%, depending on our leverage ratio. Borrowings under the 2011 Credit Agreement bear interest at a rate per annum equal to the greatest of (a) the prime rate, (b) the federal funds rate plus 0.50% and (c) the adjusted LIBOR rate for a one month period plus 1.0%, plus, in any such case, an additional spread of 0.50% to 1.10%, depending on our leverage ratio.

The 2011 Credit Agreement gives the lenders a pledge of 65% of the stock of certain first tier foreign subsidiaries. The obligations under the 2011 Credit Agreement are also guaranteed by our first tier domestic subsidiaries.

The 2011 Credit Agreement contains customary representations, warranties and covenants, including but not limited to covenants restricting our ability to incur indebtedness and liens and merge or consolidate with another entity. Further, the 2011 Credit Agreement contains the following covenants:

- a covenant requiring us to maintain an indebtedness to EBITDA ratio as of the end of each quarter of not greater than 3.00 to 1;
- a covenant requiring us to maintain an EBITDA to interest expense ratio as of the end of each quarter of no less than 3.50 to 1;
- a covenant restricting us from paying dividends or repurchasing stock if, after giving effect to such payments, our leverage ratio is greater than 2.00 to 1, in such case limiting such payments to an amount ranging from \$50.0 million to \$75.0 million during any fiscal year based

on our leverage ratio after giving effect to such payments; and

- a covenant restricting our ability to make acquisitions, if, after giving pro-forma effect to such acquisition, our leverage ratio is greater than 2.75 to 1, in such case limiting acquisitions to \$25.0 million.

As of December 31, 2011 we were in compliance with all covenants under the Credit Agreement. There was \$10.0 million in outstanding borrowings under this facility at December 31, 2011, with a weighted average interest rate of 1.75%.

Prudential Investment Management, Inc.

On May 5, 2011, we entered into Amendment No. 1 to our Private Shelf Agreement (the "Amendment"), which amends the Private Shelf Agreement, dated as of July 29, 2009, with Prudential Investment Management, Inc. ("Prudential") and Prudential affiliates from time to time party thereto (the "Shelf Agreement").

The Amendment principally provides the following changes to the Shelf Agreement:

- elimination of the security interest in our personal property and subsidiaries;
- an amendment to the maximum leverage ratio to not greater than 3.00 to 1 for any period ending on or after March 31, 2011;
- an amendment to our restriction regarding the payment of dividends or repurchase of stock to restrict us from paying dividends or repurchasing stock if, after giving effect to such payments, our leverage ratio is greater than 2.00 to 1, in such case limiting such payments to an amount ranging from \$50.0 million to \$75.0 million during any fiscal year based on our leverage ratio after giving effect to such payments; and
- an amendment to Permitted Acquisitions restricting our ability to make acquisitions, if, after giving pro-forma effect to such acquisition, our leverage ratio is greater than 2.75 to 1, in such case limiting acquisitions to \$25.0 million.

As of December 31, 2011, there was \$20.0 million in outstanding borrowings under this facility; the \$10.0 million Series A notes issued in March 2011 with a fixed interest rate of 4.00% and a 7 year term serially maturing from 2014 to 2018 and the \$10.0 million Series B notes issued in June 2011 with a fixed interest rate of 4.10% and a 10 year term serially maturing from 2015 to 2021. We were in compliance with all covenants of the Shelf Agreement as of December 31, 2011.

The Royal Bank of Scotland Citizens, N.A.

On September 14, 2010, we entered into an overdraft facility with The Royal Bank of Scotland N.V. in the amount of 2.0 million Euros or approximately \$2.6 million. There was no balance outstanding on this facility as of December 31, 2011.

Notes Payable

On May 31, 2011, we incurred \$1.5 million in debt related to installment payments due to the former owners of Water Star in connection with our acquisition of Water Star, which remains outstanding as of December 31, 2011.

Contractual Obligations – Our contractual obligations as of December 31, 2011, are summarized by period due in the following table (in thousands):

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Long-term debt ⁽¹⁾	\$ 31,549	\$ 775	\$ 2,774	\$ 16,857	\$ 11,143
Interest payments on long-term debt ⁽¹⁾	5,162	995	1,927	1,388	852
Capital leases	4,779	3,321	1,458	-	-
Interest payments on capital leases	285	194	91	-	-
Retirement benefit plans ⁽²⁾	1,008	1,008	-	-	-
Deferred compensation arrangements ⁽³⁾	6,713	537	944	450	4,782
Operating leases ⁽⁴⁾	18,629	7,937	7,439	2,396	857
Purchase obligations ⁽⁵⁾	46,867	46,867	-	-	-
Other ⁽⁶⁾	1,021	731	290	-	-
Total contractual obligations	\$ 116,013	\$ 62,365	\$ 14,923	\$ 21,091	\$ 17,634

(1) Long-term debt represents bank borrowings and borrowings through our Credit Agreement with JPMorgan and our Private Shelf Agreement with Prudential. Our Credit Agreement with JPMorgan does not have specified repayment terms; therefore, repayment is due upon expiration of the agreement on May 5, 2016. Interest payments on our Credit Agreement were calculated using the December 31, 2011 LIBOR rate based on the assumption that the principal would be repaid in full upon the expiration of the agreement. Our borrowings under our Private Shelf Agreement with Prudential have 7 and 10 year terms, serially maturing from 2014 to 2021 with fixed interest rates of 4.00% and 4.10%, respectively.

(2) Our retirement benefit plans, as described in Note 11 of the Consolidated Financial Statements, require us to make contributions to the plans from time to time. Our plan obligations totaled \$30.8 million as of December 31, 2011. Contributions to the various plans are dependent upon a number of factors including the market performance of plan assets, if any, and future changes in interest rates, which impact the actuarial measurement of plan obligations. As a result, we have only included our 2012 expected contribution in the contractual obligations table.

(3) The unfunded deferred compensation arrangements covering certain current and retired management employees totaled \$6.7 million as of December 31, 2011. Our estimated distributions in the contractual obligations table are based upon a number of assumptions including termination dates and participant distribution elections.

(4) Operating lease commitments consist primarily of office and warehouse facilities, vehicles and office equipment as discussed in Note 13 of the Consolidated Financial Statements.

(5) Purchase obligations include all known open purchase orders, contractual purchase commitments and contractual obligations as of December 31, 2011.

(6) Other obligations include collateralized borrowings as discussed in Note 8 of the Consolidated Financial Statements and residual value guarantees as discussed in Note 13 of the Consolidated Financial Statements.

Total contractual obligations exclude our gross unrecognized tax benefits of \$3.4 million and accrued interest and penalties of \$0.4 million as of December 31, 2011. We expect to make cash outlays in the future related to uncertain tax positions. However, due to the uncertainty of the timing of future cash flows, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. For further information related to unrecognized tax benefits, see Note 14 of the Consolidated Financial Statements.

Newly Issued Accounting Guidance

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance for fair value measurements providing common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. While the guidance is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands existing disclosure requirements for fair value measurements and makes other amendments. Key additional disclosures include quantitative disclosures about unobservable inputs in Level 3 measures, qualitative information about sensitivity of Level 3 measures and valuation process, and classification within the fair value hierarchy for instruments where fair value is only disclosed in the footnotes but carrying amount is on some other basis. This guidance is effective for interim and annual periods beginning after December 15, 2011. We do not expect this guidance to have a material impact on our results of operations or financial position.

Comprehensive Income

In June 2011, the FASB issued guidance on the presentation of comprehensive income that will require us to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued an amendment to this standard which defers the requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. This guidance requires retrospective application and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. This amended guidance will not impact our results of operations or financial position.

Testing Goodwill for Impairment

In September 2011, the FASB issued updated accounting guidance on the periodic testing of goodwill for impairment. This updated accounting guidance permits companies to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If a company determines through this qualitative analysis that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, it is not necessary to perform the two-step impairment test. This guidance is effective for annual and interim periods beginning after December 15, 2011, however early adoption is permitted. We elected to early adopt this guidance for the annual fiscal year ended December 31, 2011. The adoption of this guidance did not have an impact on our results of operations or financial position.

Offsetting Assets and Liabilities Disclosures

In December 2011, the FASB issued updated accounting guidance on disclosures about offsetting assets and liabilities. This update adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for interim and annual reporting periods beginning on or after January 1, 2013. We do not expect this guidance to have a material impact on our results of operations or financial position.

Critical Accounting Estimates

Our Consolidated Financial Statements are based on the selection and application of accounting principals generally accepted in the United States of America, which require us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to the Consolidated Financial Statements. We believe that the following policies may involve a higher degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our Consolidated Financial Statements. If different assumptions or conditions were to prevail, the results could be materially different from our reported results.

Allowance for Doubtful Accounts – We record a reserve for accounts receivable that are potentially uncollectible. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances. In order to assess the collectibility of these receivables, we perform ongoing credit evaluations of our customers' financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The reserve requirements are based on the best facts available to us and are reevaluated and adjusted as additional information becomes available. Our reserves are also based on amounts determined by using percentages applied to trade receivables. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. We are not able to predict changes in the financial condition of our customers and if circumstances related to these customers deteriorate, our estimates of the recoverability of accounts receivable could be materially affected and we may be required to record additional allowances. Alternatively, if more allowances are provided than are ultimately required, we may reverse a portion of such provisions in future periods based on the actual collection experience. Bad debt write-offs as a percentage of Net Sales were approximately 0.2% in 2011, 0.3% in 2010 and 0.7% in 2009. As of December 31, 2011, we had \$3.7 million reserved against Accounts Receivable for doubtful accounts.

Inventory Reserves – We value our inventory at the lower of the cost of inventory or fair market value through the establishment of a reserve for excess, slow moving and obsolete inventory. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared with inventory levels. Reserve requirements are developed by comparing our inventory levels to our projected demand requirements based on historical demand, market conditions and technological and product life cycle changes. It is possible that an increase in our reserve may be required in the future if there are significant declines in demand for certain products. This reserve creates a new cost basis for these products and is considered permanent. As of December 31, 2011, we had \$4.2 million reserved against Inventories.

Goodwill – Goodwill represents the excess of cost over the fair value of net assets of businesses acquired and is allocated to our reporting units at the time of the acquisition. We analyze Goodwill on an annual basis and when an event occurs or circumstances change that may reduce the fair value of one of our reporting units below its carrying amount. A goodwill impairment loss occurs if the carrying amount of a reporting unit's goodwill exceeds its fair value.

Beginning in 2011, we performed an analysis of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Prior to 2011, the analysis of qualitative factors was not an option and the two-step impairment testing was performed. The first step is used as an indicator to identify if there is potential goodwill impairment. If the first step indicates there may be an impairment, the second step is performed which measures the amount of the goodwill impairment, if any. We perform our goodwill impairment analysis as of year end and use our judgment to develop assumptions for the discounted cash flow model that we use. Management assumptions include forecasting revenues and margins, estimating capital expenditures, depreciation, amortization and discount rates.

If our goodwill impairment testing resulted in one or more of our reporting units' carrying amount exceeding its fair value, we would write down our reporting units' carrying amount to its fair value and would record an impairment charge in our results of operations in the period such determination is made. Subsequent reversal of goodwill impairment charges is not permitted. During the first quarter of 2009, we recorded a goodwill impairment loss of \$43.4 million. Each of our reporting units were analyzed for impairment as of December 31, 2011 and based

upon our analysis, the estimated fair values of our reporting units substantially exceeded their carrying amounts. We had Goodwill of \$20.3 million as of December 31, 2011.

Warranty Reserves – We record a liability for warranty claims at the time of sale. The amount of the liability is based on the trend in the historical ratio of claims to net sales, the historical length of time between the sale and resulting warranty claim, new product introductions and other factors. Future claims experience could be materially different from prior results because of the introduction of new, more complex products, a change in our warranty policy in response to industry trends, competition or other external forces, or manufacturing changes that could impact product quality. In the event we determine that our current or future product repair and replacement costs exceed our estimates, an adjustment to these reserves would be charged to earnings in the period such determination is made. Warranty expense as a percentage of Net Sales was 1.7% in 2011, 1.6% in 2010 and 1.4% in 2009. As of December 31, 2011, we had \$8.8 million reserved for future estimated warranty costs.

Income Taxes – We are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax obligations based on expected income, statutory tax rates and tax planning opportunities in the various jurisdictions. We also establish reserves for uncertain tax matters that are complex in nature and uncertain as to the ultimate outcome. Although we believe that our tax return positions are fully supportable, we consider our ability to ultimately prevail in defending these matters when establishing these reserves. We adjust our reserves in light of changing facts and circumstances, such as the closing of a tax audit. We believe that our current reserves are adequate. However, the ultimate outcome may differ from our estimates and assumptions and could impact the income tax expense reflected in our Consolidated Statements of Operations.

Tax law requires certain items to be included in our tax return at different times than the items are reflected in our results of operations. Some of these differences are permanent, such as expenses that are not deductible in our tax returns, and some differences will reverse over time, such as depreciation expense on property, plant and equipment. These temporary differences result in deferred tax assets and liabilities, which are included within our Consolidated Balance Sheets. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years but have already been recorded as an expense in our Consolidated Statements of Operations. We assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, based on management’s judgment, to the extent we believe that recovery is not more likely than not, we establish a valuation reserve against those deferred tax assets. The deferred tax asset valuation allowance could be materially different from actual results because of changes in the mix of future taxable income, the relationship between book and taxable income and our tax planning strategies. As of December 31, 2011, a valuation allowance of \$3.2 million was recorded against foreign tax loss carryforwards and state credit carryforwards.

Cautionary Factors Relevant to Forward-Looking Information

This annual report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2, contain certain statements that are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “project,” or “continue” or similar words or the negative thereof. These statements do not relate to strictly historical or current facts and provide current expectations of forecasts of future events. Any such expectations or forecasts of future events are subject to a variety of factors. Particular risks and uncertainties presently facing us include:

- Geopolitical and economic uncertainty throughout the world.
- Competition in our business.
- Ability to effectively manage organizational changes.
- Ability to comply with laws and regulations.
- Ability to effectively maintain and manage the data in our computer systems.
- Unforeseen product liability claims or product quality issues.
- Ability to develop and fund new innovative products and services.
- Ability to attract and retain key personnel.
- Ability to successfully upgrade and evolve the capabilities of our computer systems.
- Occurrence of a significant business interruption.
- Fluctuations in the cost or availability of raw materials and purchased components.
- Ability to acquire, retain and protect proprietary intellectual property rights.
- 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. Information about factors that could materially affect our results can be found in Part I, Item 1A - Risk Factors. 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.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Investors are advised to consult any further disclosures by us in our filings with the Securities and Exchange Commission and in other written statements on related subjects. 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.

ITE M 7A – Quantitative and Qualitative Disclosures About Market Risk

Commodity Risk – We are subject to exposures resulting from potential cost increases related to our purchase of raw materials or other product components. We do not use derivative commodity instruments to manage our exposures to changes in commodity prices such as steel, oil, gas, lead and other commodities.

Various factors beyond our control affect the price of oil and gas, including but not limited to worldwide and domestic supplies of oil and gas, political instability or armed conflict in oil-producing regions, the price and level of foreign imports, the level of consumer demand, the price and availability of alternative fuels, domestic and foreign governmental regulation, weather-related factors and the overall economic environment. We purchase petroleum-related component parts for use in our manufacturing operations. In addition, our freight costs associated with shipping and receiving product and sales and service vehicle fuel costs are impacted by fluctuations in the cost of oil and gas.

Increases in worldwide demand and other factors affect the price for lead, steel and related products. We do not maintain an inventory of raw or fabricated steel or batteries in excess of near-term production requirements. As a result, increases in the price of lead or steel can significantly increase the cost of our lead- and steel-based raw materials and component parts.

During 2011, our raw materials and other purchased component costs were unfavorably impacted by commodity prices although we are able to somewhat mitigate these higher costs with pricing actions and cost reduction activities. We continue to focus on mitigating the risk of continued future raw material or other product component cost increases through product pricing, negotiations with our vendors and cost reduction actions. The success of these efforts will depend upon our ability to increase our selling prices in a competitive market and our ability to achieve cost savings. If the commodity prices increase significantly and we are not able to offset the increases with higher selling prices, our results may be unfavorably impacted in 2012.

Foreign Currency Exchange Risk – Due to the global nature of our operations, we are subject to exposures resulting from foreign currency exchange fluctuations in the normal course of business. Our primary exchange rate exposures are with the Euro, Australian and Canadian dollars, British pound, Japanese yen, Chinese yuan and Brazilian real against the U.S. dollar. The direct financial impact of foreign currency exchange includes the effect of translating profits from local currencies to U.S. dollars, the impact of currency fluctuations on the transfer of goods between Tennant operations in the United States and abroad and transaction gains and losses. In addition to the direct financial impact, foreign currency exchange has an indirect financial impact on our results, including the effect on sales volume within local economies and the impact of pricing actions taken as a result of foreign exchange rate fluctuations.

Because a substantial portion of our products are manufactured or sourced primarily from the United States, a stronger U.S. dollar generally has a negative impact on results from operations outside the United States while a weaker dollar generally has a positive effect. Our objective in managing the exposure to foreign currency fluctuations is to minimize the earnings effects associated with foreign exchange rate changes on certain of our foreign currency-denominated assets and liabilities. We periodically enter into various contracts, principally forward exchange contracts, to protect the value of certain of our foreign currency-denominated assets and liabilities. The gains and losses on these contracts generally approximate changes in the value of the related assets and liabilities. We had forward exchange contracts outstanding in the notional amounts of \$45.5 million and \$40.3 million at the end of 2011 and 2010, respectively. The potential for material loss in fair value of foreign currency contracts outstanding and the related underlying exposures as of December 31, 2011, from a 10% adverse change is unlikely due to the short-term nature of our forward contracts. Our policy prohibits us from entering into transactions for speculative purposes.

Other Matters – Management regularly reviews our business operations with the objective of improving financial performance and maximizing our return on investment. As a result of this ongoing process to improve financial performance, we may incur additional restructuring charges in the future which, if taken, could be material to our financial results.

ITEM 8 – Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Tennant Company:

We have audited the accompanying consolidated balance sheets of Tennant Company and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and comprehensive (loss) income, and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as included in Item 15.A.2. We also have audited the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennant Company and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the accompanying financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Furthermore, in our opinion, Tennant Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by the committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
Minneapolis, MN
February 24, 2012

Consolidated Statements of Operations
 TE NNANT COMPANY AND SUBSIDIARIES

(In thousands, except shares and per share data)

Years ended December 31	2011	2010	2009
Net Sales	\$ 753,998	\$ 667,667	\$ 595,875
Cost of Sales	434,817	383,341	349,767
Gross Profit	319,181	284,326	246,108
Operating Expense:			
Research and Development Expense	27,911	25,957	22,978
Selling and Administrative Expense	241,625	221,235	202,260
Goodwill Impairment Charge	-	-	43,363
Total Operating Expense	269,536	247,192	268,601
Profit (Loss) from Operations	49,645	37,134	(22,493)
Other Income (Expense):			
Interest Income	752	133	393
Interest Expense	(2,238)	(1,619)	(2,830)
Net Foreign Currency Transaction Gains (Losses)	559	(902)	(412)
ESOP Income	-	-	990
Other Income (Expense), Net	12	(19)	32
Total Other Expense, Net	(915)	(2,407)	(1,827)
Profit (Loss) Before Income Taxes	48,730	34,727	(24,320)
Income Tax Expense (Benefit)	16,017	(76)	1,921
Net Earnings (Loss)	\$ 32,713	\$ 34,803	\$ (26,241)
Net Earnings (Loss) per Share:			
Basic	\$ 1.74	\$ 1.85	\$ (1.42)
Diluted	\$ 1.69	\$ 1.80	\$ (1.42)
Weighted Average Shares Outstanding:			
Basic	18,832,693	18,805,494	18,507,772
Diluted	19,360,428	19,332,103	18,507,772
Cash Dividends Declared per Common Share	\$ 0.68	\$ 0.59	\$ 0.53

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
TENNANT COMPANY AND SUBSIDIARIES

(In thousands, except shares and per share data)

December 31	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 52,339	\$ 39,529
Restricted Cash	3,279	-
Receivables:		
Trade, less Allowances of \$4,828 and \$4,311, respectively	123,920	123,830
Other	4,953	3,712
Net Receivables	128,873	127,542
Inventories	65,912	61,746
Prepaid Expenses	10,320	7,993
Deferred Income Taxes, Current Portion	10,358	11,459
Other Current Assets	1,015	-
Total Current Assets	272,096	248,269
Property, Plant and Equipment	286,949	287,751
Accumulated Depreciation	(199,795)	(200,123)
Property, Plant and Equipment, Net	87,154	87,628
Deferred Income Taxes, Long-Term Portion	15,014	14,182
Goodwill	20,303	20,423
Intangible Assets, Net	23,758	25,339
Other Assets	5,937	7,827
Total Assets	\$ 424,262	\$ 403,668
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 4,166	\$ 3,154
Accounts Payable	46,869	40,498
Employee Compensation and Benefits	32,934	31,281
Income Taxes Payable	619	509
Other Current Liabilities	39,404	40,702
Total Current Liabilities	123,992	116,144
Long-Term Liabilities:		
Long-Term Debt	32,289	27,674
Employee-Related Benefits	40,089	33,898
Deferred Income Taxes, Long-Term Portion	3,189	4,525
Other Liabilities	3,851	5,294
Total Long-Term Liabilities	79,418	71,391
Total Liabilities	203,410	187,535
Commitments and Contingencies (Note 13)		
Shareholders' Equity:		
Preferred Stock of \$0.02 par value per share, 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common Stock, \$0.375 par value per share, 60,000,000 shares authorized; 18,834,940 and 19,038,843 issued and outstanding, respectively	7,063	7,140
Additional Paid-In Capital	15,082	10,876
Retained Earnings	227,944	220,391
Accumulated Other Comprehensive Loss	(29,237)	(22,274)
Total Shareholders' Equity	220,852	216,133
Total Liabilities and Shareholders' Equity	\$ 424,262	\$ 403,668

See accompanying Notes to Consolidated Financial Statements .

Consolidated Statements of Cash Flows
TENNANT COMPANY AND SUBSIDIARIES

(In thousands)

Years ended December 31	2011	2010	2009
OPERATING ACTIVITIES			
Net Earnings (Loss)	\$ 32,713	\$ 34,803	\$ (26,241)
Adjustments to reconcile Net Earnings (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	18,088	18,026	19,632
Amortization	3,330	3,166	3,171
Impairment of Intangible Assets	2,058	-	-
Goodwill Impairment Charge	-	-	43,363
Deferred Income Taxes	(1,352)	(11,412)	(1,433)
Stock-Based Compensation Expense	5,407	4,639	2,291
ESOP Income	-	-	426
Tax Benefit on ESOP	-	-	6
Allowance for Doubtful Accounts and Returns	1,879	1,403	1,253
Other, Net	508	503	(77)
Changes in Operating Assets and Liabilities, Excluding the Impact of Acquisitions:			
Accounts Receivable	(4,451)	(7,931)	1,889
Inventories	(7,665)	(4,391)	10,476
Accounts Payable	4,612	(1,445)	16,409
Employee Compensation and Benefits	1,177	1,162	4,015
Other Current Liabilities	1,711	6,058	(5,288)
Income Taxes	1,668	(1,716)	4,320
Other Assets and Liabilities	(2,774)	(335)	973
Net Cash Provided by Operating Activities	56,909	42,530	75,185
INVESTING ACTIVITIES			
Purchases of Property, Plant and Equipment	(13,902)	(10,529)	(11,483)
Proceeds from Disposals of Property, Plant and Equipment	601	595	311
Acquisition of Businesses, Net of Cash Acquired	(2,917)	(86)	(2,162)
Increase in Restricted Cash	(3,279)	-	-
Net Cash Used for Investing Activities	(19,497)	(10,020)	(13,334)
FINANCING ACTIVITIES			
Change in Short-Term Borrowings, Net	-	(7)	3
Payments of Long-Term Debt	(19,272)	(4,192)	(67,212)
Issuance of Long-Term Debt	20,000	-	82
Purchases of Common Stock	(17,603)	(3,153)	-
Proceeds from Issuances of Common Stock	4,214	6,467	914
Tax Benefit on Stock Plans	1,266	1,724	114
Dividends Paid	(12,852)	(11,181)	(9,861)
Principal Payment from ESOP	-	-	1,892
Net Cash Used for Financing Activities	(24,247)	(10,342)	(74,068)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(355)	(701)	994
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,810	21,467	(11,223)
Cash and Cash Equivalents at Beginning of Year	39,529	18,062	29,285
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 52,339	\$ 39,529	\$ 18,062
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash Paid (Received) During the Year for:			
Income Taxes	\$ 13,158	\$ 13,908	\$ (4,319)
Interest	\$ 2,059	\$ 1,559	\$ 2,779
Supplemental Non-Cash Investing and Financing Activities:			
Capital Expenditures Funded Through Capital Leases	\$ 2,893	\$ 2,398	\$ 5,784
Capital Expenditures in Accounts Payable	\$ 1,979	\$ 363	\$ 805
Collateralized Borrowings	\$ 127	\$ 471	\$ 1,342
Notes Payable Related to Water Star, Inc. Acquisition	\$ 1,500	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements .

Consolidated Statements of Shareholders' Equity and Comprehensive (Loss) Income
TENNANT COMPANY AND SUBSIDIARIES

(In thousands, except shares and per share data)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Receivable from ESOP	Total Shareholders' Equity
Balance, December 31, 2008	18,284,746	\$ 6,857	\$ 6,649	\$ 223,692	\$ (26,391)	\$ (903)	\$ 209,904
Net Loss	-	-	-	(26,241)	-	-	(26,241)
Foreign Currency Translation Adjustments	-	-	-	-	5,104	-	5,104
Pension Adjustments, net of income taxes of \$1,048	-	-	-	-	(1,822)	-	(1,822)
Comprehensive Loss							(22,959)
Issue Stock for Directors, Employee Benefit and Stock Plans	466,082	175	4,327	-	-	-	4,502
Share-Based Compensation	-	-	1,670	-	-	-	1,670
Dividends paid, \$0.53 per Common Share	-	-	-	(9,861)	-	-	(9,861)
Tax Benefit on Stock Plans	-	-	114	-	-	-	114
Tax Benefit on ESOP	-	-	-	6	-	-	6
Principal Payments from ESOP	-	-	-	-	-	1,892	1,892
Shares Allocated	-	-	-	-	-	(989)	(989)
Reclassification	-	-	(4,988)	4,988	-	-	-
Balance, December 31, 2009	18,750,828	\$ 7,032	\$ 7,772	\$ 192,584	\$ (23,109)	\$ -	\$ 184,279
Net Earnings	-	-	-	34,803	-	-	34,803
Foreign Currency Translation Adjustments	-	-	-	-	762	-	762
Pension Adjustments, net of income tax benefit of \$98	-	-	-	-	73	-	73
Comprehensive Income							35,638
Issue Stock for Directors, Employee Benefit and Stock Plans	388,015	146	6,029	-	-	-	6,175
Share-Based Compensation	-	-	2,651	-	-	-	2,651
Dividends paid, \$0.59 per Common Share	-	-	-	(11,181)	-	-	(11,181)
Tax Benefit on Stock Plans	-	-	1,724	-	-	-	1,724
Purchases of Common Stock	(100,000)	(38)	(3,115)	-	-	-	(3,153)
Reclassification	-	-	(4,185)	4,185	-	-	-
Balance, December 31, 2010	19,038,843	\$ 7,140	\$ 10,876	\$ 220,391	\$ (22,274)	\$ -	\$ 216,133
Net Earnings	-	-	-	32,713	-	-	32,713
Foreign Currency Translation Adjustments	-	-	-	-	(3,141)	-	(3,141)
Pension Adjustments, net of income taxes of \$1,266	-	-	-	-	(3,822)	-	(3,822)
Comprehensive Income							25,750
Issue Stock for Directors, Employee Benefit and Stock Plans	265,401	99	4,019	-	-	-	4,118
Share-Based Compensation	-	-	4,041	-	-	-	4,041
Dividends paid, \$0.68 per Common Share	-	-	-	(12,852)	-	-	(12,852)
Tax Benefit on Stock Plans	-	-	1,265	-	-	-	1,265
Purchases of Common Stock	(469,304)	(176)	(17,427)	-	-	-	(17,603)
Reclassification	-	-	12,308	(12,308)	-	-	-
Balance, December 31, 2011	18,834,940	\$ 7,063	\$ 15,082	\$ 227,944	\$ (29,237)	\$ -	\$ 220,852

The Company had 60,000,000 authorized shares of Common Stock as of December 31, 2011, 2010 and 2009.

See accompanying Notes to Consolidated Financial Statements.

(In thousands, except shares and per share data)

1. Summary of Significant Accounting Policies

Nature of Operations – Our primary business is designing, manufacturing and marketing solutions that help create a cleaner, safer, healthier world. Our products include equipment for maintaining surfaces in industrial, commercial and outdoor environments; chemical-free and other sustainable cleaning technologies; and coatings for protecting, repairing and upgrading floors and other surfaces. We sell our products through our direct sales and service organization and a network of authorized distributors worldwide. Geographically, our customers are located in North America, Latin America, Europe, the Middle East, Africa and Asia Pacific.

Consolidation – The Consolidated Financial Statements include the accounts of Tennant Company and its subsidiaries. All intercompany transactions and balances have been eliminated. In these Notes to the Consolidated Financial Statements, Tennant Company is referred to as “Tennant,” “we,” “us,” or “our.”

Translation of Non-U.S. Currency – Foreign currency-denominated assets and liabilities have been translated to U.S. dollars at year-end exchange rates, while income and expense items are translated at average exchange rates prevailing during the year. Gains or losses resulting from translation are included as a separate component of Shareholders’ Equity. The balance of cumulative foreign currency translation adjustments recorded within Accumulated Other Comprehensive Gain (Loss) as of December 31, 2011, 2010, 2009 and 2008 was a net loss of \$20,286, \$17,145, \$17,907 and \$23,011, respectively. Translation adjustments are not adjusted for income taxes as substantially all translation adjustments relate to permanent investments in non-U.S. subsidiaries. Net Foreign Currency Transaction Gains (Losses) are included in Other (Expense) Income.

Use of Estimates – In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make decisions that impact the reported amounts of assets, liabilities, revenues, expenses and the related disclosures, including disclosures of contingent assets and liabilities. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. Estimates are used in determining, among other items, sales promotions and incentives accruals, inventory valuation, warranty reserves, allowance for doubtful accounts, pension and postretirement accruals, useful lives for intangible assets, and future cash flows associated with impairment testing for goodwill and other long-lived assets. These estimates and assumptions are based on management’s best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. A number of these factors include, among others, economic conditions, credit markets, foreign currency, commodity cost volatility and consumer spending and confidence, all of which have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual amounts could differ significantly from those estimated at the time the consolidated financial statements are prepared. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Cash and Cash Equivalents – We consider all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

Restricted Cash – We have a total of \$3,279 that serves as collateral backing certain bank guarantees and is therefore restricted. This money is invested in time deposits.

Receivables – Credit is granted to our customers in the normal course of business. Receivables are recorded at original carrying value less reserves for estimated uncollectible accounts and sales returns. To assess the collectability of these receivables, we perform ongoing credit evaluations of our customers’ financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The reserve requirements are based on the best facts available to us and are reevaluated and adjusted as additional information becomes available. Our reserves are also based on amounts determined by using percentages applied to trade receivables. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. An account is considered past-due or delinquent when it has not been paid within the contractual terms. Uncollectible accounts are written off against the reserves when it is deemed that a customer account is uncollectible.

Inventories – Inventories are valued at the lower of cost or market. Cost is determined on a first in, first-out (“FIFO”) basis except for Inventories in North America which are determined on a last-in, first-out (“LIFO”) basis.

Property, Plant and Equipment – Property, plant and equipment is carried at cost. Additions and improvements that extend the lives of the assets are capitalized while expenditures for repairs and maintenance are expensed as incurred. We generally depreciate buildings and improvements by the straight-line method over a life of 30 years. Other property, plant and equipment are generally depreciated using the straight-line method based on lives of 3 years to 15 years.

Goodwill – Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. We analyze Goodwill on an annual basis as of year end and when an event occurs or circumstances change that may reduce the fair value of one of our reporting units below its carrying amount. A Goodwill impairment occurs if the carrying amount of a reporting unit’s Goodwill exceeds its fair value. In assessing the recoverability of Goodwill, in 2011 we began using an analysis of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Prior to 2011, in assessing the recoverability of Goodwill, we used a discounted cash flow model to estimate the

reporting unit's fair value to compare to its carrying amount. Management used judgment to develop assumptions for the discounted cash flow model including forecasting revenues and margins, estimating capital expenditures, depreciation, amortization and discount rates.

Intangible Assets – Intangible Assets consist of definite lived customer lists, service contracts, an acquired trade name and technology. Intangible Assets with a definite life are amortized on a straight-line basis.

Impairment of Long-lived Assets – We periodically review our intangible and long-lived assets for impairment and assess whether events or circumstances indicate that the carrying amount of the assets may not be recoverable. We generally deem an asset group to be impaired if an estimate of undiscounted future operating cash flows is less than its carrying amount. If impaired, an impairment loss is recognized based on the excess of the carrying amount of the individual asset group over its fair value.

Purchases of Common Stock – We repurchase our Common Stock under a 2011 repurchase program authorized by our Board of Directors. This program allows us to repurchase up to 1,000,000 shares of our Common Stock. Upon repurchase, the par value is charged to Common Stock and the remaining purchase

(In thousands, except shares and per share data)

price is charged to Additional Paid-in Capital. If the amount of the remaining purchase price causes the Additional Paid-in Capital account to be in a debit position, this amount is then reclassified to Retained Earnings. Common Stock repurchased is included in shares authorized but is not included in shares outstanding.

Warranty – We record a liability for estimated warranty claims at the time of sale. The amount of the liability is based on the trend in the historical ratio of claims to sales, the historical length of time between the sale and resulting warranty claim, new product introductions and other factors. In the event we determine that our current or future product repair and replacement costs exceed our estimates, an adjustment to these reserves would be charged to earnings in the period such determination is made. Warranty terms on machines range from one to four years.

Environmental – We record a liability for environmental clean-up on an undiscounted basis when a loss is probable and can be reasonably estimated.

Pension and Profit Sharing Plans – We have pension and/or profit sharing plans covering substantially all of our employees. Pension plan costs are accrued based on actuarial estimates with the required pension cost funded annually, as needed.

Postretirement Benefits – We accrue and recognize the cost of retiree health benefits over the employees' period of service based on actuarial estimates.

Derivative Financial Instruments – We use derivative instruments to manage exposures to foreign currency only in an attempt to limit underlying exposures from currency fluctuations and not for trading purposes. We periodically enter into various contracts, principally forward exchange contracts, to protect the value of certain of our foreign currency-denominated assets and liabilities (principally the Euro, Australian and Canadian dollars, British pound, Japanese yen, Chinese yuan and Brazilian real). We have elected not to apply hedge accounting treatment to these contracts as our contracts are for a short duration. These contracts are marked-to-market with the related asset or liability recorded in Other Current Assets or Other Current Liabilities, as applicable. The gains and losses on these contracts generally approximate changes in the value of the related assets and liabilities. Gains or losses on forward foreign exchange contracts to economically hedge foreign currency-denominated net assets and liabilities are recognized in Other (Expense) Income under Net Foreign Currency Transaction Gains (Losses) within the Consolidated Statements of Operations.

Revenue Recognition – We recognize revenue when persuasive evidence of an arrangement exists, title and risk of ownership have passed, the sales price is fixed or determinable and collectibility is probable. Generally, these criteria are met at the time the product is shipped. Provisions for estimated returns, rebates and discounts are provided for at the time the related revenue is recognized. Freight revenue billed to customers is included in Net Sales and the related shipping expense is included in Cost of Sales. Service revenue is recognized in the period the service is performed or ratably over the period of the related service contract.

Customers may obtain financing through third-party leasing companies to assist in their acquisition of our equipment products. Certain lease transactions classified as operating leases contain retained ownership provisions or guarantees, which results in recognition of revenue over the lease term. As a result, we defer the sale of these transactions and record the sales proceeds as collateralized borrowings or deferred revenue. The underlying equipment relating to operating leases is depreciated on a straight-line basis, not to exceed the equipment's estimated useful life.

Revenues from contracts with multiple element arrangements are recognized as each element is earned. We offer service contracts in conjunction with equipment sales in addition to selling equipment and service contracts separately. Sales proceeds related to service contracts are deferred if the proceeds are received in advance of the service and recognized ratably over the contract period.

Stock-based Compensation – We account for employee stock-based compensation using the fair value based method. Our stock-based compensation plans are more fully described in Note 15 of the Consolidated Financial Statements.

Research and Development – Research and development costs are expensed as incurred.

Advertising Costs – We advertise products, technologies and solutions to customers and prospective customers through a variety of marketing campaign and promotional efforts. These efforts include tradeshow, online advertising, e-mail marketing, mailings, sponsorships and telemarketing. Advertising costs are expensed as incurred. In 2011, 2010 and 2009 such activities amounted to \$6,728, \$5,516 and \$4,380, respectively.

Income Taxes – Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the book and tax bases of existing assets and liabilities. A valuation allowance is provided when, in management's judgment, it is more likely than not that some portion or all of the deferred tax asset will not be realized. We have established contingent tax liabilities using management's best judgment. As of January 1, 2007, we follow guidance provided by ASC 740, *Income Taxes*, regarding uncertainty in income taxes, to record these contingent tax liabilities (refer to Note 14 of the Consolidated Financial Statements for additional information). We adjust these liabilities as facts and circumstances change. Interest Expense is recognized in the first period the interest would begin accruing. Penalties are recognized in the period we claim or expect to claim the position in our tax return. Interest and penalties expenses are classified as an income tax expense.

Sales Tax – Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis.

Earnings (Loss) per Share – Basic earnings (loss) per share is computed by dividing Net Earnings (Loss) by the Weighted Average Shares Outstanding during the period. Diluted earnings (loss) per share assume conversion of potentially dilutive stock options and restricted share awards. Performance-based shares are included in the calculation of diluted earnings (loss) per share in the quarter in which the performance targets have been achieved.

Subsequent Events - Events that have occurred subsequent to December 31, 2011 have been evaluated.

(In thousands, except shares and per share data)

2. Newly Adopted Accounting Pronouncements

Intangibles – Goodwill and Other

In December 2010, the Financial Accounting Standards Board (“FASB”) issued amended guidance to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. We adopted the modified guidance on January 1, 2011. The adoption of the modified guidance did not have an impact on our financial position or results of operations.

Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued new guidance that sets forth the requirements that must be met for an entity to recognize revenue for the sale of a delivered item that is part of a multiple-element arrangement when other elements have not yet been delivered. We adopted the new guidance on January 1, 2011. The adoption of the new guidance did not have a material impact on our financial position or results of operations.

Business Combinations

In December 2010, the FASB updated guidance to clarify the acquisition date that should be used for reporting the pro forma financial information disclosure when comparative financial statements are presented. We adopted the updated guidance on January 1, 2011. The adoption of the updated guidance did not have an impact on our financial statement disclosures.

Fair Value Measurements and Disclosures

In January 2010, the FASB updated the disclosure requirements for fair value measurements. The updated guidance requires companies to disclose separately the investments that transfer in and out of Levels 1 and 2 and the reasons for those transfers. Additionally, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), companies should present separately information about purchases, sales, issuances and settlements. We adopted the updated guidance on January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which we adopted the remaining guidance on January 1, 2011. The adoption of the remaining guidance did not have an impact on our financial position or results of operations.

Testing Goodwill for Impairment

In September 2011, the FASB issued updated accounting guidance on the periodic testing of goodwill for impairment. This updated accounting guidance permits companies to make a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If a company determines through this qualitative analysis that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, it is not necessary to perform the two-step impairment test. This guidance is effective for annual and interim periods beginning after December 15, 2011, however early adoption is permitted. We elected to early adopt this guidance for the annual fiscal year ended December 31, 2011. The adoption of this guidance did not have an impact on our results of operations or financial position.

3. Management Actions

2010 Action - During the fourth quarter of 2010, we implemented a restructuring action. A pretax charge of \$1,671 was recognized in the fourth quarter of 2010 as a result of that action. The pretax charge consisted of severance and outplacement services and was included within Selling and Administrative Expense in the 2010 Consolidated Statement of Earnings.

A reconciliation of the beginning and ending liability balances is as follows:

	Severance, Early Retirement and Related Costs
2010 restructuring action	\$ 1,671
Cash payments	(87)
December 31, 2010 balance	\$ 1,584
2011 utilization:	
Cash payments	(1,534)
Foreign currency adjustments	(54)
Change in estimate	110
December 31, 2011 balance	\$ 106

(In thousands, except shares and per share data)

4. Acquisitions and Divestitures*Acquisitions*

On May 31, 2011, we acquired Water Star, Inc. (“Water Star”), a Newbury, Ohio firm specializing in electrochemistry for \$4,456. The total purchase price of \$4,456 is comprised of \$2,956 paid at closing and two \$750 installment payments which will be paid in cash on the first and second anniversary dates of the acquisition. These installment payments are not contingent on any future services or other financial targets. This acquisition is consistent with our strategy to expand our intellectual property in support of our long-term vision to deliver sustainable, breakthrough innovations. The purchase price allocation is preliminary and will be adjusted based upon the final determination of fair value of assets acquired and liabilities assumed.

The components of the purchase price of the business combination described above have been allocated as follows:

Current Assets	\$	426
Property, Plant and Equipment, net		167
Identified Intangible Assets		3,800
Goodwill		472
Total Assets Acquired		4,865
Current Liabilities		409
Total Liabilities Assumed		409
Net Assets Acquired	\$	4,456

5. Inventories

Inventories as of December 31, consisted of the following:

	2011	2010
Inventories carried at LIFO:		
Finished goods	\$ 32,648	\$ 31,355
Raw materials, production parts and work-in-process	16,611	15,414
LIFO reserve	(27,926)	(26,462)
Total LIFO inventories	21,333	20,307
Inventories carried at FIFO:		
Finished goods	31,912	23,770
Raw materials, production parts and work-in-process	12,667	17,669
Total FIFO inventories	44,579	41,439
Total Inventories	\$ 65,912	\$ 61,746

The LIFO reserve approximates the difference between LIFO carrying cost and FIFO. LIFO reserve increased in 2011 due to increase in North America inventories and higher cost indices.

6. Property, Plant and Equipment

Property, Plant and Equipment and related Accumulated Depreciation, including equipment under capital leases, as of December 31, consisted of the following:

	2011	2010
Land	\$ 4,383	\$ 4,397
Buildings and improvements	49,931	49,578
Machinery and manufacturing equipment	135,794	137,246
Office equipment	86,740	90,844
Work in progress	10,101	5,686
Total Property, Plant and Equipment	286,949	287,751
Less: Accumulated Depreciation	(199,795)	(200,123)
Net Property, Plant and Equipment	\$ 87,154	\$ 87,628

Depreciation expense was \$18,088 in 2011, \$18,026 in 2010 and \$19,632 in 2009.



(In thousands, except shares and per share data)

7. Goodwill and Intangible Assets

For purposes of performing our goodwill impairment analysis, we have identified our reporting units as North America; Latin America; Europe, Middle East, Africa (“EMEA”) and Asia Pacific. As of December 31, 2011, the Company performed an analysis of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Based on the Company’s analysis of qualitative factors, the Company determined that it was not necessary to perform the two-step goodwill impairment test for any of its reporting units. Each of our reporting units were tested for impairment as of December 31, 2010 and based upon our analysis, the estimated fair values of our reporting units substantially exceeded their carrying amounts.

During the first quarter of 2009, the price of our stock decreased to the point that our carrying amount exceeded our market capitalization for a period of time leading up to and including March 31, 2009. Accordingly, we performed interim impairment tests as of March 31, 2009 on our goodwill and other intangible assets. As quoted market prices are not available for our reporting units, estimated fair value was determined using an average weighting of both projected discounted future cash flows and the use of comparative market multiples. The use of comparative market multiples (the market approach) compares us to other comparable companies based on valuation multiples to arrive at a fair value. The use of projected discounted future cash flows (discounted cash flow approach) is based on management’s assumptions including forecasted revenues and margins, estimated capital expenditures, depreciation, amortization and discount rates. Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis, and that impact these assumptions, may result in a future goodwill impairment charge.

Upon performing the first step test for the interim impairment analysis in 2009, the estimated fair values of the North America, Latin America, and Asia Pacific reporting units exceeded their carrying amounts. However, we determined that the fair value of the EMEA reporting unit was below its carrying amount, indicating a potential goodwill impairment existed. Having determined that the goodwill of the EMEA reporting unit was potentially impaired, we performed Step 2 of the goodwill impairment analysis which involved calculating the implied fair value of its goodwill by allocating the fair value of the reporting unit to all of its assets and liabilities other than goodwill (including both recognized and unrecognized intangible assets) and comparing the residual value to the carrying amount of goodwill. As of March 31, 2009, as a result of our interim impairment tests, we recorded an impairment loss related to our EMEA reporting unit, which totaled \$43,363, representing 100% of the goodwill for this reporting unit. There was no impairment of our other intangible assets.

The income tax benefit associated with the 2009 first quarter goodwill impairment was \$1,074 which relates to the tax deductible portion of the goodwill impairment.

The changes in the carrying amount of Goodwill are as follows:

	Goodwill	Accumulated Impairment Losses	Total
Balance as of December 31, 2010	\$ 67,008	\$ (46,585)	\$ 20,423
Additions	688	-	688
Foreign currency fluctuations	(1,173)	365	(808)
Balance as of December 31, 2011	\$ 66,523	\$ (46,220)	\$ 20,303
Balance as of December 31, 2009	\$ 68,706	\$ (48,525)	\$ 20,181
Adjustments	(117)	-	(117)
Foreign currency fluctuations	(1,581)	1,940	359
Balance as of December 31, 2010	\$ 67,008	\$ (46,585)	\$ 20,423

The balances of acquired Intangible Assets, excluding Goodwill, as of December 31, are as follows:

	Customer Lists and Service Contracts	Trade Name	Technology	Total
Balance as of December 31, 2011				
Original cost	\$ 25,987	\$ 4,583	\$ 7,136	\$ 37,706
Accumulated amortization	(10,387)	(1,209)	(2,352)	(13,948)
Carrying amount	\$ 15,600	\$ 3,374	\$ 4,784	\$ 23,758
Weighted-average original life (in years)	14	14	13	
Balance as of December 31, 2010				
Original cost	\$ 26,662	\$ 4,709	\$ 3,441	\$ 34,812
Accumulated amortization	(7,344)	(901)	(1,228)	(9,473)

Carrying amount	\$	19,318	\$	3,808	\$	2,213	\$	25,339
Weighted-average original life (in years)		14		14		11		

(In thousands, except shares and per share data)

The additions to Goodwill during 2011 were a result of our Water Star acquisition as well as recording a portion of the Shanghai ShenTan Mechanical and Electrical Equipment Co. Ltd. (“Shanghai ShenTan”) earn-out.

The net reduction of Goodwill during 2010 was a result of recording a portion of the Shanghai ShenTan earn-out, offset by the finalization of the valuation of the customer list acquired with the Applied Cleansing acquisition. The Applied Cleansing customer list has a useful life of 8 years.

During the second quarter of 2011, we impaired customer lists and technology Intangible Assets totaling \$1,805 related to the obsolescence of the two Hofmans outdoor city cleaning products in Europe. This impairment charge is included within Selling and Administrative Expense in the 2011 Consolidated Statement of Earnings.

Amortization expense on Intangible Assets was \$3,330, \$3,166 and \$3,120 for the years ended December 31, 2011, 2010 and 2009, respectively.

Estimated aggregate amortization expense based on the current carrying amount of amortizable Intangible Assets for each of the five succeeding years is as follows:

2012	\$	2,459
2013		2,343
2014		2,281
2015		2,269
2016		2,229
Thereafter		12,177
Total	\$	23,758

8. Debt

Short-term borrowings and Long-Term Debt as of December 31 consisted of the following:

	2011	2010
Short-term borrowings:		
Bank borrowings	\$ -	\$ -
Long-Term Debt:		
Bank borrowings	49	128
Credit facility borrowings	30,000	25,000
Notes Payable	1,500	-
Collateralized borrowings	127	471
Capital lease obligations	4,779	5,229
Total Long-Term Debt	36,455	30,828
Less: current portion	4,166	3,154
Long-term portion	\$ 32,289	\$ 27,674

As of December 31, 2011, we had committed lines of credit totaling approximately \$125,000 and uncommitted lines of credit totaling approximately \$82,592. There was \$10,000 in outstanding borrowings under our JPMorgan facility and \$20,000 borrowings under our Prudential facility as of December 31, 2011. In addition, we had stand alone letters of credit of approximately \$1,759 outstanding and bank guarantees in the amount of approximately \$1,015. Commitment fees on unused lines of credit for the year ended December 31, 2011 were \$338.

Our most restrictive covenants are part of our Credit Agreement with JPMorgan, which are the same covenants in our Shelf Agreement with Prudential described below, and require us to maintain an indebtedness to EBITDA ratio of not greater than 3.00 to 1 and to maintain an EBITDA to interest expense ratio of no less than 3.50 to 1 as of the end of each quarter. As of December 31, 2011, our indebtedness to EBITDA ratio was 0.54 to 1 and our EBITDA to interest expense ratio was 32.82 to 1.

Credit Facilities

JPMorgan Chase Bank, National Association

On May 5, 2011, we entered into a Credit Agreement (the “2011 Credit Agreement”) with JPMorgan Chase Bank, N. A. (“JPMorgan”), as administrative agent and collateral agent, U.S. Bank National Association, as syndication agent, Wells Fargo Bank, National Association, and RBS Citizens, N.A., as co-documentation agents, and the Lenders (including JPMorgan) from time to time party thereto. Upon entry into the 2011 Credit Agreement, we repaid and terminated our June 19, 2007 Credit Agreement. The 2011 Credit Agreement provides us and certain of our foreign subsidiaries access to a senior unsecured credit facility until May 5, 2016, in the amount of \$125,000, with an option to expand by

up to \$62,500 to a total of \$187,500. Borrowings may be denominated in U.S. Dollars or certain other currencies. The 2011 Credit Agreement contains a \$100,000 sublimit on borrowings by foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except shares and per share data)

The fee for committed funds under the 2011 Credit Agreement ranges from an annual rate of 0.25% to 0.40%, depending on our leverage ratio. Borrowings under the 2011 Credit Agreement bear interest at a rate per annum equal to the greatest of (a) the prime rate, (b) the federal funds rate plus 0.50% and (c) the adjusted LIBOR rate for a one month period plus 1.0%, plus, in any such case, an additional spread of 0.50% to 1.10%, depending on our leverage ratio.

The 2011 Credit Agreement gives the lenders a pledge of 65% of the stock of certain first tier foreign subsidiaries. The obligations under the 2011 Credit Agreement are also guaranteed by our first tier domestic subsidiaries.

The 2011 Credit Agreement contains customary representations, warranties and covenants, including but not limited to covenants restricting our ability to incur indebtedness and liens and merge or consolidate with another entity. Further, the 2011 Credit Agreement contains the following covenants:

- a covenant requiring us to maintain an indebtedness to EBITDA ratio as of the end of each quarter of not greater than 3.00 to 1;
- a covenant requiring us to maintain an EBITDA to interest expense ratio as of the end of each quarter of no less than 3.50 to 1;
- a covenant restricting us from paying dividends or repurchasing stock if, after giving effect to such payments, our leverage ratio is greater than 2.00 to 1, in such case limiting such payments to an amount ranging from \$50,000 to \$75,000 during any fiscal year based on our leverage ratio after giving effect to such payments; and
- a covenant restricting our ability to make acquisitions, if, after giving pro-forma effect to such acquisition, our leverage ratio is greater than 2.75 to 1, in such case limiting acquisitions to \$25,000.

As of December 31, 2011 we were in compliance with all covenants under the Credit Agreement. There was \$10,000 in outstanding borrowings under this facility at December 31, 2011, with a weighted average interest rate of 1.75%.

Prudential Investment Management, Inc.

On May 5, 2011, we entered into Amendment No. 1 to our Private Shelf Agreement (the "Amendment"), which amends the Private Shelf Agreement, dated as of July 29, 2009, with Prudential Investment Management, Inc. ("Prudential") and Prudential affiliates from time to time party thereto (the "Shelf Agreement").

The Amendment principally provides the following changes to the Shelf Agreement:

- elimination of the security interest in our personal property and subsidiaries;
- an amendment to the maximum leverage ratio to not greater than 3.00 to 1 for any period ending on or after March 31, 2011;
- an amendment to our restriction regarding the payment of dividends or repurchase of stock to restrict us from paying dividends or repurchasing stock if, after giving effect to such payments, our leverage ratio is greater than 2.00 to 1, in such case limiting such payments to an amount ranging from \$50,000 to \$75,000 during any fiscal year based on our leverage ratio after giving effect to such payments; and
- an amendment to Permitted Acquisitions restricting our ability to make acquisitions, if, after giving pro-forma effect to such acquisition, our leverage ratio is greater than 2.75 to 1, in such case limiting acquisitions to \$25,000.

As of December 31, 2011, there was \$20,000 in outstanding borrowings under this facility; the \$10,000 Series A notes issued in March 2011 with a fixed interest rate of 4.00% and a 7 year term serially maturing from 2014 to 2018; and the \$10,000 Series B notes issued in June 2011 with a fixed interest rate of 4.10% and a 10 year term serially maturing from 2015 to 2021. We were in compliance with all covenants of the Shelf Agreement as of December 31, 2011.

The Royal Bank of Scotland Citizens, N.A.

On September 14, 2010, we entered into an overdraft facility with The Royal Bank of Scotland Citizens, N.A. in the amount of 2,000 Euros or approximately \$2,592. There was no balance outstanding on this facility as of December 31, 2011.

Notes Payable

On May 31, 2011, we incurred \$1,500 in debt related to installment payments due to the former owners of Water Star in connection with our acquisition of Water Star, which remains outstanding as of December 31, 2011.

Collateralized Borrowings

Collateralized borrowings represent deferred sales proceeds on certain leasing transactions with third-party leasing companies. These

transactions are accounted for as borrowings, with the related assets capitalized as property, plant and equipment and depreciated straight-line over the lease term.

Capital Lease Obligations

Capital lease obligations outstanding are primarily related to sale-leaseback transactions with third-party leasing companies whereby we sell our manufactured equipment to the leasing company and lease it back. The equipment covered by these leases is rented to our customers over the lease term.

(In thousands, except shares and per share data)

The aggregate maturities of our outstanding debt including capital lease obligations as of December 31, 2011, are as follows:

2012	\$	5,354
2013		3,096
2014		3,211
2015		4,252
2016		13,994
Thereafter		11,995
Total minimum obligations	\$	41,902
Less: amount representing interest		(5,447)
Total	\$	36,455

9. Other Current Liabilities**Other Current Liabilities as of December 31, consisted of the following:**

	2011	2010
Taxes, other than income taxes	\$ 5,629	\$ 5,654
Warranty	8,759	7,043
Deferred revenue	3,159	2,740
Rebates	5,185	4,927
Freight	3,945	4,257
Restructuring	835	1,798
Miscellaneous accrued expenses	8,974	11,401
Other	2,918	2,882
Total	\$ 39,404	\$ 40,702

The changes in warranty reserves for the three years ended December 31 were as follows:

	2011	2010	2009
Beginning balance	\$ 7,043	\$ 5,985	\$ 6,018
Product warranty provision	12,815	10,506	8,092
Acquired reserves	10	-	17
Foreign currency	(63)	(88)	133
Claims paid	(11,046)	(9,360)	(8,275)
Ending balance	\$ 8,759	\$ 7,043	\$ 5,985

10. Fair Value Measurements

Estimates of fair value for financial assets and financial liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value and requires certain disclosures. The framework discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The framework utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

(In thousands, except shares and per share data)

Our population of assets and liabilities subject to fair value measurements at December 31, 2011 is as follows:

	Fair value	Level 1	Level 2	Level 3	Valuation Technique
Assets:					
Water Star technology	\$ 3,800	\$ -	\$ -	\$ 3,800	(a)
Foreign currency forward exchange contracts	1,015	-	1,015	-	(b)
Total Assets	\$ 4,815	\$ -	\$ 1,015	\$ 3,800	
Liabilities:					
Foreign currency forward exchange contracts	\$ 102	\$ -	\$ 102	\$ -	(b)
Total Liabilities	\$ 102	\$ -	\$ 102	\$ -	

Assets and liabilities measured at fair value are based on one or more valuation techniques. The valuation techniques are identified in the table above and are as follows:

(a) We used a loss of income method to value Water Star technology. Inputs for this valuation model were based on estimated costs to replace and hypothetical lost profits.

(b) Our foreign currency forward exchange contracts are valued based on quoted forward foreign exchange prices at the reporting date.

We use derivative instruments to manage exposures to foreign currency only in an attempt to limit underlying exposures from currency fluctuations and not for trading purposes. Gains or losses on forward foreign exchange contracts to economically hedge foreign currency-denominated assets and liabilities are recognized in Other Current Assets and Other Current Liabilities within the Consolidated Balance Sheets and are recognized in Other Income (Expense) under Net Foreign Currency Transaction Gains (Losses) within the Consolidated Statements of Operations. As of December 31, 2011 the fair value of such contracts outstanding was an asset of \$1,015 and a liability of \$102. As of December 31, 2010 the fair value of such contracts outstanding was a liability of \$420. We recognized a net loss of \$1,444 during 2011, a net gain of \$1,216 during 2010 and a net loss of \$2,932 during 2009. At December 31, 2011 and 2010, the notional amounts of foreign currency forward exchange contracts outstanding were \$45,524 and \$40,325, respectively.

The carrying amounts reported in the Consolidated Balance Sheets for Cash and Cash Equivalents, Restricted Cash, Accounts Receivable, Other Current Assets, Accounts Payable and Other Current Liabilities approximate fair value.

The fair market value of our Long-Term Debt approximates cost, based on the borrowing rates currently available to us for bank loans with similar terms and remaining maturities.

11. Retirement Benefit Plans

Substantially all U.S. employees are covered by various retirement benefit plans, including defined benefit pension plans, post-retirement medical plans and defined contribution savings plans. Retirement benefits for eligible employees in foreign locations are funded principally through defined benefit plans, annuity or government programs. The total cost of benefits for our plans was \$11,131, \$11,231 and \$10,101 in 2011, 2010 and 2009, respectively.

We have a qualified, funded defined benefit retirement plan (the "U.S. Pension Plan") in the U.S. covering certain current and retired employees. Plan benefits are based on the years of service and compensation during the highest five consecutive years of service in the final ten years of employment. No new participants have entered the plan since 2000. The plan has approximately 450 participants including 114 active employees as of December 31, 2011.

We have a U.S. postretirement medical benefit plan (the "U.S. Retiree Plan") to provide certain healthcare benefits for U.S. employees hired before January 1, 1999. Eligibility for those benefits is based upon a combination of years of service with Tennant and age upon retirement.

Our defined contribution savings plan ("401(k)") covers substantially all U.S. employees. Under this plan, we match up to 3% of the employee's compensation in stock or cash to be invested per their election. Historically, matching contributions have been primarily funded by our ESOP Plan. However, as of December 31, 2009, all shares have been allocated. Additional disclosures about the ESOP Plan can be found in Note 16 of the Consolidated Financial Statements. Starting in 2010, the matching contributions to the 401(k) are funded primarily with cash. We also make a profit sharing contribution to the 401(k) plan for employees with more than one year of service in accordance with our Profit Sharing Plan. This contribution is based upon our financial performance and can be funded in the form of Tennant stock, cash or a combination of both. Expenses for the 401(k) plan were \$6,864, \$7,073 and \$6,676 during 2011, 2010 and 2009, respectively.

We have a U.S. nonqualified supplemental benefit plan (the "U.S. Nonqualified Plan") to provide additional retirement benefits for certain employees whose benefits under our 401(k) plan or U.S. Pension Plan are limited by either the Employee Retirement Income Security Act or the Internal Revenue Code.

We also have defined pension benefit plans in the United Kingdom and Germany (the “U.K. Pension Plan” and the “German Pension Plan”). The U.K. Pension Plan and German Pension Plan cover certain current and retired employees and both plans are closed to new participants.

On March 23, 2010, the Patient Protection and Affordable Care Act (the “PPACA”) was signed into law, and, on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the “HCERA” and, together with PPACA, the “Acts”), which makes various amendments to certain aspects of the PPACA, was signed into law. The Acts effectively change the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide prescription drug benefits that are at least actuarially equivalent to the corresponding benefits provided under Medicare Part D. Under the Acts, an employer’s income tax deduction for the costs of providing Medicare Part D-equivalent prescription drug benefits to retirees will be reduced by the amount of the federal subsidy beginning in 2013. Under U.S. GAAP, any impact from a change in tax law must be recognized in earnings in the period enacted regardless of the effective date. The Acts did not have a material impact on our financial position or results of operations.

(In thousands, except shares and per share data)

We expect to contribute approximately \$1,742 to our U.S. Pension Plan, \$129 to our U.S. Nonqualified Plan, \$841 to our U.S. Retiree Plan, \$214 to our U.K. Pension Plan and \$38 to our German Pension Plan in 2012.

Weighted-average asset allocations by asset category of the U.S. and U.K. Pension Plans as of December 31, 2011 are as follows:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 533	\$ 533	\$ -	\$ -
Equity Securities:				
U.S. Small-Cap ⁽¹⁾	445	445	-	-
U.S. Mid-Cap ⁽¹⁾	2,761	2,761	-	-
U.S. Large-Cap ⁽¹⁾	179	179	-	-
International Small-Cap ⁽²⁾	116	116	-	-
Mutual Funds:				
Corporate Bonds	11,557	11,557	-	-
U.S. Large-Cap ⁽³⁾	12,646	12,646	-	-
Investment Account held by Pension Plan ⁽⁴⁾	7,738	-	7,738	-
Total	\$ 35,975	\$ 28,237	\$ 7,738	\$ -

⁽¹⁾ This category is comprised of actively managed domestic common stocks.

⁽²⁾ This category is comprised of actively managed international common stocks.

⁽³⁾ This category is comprised of funds not actively managed that track the S&P 500.

⁽⁴⁾ This category is comprised of foreign and domestic equities and foreign and domestic fixed interest assets.

The primary objective of our U.S. and U.K. Pension Plans is to meet retirement income commitments to plan participants at a reasonable cost to Tennant and to maintain a sound actuarially funded status. This objective is accomplished through growth of capital and safety of funds invested. The pension plan assets are invested in securities to achieve growth of capital over inflation through appreciation and accumulation and reinvestment of dividend and interest income. Investments are diversified to control risk. The overall return objective is to achieve an annualized return equal to or greater than the return expectations in the actuarial valuation. The target allocation for the U.S. Pension Plan is 60% equity and 40% debt securities. Equity securities within the U.S. Pension Plan do not include any investments in Tennant Company Common Stock. The U.K. Pension Plan is invested in an insurance contract with underlying investments primarily in equity and fixed income securities. Our German Pension Plan is unfunded, which is customary in that country.

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2011	2010	2011	2010	2011	2010
Discount rate	4.39%	5.39%	4.94%	5.39%	4.20%	5.00%
Rate of compensation increase	3.00%	3.00%	4.60%	5.10%	-	-

Weighted-average assumptions used to determine net periodic benefit costs as of December 31 are as follows:

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Discount rate	5.39%	5.88%	6.90%	5.39%	5.69%	6.16%	5.00%	5.60%	6.90%
Expected long-term rate of return on plan assets	7.70%	7.70%	8.75%	5.20%	5.50%	4.90%	-	-	-
Rate of compensation increase	3.00%	3.00%	4.00%	5.10%	5.10%	4.50%	-	-	-

The discount rate is used to discount future benefit obligations back to today's dollars. Our discount rates were determined based on high-quality fixed income investments. The resulting discount rates are consistent with the duration of plan liabilities. The Citigroup Above Median Yield Curve is used in determining the discount rate for the U.S. Plans.



(In thousands, except shares and per share data)

The accumulated benefit obligations as of December 31, for all defined benefit plans are as follows:

	2011	2010
U.S. Pension Plans	\$ 42,909	\$ 37,472
U.K. Pension Plan	7,858	7,498
German Pension Plan	652	676

Information for our plans with an accumulated benefit obligation in excess of plan assets as of December 31, is as follows:

	U.S. Pension Plans		Non-U.S. Plans	
	2011	2010	2011	2010
Projected benefit obligation	\$ 44,280	\$ 38,885	\$ 8,775	\$ 8,394
Accumulated benefit obligation	42,909	37,472	8,510	8,174
Fair value of plan assets	28,237	29,483	7,738	6,917

As of December 31, 2011 and 2010, the U.S. Pension Plan, the U.S. Nonqualified, U.K. Pension and German Pension Plans had an accumulated benefit obligation in excess of plan assets.

Assumed healthcare cost trend rates as of December 31, are as follows:

	2011	2010
Healthcare cost trend rate assumption for the next year	10.14%	11.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2031	2031

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. To illustrate, a one-percentage-point change in assumed healthcare cost trends would have the following effects:

	1-Percentage- Point Decrease	1-Percentage- Point Increase
Effect on total of service and interest cost components	\$ (65)	\$ 75
Effect on postretirement benefit obligation	\$ (1,121)	\$ 1,288

(In thousands, except shares and per share data)

Summaries related to changes in benefit obligations and plan assets and to the funded status of our defined benefit and postretirement medical benefit plans are as follows:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Medical Benefits	
	2011	2010	2011	2010	2011	2010
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 38,885	\$ 36,034	\$ 8,394	\$ 7,994	\$ 13,423	\$ 14,323
Service cost	651	657	133	117	132	121
Interest cost	2,013	2,032	465	434	612	681
Plan participants' contributions	-	-	24	25	-	-
Plan amendments	233	-	-	-	-	-
Actuarial loss (gain)	4,216	1,842	40	250	72	(892)
Foreign exchange	-	-	(63)	(294)	-	-
Benefits paid	(1,718)	(1,680)	(218)	(132)	(531)	(810)
Benefit obligation at end of year	\$ 44,280	\$ 38,885	\$ 8,775	\$ 8,394	\$ 13,708	\$ 13,423
Change in fair value of plan assets and net accrued liabilities:						
Fair value of plan assets at beginning of year	\$ 29,483	\$ 27,438	\$ 6,917	\$ 6,451	\$ -	\$ -
Actual return on plan assets	357	3,610	715	454	-	-
Employer contributions	115	115	352	338	531	810
Plan participants' contributions	-	-	24	25	-	-
Foreign exchange	-	-	(52)	(219)	-	-
Benefits paid	(1,718)	(1,680)	(218)	(132)	(531)	(810)
Fair value of plan assets at end of year	28,237	29,483	7,738	6,917	-	-
Funded status at end of year	\$ (16,043)	\$ (9,402)	\$ (1,037)	\$ (1,477)	\$ (13,708)	\$ (13,423)
Amounts recognized in the consolidated balance sheets consist of:						
Current liabilities	\$ (129)	\$ (131)	\$ (38)	\$ (38)	\$ (841)	\$ (855)
Noncurrent liabilities	(15,914)	(9,271)	(999)	(1,439)	(12,867)	(12,568)
Net accrued liability	\$ (16,043)	\$ (9,402)	\$ (1,037)	\$ (1,477)	\$ (13,708)	\$ (13,423)
Amounts recognized in accumulated other comprehensive income (loss) consist of:						
Prior service cost	\$ 606	\$ 923	\$ -	\$ -	\$ (689)	\$ (1,268)
Net actuarial loss	12,488	6,331	2,000	302	1,921	1,849
Accumulated other comprehensive income	\$ 13,094	\$ 7,254	\$ 2,000	\$ 302	\$ 1,232	\$ 581

The components of the net periodic benefit cost for the three years ended December 31, were as follows:

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Service cost	\$ 651	\$ 657	\$ 648	\$ 133	\$ 117	\$ 97	\$ 132	\$ 121	\$ 141
Interest cost	2,013	2,032	2,116	465	434	406	612	681	854
Expected return on plan assets	(2,325)	(2,340)	(2,767)	(376)	(346)	(276)	-	-	-
Amortization of net actuarial loss (gain)	27	22	(151)	-	-	-	-	-	-
Amortization of transition (asset) obligation	-	-	(20)	-	-	-	-	-	-
Amortization of prior service cost	550	554	555	-	-	-	(580)	(579)	(580)
Foreign currency	-	-	-	(18)	(65)	61	-	-	-
Net periodic benefit cost	\$ 916	\$ 925	\$ 381	\$ 204	\$ 140	\$ 288	\$ 164	\$ 223	\$ 415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except shares and per share data)

The changes in accumulated other comprehensive income for the three years ended December 31, were as follows:

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Postretirement Medical Benefits		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Prior service cost	\$ 233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net actuarial loss (gain)	6,184	573	387	(300)	143	502	72	(892)	1,823
Amortization of prior service cost	(550)	(554)	(555)	-	-	-	580	580	580
Amortization of prior transition asset	-	-	20	-	-	-	-	-	-
Amortization of net actuarial (loss) gain	(27)	(22)	151	-	-	-	-	-	-
Total recognized in other comprehensive income	\$5,840	\$ (3)	\$ 3	\$ (300)	\$ 143	\$ 502	\$ 652	\$ (312)	\$ 2,403
Total recognized in net periodic benefit cost and other comprehensive income	\$6,756	\$ 922	\$ 384	\$ (96)	\$ 283	\$ 790	\$ 816	\$ (89)	\$ 2,818

The following benefit payments, which reflect expected future service, are expected to be paid for our U.S. and Non-U.S. plans:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Postretirement Medical Benefits
2012	\$ 1,659	\$ 178	\$ 841
2013	1,846	183	914
2014	2,088	187	1,012
2015	2,368	192	1,096
2016	2,541	196	1,166
2017 to 2021	14,423	1,059	5,888
Total	\$ 24,925	\$ 1,995	\$ 10,917

The following amounts are included in accumulated other comprehensive income as of December 31, 2011 and are expected to be recognized as components of net periodic benefit cost during 2012:

	Pension Benefits	Postretirement Medical Benefits
Net loss	\$ 1,030	\$ 67
Net prior service cost (credit)	388	(580)

(In thousands, except shares and per share data)

12. Shareholders' Equity*Authorized Shares*

We are authorized to issue an aggregate of 61,000,000 shares; 60,000,000 are designated as Common Stock, having a par value of \$0.375 per share, and 1,000,000 are designated as Preferred Stock, having a par value of \$0.02 per share. The Board of Directors is authorized to establish one or more series of preferred stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series.

Purchase Rights

On November 10, 2006, the Board of Directors approved a Rights Agreement and declared a dividend of one preferred share purchase right for each outstanding share of Common Stock. Each right entitles the registered holder to purchase from us one one-hundredth of a Series A Junior Participating Preferred Share of the par value of \$0.02 per share at a price of \$100 per one one-hundredth of a Preferred Share, subject to adjustment. The rights are not exercisable or transferable apart from the Common Stock until the earlier of: (i) the close of business on the fifteenth day following a public announcement that a person or group of affiliated or associated persons has become an "Acquiring Person" (i.e., has become, subject to certain exceptions, including for stock ownership by employee benefit plans, the beneficial owner of 20% or more of the outstanding Common Stock), or (ii) the close of business on the fifteenth day following the first public announcement of a tender offer or exchange offer the consummation of which would result in a person or group of affiliated or associated persons becoming, subject to certain exceptions, the beneficial owner of 20% or more of the outstanding Common Stock (or such later date as may be determined by our Board of Directors prior to a person or group of affiliated or associated persons becoming an Acquiring Person). After a person or group becomes an Acquiring Person, each holder of a Right (other than an Acquiring Person) will be able to exercise the right at the current exercise price of the Right and receive the number of shares of Common Stock having a market value of two times the exercise price of the right, or, depending upon the circumstances in which the rights became exercisable, the number of common shares of the acquiring company having a market value of two times the exercise price of the right. At no time do the rights have any voting power. We may redeem the rights for \$0.001 per right at any time prior to a person or group acquiring 20% or more of the Common Stock. Under certain circumstances, the Board of Directors may exchange the rights for our Common Stock or reduce the 20% thresholds to not less than 10%. The rights will expire on December 26, 2016, unless extended or earlier redeemed or exchanged by us.

13. Commitments and Contingencies

We lease office and warehouse facilities, vehicles and office equipment under operating lease agreements, which include both monthly and longer-term arrangements. Leases with initial terms of one year or more expire at various dates through 2020 and generally provide for extension options. Rent expense under the leasing agreements (exclusive of real estate taxes, insurance and other expenses payable under the leases) amounted to \$17,375, \$16,215 and \$14,809 in 2011, 2010 and 2009, respectively.

The minimum rentals for aggregate lease commitments as of December 31, 2011, were as follows:

2012	\$	7,937
2013		4,628
2014		2,811
2015		1,622
2016		774
Thereafter		857
Total	\$	18,629

Certain operating leases for vehicles contain residual value guarantee provisions, which would become due at the expiration of the operating lease agreement if the fair value of the leased vehicles is less than the guaranteed residual value. The aggregate residual value at lease expiration of those leases is \$8,000, of which we have guaranteed \$6,208. As of December 31, 2011, we have recorded a liability for the estimated end-of-term loss related to this residual value guarantee of \$895 for certain vehicles within our fleet. Our fleet also contains vehicles we estimate will settle at a gain. Gains on these vehicles will be recognized at the end of the lease term.

On November 9, 2009 we entered into a purchase agreement with a third-party manufacturer. Under this agreement we have a minimum purchase obligation of \$1,580 through 2012. There is no remaining commitment under this agreement as of December 31, 2011.

In the ordinary course of business, we may become liable with respect to pending and threatened litigation, tax, environmental and other matters. While the ultimate results of current claims, investigations and lawsuits involving us are unknown at this time, we do not expect that these matters will have a material adverse effect on our consolidated financial position or results of operations. Legal costs associated with such matters are expensed as incurred.

(In thousands, except shares and per share data)

14. Income Taxes**Income from continuing operations for the three years ended December 31, was as follows:**

	2011	2010	2009
U.S. operations	\$ 40,282	\$ 26,297	\$ 12,103
Foreign operations	8,448	8,430	(36,423)
Total	\$ 48,730	\$ 34,727	\$ (24,320)

Income tax expense (benefit) for the three years ended December 31, was as follows:

	2011	2010	2009
Current:			
Federal	\$ 10,321	\$ 6,756	\$ (337)
Foreign	2,277	3,005	1,284
State	1,450	1,214	236
	\$ 14,048	\$ 10,975	\$ 1,183
Deferred:			
Federal	\$ 2,330	\$ (10,541)	\$ 1,897
Foreign	(203)	(248)	(1,444)
State	(158)	(262)	285
	\$ 1,969	\$ (11,051)	\$ 738
Total:			
Federal	\$ 12,651	\$ (3,785)	\$ 1,560
Foreign	2,074	2,757	(160)
State	1,292	952	521
	\$ 16,017	\$ (76)	\$ 1,921

U.S. income taxes have not been provided on approximately \$22,282 of undistributed earnings of non-U.S. subsidiaries. We do not have any plans to repatriate the undistributed earnings. Any repatriation from foreign subsidiaries that would result in incremental U.S. taxation is not being considered. It is management's belief that reinvesting these earnings outside the U.S. is the most efficient use of capital.

We have Dutch and German tax loss carryforwards of approximately \$6,460 and \$15,271, respectively. If unutilized, the Dutch tax loss carryforward will expire after 9 years. The German tax loss carryforward has no expiration date. Because of the uncertainty regarding realization of the Dutch tax loss carryforward, a valuation allowance was established. This valuation allowance decreased in 2011 due to results of operations and an intercompany transaction that had no impact on 2011 Net Earnings.

We have foreign tax credit carryforwards of approximately \$8,554. If unutilized, foreign tax credit carryforwards will expire in 2020. Based upon evaluation, as of December 31, 2011, no valuation allowance has been recorded.

A valuation allowance for the remaining deferred tax assets is not required since it is more likely than not that they will be realized through carryback to taxable income in prior years, future reversals of existing taxable temporary differences and future taxable income.

Our effective income tax rate varied from the U.S. federal statutory tax rate for the three years ended December 31, was as follows:

	2011	2010	2009
Tax at statutory rate	35.0%	35.0%	(35.0%)
Increases (decreases) in the tax rate from:			
State and local taxes, net of federal benefit	2.0	0.7	1.1
Effect of foreign operations	0.5	0.5	(7.0)
International restructuring	-	(31.4)	(9.4)
Goodwill impairment - non-deductible	-	-	56.9
Effect of changes in valuation allowances	-	0.1	(0.7)
Domestic production activities deduction	(1.6)	(3.0)	0.8
Other, net	(3.0)	(2.1)	1.2
Effective income tax rate	32.9%	(0.2%)	7.9%



(In thousands, except shares and per share data)

Deferred tax assets and liabilities were comprised of the following as of December 31:

	2011	2010	2009
Deferred tax assets:			
Inventories, principally due to additional costs inventoried for tax purposes and changes in inventory reserves	\$ 426	\$ 1,081	\$ 867
Employee wages and benefits, principally due to accruals for financial reporting purposes	20,910	17,948	16,050
Warranty reserves accrued for financial reporting purposes	2,625	2,175	1,803
Accounts receivable, principally due to allowance for doubtful accounts and tax accounting method for equipment rentals	1,464	1,252	1,396
Tax loss carryforwards	5,915	12,725	12,987
Valuation allowance	(3,229)	(9,170)	(9,131)
Tax credit carryforwards	8,554	10,119	2,385
Other	1,777	1,937	1,177
Total deferred tax assets	\$ 38,442	\$ 38,067	\$ 27,534
Deferred tax liabilities:			
Property, Plant and Equipment, principally due to differences in depreciation and related gains	\$ 9,167	\$ 8,562	\$ 8,592
Goodwill and Intangible Assets	7,093	8,390	9,086
Total deferred tax liabilities	\$ 16,260	\$ 16,952	\$ 17,678
Net deferred tax assets	\$ 22,182	\$ 21,115	\$ 9,856

The valuation allowance at December 31, 2011, principally applies to Dutch tax loss carryforwards that, in the opinion of management, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance will reduce income tax expense.

In 2011 and 2010 we recorded tax benefits directly to Shareholders' Equity of \$1,266 and \$1,724, respectively, relating to our stock plans. In 2009, we recorded tax benefits directly to Shareholders' Equity of \$120 relating to our ESOP and stock plans.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at January 1, 2011	\$ 5,272
Decreases as a result of tax positions taken during a prior period	(765)
Increases as a result of tax positions taken during the current year	828
Decreases for tax positions related to acquired entities during a prior period	-
Decreases relating to settlements with taxing authorities	(193)
Reductions as a result of a lapse of the applicable statute of limitations	(1,551)
Decreases as a result of foreign currency fluctuations	(167)
Balance at December 31, 2011	\$ 3,424

Included in the balance of unrecognized tax benefits at December 31, 2011 are potential benefits of \$3,209 that, if recognized, would affect the effective tax rate from continuing operations.

We recognize potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. In addition to the liability of \$3,424 for unrecognized tax benefits as of December 31, 2011 was approximately \$427 for accrued interest and penalties. To the extent interest and penalties are not assessed with respect to uncertain tax positions, the amounts accrued will be revised and reflected as an adjustment to income tax expense.

We are subject to U.S. federal income tax as well as income tax of numerous state and foreign jurisdictions. We are generally no longer subject to U.S. federal tax examinations for taxable years before 2008 and with limited exceptions, state and foreign income tax examinations for taxable years before 2004.

The Internal Revenue Service has just begun an examination of our income tax return for the 2009 tax year. It is possible that the examination phase of the audit may conclude in the next 12 months, and that the related unrecognized tax benefits for tax positions taken may change from those recorded as liabilities for uncertain tax positions in our financial statements at December 31, 2011. Although the outcome of this matter cannot currently be determined, we believe adequate provision has been made for any potential unfavorable financial statement impact. We are currently undergoing income examinations in various state and foreign jurisdictions covering 2004 to 2010. Although the final outcome of these examinations cannot be currently determined, we believe that we have adequate reserves with respect to these examinations.

We do not anticipate that total unrecognized tax benefits will change significantly within the next 12 months.

(In thousands, except shares and per share data)

15. Stock -Based Compensation

We have five plans under which we have awarded share-based compensation grants: The 1995 Stock Incentive Plan (“1995 Plan”) and 1999 Amended and Restated Stock Incentive Plan (“1999 Plan”), which provided for stock-based compensation grants to our executives and key employees, the 1997 Non-Employee Directors Option Plan (“1997 Plan”), which provided for stock option grants to our non-employee Directors, the 2007 Stock Incentive Plan (“2007 Plan”) and the 2010 Stock Incentive Plan (“2010 Plan”), which were adopted as a continuing step toward aggregating our equity compensation programs to reduce the complexity of our equity compensation programs.

The 1995 and 1997 Plans were terminated in 2006 and all remaining shares were transferred to the Amended and Restated 1999 Stock Incentive Plan as approved by the shareholders in 2006. Awards granted under the 1995 and 1997 Plans prior to 2006 that remain outstanding continue to be governed by the respective plan under which the grant was made. Upon approval of the Amended and Restated Stock Incentive Plan in 2006, we ceased making grants of future awards under these plans and subsequent grants of future awards were made from the 1999 Plan and governed by its terms.

The 2007 Plan terminated our rights to grant awards under the 1999 Plan except that the 1999 Plan will remain available for grants of reload options upon exercise of previously granted options with one-time reload features. We have not granted options with reload features since March 1, 2004. Awards previously granted under the 1999 Plan remain outstanding and continue to be governed by the terms of that plan.

The 2010 Plan terminated our rights to grant awards under the 2007 Plan; however, any awards granted under the 2007 or 2010 Plans that do not result in the issuance of shares of Common Stock may again be used for an award under the 2010 Plan. A total of 1,000,000 shares were authorized for future awards under the 2010 Plan.

As of December 31, 2011, there were 768,024 shares reserved for issuance under the 1995 Plan, the 1997 Plan, the 1999 Plan and the 2007 Plan for outstanding compensation awards and 554,998 shares were available for issuance under the 2010 Plan for current and future equity awards. The Compensation Committee of the Board of Directors determines the number of shares awarded and the grant date, subject to the terms of our equity award policy.

We recognized total Stock-Based Compensation Expense of \$5,407, \$4,639 and \$2,291, respectively, during the years ended 2011, 2010 and 2009. The total income tax benefit recognized in the income statement for share-based compensation arrangements during the years ended 2011, 2010 and 2009 was \$1,266, \$1,724 and \$114, respectively.

Stock Option and Stock Appreciation Right Awards

We determined the fair value of our stock option awards using the Black-Scholes valuation model that uses the assumptions noted in the table below. The expected life selected for stock options granted during the year represents the period of time that the stock options are expected to be outstanding based on historical data of stock option holder exercise and termination behavior of similar grants. The risk-free interest rate for periods within the contractual life of the stock option is based on the U.S. Treasury rate over the expected life at the time of grant. Expected volatilities are based upon historical volatility of our stock over a period equal to the expected life of each stock option grant. Dividend yield is estimated over the expected life based on our dividend policy and historical dividends paid. We use historical data to estimate pre-vesting forfeiture rates and revise those estimates in subsequent periods if actual forfeitures differ from those estimates.

The following table illustrates the valuation assumptions used for the 2011, 2010 and 2009 grants:

	2011	2010	2009
Expected volatility	49 - 50%	46 - 68%	38 - 66%
Weighted-average expected volatility	49%	46%	39%
Expected dividend yield	1.7 - 1.8%	1.9 - 2.5%	2.0 - 4.7%
Weighted-average expected dividend yield	1.8%	2.4%	4.7%
Expected term, in years	6	1 - 6	2 - 6
Risk-free interest rate	1.3 - 2.5%	0.4 - 2.9%	1.1 - 2.8%

Employee stock option awards prior to 2005 include a reload feature for options granted to key employees. This feature allows employees to exercise options through a stock-for-stock exercise using mature shares, and employees are granted a new stock option (reload option) equal to the number of shares of Common Stock used to satisfy both the exercise price of the option and the minimum tax withholding requirements. The reload options granted have an exercise price equal to the fair market value of the Common Stock on the grant date. Stock options granted in conjunction with reloads vest immediately and have a term equal to the remaining life of the initial grant.

Beginning in 2004, new stock option awards granted vest one-third each year over a three-year period and have a ten-year contractual term. These grants do not contain a reload feature. Compensation expense equal to the grant date fair value is recognized for these awards over the vesting period. Compensation expense is fully recognized for reload stock options as of the reload date.

In addition to stock options, we also occasionally grant cash-settled stock appreciation rights (“SARs”) to employees in certain foreign locations. There were no outstanding SARs as of December 31, 2011 and no SARs were granted during 2011, 2010 or 2009.

(In thousands, except shares and per share data)

The following table summarizes the activity during the year ended December 31, 2011 for stock option and SARs awards:

	Shares	Weighted- Average Exercise Price
Outstanding at beginning of year	1,402,452	\$ 17.74
Granted	153,936	40.28
Exercised	(242,597)	17.51
Forfeited	(44,871)	20.87
Outstanding at end of year	1,268,920	\$ 20.40
Exercisable at end of year	694,872	\$ 17.51

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2011, 2010 and 2009 was \$16.67, \$9.62 and \$2.59, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2011, 2010 and 2009 was \$5,600, \$5,235 and \$631, respectively. The aggregate intrinsic value of options outstanding and exercisable at December 31, 2011 was \$23,646 and \$14,850, respectively. The weighted-average remaining contractual life for options outstanding and exercisable as of December 31, 2011, was 7 years and 5 years, respectively. As of December 31, 2011, there was unrecognized compensation cost for nonvested options and rights of \$3,143 which is expected to be recognized over a weighted-average period of 0.9 years.

Restricted Share Awards

Restricted share awards for employees generally have a three year vesting period from the effective date of the grant. Restricted share awards to non-employee directors vest upon a change of control or upon termination of service as a director occurring at least six months after grant date of the award so long as termination is for one of the following reasons: death; disability; retirement in accordance with Company policy (e.g., age, term limits, etc.); resignation at request of Board (other than for gross misconduct); resignation following at least six months' advance notice; failure to be renominated (unless due to unwillingness to serve) or reelected by shareholders; or removal by shareholders.

The following table summarizes the activity during the year ended December 31, 2011, for nonvested restricted share awards:

	Shares	Weighted- Average Grant Date Fair Value
Nonvested at beginning of year	145,641	\$ 24.50
Granted	29,365	40.43
Vested	(18,152)	35.83
Forfeited	(6,773)	21.19
Nonvested at end of year	150,081	\$ 26.39

The total fair value of shares vested during the year ended December 31, 2011, 2010 and 2009 was \$650, \$284 and \$629, respectively. As of December 31, 2011, there was \$1,327 of total unrecognized compensation cost related to nonvested shares which is expected to be recognized over a weighted-average period of 1.8 years.

Performance Share Awards

We grant performance share awards to key employees as a part of our long-term management compensation program. These awards are earned based upon achievement of certain financial performance targets. We determine the fair value of these awards as of the date of grant and recognize the expense over a three year performance period.

The 2011 performance share award covers the three year performance period from the beginning of fiscal year 2011 to the end of fiscal year 2013. Performance shares are granted in restricted stock units. They are payable in stock and vest solely upon achievement of certain financial performance targets during this three year period.

The 2010 performance share award covers the three year performance period from the beginning of fiscal year 2010 to the end of fiscal year 2012. Performance shares are granted in restricted stock units. They are payable in cash and vest solely upon achievement of certain financial performance targets during this three year period.

In 2009, we granted a combination of stock options, restricted stock awards and restricted stock units payable in cash to key employees as part of our management compensation program and did not grant performance share awards. These stock options and restricted share awards vest over a three year period and do not contain a performance requirement.

For the years ended 2010 and 2009, we did not recognize any expense for the 2008 performance share awards as we do not deem the achievement of the predetermined financial performance targets to be probable.

Share-Based Liabilities

As of December 31, 2011 and 2010, we had \$2,530 and \$664 in total share-based liabilities recorded on our Consolidated Balance Sheet, respectively. During the years ended December 31, 2011, 2010 and 2009 we paid out \$506, \$81 and \$22 related to 2009, 2008 and 2007 share-based liability awards, respectively.

(In thousands, except shares and per share data)

16. Employee Stock Ownership Plan

We established a leveraged Employee Stock Ownership Plan (“ESOP”) in 1990. The ESOP covered substantially all domestic employees. The shares required for our 401(k) matching contribution program were provided principally by our ESOP, supplemented as needed by newly issued shares. We made annual contributions to the ESOP equal to the ESOP’s debt service less dividends and Company match contributions received by the ESOP. All dividends received by the ESOP were used to pay debt service. The ESOP shares initially were pledged as collateral for its debt. As the debt was repaid, shares were released from collateral and allocated to employees who made 401(k) contributions that year, in the form of a matching contribution, based on the proportion of debt service paid in the year. Shares pledged as collateral were reported as unearned ESOP shares in the Consolidated Balance Sheets. As shares were released from collateral, we reported compensation expense equal to the cost of the shares to the ESOP. All ESOP shares were considered outstanding in earnings-per-share computations, and dividends on allocated and unallocated shares were recorded as a reduction of Retained Earnings.

The benefit provided through the ESOP was net of expenses and was recorded in Other Income. On December 31, 2009, the ESOP’s twenty year loan matured and was repaid to us, completing the term for this ESOP.

The following table summarizes ESOP activity during the year ended December 31:

	2009
Cash contributions	\$ 1,717
Net benefit provided by ESOP	989
Interest earned and received on loan	190
Dividends	359

The ESOP shares as of December 31, 2009 were as follows:

	2009
Allocated shares	1,938,132
Unreleased shares	-
Total ESOP shares	1,938,132

17. Earnings (Loss) Per Share

The computations of Basic and Diluted Earnings (Loss) per Share for the years ended December 31, were as follows:

	2011	2010	2009
Numerator:			
Net Earnings (Loss)	\$ 32,713	\$ 34,803	\$ (26,241)
Denominator:			
Basic - Weighted Average Shares Outstanding	18,832,693	18,805,494	18,507,772
Effect of dilutive securities:			
Employee stock options	527,735	526,609	-
Diluted - Weighted Average Shares Outstanding	19,360,428	19,332,103	18,507,772
Basic Earnings (Loss) per Share	\$ 1.74	\$ 1.85	\$ (1.42)
Diluted Earnings (Loss) per Share	\$ 1.69	\$ 1.80	\$ (1.42)

Options to purchase 123,292, 264,447 and 502,103 shares of Common Stock were outstanding during 2011, 2010 and 2009, respectively, but were not included in the computation of diluted earnings per share. These exclusions are made if the exercise prices of these options are greater than the average market price of our Common Stock for the period, if the number of shares we can repurchase exceeds the weighted shares outstanding in the options, or if we have a net loss, as the effects are anti-dilutive.

(In thousands, except shares and per share data)

18. Segment Reporting

We are organized into four operating segments: North America; Latin America; Europe, Middle East, Africa; and Asia Pacific. We combine our North America and Latin America operating segments into the “Americas” for reporting Net Sales by geographic area. In accordance with the objective and basic principles of the applicable accounting guidance, we aggregate our operating segments into one reportable segment that consists of the design, manufacture and sale of products used primarily in the maintenance of nonresidential surfaces.

The following table presents the Net Sales by operating segment for the years ended December 31:

	2011	2010	2009
Net Sales:			
Americas	\$ 481,426	\$ 424,462	\$ 366,034
Europe, Middle East, Africa	188,338	172,619	177,829
Asia Pacific	84,234	70,586	52,012
Total	\$ 753,998	\$ 667,667	\$ 595,875

The following table presents long lived assets by operating segment as of December 31:

	2011	2010	2009
Long-lived assets:			
Americas	\$ 98,855	\$ 98,258	\$ 106,080
Europe, Middle East, Africa	29,390	34,497	41,016
Asia Pacific	5,183	4,312	4,706
Total	\$ 133,428	\$ 137,067	\$ 151,802

Accounting policies of the operations in the various operating segments are the same as those described in Note 1 of the Consolidated Financial Statements. Net Sales are attributed to each operating segment based on the country from which the product is shipped and are net of intercompany sales. Information regarding sales to customers geographically located in the United States is provided in Item 1, Segment and Geographic Area Financial Information. No single customer represents more than 10% of our consolidated Net Sales. Long-lived assets consist of Property, Plant and Equipment, Goodwill, Intangible Assets and certain other assets.

The following table presents revenues for groups of similar products and services for the years ended December 31:

	2011	2010	2009
Net Sales:			
Equipment	\$ 452,398	\$ 389,137	\$ 329,871
Parts and consumables	177,999	160,994	151,932
Service and other	100,650	96,828	95,046
Specialty surface coatings	22,951	20,708	19,026
Total	\$ 753,998	\$ 667,667	\$ 595,875

(In thousands, except shares and per share data)

19. Consolidated Quarterly Data (Unaudited)

	2011			
	Q1	Q2	Q3	Q4
Net Sales	\$ 172,591	\$ 201,259	\$ 186,990	\$ 193,158
Gross Profit	\$ 71,931	\$ 83,468	\$ 80,253	\$ 83,529
Net Earnings	\$ 5,866	\$ 5,855	\$ 9,728	\$ 11,264
Basic Earnings per Share	\$ 0.31	\$ 0.31	\$ 0.52	\$ 0.60
Diluted Earnings per Share	\$ 0.30	\$ 0.30	\$ 0.50	\$ 0.59

	2010			
	Q1	Q2	Q3	Q4
Net Sales	\$ 150,106	\$ 166,137	\$ 168,637	\$ 182,789
Gross Profit	\$ 63,760	\$ 71,543	\$ 71,862	\$ 77,162
Net Earnings	\$ 4,091	\$ 6,175	\$ 7,526	\$ 17,012
Basic Earnings per Share	\$ 0.22	\$ 0.33	\$ 0.40	\$ 0.91
Diluted Earnings per Share	\$ 0.21	\$ 0.32	\$ 0.39	\$ 0.89

The summation of quarterly data may not equate to the calculation for the full fiscal year as quarterly calculations are performed on a discrete basis.

Regular quarterly dividends aggregated \$0.68 per share in 2011, or \$0.17 each quarter, and \$0.59 per share in 2010, or \$0.14 per share for the first three quarters of 2010 and \$0.17 for the fourth quarter of 2010.

20. Related Party Transactions

Our May 31, 2011 acquisition of Water Star includes installment payments totaling \$1,500 to the former owners of Water Star, as further discussed in Note 4. As of the acquisition date, the former owners of Water Star are current employees of Tennant.

On September 15, 2010, we entered into an agreement with a then current employee for the right to manufacture and sell a product developed by the employee prior to becoming employed by Tennant. As of December 31, 2010, this individual was no longer an employee of Tennant. Product fee payments made under this agreement are not material to our financial position or results of operations.

On May 18, 2009, we announced an exclusive technology license agreement with Global Opportunities Investment Group, LLC. A current employee of Tennant owns a minority interest in Activeion Cleaning Solutions, LLC (“Activeion”), a wholly-owned subsidiary of Global Opportunities Investment Group, LLC. Royalties under this license agreement are not material to our financial position or results of operations.

During the first quarter of 2008, we acquired Sociedade Alfa Ltda. and entered into lease agreements for certain properties owned by or partially owned by the former owners of this entity. Some of these individuals are current employees of Tennant. Lease payments made under these lease agreements are not material to our financial position or results of operations.

ITE M 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITE M 9A – Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Principal Financial and Accounting Officer, have evaluated the effectiveness of our disclosure controls and procedures for the period ended December 31, 2011 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on that evaluation, our Chief Executive Officer and our Principal Financial and Accounting Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and our principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no significant changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal accounting and financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in *Internal Control – Integrated Framework* (COSO), our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this annual report on Form 10-K and, as a part of this audit, has issued their report, included in Item 8, on the effectiveness of our internal control over financial reporting.

/s/ H. Chris Killingstad

H. Chris Killingstad
President and Chief Executive Officer

/s/ Thomas Paulson

Thomas Paulson
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this item is contained in Item 8 of this Annual Report on Form 10-K.

ITE M 9B – Other Information

None.

PART III

IT EM 10 – Directors, Executive Officers and Corporate Governance

The sections entitled “Board of Directors Information” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2012 Proxy Statement are incorporated herein by reference.

The list below identifies those persons designated as executive officers of the Company, including their age, position with the Company and positions held by them during the past five or more years.

Thomas J. Dybsky, Vice President, Administration

Thomas J. Dybsky (62) joined the Company in September 1998 as Vice President of Human Resources and was named Vice President

of Administration in 2004. From June 1995 to September 1998, he was Vice President/Senior Consultant for MDA Consulting.

Andrew J. Eckert, Vice President, The Americas

Andrew J. Eckert (48) joined the Company in 2002 as General Manager, North America. He was promoted to Vice President, North America Sales in 2005, assumed responsibility for North America Sales and Service in 2007 and now serves as Vice President, The Americas. From 2000 to 2002, he was the Senior Vice President of Operations at Storecast Merchandising Company, a national retail merchandising service contractor for the grocery industry. Prior to that, he was Director of Strategic Planning at General Mills and led the automation and cost-reduction efforts for U.S. trade promotional spending. He began his sales career in 1985 at General Mills in Houston, TX, and held a variety of increasing responsibilities including Customer Sales Manager for Fleming Companies and American Stores.

H. Chris Killingstad, President and Chief Executive Officer

H. Chris Killingstad (56) joined the Company in April 2002 as Vice President, North America and was named President and CEO in 2005. From 1990 to 2002, he was employed by The Pillsbury Company, a consumer foods manufacturer. From 1999 to 2002 he served as Senior Vice President and General Manager of Frozen Products for Pillsbury North America; from 1996 to 1999 he served as Regional Vice President and Managing Director of Pillsbury Europe, and from 1990 to 1996 was Regional Vice President of Haagen-Dazs Asia Pacific. He held the position of International Business Development Manager at PepsiCo Inc., from 1982-1990 and Financial Manager for General Electric, from 1978-1980.

Thomas Paulson, Vice President and Chief Financial Officer

Thomas Paulson (55) joined the Company in March 2006. Prior to joining Tennant, Paulson was Chief Financial Officer and Senior Vice President of Innovex from 2001 to 2006. Prior to joining Innovex, a manufacturer of electronic interconnect solutions, Paulson worked for The Pillsbury Company for over 19 years. Paulson became a Vice President at Pillsbury in 1995 and was the Vice President of Finance for the \$4 billion North American Foods Division for over two years before joining Innovex.

Michael W. Schaefer, Vice President, Chief Technical Officer

Mike Schaefer (51) joined the Company in January 2008 as Vice President, Chief Technical Officer. From 2000 to January 2008, he was Vice President of Dispensing Systems, Lean Six Sigma and Quality at Ecolab, Inc., a provider of cleaning, sanitizing, food safety and infection prevention products and services, where he led R&D efforts for their equipment business, continuous improvement and standardization of R&D processes. Prior to that he held various management positions at Alticor Corporation and Kraft General Foods.

Don B. Westman, Vice President, Global Operations

Don B. Westman (58) joined the Company in November 2006 as Vice President, Global Operations. Prior to joining Tennant, he was Vice President of Operations – Pump Division for Pentair, Inc., a provider of products and services for the movement, treatment and storage of water, from 2005 to November 2006. From 2003 to 2005, he was Vice President of Operations – Pentair Water. From 1997 to 2003, Westman was Vice President of Operations for Hoffmans Enclosures, where he began in 1982 as a manufacturing engineering manager.

Heidi M. Wilson, Vice President, General Counsel and Secretary

Heidi M. Wilson (61) joined the Company in 2003 as Assistant General Counsel and Assistant Secretary and was named General Counsel in 2005. She was a partner with General Counsel Ltd. during 2003. From 1995 to 2001, she was Vice President, General Counsel and Secretary at Musicland Group, Inc. From 1993 to 1995, she was Senior Legal Counsel at Medtronic, Inc. Prior to that, she was a partner at Faegre & Benson L.L.P., a Minneapolis law firm, which she joined in 1976.

Richard H. Zay, Vice President, Global Marketing

Richard H. Zay (41) joined the Company in June 2010 as Vice President, Global Marketing. From 2006 to June 2010, he held various positions with Whirlpool Corporation, a manufacturer of major home appliances, most recently as General Manager, KitchenAid Brand. From 1993 to 2006, he held various positions with Maytag Corporation, including Vice President, Jenn-Air Brand, Director of Marketing, Maytag Brand, and Director of Cooking Category Management.

Business Ethics Guide

We have adopted the Tennant Company Business Ethics Guide, which applies to all of our employees, directors, consultants, agents and anyone else acting on our behalf. The Business Ethics Guide includes particular provisions applicable to our senior financial management, which includes our Chief Executive Officer, Chief Financial Officer, Controller and other employees performing similar functions. A copy of our Business Ethics Guide is available on the Investor Relations page of our website, www.tennantco.com, and a copy will be mailed upon request to Investor Relations, Tennant Company, P.O. Box 1452, Minneapolis, MN 55440-1452. We intend to post on our website any amendment to, or waiver from, a provision of our Business Ethics Guide that applies to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Controller and other persons performing similar functions promptly following the date of such amendment or waiver. In addition, we have also posted copies of our Corporate Governance Principles and the Charters for our Audit, Compensation, Governance and Executive Committees on our website.

ITEM 11 – Executive Compensation

The sections entitled “Director Compensation” and “Executive Compensation Information” in our 2012 Proxy Statement are incorporated herein by reference.

ITEM 12 – Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The sections entitled “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” in our 2012 Proxy Statement are incorporated herein by reference.

ITEM 13 – Certain Relationships and Related Transactions, and Director Independence

The sections entitled “Director Independence” and “Related Person Transaction Approval Policy” in our 2012 Proxy Statement are incorporated herein by reference.

ITEM 14 – Principal Accountant Fees and Services

The section entitled “Fees Paid to Independent Registered Public Accounting Firm” in our 2012 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15 – Exhibits, Financial Statement Schedules

A. The following documents are filed as a part of this report:

1. Financial Statements

Consolidated Financial Statements filed as part of this report are contained in Item 8 of this annual report on Form 10-K.

2. Financial Statement Schedule

Schedule II – Valuation and Qualifying Accounts

(In thousands)	2011	2010	2009
Allowance for Doubtful Accounts and Returns:			
Balance at beginning of year	\$ 4,311	\$ 5,077	\$ 7,319
Charged to costs and expenses	1,888	1,403	996
Charged to other accounts ⁽¹⁾	(91)	(200)	257
Deductions ⁽²⁾	(1,279)	(1,969)	(3,495)
Balance at end of year	\$ 4,829	\$ 4,311	\$ 5,077
Inventory Reserves:			
Balance at beginning of year	\$ 3,693	\$ 3,997	\$ 5,127
Charged to costs and expenses	4,212	3,462	2,674
Charged to other accounts ⁽¹⁾	(102)	(263)	173
Deductions ⁽³⁾	(3,630)	(3,503)	(3,977)
Balance at end of year	\$ 4,173	\$ 3,693	\$ 3,997
Valuation Allowance for Deferred Tax Assets:			
Balance at beginning of year	\$ 9,170	\$ 9,131	\$ 9,303
Charged to other accounts ⁽⁴⁾	(5,941)	39	(172)
Balance at end of year	\$ 3,229	\$ 9,170	\$ 9,131

⁽¹⁾ Primarily includes impact from foreign currency fluctuations.

⁽²⁾ Includes accounts determined to be uncollectible and charged against reserves, net of collections on accounts previously charged against reserves.

⁽³⁾ Includes inventory identified as excess, slow moving or obsolete and charged against reserves.

⁽⁴⁾ Includes a valuation allowance decreased in 2011 due to results of operations and an intercompany transaction that had no impact on 2011 Net Earnings. Prior years were primarily the impact from foreign currency fluctuations.

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

3. Exhibits

Item #	Description	Method of Filing
2.1	Share Purchase Agreement dated February 15, 2008 among the Sellers identified therein and Tennant Scotland Limited (excluding schedules and exhibits, which the Company agrees to furnish supplementally to the Securities and Exchange Commission upon request)	Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated February 29, 2008.
3i	Restated Articles of Incorporation	Incorporated by reference to Exhibit 3i to the Company's report on Form 10-Q for the quarterly period ended June 30, 2006.
3ii	Certificate of Designation	Incorporated by reference to Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 2006.
3iii	Amended and Restated By-Laws	Incorporated by reference to Exhibit 3(iii) to the Company's Form 8-K dated December 14, 2010.
4.1	Rights Agreement, dated as of November 10, 2006, between the Company and Wells Fargo Bank, N.A., as Rights Agent	Incorporated by reference to Exhibit 1 to Form 8-A dated November 14, 2006.
10.1	Tennant Company 1995 Stock Incentive Plan*	Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement No. 33-62003, Form S-8, dated August 22, 1995.
10.2	Tennant Company Executive Nonqualified Deferred Compensation Plan, as restated effective January 1, 2005*	Incorporated by reference to Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 2007.
10.3	Form of Amended and Restated Management Agreement and Executive Employment Agreement*	Filed herewith electronically.
10.4	Schedule of parties to Management and Executive Employment Agreement	Filed herewith electronically.
10.5	Tennant Company Non-Employee Director Stock Option Plan (as amended and restated effective May 6, 2004)*	Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarterly period ended June 30, 2004.
10.6	Tennant Company Amended and Restated 1999 Stock Incentive Plan*	Incorporated by reference to Appendix A to the Company's proxy statement for the 2006 Annual Meeting of Shareholders filed on March 15, 2006.
10.7	Long-Term Incentive Plan 2008*	Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarterly period ended March 31, 2008.
10.8	Services Agreement and Management Agreement between the Company and Karel Huijser*	Incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 2008.
10.9	Amendment No. 1 dated as of December 17, 2008 to Services Agreement and Management Agreement between the Company and Karel Huijser*	Incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended December 31, 2008.
10.10	Settlement Agreement, dated June 28, 2011, between Tennant Company, Tennant N.V. and Carolus Hubertus Huijser*	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K/A dated June 28, 2011.
10.11	Tennant Company 2007 Stock Incentive Plan*	Incorporated by reference to Appendix A to the Company's proxy statement for the 2007 Annual Meeting of Shareholders filed on March 15, 2007.
10.12	Credit Agreement dated as of May 5, 2011	Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2011.
10.13	Deferred Stock Unit Agreement (awards in and after 2008)*	Incorporated by reference to Exhibit 10.17 to the Company's Form 10-K for the year ended December 31, 2007.
10.14	Tennant Company 2009 Short-Term Incentive Plan*	Incorporated by reference to Appendix A to the Company's Proxy statement for the 2008 Annual Meeting of Shareholder's filed on March 14, 2008.
10.15	Private Shelf Agreement dated as of July 29, 2009	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 30, 2009.

10.16	Amendment No. 1 to Private Shelf Agreement dated as of May 5, 2011	Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2011.
10.17	2010 Stock Incentive Plan*	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated April 28, 2010.
21	Subsidiaries of the Registrant	Filed herewith electronically.
23.1	Consent of KPMG, LLP Independent Registered Public Accounting Firm	Filed herewith electronically.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith electronically.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith electronically.
32.1	Section 1350 Certification of Chief Executive Officer	Filed herewith electronically.
32.2	Section 1350 Certification of Chief Financial Officer	Filed herewith electronically.
101	The following financial information from Tennant Company's annual report on Form 10-K for the period ended December 31, 2011, filed with the SEC on February 24, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statement of Operations for the years ended December 31, 2011, 2010 and 2009, (ii) the Consolidated Balance Sheet as of December 31, 2011 and 2010, (iii) the Consolidated Statement of Cash Flows for the years ended December 31, 2011, 2010 and 2009, (iv) the Consolidated Statement of Shareholders' Equity and Comprehensive (Loss) Income for the years ended December 31, 2011, 2010, and 2009, and (v) Notes to Consolidated Financial Statements.**	Filed herewith electronically.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this annual report on Form 10-K.

** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this annual report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TENNANT COMPANY

By /s/ H. Chris Killingstad

H. Chris Killingstad
President, CEO and
Board of Directors

Date February 24, 2012

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By /s/ H. Chris Killingstad

H. Chris Killingstad
President, CEO and
Board of Directors

Date February 24, 2012

By /s/ David Mathieson

David Mathieson
Board of Directors

Date February 24, 2012

By /s/ Thomas Paulson

Thomas Paulson
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date February 24, 2012

By /s/ Donal L. Mulligan

Donal L. Mulligan
Board of Directors

Date February 24, 2012

By /s/ William F. Austen

William F. Austen
Board of Directors

Date February 24, 2012

By /s/ Stephen G. Shank

Stephen G. Shank
Board of Directors

Date February 24, 2012

By /s/ Jeffrey A. Balagna

Jeffrey A. Balagna
Board of Directors

Date February 24, 2012

By /s/ Steven A. Sonnenberg

Steven A. Sonnenberg
Board of Directors

Date February 24, 2012

By /s/ Carol S. Eicher

Carol S. Eicher
Board of Directors

Date February 24, 2012

By /s/ David S. Wichmann

David S. Wichmann
Board of Directors

Date February 24, 2012

By /s/ James T. Hale

James T. Hale
Board of Directors

Date February 24, 2012

**TENNANT COMPANY
EXECUTIVE EMPLOYMENT AGREEMENT**

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is entered into on _____, 2008 by and between Tennant Company, a Minnesota corporation (the "Company"), and [NAME], a resident of Minnesota ("Executive").

Recitals

A. Executive is a key member of the management of the Company and is expected to devote substantial skill and effort to the affairs of the Company, and the Company desires to recognize the significant personal contribution that Executive makes and is expected to continue to make to further the best interests of the Company and its shareholders.

B. It is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive's services and attention to the affairs of the Company.

C. It is desirable and in the best interests of the Company and its shareholders to protect confidential, proprietary and trade secret information of the Company, to prevent unfair competition by former executives of the Company following separation of their employment with the Company and to secure cooperation from former executives with respect to matters related to their employment with the Company.

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Term. This Agreement shall commence on the date of this Agreement and shall continue in effect until the earlier of the Expiration Date as defined below or the occurrence of a Change in Control as defined in the Management Agreement attached hereto as Exhibit B (the "Term"). The initial Expiration Date shall be December 31, 2010. Thereafter, this Agreement shall be automatically extended for successive one-year periods, and the Expiration Date shall be the last day of each successive one-year period, except that this Agreement shall not be extended if either party gives written notice to the other party at least 60 days prior to the Expiration Date that such party elects not to extend the Term. During the Term, the Company shall employ Executive, and Executive shall remain in the employ of the Company, upon the terms and conditions set forth in this Agreement, until such employment is terminated in accordance with Section 4 below. If Executive remains employed by the Company after the Term ends, such continued employment shall be on such terms and conditions as may be agreed to from time to time by the parties.

2. Position and Duties.

(a) Employment with the Company. During Executive's employment with the Company hereunder, Executive shall initially hold the position of [TITLE] or such additional or alternative positions of an executive nature, and shall perform such duties and responsibilities associated with such positions, as the Chief Executive Officer of the Company shall assign to Executive from time to time consistent with Executive's qualifications and experience.

(b) Performance of Duties and Responsibilities. Executive shall serve the Company faithfully and to the best of Executive's ability and shall devote full working time, attention and efforts to the business of the Company during Executive's employment with the Company. While Executive is employed by the Company hereunder, Executive shall not accept other employment with or engage in or render services to any other business enterprise, except that Executive may participate in charitable activities and personal investment activities to a reasonable extent, and Executive may serve as a director of business organizations subject to any guidelines for such directorships that may be established by the Company from time to time, so long as such activities and directorships do not interfere with the performance of Executive's duties and responsibilities to the Company. Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement.

3. Compensation. While Executive is employed by the Company hereunder during the Term, Executive shall receive the following compensation and benefits:

(a) Base Salary. The Company shall pay to Executive for services performed on an annual basis such Base Salary as the Compensation Committee shall from time to time determine, prorated for any partial year of employment and payable in accordance with the Company's normal payroll policies and procedures. At the beginning of each fiscal year of Executive's employment with the Company during the Term, the Board and/or the Compensation Committee shall conduct an annual review of Executive's performance and Base Salary to determine whether an adjustment to Executive's Base Salary should be made. In no event shall Executive's Base Salary be decreased in any fiscal year during the Term by more than 15% of the Base Salary paid to Executive for the immediately preceding fiscal year.

(b) Incentive Compensation. Executive shall be entitled to participate in the STIP, subject to the terms of such plan and as such plan may be amended from time to time.

(c) Employee Benefits. The Company shall provide to Executive and Executive's dependents such medical, dental and life insurance and disability, retirement savings, vacation, sick leave and other employee and fringe benefits as are provided from time to time by the Company to its senior executives and their

dependents, in accordance with the general benefits practices of and the eligibility and other terms and conditions of the applicable benefit plans and programs of the Company then in effect.

(d) Expenses . The Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation.

4. Termination of Employment . The Executive's employment with the Company hereunder shall terminate and be effective:

(a) on the date set forth in a written notice from the Company to Executive of the termination of Executive's employment, which date shall be at least three business days following the date of such notice;

(b) upon Executive's abandonment of employment;

(c) upon receipt by the Company of written notice from Executive of Executive's resignation;

(d) upon Executive's Disability; or

(e) upon Executive's death.

Any notice pursuant to Section 4(a) or 4(c) shall, as applicable, specify whether such termination by the Company is with or without Cause, or resignation by Executive is with or without Good Reason, and, if with Cause or Good Reason, shall set forth in reasonable detail the basis therefor. Upon termination of employment, Executive shall receive, in addition to any amounts owed pursuant to Section 5 of this Agreement, any Base Salary, earned and unused vacation time, and STIP for the preceding year, to the extent such amounts are fully earned but unpaid as of the Termination Date, in accordance with the Company's payroll practices and any applicable plans or programs.

5. Payments upon Involuntary Termination or Resignation for Good Reason . If Executive's employment terminates during the Term by reason of (x) an Involuntary Termination by the Company without Cause or (y) the resignation of Executive for Good Reason such that Executive's Termination Date occurs within one year of the first occurrence of a condition giving rise to Good Reason as set forth in Section 11(i)(i) or (ii), then the Company shall provide to Executive the benefits set forth in Section 5(a) below, subject to the limitations and conditions in Sections 5(b) and 8:

(a) Severance Benefits. If Executive's employment terminates during the Term by reason of an Involuntary Termination by the Company without Cause or a resignation by the Executive for Good Reason, then:

(i) The Company shall pay to Executive, in accordance with the Company's regular payroll practices, Executive's then-current Base Salary for a period of 12 consecutive months after the Termination Date.

(ii) If the Termination Date is any day other than the last day of the STIP plan year, the Company shall pay to Executive an amount equal to a pro rata portion (based on the number of days in the STIP plan year occurring on or before, and after, the Termination Date) of the award that would have been payable to Executive under the STIP based on actual performance of objectives under the STIP for such plan year had Executive remained employed for the entire plan year; provided, however, that such award amount (before pro ration) shall not exceed an award based on target performance. The payment shall be made on the date awards under the STIP for such plan year are or would have been paid to other participants in the STIP, but in any event not later than 2-1/2 months after the end of such plan year.

(iii) If Executive (and/or Executive's covered dependents) is eligible and properly elects under COBRA to continue group medical, group dental, and/or basic group life insurance coverage, as in place immediately prior to the Termination Date, the Company shall continue to pay the Company's portion of any such premiums or costs of coverage for a period of up to 12 months following the Termination Date. The Company will stop paying its portion of the medical, dental and/or life insurance premiums, as applicable, prior to the end of the 12-month period if Executive (and Executive's covered dependents) is no longer eligible for COBRA coverage or fails to timely pay the employee portion of such premiums. All Company-provided medical, dental and/or life premiums under this Section 5(a)(iii) shall be paid directly to the insurance carrier or other provider.

(b) Limitations. Notwithstanding anything above to the contrary, the benefits payable to Executive under Section 5(a)(i) shall not exceed two times the lesser of:

(i) The Code § 401(a)(17) compensation limit for the year in which the Termination Date occurs; or

(ii) Executive's annual compensation (as defined in Treas. Reg. § 1.415-2(d)) for services to the Company for the calendar year prior to the calendar year in which the Termination Date occurs.

(c) Excess Lump Sum Payment. If application of the maximum limitations under Section 5(b) results in a reduction of the severance amount that would otherwise be payable under Section 5(a)(i), then the Company shall pay to Executive the difference between the amount payable under Section 5(a)(i) and the maximum amount payable after application of Section 5(b). Such excess shall be payable in a cash lump sum no later than 2 1/2 months after the Termination Date.

(d) No Deferral of Compensation. The Company and Executive intend Sections 5(a)(i) and 5(b) to be a “separation pay plan due to involuntary separation from service” under Treas. Reg. § 1.409A-1(b)(9)(iii). The parties also intend that the Company’s payments under Sections 5(a)(ii) and 5(c) will not be considered a deferral of compensation by application of Treas. Reg. § 1.409A-1(b)(4). The parties further intend that the Company’s payments of insurance premiums under Section 5(a)(iii) will not be considered a deferral of compensation by application of Treas. Reg. § 1.409A-1(a) and § 1.409A-1(b)(9)(v).

6. Payments in the Case of Death or Disability. If Executive’s Termination of Employment is due to Executive’s death or Disability, the Company shall pay to Executive (or Executive’s legal representative), in accordance with the Company’s regular payroll practices, Executive’s current Base Salary through and including the last day of the calendar month in which the Termination Date occurs.

7. Other Agreements.

(a) Employee Agreement. At the same time as they sign this Agreement, the parties are entering into the Employee Agreement attached hereto as Exhibit A.

(b) Management Agreement. At the same time as they sign this Agreement, the parties are entering into the Management Agreement attached hereto as Exhibit B.

8. Withholding of Taxes, Other Limitations.

(a) Taxes. All payments to Executive hereunder are subject to withholding of income and employment taxes and all other amounts required by law. Employee shall be solely responsible for the payment of all taxes due and owing with respect to wages, benefits and other compensation provided hereunder.

(b) Offsets. Notwithstanding any other provision of this Agreement, any payments required by Section 5 shall be reduced by any severance pay that Executive is eligible to receive from the Company, its subsidiaries or its successors under any policy, plan or agreement of the Company, other than this Agreement (“Other Severance Pay”), in the event of the Company’s termination of Executive’s employment with the Company.

(c) Release Requirement. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to make any payments to Executive

under Section 5 hereof unless Executive shall have signed a release of claims in favor of the Company in a form to be prescribed by the Company, all applicable consideration periods and rescission periods provided by law shall have expired and Executive is in strict compliance with the terms of this Agreement and the Employee Agreement as of the dates of the payments.

(d) Effect of Management Agreement. If a termination of employment occurs upon or after the expiration of the Term of this Agreement, Executive shall not be entitled to receive any compensation or benefits under this Agreement, but may be entitled to compensation and benefits, if any, in accordance with the terms and conditions of the Management Agreement.

(e) Code Section 409A. This Agreement is intended to satisfy, or be exempt from, the requirements of Code § 409A(a)(2), (3) and (4), including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

(f) No Mitigation. Executive shall not be required to mitigate the amount of any payment or other benefit provided for in Section 5 by seeking employment with another employer or otherwise; nor shall the amount of any payment or other benefit provided for in Section 5 be reduced by any compensation earned by Executive as the result of Executive's subsequent employment by another employer, except as otherwise expressly provided in this Agreement.

9. Return of Property. Upon termination of Executive's employment with the Company, Executive shall promptly deliver to the Company any and all Company records and any and all Company property in Executive's possession or under Executive's control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, electronic media, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, computers, telephones and other electronic equipment belonging to the Company.

10. Directors' and Officers' Indemnification; Stock Based Compensation. While Executive is employed by the Company hereunder, the Company shall not, without the prior written consent of Executive, amend its articles of incorporation or by-laws to prohibit or limit the indemnification of, or advances of expenses to, its directors and officers or to impose conditions on such indemnification or advances of expenses in addition to those provided by law. While Executive is employed by the Company hereunder, the Company shall not modify any stock based incentive plan or agreement to which Executive is a party (or is subject) to limit or otherwise affect the acceleration of vesting or exercisability of stock options of Executive in the event of a change in control, the lapse of restrictions on restricted stock of Executive in the event

of a change in control, or any other acceleration of, or increase in benefits under, any stock based benefit in the event of a change in control.

11. Definitions. When used in this Agreement with initial capitalized letters, the following terms have the meanings indicated below, unless context requires otherwise:

(a) Base Salary. “Base Salary” means Executive’s annual base salary established by the Board and/or Compensation Committee in accordance with Section 3(a).

(b) Board. “Board” means the Board of Directors of the Company.

(c) Cause. “Cause” means:

(i) Executive’s material breach of this Agreement, which is not remedied within 30 days after receipt of written notice thereof;

(ii) an act or acts of dishonesty undertaken by Executive and intended to result in gain or personal enrichment of Executive at the expense of the Company;

(iii) persistent failure by Executive to perform the duties of Executive’s employment, which failure is demonstrably willful and deliberate on the part of Executive and constitutes gross neglect of duties by Executive and which is not remedied within 90 days after receipt of written notice thereof; or

(iv) the indictment or conviction of Executive for a felony if the act or acts constituting the felony are substantially detrimental to the Company or its reputation.

(d) COBRA. “COBRA” means the benefit continuation provisions under the Consolidated Omnibus Budget Reconciliation Act of 1986. For purposes of this Agreement, COBRA is deemed to include the group term life insurance continuation requirements under Minnesota law.

(e) Code. “Code” means the Internal Revenue Code of 1986, as amended.

(f) Compensation Committee. “Compensation Committee” means the compensation committee of the Board.

(g) Disability. “Disability” means a continuing condition of Executive that has been determined to meet the criteria set forth in the Tennant Company Long Term Disability Plan, or similar successor plan, to render Executive eligible for long-term disability benefits under said plan, whether or not Executive is in fact covered by such

plan. The determination shall be made by the insurer of the plan or, if Executive is not covered by the plan, by the Company in its sole discretion.

(h) Employee Agreement. “Employee Agreement” means the Employee Agreement between Executive and the Company of even date herewith and attached to this Agreement as Exhibit A.

(i) Good Reason. “Good Reason” means the existence of either of the following conditions, without Executive’s consent, that is not remedied by the Company within 30 days after receipt of written notice thereof, where such notice is provided by Executive within 90 days of the initial existence of the condition:

(i) the Company’s material breach of this Agreement; or

(ii) a material diminution in the Executive’s authority, duties, or responsibilities, other than for Cause or on account of Disability.

(j) Involuntary Termination. “Involuntary Termination” means a termination of employment instigated by the Company without the consent or agreement of Executive, or which is otherwise considered an involuntary separation from service under Code § 409A and guidance thereunder.

(k) Management Agreement. “Management Agreement” means the Management Agreement between Executive and the Company of even date herewith and attached to this Agreement as Exhibit B.

(l) STIP. “STIP” means the Company’s Short-Term Incentive Plan, as may be amended from time to time, or any successor plan.

(m) Termination Date. “Termination Date” means the date on which Executive’s employment by the Company ends, as defined in Section 4. For purposes of Section 5 of this Agreement only, the Termination Date shall mean the date on which a “separation from service” has occurred for purposes of Code Section 409A.

12. Successors and Assigns. This Agreement is binding on and inures to the benefit of Executive and Executive’s heirs, legal representatives and permitted assigns, and on the Company and its successors and permitted assigns. No rights or obligations of Executive or the Company hereunder may be assigned, pledged, disposed of or transferred by such party to any other person or entity without the prior written consent of the other party, except that the Company may assign its rights and obligations under this Agreement to any affiliate of the Company and Executive hereby consents to any such assignment by the Company.

13. Separate Representation. Executive hereby acknowledges that Executive has the right to and/or has been advised to seek and receive independent advice from counsel of Executive’s own selection in connection with this Agreement and has not

relied to any extent on any officer, director or shareholder of, or counsel to, the Company in deciding to enter into this Agreement.

14. Governing Law . All matters relating to the interpretation, construction, application, validity and enforcement of this Agreement shall be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

15. Dispute Resolution . The parties shall endeavor to resolve any dispute arising out of or relating to this Agreement, Executive's employment with the Company or the termination of such employment (except for any dispute arising under the Management Agreement or the Employee Agreement) (a "Dispute") by mediation and, if such mediation is not successful, by final and binding arbitration. Disputes and claims encompassed by this Agreement include all applicable federal, state and local employment-related claims, whether based on common law (such as breach of contract or defamation) or statutes (such as the Americans With Disabilities Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, and the Minnesota Human Rights Act). The parties shall first attempt in good faith to resolve any Dispute by confidential mediation before a qualified mediator mutually agreed upon by the parties. If the Dispute is not resolved by mediation within 45 days after initial notice of the Dispute, then the Dispute shall be finally resolved by arbitration before a single arbitrator in accordance with the then most recent Employment Dispute Resolution Rules of the American Arbitration Association. Any mediation or arbitration hereunder shall be conducted in Minneapolis, Minnesota. The decision of the arbitrator shall be final and binding, and any court of competent jurisdiction may enter judgment upon the award. All fees and expenses of the arbitrator shall be paid by the Company. The arbitrator shall have the jurisdiction and authority to interpret and apply the provisions of this Agreement and relevant federal, state and local laws, rules and regulations insofar as necessary to the determination of the Dispute and to remedy any breaches of the Agreement or violations of applicable laws, but shall not have jurisdiction or authority to alter in any way the provisions of this Agreement. The parties hereby agree that this arbitration provision shall be in lieu of any requirement that either party exhaust such party's administrative remedies under federal, state or local law. Executive and the Company acknowledge and agree that this arbitration provision is beneficial to both parties because it provides a quick, less expensive and confidential manner of resolving finally any dispute or claim. All mediation and arbitration proceedings hereunder shall be confidential and the parties, mediator and arbitrator shall keep confidential the existence and nature of any Dispute and all related proceedings. Notwithstanding anything to the contrary provided in this Section 15 and without prejudice to the above procedures, either party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if in such party's sole judgment such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved.

16. Notices. All notices hereunder shall be delivered by hand or sent by registered or certified mail, return receipt requested, postage prepaid, to the party to receive the same at the address set forth with the signature of such party hereto or at such other address as may have been furnished to the sender by notice hereunder.

17. Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

18. Entire Agreement. This Agreement, the Employee Agreement, the Management Agreement, and the other documents and instruments referred to herein contain the entire understanding of the parties hereto with respect to the employment of Executive by the Company.

19. Amendments and Waivers. No provision hereof may be altered, amended, modified, waived or discharged in any way whatsoever except by written agreement executed by both parties. No delay or failure of either party to insist, in any one or more instances, upon performance of any of the terms and conditions of this Agreement or to exercise any rights or remedies hereunder shall constitute a waiver or a relinquishment of such rights or remedies or any other rights or remedies hereunder.

20. Severability; Survival. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect, and any court of competent jurisdiction or arbitrator, as the case may be, may so modify the objectionable provision as to make it valid, reasonable and enforceable. The obligations and rights of the parties hereunder that by their terms continue beyond the Term shall survive the termination of this Agreement.

21. Replacement of Prior Agreement(s). This Agreement, the Employee Agreement, and the Management Agreement replace and supersede all agreements between the Company and Executive of any nature whatsoever, which agreements, if any, shall be of no further force or effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date and year first above written.

EXECUTIVE

TENNANT COMPANY

Name: [NAME]

Name: [NAME]

Address: [ADDRESS]

Title: [TITLE]

7036v1



**EXHIBIT A TO
EXECUTIVE EMPLOYMENT AGREEMENT**

**TENNANT COMPANY and
TENNANT SALES AND SERVICE COMPANY
EMPLOYEE AGREEMENT**

Employee's Last Name

Initial
(Please Print)

First Name

Tennant and the undersigned Employee recognize it is important that Tennant protect its rights with respect to its confidential business and product information, inventions, and customer relationships without unduly impairing the Employee's ability to pursue Employee's profession. Tennant and the Employee also recognize that Tennant provides valuable training to Employee; entrusts Employee with confidential information, business relationships, and goodwill; and compensates Employee to support, develop, administer, maintain, and/or sell Tennant products. Accordingly, Employee enters into this Agreement in consideration of the following: (i) Tennant's offer of employment or continuing employment and the benefits associated with that employment (including without limitation such benefits set forth in the Executive Employment Agreement and the Management Agreement being entered into by the parties); (ii) Tennant's promise of granting Employee access to confidential information necessary to perform Employee's duties; (iii) Tennant's actual grant to Employee of access to confidential information necessary to perform the Employee's duties; (iv) Tennant's promise to provide Employee valuable training; (v) Tennant's actual provision of valuable training to Employee; (vi) Tennant's promise to provide Employee access to Tennant's business and customer relationships and goodwill; (vii) Tennant's actual provision to Employee of access to Tennant's business and customer relationships and goodwill; (viii) Tennant's obligations to the Employee contained in this Agreement; and (ix) other consideration, all of which the Employee acknowledges was received and is sufficient consideration for the promises in this Agreement.

SECTION 1: DEFINITIONS

These terms have the following defined meaning whenever used in this Agreement:

1.1 COMPETITIVE PRODUCT means goods, products, product lines or services, and each and every component thereof, invented, developed, designed, produced, manufactured, marketed, promoted, sold, supported, serviced, or that are in development or the subject of research by anyone other than Tennant, that are the same or similar, perform any of the same or similar functions, may be substituted for, or are intended or used for any of the same purposes as a Tennant Product.

1.2 COMPETITIVE RESEARCH means any research or development of any kind or nature conducted by any person or entity anyone other than Tennant, including without limitation theoretical and applied research, which is intended for, or may be useful in, any aspect of the invention, development, design, production, manufacture, marketing, promotion, sale, support or service of a Competitive Product.

1.3 CONFIDENTIAL INFORMATION means any information relating to Tennant's business, including an Invention, formula, pattern, compilation, program, device, method, technique, or process that the Employee invents, learns, or develops during the course of Employee's employment by Tennant that derives independent economic value from not being generally known, or readily ascertainable by proper means, by other persons can obtain economic value from its disclosure or use. Confidential Information includes but is not limited to trade secrets and Inventions and, without limitation, may relate to research, development, experiments, engineering, product specifications, computer programs, computer software, hardware configurations, manufacturing processes, compositions, algorithms, know-how, methods,

machines, management systems, strategic plans, business methods, nonpublic financial information, proprietary and Confidential Information pertaining to vendors and customers, employee and personnel data, sales volumes, pricing strategies, sales and marketing plans and strategies, contracts, and bids.

1.4 CONFLICTING ORGANIZATION means any person (including the Employee) or entity, and any parent, subsidiary, partner, or affiliate (regardless of its legal form) of any person or entity, that engages in, or is about to become engaged in, the research, invention, development, design, production, manufacture, promotion, marketing, sale, support, or service of a Competitive Product or in Competitive Research.

1.5 EMPLOYEE means the individual who signs this Agreement on the line designated for Employee signature.

1.6 INVENTION(S) means any and all inventions, discoveries, ideas, processes, writings, works of authorship, designs, developments and improvements, whether or not protectible under the applicable patent, trademark, or copyright statutes, invented generated, conceived, or reduced to practice by the **Employee**, alone or in conjunction with others, while employed by Tennant.

1.7 TENNANT means Tennant Company and its wholly owned subsidiary, Tennant Sales and Service Company, both Minnesota corporations with their principal place of business in the State of Minnesota, and all of their parents, subsidiaries or affiliated corporations, wherever located, and their successors and assigns, that exist or may exist during all or any portion of the time this Agreement is in effect.

1.8 TENNANT CUSTOMER(S) means any person, entity or institution to whom or to which Employee, or persons under Employee's management, direction or supervision, sold, solicited sales, supported, marketed, serviced, or promoted products or services on behalf of Tennant during the last eighteen (18) months in which Employee was employed by Tennant. Without limiting the generality of the foregoing, the term Tennant Customer includes all and each of the employees, agents or representatives, and any other persons who control, direct or influence purchasing decisions of any such person, entity or institution.

1.9 TENNANT PRODUCT(S) means any goods, products, product lines or services (a) that during the last eighteen (18) months in which the Employee was employed by Tennant, Employee, or persons under Employee's management, direction or supervision, performed research regarding, invented, designed, developed, marketed, promoted, sold, solicited sales of, supported, serviced, or provided on behalf of Tennant, or (b) with respect to which Employee at any time received or otherwise obtained or learned Confidential Information.

SECTION 2: EMPLOYMENT

2.1 Employment At-Will. Tennant agrees to employ or continue to employ Employee at-will. The parties agree that either party may terminate Employee's employment at any time for any reason. This Agreement is ancillary to at-will employment and does not purport to include all of the terms of, or supersede, that relationship. Employee agrees that during the term of this Agreement, Employee may from time-to-time be employed by Tennant or any one of its subsidiaries or affiliates, and that the Tennant entity employing Employee may change from time-to-time at the sole discretion of Tennant, without affecting the validity, binding effect upon Employee, or enforceability of this Agreement or of any of the terms or conditions hereof.

2.2 Compensation. The compensation, benefits, and other financial terms and conditions applicable to Employee's employment at the inception of this Agreement are set forth in separate documents provided to Employee. Any changes in the compensation and benefits of Employee after this Agreement becomes effective that take place from time-to-time shall not terminate or invalidate this Agreement or affect or impair the validity or enforceability of this Agreement.

2.3 Duties. Employee agrees to diligently, loyally and faithfully perform and discharge the duties assigned to Employee from time to time, and all duties associated therewith, to engage in no activities detrimental to Tennant's interests, to be familiar with Tennant policies and procedures that relate to

Employee's duties, and to abide by Tennant's policies as they exist from time to time, including, without limitation, Tennant's policies set forth in its Employee Handbook and Business Ethics Guide, and Confidential Information. This Agreement continues in force and effect if the Employee's duties, title, or place of work change after this Agreement becomes effective, and any such change shall not terminate or invalidate this Agreement or affect or impair the validity or enforceability of this Agreement.

2.4 Protection of Former Employer. Employee agrees not to divulge to, or use for the benefit of **Tennant** any proprietary, trade secret, or confidential information of a former employer.

2.5 No Other Contractual Obligations. Employee hereby represents and confirms that Employee has not made any contractual or legal commitments that would prevent or prohibit Employee from fulfilling Employee's duties and responsibilities as set forth in this Agreement.

SECTION 3: TRAINING, CONFIDENTIAL INFORMATION AND GOODWILL

3.1 Tennant's Promises to Employee. Tennant agrees that: (a) upon commencement of employment it will provide Employee with valuable training that may include but not be limited to orientation training, self-study materials and course work, classroom training, on-the-job training, and other forms of training; (b) it will continue to provide valuable training to Employee from time to time throughout the course of Employee's employment; (c) upon commencement of employment it will provide Employee with Tennant's valuable business and customer relationships, goodwill and/or Confidential Information that are appropriate for Employee's position, duties, and responsibilities; and (d) it will continue to provide valuable business and customer relationships, goodwill and/or Confidential Information from time to time during the course of Employee's employment that are appropriate for Employee's position, duties, and responsibilities.

3.2 Goodwill. Employee acknowledges that Tennant owns the goodwill in Employee's relationships with Tennant Customers that Employee maintains or develops in the course and scope of Employee's employment by Tennant. If Employee owned goodwill in customer relationships when Employee commenced employment with Tennant, Employee irrevocably transfers and assigns any and all such goodwill to Tennant, and Tennant shall become the owner of such goodwill.

3.3 Employee's Use of Training, Business and Customer Relationships, Goodwill and CONFIDENTIAL INFORMATION. Employee agrees that in consideration of the promises made by Tennant to Employee to provide Employee valuable training, business and customer relationships, goodwill and/or Confidential Information as set forth above, Employee will use such valuable training, business and customer relationships, goodwill and/or Confidential Information only during the course of Employee's employment by Tennant and solely and exclusively for the benefit of Tennant.

3.4 Fiduciary Duties. Employee agrees that Employee shall treat all Confidential Information, training, business relationships, and goodwill entrusted to Employee by Tennant as a fiduciary, and Employee accepts and undertakes all of the obligations of a fiduciary, including good faith, trust, confidence and candor, and Employee agrees to use such training and to maintain, protect, and develop Confidential Information, business relationships, and goodwill solely and exclusively for the benefit of Tennant.

3.5 Tennant Property. All documents and things provided to Employee by Tennant for use in connection with Employee's employment including but not limited to cellular phones, cellular phone numbers, laptop computers, PDA's, pagers and other equipment or created by the Employee in the course and scope of Employee's employment by Tennant, are the property of Tennant and shall be held by Employee as a fiduciary on behalf of Tennant. Upon termination of Employee's employment, Employee shall promptly, and without the requirement of a prior demand by Tennant, return to Tennant all such equipment, documents and things, together with all copies, recordings, abstracts, notes, reproductions, or electronic versions of any kind made from or about the documents and things or the information they contain.

3.6 Nondisclosure . Employee agrees not to use or disclose any Confidential Information to or for the benefit of any person or entity other than Tennant, either during or after employment, for as long as the information retains the characteristics described in Section 1.3. Employee agrees and understands that this provision prohibits Employee from rendering services to a Conflicting Organization to the extent that Employee would use, disclose or rely upon Confidential Information or be caused or required to use, disclose or rely upon Confidential Information during the course of rendering such services.

SECTION 4: EMPLOYMENT RESTRICTIONS

4.1 Restrictions on Competition During Employment. Employee agrees that while employed by Tennant, Employee will not be directly or indirectly employed or affiliated in any capacity by, become an independent contractor or consultant for, or perform any services for a Conflicting Organization in connection with or relating to a Competitive Product or Competitive Research.

4.2 Post-Employment Restrictions on Competition (Non-Sales Employees). Unless Section 4.3 below is applicable on the last day Employee is employed by Tennant, Employee agrees that for twelve (12) months after the last day Employee is employed by Tennant, Employee will not, directly or indirectly, be employed or affiliated in any capacity by, become an independent contractor or consultant for, or perform any services for a Conflicting Organization in connection with or relating to a Competitive Product or Competitive Research.

4.3 Post-Employment Restrictions on Competition (Sales Employees) . If during the last twelve (12) months of employment with Tennant, Employee had no management duties or responsibilities and was engaged exclusively in sales activities, including selling, soliciting the sale, promoting, or supporting the sale of Tennant Products through direct contact with Tennant Customers, Employee agrees that for twelve (12) months after the last day Employee is employed by Tennant, Employee will be prohibited, directly or indirectly, from soliciting, communicating with or contacting, and from managing, directing or supervising others who solicit, communicate with or contact, any Tennant Customer on behalf of a Conflicting Organization in connection with or relating to a Competitive Product or Competitive Research.

4.4 Prohibition on Solicitation of TENNANT Employees . Employee agrees that at all times while employed by Tennant, and for twelve (12) months thereafter, Employee will not, directly or indirectly, solicit, cause to be solicited, or participate in or promote the solicitation of any person to terminate that person's employment with Tennant to become employed by a Conflicting Organization, or to breach that person's Employment Agreement with Tennant.

4.5 Post-Employment Disclosure . Employee agrees that in the event Employee voluntarily or involuntarily terminates employment with Tennant, that during the term of the restrictions described in Sections 4.2 or 4.3 above, as applicable, Employee will inform Tennant of the identity of any new employer that is a Conflicting Organization or is involved with a Competitive Product or Competitive Research, the job title of Employee's new position, and a description of any services to be rendered to that employer. In addition, Employee agrees to respond within ten (10) days to any written request from Tennant for further information concerning Employee's work activities sufficient to provide Tennant with assurances that Employee is not violating any of the obligations Employee has undertaken in this Agreement.

4.6 Ancillary Promises . The promises of Employee to Tennant contained in Sections 3.2, 3.3, 3.4, 3.5 and 3.6 are reciprocal to the promises of Tennant to Employee contained in Section 3.1. Tennant's promises to Employee contained in Section 3.1 give rise to Tennant's interest in enforcing Employee's promises in Sections 4.1, 4.2, 4.3, 4.4, and 4.5 which promises of Employee to Tennant are ancillary to the reciprocal promises of Tennant and Employee contained in Sections 3.1, 3.2, 3.3, 3.4 3.5 and 3.6 and are intended to enforce Employee's promises to Tennant contained in Sections 3.2, 3.3, 3.4, 3.5 and 3.6.

SECTION 5: INVENTIONS

5.1 Disclosure . Employee agrees to promptly disclose to Tennant in writing all Inventions.

5.2 Ownership, Assignment and Recordkeeping. All Inventions shall be the exclusive property of Tennant. Employee hereby assigns all Inventions to Tennant. Employee agrees to keep accurate, complete and timely records of Employee's Inventions, which records shall be the property of Tennant and shall be retained on Tennant's premises.

5.3 Cooperation. During and after the termination of Employee's employment, Employee agrees to give Tennant all cooperation and assistance necessary to perfect, protect, and use its rights to Inventions. Without limiting the generality of the foregoing, Employee agrees to sign all documents, do all things, and supply all information that Tennant may deem necessary to (a) transfer or record the transfer of Employee's entire right, title and interest in Inventions, and (b) enable Tennant to obtain patent, copyright, or trademark protection for Inventions anywhere in the world.

5.4 Attorney-in-Fact. Employee irrevocably designates and appoints Tennant and its duly authorized officers and agents as attorney-in-fact to act for and in Employee's behalf and stead to execute and file any lawful and necessary documents required, and to do all other lawfully permitted acts required, for the assignment of, application for, or prosecution of any United States or foreign application for letters patent, copyright or trademark with the same legal force and effect as if executed by Employee.

5.5 Waiver. Employee hereby waives and quitclaims to Tennant any and all claims, of any nature whatsoever, which Employee may now have or may hereafter have for infringement of any patent, copyright, or trademark resulting from any Invention.

5.6 Future Patents. Any Invention relating to the business of Tennant with respect to which Employee files a patent application within one (1) year following termination of Employee's employment shall be presumed to cover Inventions conceived by Employee during the term of Employee's employment, subject to proof to the contrary by Employee by good faith, contemporaneous, written and duly corroborated records establishing that such Invention was conceived and made following termination of employment and without using Confidential Information.

5.7 Release or License. If an Invention does not relate to the existing or reasonably foreseeable business interests of Tennant, Tennant may, in its sole and unreviewable discretion, release or license the Invention to the Employee upon written request by the Employee. No release or license shall be valid unless in writing signed by Tennant's General Counsel.

5.8 Notice. Pursuant to Minnesota Statutes Section 181.78, Employee is hereby notified that this Agreement does not apply to any invention for which no equipment, supplies, facility or trade secret information of Tennant was used and which was developed entirely on the Employee's own time, and (1) which does not relate (a) directly to the business of Tennant or (b) to Tennant's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the Employee for Tennant. Employee has disclosed on Exhibit A-1 attached hereto all such excluded inventions.

SECTION 6: GOVERNING LAW, VENUE AND JURISDICTION

6.1 Place of Agreement. Because Tennant is a Minnesota corporation with its principal place of business located in Minnesota, and because it is mutually agreed that it is in the best interests of Tennant and all of its employees that a uniform body of law consistently interpreted be applied to the employment relationships between Tennant and all of its employees, this Agreement is deemed entered into in the State of Minnesota between Tennant and Employee, and the substantive laws of Minnesota and the exclusive jurisdiction of the courts of Minnesota shall be applicable hereto on the terms and conditions specified below.

6.2 Governing Law. The validity, enforceability, construction, and interpretation of this Agreement shall be governed by the laws of the State of Minnesota, without regard to any choice-of-law or conflict-of-

law rules Employee irrevocably waives Employee's right, if any, to have the laws other than the State of Minnesota apply to this Agreement.

6.3 Jurisdiction and Venue. Hennepin County District Court shall have exclusive jurisdiction and venue over any disputes between Tennant and Employee arising out of or related to Employee's employment or this Agreement. Employee hereby irrevocably consents to the exclusive personal jurisdiction of the state courts in Hennepin County, Minnesota for the purposes of any action arising out of or related to Employee's employment or this Agreement, including specifically (but without limiting the generality of the foregoing) actions for temporary equitable relief including temporary and permanent injunctions, except proceedings in other jurisdictions to enforce judgments entered by the Hennepin County District Court pursuant hereto.

6.4 Covenant Not to Sue. Employee irrevocably covenants not to sue Tennant in any jurisdiction or venue other than the Hennepin County, Minnesota District Court for the purposes of any action arising out of or related to Employee's employment or this Agreement. Employee further agrees not to assist, aid, abet, encourage, be a party to, or participate in the commencement or prosecution of any lawsuit or action by any third party arising out of or related to this Agreement in any jurisdiction or venue other than a state court in Hennepin County, Minnesota; provided, however, that nothing herein shall prohibit or restrict Employee from being a witness or otherwise providing evidence in any action pursuant to court order or subpoena.

SECTION 7: OTHER PROVISIONS

7.1 Obligations Unconditional. The obligation of the parties to perform the terms of this Agreement is unconditional and does not depend on the performance or nonperformance of any terms, duties, or obligations not specifically recited in this Agreement. Employee irrevocably waives Employee's right to challenge the enforceability or validity of any portion of this Agreement.

7.2 Waiver. No waiver by Tennant of any breach of this Agreement by Employee shall be valid unless contained in a writing signed by the General Counsel of Tennant or the General Counsel's designee. Waiver of any breach of this Agreement shall not constitute, or be deemed, a waiver of any other breach of this Agreement. Employee acknowledges and agrees that this Agreement is independent of any and all other agreements between Tennant and any other person or entity, and that the enforcement or non-enforcement by Tennant of any provision of any Agreement between Tennant and any other person shall not constitute a waiver by Tennant of any of its rights, nor a defense available to Employee, to enforcement of this Agreement, or any of the terms or provisions hereof.

7.3 Provisions Survive Termination. To the extent that any provisions of this Agreement apply to the time period after, or require performance or enforcement after, termination of Employee's employment or termination of this Agreement, all such provisions survive the termination of Employee's employment and termination of this Agreement and may be enforced subsequent thereto. Without limiting the generality of the foregoing, Section 1; Sections 3.2, 3.3, 3.4, and 3.5 and 3.6; Section 4.2, 4.4, 4.5 and 4.6; Section 5; and Section 6 each survive termination of Employee's employment and termination of this Agreement.

7.4 Prior Agreements. Except to the extent provided in Section 7.5, all prior agreements, if any, between Tennant and Employee relating to any part of the subject matter of this Agreement are superseded and rendered null and void upon execution of this Agreement by Employee and Tennant; provided, however, that nothing in this Agreement invalidates, renders null or void, or otherwise affects any term or provision of any Tennant compensation or benefit plan or any agreements related thereto.

7.5 Validity Not Impaired. In the event that any provision of this Agreement is unenforceable under applicable law, the validity or enforceability of the remaining provisions shall not be affected. To the extent any provision of this Agreement is judicially determined to be unenforceable, (a) a court of competent jurisdiction may reform any such provision to make it enforceable, and (b) to the extent a court of competent jurisdiction refuses to enforce any provision of this Agreement as written or reformed, any

provisions of any prior agreement between Employee and Tennant addressing the subject matter of the unenforceable provision shall be deemed to govern the relationship between Employee and Tennant notwithstanding any contrary provisions of Section 7.4 hereinabove.

7.6 Transfer or Assignment. Tennant may transfer or assign its rights and obligations pursuant to this Agreement to its successors or assigns. Employee may not assign any rights or obligations pursuant to this Agreement.

7.7 Tolling. In the event Employee breaches or violates Sections 4.1, 4.2, 4.3, 4.4 or 4.5 hereinabove, the duration of the restrictions contained therein shall be extended by the number of days the Employee remains in breach or violation thereof. This provision may be specifically enforced.

Employee has received and read, and understands the terms of this Agreement. Employee enters into this Agreement voluntarily, and has had the opportunity to consult with Employee's own attorney before signing.

Employee has received a copy of this Agreement for Employee's records.

This Agreement becomes binding and effective on Tennant and Employee upon signature by Employee.

EMPLOYEE:

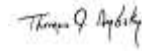
Employee's Signature

Date

Home Address

City State Zip Code

TENNANT:



By
Signature

Title V.P., Administration

Date

**701 North Lilac Drive
P. O. Box 1452
Minneapolis, MN 55440-1452**

Exhibit A-1

EMPLOYEE'S EXCLUDED INVENTIONS

I hereby consider the following inventions to be excluded as set forth in Section 5.8 of my Tennant Employee Agreement. (If no inventions are listed below, none are claimed by Employee.)

Date: _____

Signature

**EXHIBIT B TO
EXECUTIVE EMPLOYMENT AGREEMENT**

**TENNANT COMPANY
AMENDED AND RESTATED MANAGEMENT AGREEMENT**

THIS AMENDED AND RESTATED MANAGEMENT AGREEMENT (this "Agreement") is entered into effective **[January 1, 2012]** by and between Tennant Company, a Minnesota corporation (the "Company"), and **[NAME]**, a resident of Minnesota ("Executive").

Recitals

[for existing executives: A. Executive and the Company are currently parties to a Management Agreement dated **[(date)]**. By signing below, the Company and Executive acknowledge that, among the revisions reflected in this Agreement, certain changes constitute good and valuable consideration to support the other changes in this Agreement. The Company and Executive further acknowledge that by signing this Agreement, the Management Agreement dated **[(date)]** is replaced, in its entirety, by this Agreement.

B. Executive is a key member of the management of the Company and is expected to devote substantial skill and effort to the affairs of the Company, and the Company desires to recognize the significant personal contribution that Executive makes and is expected to continue to make to further the best interests of the Company and its shareholders.

C. It is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive's services and attention to the affairs of the Company.

D. It is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company.

E. It is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company without regard to the possibility that Executive's employment may be terminated without compensation in the event of certain changes in control of the Company.

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Application of Agreement . No amounts or benefits shall be payable or provided for pursuant to this Agreement unless a Change in Control shall occur during the Term of this Agreement.

2. Involuntary Termination of Employment . If Executive's employment terminates by reason of an Involuntary Termination by the Company without Cause, or by Executive for Good Reason, upon or after the First Change in Control and prior to the end of the Transition Period, the Company shall provide to Executive the benefits set forth in Sections 2(a) through 2(c) below, subject to the limitations and conditions in Section 2(d) and Section 4:

- (a) Lump Sum Severance . The Company (or its Successor) shall pay to Executive a lump sum cash payment equal to three (3) times Executive's Annual Compensation.
- (b) STIP . If the Termination Date is any day other than the last day of the STIP plan year, the Company (or its Successor) shall pay to Executive a pro rata portion of the award (based on the number of days in the STIP plan year occurring on or before, and after, the Termination Date) that would have been payable to Executive under the STIP for such plan year had all performance targets been met and Executive remained employed by the Company until the end of the Plan Year.
- (c) Benefits Premium Payment . The Company (or its Successor) shall pay to Executive a lump sum cash payment equal to eighteen (18) times the Company's portion of the monthly premiums for group medical, group dental and/or basic group life insurance coverage, to the extent Executive is participating in such plans, and at the premium rates in effect, immediately prior to the Termination Date.
- (d) Timing . The amounts payable pursuant to Sections 2(a), (b) and (c) above shall be paid to Executive no later than 2 1/2 months after the Termination Date; provided, however, that if Executive's Termination Date occurs in connection with a First Change in Control described in Section 5(e)(v), but before the occurrence of a Change in Control described in clause (i) through (iv) of Section 5(e), then the amounts payable pursuant to Sections 2(a) and 2(b) above shall be paid to Executive no later than 2 1/2 months after the occurrence of the Change in Control described in clause (i) through (iv) of Section 5(e) (subject to any applicable offsets under Section 4(c)).

3. Termination of Employment Due to Death or Disability . If Executive's employment terminates during the Term due to Executive's death or Disability, then the Company (or its Successor) shall pay to Executive (or Executive's legal representative), in accordance with the Company's regular payroll practices, Executive's then-current

base salary through and including the last day of the month in which the Termination Date occurs.

4. Withholding of Taxes, Other Limitations.

(a) Taxes. All payments to Executive hereunder are subject to withholding of income and employment taxes and all other amounts required by law. Executive shall be solely responsible for the payment of all taxes due and owing with respect to wages, benefits, and other compensation provided to him hereunder.

(b) Termination Notice. Any notice of termination for Cause or Good Reason shall, as applicable, specify whether such termination by the Company is with or without Cause, or by Executive is with or without Good Reason, and, if with Cause or Good Reason, shall set forth in reasonable detail the basis therefor. Any failure by Executive or the Company to set forth in the notice of termination any fact or circumstance that contributes to a showing of Cause or Good Reason shall not waive any right of the Executive or the Company or preclude the Executive or the Company from asserting such fact or circumstance in enforcing rights hereunder. Upon termination of Executive's employment for any reason, Executive shall, in addition to any other amounts owing under this Agreement, receive any Base Salary and STIP award for the preceding year, to the extent such amounts are earned but unpaid as of the Termination Date, in accordance with the Company's payroll practices and any applicable plans or programs.

(c) Offsets. Notwithstanding any other provision of this Agreement, the payments and benefits required by Section 2 shall be reduced by any severance pay or benefits that Executive is eligible to receive from the Company, its subsidiaries or its successors under any policy, plan or agreement of the Company, other than this Agreement, in the event of the termination of Executive's employment with the Company, including without limitation the Executive Employment Agreement or any other employment or severance agreement entered into between Executive and the Company.

(d) Release Requirement. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to make any payments to Executive under Section 2 hereof unless Executive shall have signed a release of claims in favor of the Company in a form to be prescribed by the Company, all applicable consideration periods and rescission periods provided by law shall have expired and Executive is in compliance as of the dates of the payments with the terms of this Agreement, the Executive Employment Agreement, and the Employee Agreement entered into by Executive and the Company dated [**insert date of prior agreement**] (the "Employee Agreement").

(e) Code Section 280G. Notwithstanding any provision to the contrary contained herein except the last sentence of this Section 4 (e), if the cash payments due and the other benefits to which Executive shall become entitled under this Agreement,

either alone or together with other payments made pursuant to this Agreement or any other agreement between Executive and the Company or any compensation plan or program that are in the nature of compensation to Executive and are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company or otherwise, would constitute a “parachute payment” as defined in Code § 280G (or any successor provision thereto), such lump sum payment and/or such other benefits and payments shall be reduced (but not below zero) to the largest aggregate amount as will result in no portion thereof being subject to the excise tax imposed under Code § 4999 (or any successor provision thereto) or being non-deductible to the Company for Federal Income Tax purposes pursuant to Code § 280G (or any successor provision thereto). Within ten days after the Company informs Executive of the necessity of reducing the payments or benefits to avoid the excise tax or non-deductibility or promptly after Executive otherwise becomes aware of the necessity of such a reduction, Executive in good faith shall determine the amount of any reduction to be made pursuant to this Section 4(e) and shall select from among the foregoing benefits and payments (selecting first from among amounts other than those that constitute deferred compensation pursuant to Section 409A) those which shall be reduced. No modification of, or successor provision to, Code § 280G or § 4999 subsequent to the date of this Agreement shall, however, reduce the benefits to which Executive would be entitled under this Agreement in the absence of this Section 4(e) to a greater extent than they would have been reduced if Code § 280G and § 4999 had not been modified or superseded subsequent to the date of this Agreement, notwithstanding anything to the contrary provided in the first sentence of this Section 4 (e).

(f) Code Section 409A. This Agreement is intended to be exempt from the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, as a “short-term deferral” and should be interpreted accordingly. Notwithstanding the foregoing, to the extent that any payment hereunder is determined to be deferred compensation subject to Section 409A of the Code and such payment is triggered due to “separation from service”, the payment shall be delayed for six months following “separation from service,” if required to comply with the requirements of Section 409A(a)(2)(B)(i) of the Code.

5. Definitions. When used in this Agreement with initial capitalized letters, the following terms have the meanings indicated below, unless context requires otherwise:

(a) Annual Compensation. “Annual Compensation” means the sum of (i) Executive’s highest Base Salary as in effect during the Term, plus (ii) the higher of (A) Executive’s STIP target award for the plan year in which the Termination Date occurs and (B) the average annual STIP award payable by the Company to Executive for the three full plan years immediately preceding the Termination Date (or for such shorter period of Executive’s participation in the STIP plan). For the avoidance of doubt, when calculating Annual Compensation, Base Salary and STIP shall not be reduced by any

amounts that Executive may have elected to defer under any deferred compensation plan or program of the Company.

(b) **Base Salary.** “Base Salary” means Executive’s annual base salary rate established by the Board, or the compensation committee of the Board, from time to time in accordance with the Executive Employment Agreement.

(c) **Board.** “Board” means the Board of Directors of the Company.

(d) **Cause.** “Cause” means:

(i) persistent failure by Executive to perform the duties of Executive’s employment, which failure is demonstrably willful and deliberate on the part of Executive and constitutes gross neglect of duties by Executive and which is not remedied within 90 days after receipt of written notice thereof; or

(ii) the indictment or conviction of Executive for a felony if the act or acts constituting the felony are substantially detrimental to the Company or its reputation.

(e) **Change in Control.** “Change in Control” means one of the following:

(i) 50% or more of the directors of the Company shall be persons other than persons

(A) in favor of whose election proxies shall have been solicited by the Board of Directors of the Company, or

(B) who are then serving as directors elected or appointed by the Board of Directors to fill vacancies on the Board of Directors caused by death or resignation (but not by removal) or to fill newly created directorships,

provided that any such individual whose initial assumption of office occurs as a result of either an actual or threatened contested election (with any such threat having been made in writing and identifying such individual) shall not be considered to have been elected or appointed pursuant to clause (A) or (B) above;

(ii) 35% or more of (1) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (“Outstanding Company Voting Securities”) or (2) the then outstanding shares of common stock of the Company (“Outstanding Company Common Stock”) is acquired or beneficially owned (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor rule thereto (the “Exchange Act”)) by any individual, entity

or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), provided, however, that the following acquisitions and beneficial ownership shall not constitute Changes in Control pursuant to this Section 5(e)(ii):

- (A) any acquisition or beneficial ownership by the Company or a subsidiary of the Company, or
 - (B) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries, or
 - (C) any acquisition or beneficial ownership by Executive or any group that includes Executive, or
 - (D) any acquisition or beneficial ownership by a parent entity of the Company (after giving effect to the merger or statutory share exchange) or its wholly-owned subsidiaries, as long as they shall remain wholly-owned subsidiaries, directly or indirectly of 100% of the Outstanding Company Voting Securities as a result of a merger or statutory share exchange that complies with Section 5(e)(iii)(A), (B) and (C) in all respects;
- (iii) the Company consummates a merger of the Company with or into another entity, a statutory share exchange of Outstanding Company Voting Securities or Outstanding Company Common Stock or a sale of other disposition of all or substantially all of the assets of the Company (in one transaction or a series of transactions) (each, a “Business Combination”), other than a Business Combination in which:
- (A) the persons who were the beneficial owners, respectively, of the Outstanding Company Voting Securities and Outstanding Company Common Stock immediately prior to such Business Combination beneficially own, directly or indirectly, immediately after the Business Combination, more than 50% of, respectively, the then outstanding voting power of the voting securities (or comparable equity interests) entitled to vote generally in the election of directors or similar governing body and the then outstanding common stock of the surviving or acquiring entity in the Business Combination or its direct or indirect parent entity (beneficially owning 100% of the surviving entity) in substantially the same proportions (except for those exercising statutory dissenters rights) as their ownership of the Outstanding Company Voting Securities and Outstanding Company Common Stock immediately prior to the Business Combination,

(B) if voting securities of the direct or indirect parent entity of the Company (after giving effect to the Business Combination) are exchanged for Outstanding Company Voting Securities in the Business Combination, all holders of any class or series of Outstanding Company Voting Securities immediately prior to the Business Combination have the right to receive substantially the same per share consideration in exchange for their Outstanding Company Voting Securities as all other holders of such class or series (except for those exercising statutory dissenters rights), and

(C) no individual, entity or group (other than a direct or indirect, parent entity that, after giving effect to the Business Combination, directly or indirectly through one or more wholly owned subsidiaries, beneficially owns 100% of the outstanding voting securities of the Company or the surviving or acquiring entity resulting from the Business Combination) beneficially owns, directly or indirectly, immediately after the Business Combination, 35% or more of the voting power of the outstanding voting securities or the outstanding common stock (or comparable equity interests) of the Company or the surviving or acquiring entity resulting from the Business Combination,

unless a majority of the voting power of voting stock (or the voting equity interest) of the surviving entity or its parent entity or of any entity acquiring all or substantially all of the assets of the Company (in the case of a merger or disposition of assets) or the Company or its parent entity (in the case of a statutory share exchange) is, immediately following the merger, statutory share exchange or disposition of assets, beneficially owned by the Executive or a group of persons, including the Executive, acting in concert;

(iv) the shareholders of the Company approve a definitive agreement or plan to liquidate or dissolve the Company; or

(v) (A) the Company enters into an agreement in principle or a definitive agreement relating to a Change in Control described in clause (i), (ii) or (iii) above which, within two years after such agreement, results in such a Change in Control described in clause (i), (ii) or (iii) hereof,

(B) a tender or exchange offer or proxy contest is commenced which, within two years after such commencement, results in a Change in Control described in clause (i) or (ii) hereof, or

(C) an involuntary termination during the Term of Executive's employment by the Company without Cause or by Executive for Good Reason, prior to an event that would otherwise constitute a Change in Control, and Executive reasonably demonstrates that such event (x) was

requested by a third party that has previously taken other steps reasonably calculated to result in a Change in Control described in clause (i), (ii) or (iii) hereof and which, within two years after such termination, results in a Change in Control described in clause (i), (ii) or (iii) hereof or (y) otherwise arose in connection with or in anticipation of a Change in Control described in clause (i), (ii), (iii) or (iv) above that occurs within two years after such termination.

(f) Code. “Code” means the Internal Revenue Code of 1986, as amended.

(g) Disability. “Disability” means a continuing condition of Executive that has been determined to meet the criteria set forth in the Company’s Long Term Disability Plan, or similar successor plan, to render Executive eligible for long-term disability benefits under such plan, whether or not Executive is in fact covered by such plan. The determination shall be made by the insurer of such plan or, if Executive is not covered by such plan, by the Company in its sole discretion.

(h) Executive Employment Agreement. “Executive Employment Agreement” means the Executive Employment Agreement by and between Executive and the Company entered into on **[(insert date)]**.

(i) First Change in Control. “First Change in Control” means the occurrence of the earliest Change in Control to occur during the Term.

(j) Good Reason. A resignation by Executive for “Good Reason” means an Involuntary Termination initiated by Executive following actions by the Company, taken without Executive’s written consent, and which result in the occurrence of any of the following conditions:

- (i) the Company’s material breach of this Agreement or the Executive Employment Agreement;
- (ii) the assignment to Executive of duties and responsibilities that are substantially inconsistent with Executive’s position with the Company, or the material reduction of Executive’s position, authority, duties, or responsibilities, as such position, authority, duties, or responsibilities are in effect immediately prior to the First Change in Control, other than for Cause or on account of Disability, including but not limited to a material reduction in Executive’s budget authority or the number of employees reporting to Executive, or the removal of the Executive from or failure to reappoint or re-elect Executive to any title or position as a corporate officer;
- (iii) the material reduction of Executive’s Base Salary or target STIP opportunity;

(iv) a material reduction in the authority, duties, or responsibilities of the person to whom Executive reports, including but not limited to a requirement that Executive report to a corporate officer or other employee instead of reporting directly to the Board (or similar governing body of a Successor), or a requirement that Executive report to a corporate officer or other employee other than the top corporate officer of the Company or Successor instead of reporting directly to the top corporate officer of the Company or Successor;

(v) the Company fails to obtain assumption of this Agreement by any Successor as contemplated by Section 6;

(vi) the Company requires Executive to relocate to any place other than a location within twenty-five (25) miles of the location at which Executive performed duties immediately prior to the First Change in Control or, if Executive performed such duties at the Company's principal executive offices, the Company relocates its principal executive offices to any location other than a location within twenty-five (25) miles of the location of the principal executive offices immediately prior to the First Change in Control; or

(vii) the Company requires that Executive travel on Company business to a substantially greater extent than required immediately prior to the First Change in Control.

Notwithstanding the foregoing, Good Reason shall exist only if Executive first gives written notice to the Company within 90 days after the conditions giving rise to Good Reason first exist, the Company fails to cure such conditions within 30 days thereafter, and Executive resigns for Good Reason effective within six (6) months following the date of Executive's written notice hereunder.

(k) Involuntary Termination. "Involuntary Termination" means a termination of employment instigated by the Company without the consent or agreement of Executive, or which is otherwise considered an involuntary separation from service under Code § 409A or guidance thereunder.

(l) STIP. "STIP" means the Company's Short-Term Incentive Plan, as amended, or any successor plan.

(m) Successor. "Successor" means any person or entity acquiring directly or indirectly a majority of the Outstanding Company Voting Securities (by purchase, merger, consolidation or otherwise) or all or substantially all of the assets of the Company.

(n) Term. "Term" has the meaning set forth in Section 14 of this Agreement.

(o) Termination Date. “Termination Date” means the date on which Executive’s termination of employment by the Company is effective. For purposes of payments of benefits under Section 2, the Termination Date shall mean the date on which a “separation from service” has occurred for purposes of Code Section 409A and the guidance thereunder.

(p) Transition Period. “Transition Period” means the three-year period commencing on the date of the earliest to occur of a Change in Control described in clause (i) through (iv) of Section 5(e) and ending on the third anniversary of such date.

6. Successors and Assigns.

(a) This Agreement is binding on and inures to the benefit of Executive and Executive’s heirs, legal representatives and permitted assigns, and on the Company and its successors and permitted assigns. No rights or obligations of Executive or the Company hereunder may be assigned, pledged, disposed of or transferred by such party to any other person or entity without the prior written consent of the other party.

(b) The Company will require any Successor, by agreement in form and substance satisfactory to Executive, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession (other than in the case of a merger or consolidation) shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive had otherwise terminated Executive’s employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any Successor that is required to execute and deliver the agreement provided for in this Section 6(b) or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

7. Separate Representation. Executive hereby acknowledges that he has sought and received independent advice from counsel of his own selection in connection with this Agreement and has not relied to any extent on any officer, director or shareholder of, or counsel to, the Company in deciding to enter into this Agreement.

8. Governing Law; Jurisdiction. All matters relating to the interpretation, construction, application, validity and enforcement of this Agreement shall be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota. Executive and the Company consent to jurisdiction of the courts of the State of Minnesota and/or the federal district courts, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact arising out of or in connection with

this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, shall be in Hennepin County, State of Minnesota.

9. Specific Performance. Each of the parties acknowledges and agrees that the other party would be damaged irreparably in the event any of the covenants contained in this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties agrees that the other party shall be entitled to an injunction or injunctions to prevent breaches of such covenants and to enforce specifically such covenants in any action instituted before a proper forum in addition to any other remedy to which such other party may be entitled under this Agreement or at law or in equity.

10. Notices. All notices hereunder shall be delivered by hand or sent by registered or certified mail, return receipt requested, postage prepaid, to the party to receive the same at the address set forth with the signature of such party hereto or at such other address as may have been furnished to the sender by notice hereunder.

11. Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

12. Amendments and Waivers. No provision hereof may be altered, amended, modified, waived or discharged in any way whatsoever except by written agreement executed by both parties. No delay or failure of either party to insist, in any one or more instances, upon performance of any of the terms and conditions of this Agreement or to exercise any rights or remedies hereunder shall constitute a waiver or a relinquishment of such rights or remedies or any other rights or remedies hereunder.

13. Severability; Severance. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect, and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable.

14. Term. This Agreement shall commence on the date of this Agreement and shall terminate, and the term of this Agreement (the "Term") shall end, on (A) December 31, 2013, provided that such period shall be automatically extended for one year, and from year to year thereafter, until written notice of termination of this Agreement is given by the Company or Executive to the other party hereto at least 60 days prior to December 31, 2013 or the extension year then in effect, or (B) if the first day of the Transition Period occurs prior to December 31, 2013 (or prior to the end of the extension year then in effect), the last day of the Transition Period.

15. Entire Agreement. This Agreement, the Employee Agreement and the Executive Employment Agreement contain the entire understanding of the parties hereto with respect to the employment of Executive by the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date and year first above written.

EXECUTIVE

TENNANT COMPANY

Name: [NAME]

Name: H. Chris Killingstad

Address: [ADDRESS]

Title: President and CEO
701 North Lilac Drive
Minneapolis, MN 55422

SCHEDULE OF PARTIES TO MANAGEMENT AND EXECUTIVE EMPLOYMENT AGREEMENT**Parties to current form of amended and restated management agreement:**

Name	Title
H. Chris Killingstad	President and Chief Executive Officer
Thomas Paulson	Vice President and Chief Financial Officer
Thomas J. Dybsky	Vice President, Administration
Andrew J. Eckert	Vice President, The Americas
Michael Schaefer	Vice President, Chief Technical Officer
Donald B. Westman	Vice President, Global Operations
Heidi M. Wilson	Vice President, General Counsel and Secretary
Richard H. Zay	Vice President, Global Marketing

Subsidiaries of the Registrant

Subsidiary

Applied Kehmaschinen GmbH
 Applied Sweepers Group Leasing (U.K.)
 Applied Sweepers Holdings. Limited
 Applied Sweepers International Limited
 Floorep Limited
 Hofmans Machinefabriek
 Nobles Floor Machines Limited
 Recumbrimientos Tennant, S. de R.L. de C.V.
 Servicios Integrados Tennant, S.A. de C.V.
 Sociedade Alfa Ltda.
 Tennant Asia Pacific Holdings Private Ltd.
 Tennant Australia Pty Limited
 Tennant B.V.
 Tennant CEE GmbH
 Tennant Cleaning Systems and Equipment (Shanghai) Co., Ltd.
 Tennant Cleaning Systems India Private Limited
 Tennant Company
 Tennant Company Far East Headquarters PTE LTD
 Tennant Europe B.V.
 Tennant Europe N.V.
 Tennant France S.A.
 Tennant GmbH & Co. KG
 Tennant Holding B.V.
 Tennant Holdings LLC
 Tennant International Holding B.V.
 Tennant N.V.
 Tennant Netherland Holding B.V.
 Tennant New Zealand Ltd.
 Tennant Portugal E. de L., S.U., L. da
 Tennant SA Holdings LLC
 Tennant Sales & Service Canada ULC
 Tennant Sales and Service Company
 Tennant Sales and Service Italy S.R.L.
 Tennant Sales and Service Scandinavia ApS
 Tennant Sales and Service Spain, S.A.
 Tennant Scotland Limited
 Tennant Sverige AB
 Tennant UK Cleaning Solutions Limited
 Tennant UK Limited
 Tennant Uruguay S.A.
 Tennant Ventas & Servicios de Mexico, S.A. de C.V.
 Tennant Verwaltungs-gesellschaft GmbH
 Walter-Broadley Machines Limited
 Walter-Broadley Limited
 Water Star, Inc.

Jurisdiction of Organization

Federal Republic of Germany
 United Kingdom
 United Kingdom
 United Kingdom
 United Kingdom
 Netherlands
 United Kingdom
 United Mexican States
 United Mexican States
 Federative Republic of Brazil
 Republic of Singapore
 Australia
 Netherlands
 Republic of Austria
 People's Republic of China
 Republic of India
 Minnesota
 Republic of Singapore
 Netherlands
 Belgium
 French Republic
 Federal Republic of Germany
 Netherlands
 Minnesota
 Netherlands
 Netherlands
 Netherlands
 New Zealand
 Portuguese Republic
 Minnesota
 British Columbia, Canada
 Minnesota
 Republic of Italy
 Kingdom of Denmark
 Kingdom of Spain
 United Kingdom
 Kingdom of Sweden
 United Kingdom
 United Kingdom
 United Kingdom
 Eastern Republic of Uruguay
 United Mexican States
 Federal Republic of Germany
 United Kingdom
 United Kingdom
 Ohio

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Tennant Company:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 33-62003, 333-28641, 333-73706, 333-51531, 333-157708, 333-142581, and 333-166342) and on Form S-3 (No. 333-160887) of Tennant Company of our report dated February 24, 2012, with respect to the consolidated balance sheets of Tennant Company and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and comprehensive (loss) income, and cash flows and related financial statement schedule for each of the years in the three year period ended December 31, 2011, and the effectiveness of internal control over financial reporting as of December 31, 2011, which report appears in the December 31, 2011 annual report on Form 10-K of Tennant Company.

/s/ KPMG LLP

Minneapolis, Minnesota
February 24, 2012

CERTIFICATIONS

I, H. Chris Killingstad, certify that:

1. I have reviewed this annual report on Form 10-K of Tennant Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ H. Chris Killingstad
 H. Chris Killingstad
 President and Chief Executive Officer

CERTIFICATIONS

I, Thomas Paulson, certify that:

1. I have reviewed this annual report on Form 10-K of Tennant Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Thomas Paulson
 Thomas Paulson
 Vice President and Chief Financial Officer
 (Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Tennant Company (the “Company”) on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, H. Chris Killingstad, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2012

/s/ H. Chris Killingstad
H. Chris Killingstad
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Tennant Company (the “Company”) on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas Paulson, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2012

/s/ Thomas Paulson
Thomas Paulson
Vice President and Chief Financial Officer