



THIRD QUARTER REPORT > 2007

> TO OUR SHAREHOLDERS

Our third quarter financial results were in line with our expectations. Electric segment earnings were consistent with the same quarter a year ago, and increased profits from our manufacturing and food ingredient processing segments offset the anticipated reduction in earnings from our plastics segment. DMI Industries, our manufacturer of wind towers, produced excellent growth for the quarter.

We reaffirm our 2007 earnings per share guidance to be within the range of \$1.60 to \$1.80.

FINANCIAL RESULTS AS OF SEPTEMBER 30, 2007

Otter Tail Corporation announced the following financial results for the quarter ended September 30, 2007:

- Revenues of \$302.2 million, a record for third quarter performance.
- Consolidated net income of \$13.3 million.
- Diluted earnings per share of \$0.44 compared with \$0.45 for the same period a year ago.

> OPERATIONAL RESULTS

Operational results in each of the following segments are for the quarter ended September 30, 2007. These results and outlook references for each segment were announced in our third quarter earnings release on November 1, 2007, which is posted on www.ottertail.com.

ELECTRIC

Electric segment net income of \$6.5 million in third quarter 2007 was unchanged from third quarter 2006 results. Electric revenues increased slightly, mainly due to more electric construction work performed for other companies. Retail kilowatt-hour (kwh) sales increased 4.1%, reflecting increased consumption by commercial and pipeline customers.

We expect electric segment earnings in the range of \$19.0 million to \$24.0 million in 2007, which is consistent with prior guidance for the year. A major maintenance shutdown of Big Stone Plant planned for the third quarter was rescheduled for the fourth quarter of 2007, resulting in a shift in anticipated expenditures and plant availability between the quarters.

PLASTICS

The plastics segment produced net income of \$1.4 million compared with \$4.6 million in the third quarter of 2006. The decrease in net income is mainly the result of a 19% decline in sales prices between the quarters. The decrease in pipe prices reflects a continuing but anticipated softening of the pipe market.

We expect the plastics segment's earnings performance to be in the range of \$6.0 million to \$8.5 million, which is consistent with 2007 prior guidance.

MANUFACTURING

Net income for the third quarter 2007 in the manufacturing segment increased to \$3.5 million compared with \$2.5 million for the same period a year ago.

DMI Industries recorded an increase of \$0.7 million in net income between the quarters as a result of increased production levels and productivity gains. DMI's third quarter 2007 operating expenses include \$0.3 million in pre-production start-up costs for its new plant in Tulsa, Oklahoma. At T.O. Plastics, net income increased \$0.3 million as a result of higher sales volume between the quarters. ShoreMaster's net losses decreased \$0.2 million between the quarters as a result of strong commercial sales. At BTM Manufacturing, net income decreased \$0.1 million between the quarters, due to increases in payroll costs and depreciation expenses which more than offset a \$0.3 million increase in gross margins on sales.

Continued enhancements in productivity and capacity utilization and strong backlogs are expected to result in increased net income in the manufacturing segment in 2007.

HEALTH SERVICES

Net income in the health services segment was \$0.1 million compared with \$0.3 million in the third quarter of 2006. The decrease in net income between the quarters was due to lower scanning revenues and increases in operating and depreciation expenses.

We expect flat to slightly declining earnings in the health services segment in 2007 primarily due to lower sales at the diagnostic imaging services company. This is a change from prior guidance of moderate net income growth from this segment in 2007.

FOOD INGREDIENT PROCESSING

The food ingredient processing segment recorded net income of \$1.0 million compared with a net loss of \$1.1 million for the same period a year ago. The improvement in earnings between quarters is due to increases in product sales and pricing, combined with a decrease in production costs due to lower prices for potatoes and natural gas.

We expect this segment to generate net income in the range of \$3.0 million to \$4.5 million in 2007, a change from prior guidance of \$2.5 million to \$4.5 million.

OTHER BUSINESS OPERATIONS

Other business operations had net income of \$0.9 million compared with \$0.7 million in the third quarter of 2006. Net income from our construction companies increased \$0.4 million between the quarters as a result of more construction activity year over year, while net income at our flatbed trucking company decreased \$0.2 million between the quarters.

This segment is expected to have lower earnings in 2007 compared with 2006 due to an expected return to more normal

corporate cost levels. The construction companies are expected to have a strong 2007, given performance in the first nine months of 2007 and current backlogs.

› OTTER TAIL POWER COMPANY REQUESTS FIRST MINNESOTA RATE INCREASE SINCE 1986

Otter Tail Power Company has proposed an increase in its base rates for electric service in Minnesota for the first time since 1986. The power company has done well keeping rates as low as possible for as long as possible. With continually rising costs and growing energy use, efforts to keep rates at current levels by improving efficiencies and managing costs no longer are enough.

If the Minnesota Public Utilities Commission (MPUC) approves the request as filed, a typical residential customer using 771 kilowatt-hours of electricity a month would see a net increase of \$5.67 a month over 2006. Similarly, subject to MPUC approval, a typical commercial customer using 2,565 kwh of electricity a month would see a net increase of \$5.26 a month over 2006. Some customers will see less and some will see more based on the amount of electricity they use.

The overall revenue increase proposed is about 11% over 2006. However, the company is proposing to share asset-based wholesale margins through the Fuel Clause Adjustment in Minnesota, so the final overall customer impact would be an increase of about 6.7% over 2006. Even after this increase, Otter Tail Power Company's rates will be among the lowest in the nation.

As part of the filing, the company increased rates on an interim basis beginning November 30, 2007. The interim rate increase is about 5.4% and will remain in effect for all Minnesota customers until the MPUC makes a final determination on the company's request, which is expected to occur by August 1, 2008. If final rates are lower than interim rates, the company will refund customers the difference with interest. If final rates are higher than interim rates, the higher rates will become effective as of the date in the MPUC Order approving those rates. For more information, visit www.otpco.com.

› BIG STONE II PARTICIPANT CHANGES

In September, two of the original seven participating utilities withdrew from Big Stone II. While this development has slowed down the regulatory review process, it has not stalled the project which proposes building a coal-fired electric generating station adjacent to the existing Big Stone plant in South Dakota.

The proposed plant remains the least-cost option for meeting the growing electrical demands of customers of the five regional utilities, according to revised plans submitted to the MPUC in November. The plans call for redesigning the plant with a generation capacity between 500 and 580 megawatts. The utilities anticipate that, if approved, the new plant will be operational in 2013. The five project co-owners are Otter Tail Power Company, Central Minnesota Municipal Power Agency, Heartland Consumers Power District, Missouri River Energy Services and Montana-Dakota Utilities Co.

Impacts of 2007 Minnesota conservation and renewable energy legislation as well as a hypothetical \$9 per ton tax on carbon dioxide emissions were included in the utilities' revised plans.

Representatives from the two withdrawing utilities, Great River Energy and Southern Minnesota Municipal Power Agency, acknowledged that the region needs additional generation resources, and their decisions to leave the project stem from factors unique to their own organizations. It is not uncommon for participation status to change in projects as large and extensive as Big Stone II, and additional parties have expressed interest in joining the project.

These changes should not have a material long-term impact on the Big Stone transmission certificate of need application before the MPUC. New and upgraded transmission facilities—identical to

what has been proposed—still will be required. Big Stone II and its associated transmission remain critical to ensure regional electric reliability and to help foster development of additional wind energy facilities. These components are needed for achieving Minnesota's goal of meeting 25% of its energy needs from renewable resources by 2025.

Big Stone II participants remain committed to building a baseload plant that is reliable, affordable and environmentally responsible, using proven pollution-control technology to more effectively control the levels of carbon dioxide, mercury and other emissions. We will keep you informed of ongoing developments in this significant venture. For more information, visit www.bigstoneii.com.

› OTTER TAIL CORPORATION AGAIN AMONG 40 BEST ENERGY COMPANIES

For the third consecutive year, Otter Tail Corporation has been recognized as one of the nation's top-performing energy companies by *Public Utilities Fortnightly*, a leading trade publication. The magazine evaluated financial performance of the 100 largest investor-owned electric and gas utilities and natural-gas pipeline companies in the United States to select the 40 best in the industry. The ranking appeared in *Fortnightly's* September issue.

Otter Tail Corporation ranked 28th this year and also appeared on the *Fortnightly 40* in 2006 and 2005, the first year of the compilation. Ratings are based on profitability, dividend yield, cash flow, return on equity, return on assets and sustainable growth. For the annual ranking, *Fortnightly* reviewed each company's three-year average in the rating categories to filter out short-term market volatility and gain a more precise view of long-term performance.

We are pleased to again appear on this list of best energy companies. This reflects the success of our well-established diversification strategy and the dedicated efforts of 4,000 employees across our 12 operating companies. Our core business, Otter Tail Power Company, provides a solid foundation and our non-electric businesses contribute additional opportunities for growth.

On behalf of all our employees across the operating companies within Otter Tail Corporation, we are grateful for your support as an investor. We will continue to work together to grow our companies and provide a dependable investment for you. Thank you for your confidence in our organization.

Sincerely,



John Erickson
President and CEO



Otter Tail Corporation common stock (NASDAQ: OTTR) reached a quarterly high of \$39.39 and a low of \$28.96 for the three months ended Sept. 30, 2007.

FORWARD-LOOKING STATEMENTS

Except for historical information, all other information provided in this presentation consists of "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These "forward-looking statements" are subject to risks and uncertainties which could cause actual results to differ materially from those projected, anticipated, or implied. The most significant of these risks and uncertainties are discussed or identified in Otter Tail Corporation's public filings made with the Securities and Exchange Commission. Otter Tail Corporation undertakes no obligation to publicly update or revise any forward-looking statements.

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<i>(in thousands, except share and per-share amounts) (not audited)</i>				
Operating revenues				
Electric	\$ 72,110	\$ 71,206	\$ 232,662	\$ 227,308
Plastics	36,975	45,941	114,319	136,731
Manufacturing	95,330	76,667	286,341	226,555
Health services	31,360	35,432	96,775	100,341
Food ingredient processing	15,714	11,474	53,612	30,635
Other business operations	51,956	40,739	129,012	99,397
Intersegment eliminations	(1,210)	(917)	(3,521)	(2,714)
Total operating revenues	302,235	280,542	909,200	818,253
Operating expenses				
Production fuel	16,994	15,846	47,496	42,108
Purchased power - system use	6,499	8,590	43,531	44,990
Other electric operation and maintenance expenses	27,212	26,433	80,738	77,889
Cost of goods sold (excludes depreciation; included below)	179,868	161,148	521,500	449,905
Other nonelectric expenses	30,211	29,543	92,346	85,097
Depreciation and amortization	13,366	12,552	39,406	37,155
Property taxes - electric operations	2,538	2,260	7,591	7,429
Total operating expenses	276,688	256,372	832,608	744,573
Operating income (loss)				
Electric	12,286	11,647	33,805	35,658
Plastics	2,515	7,792	13,383	24,046
Manufacturing	7,953	5,944	25,098	19,793
Health services	348	749	3,631	2,693
Food ingredient processing	1,979	(1,602)	5,064	(4,792)
Other business operations	466	(360)	(4,389)	(3,718)
Total operating income	25,547	24,170	76,592	73,680
Other income	619	1,060	1,232	2,147
Interest charges	4,927	5,078	14,821	14,622
Income from continuing operations before income taxes	21,239	20,152	63,003	61,205
Income taxes - continuing operations	7,907	6,676	23,160	21,737
Net income from continuing operations	13,332	13,476	39,843	39,468
Discontinued operations				
Income from discontinued operations net of taxes of \$0; \$0; \$0 and \$28 for the respective periods	—	—	—	26
Net gain on disposition of discontinued operations - net of taxes of \$0; \$0; \$0 and \$224 for the respective periods	—	—	—	336
Net income from discontinued operations	—	—	—	362
Net income	13,332	13,476	39,843	39,830
Preferred dividend requirements	184	183	552	551
Earnings available for common shares	\$ 13,148	\$ 13,293	\$ 39,291	\$ 39,279
Average number of common shares outstanding—basic	29,745,600	29,412,526	29,644,866	29,377,158
Average number of common shares outstanding—diluted	29,995,660	29,805,897	29,887,510	29,764,752
Basic earnings per common share:				
Continuing operations (net of preferred dividend requirement)	\$.44	\$.45	\$ 1.33	\$ 1.33
Discontinued operations	—	—	.01	.13
Diluted earnings per common share:				
Continuing operations (net of preferred dividend requirement)	\$.44	\$.45	\$ 1.31	\$ 1.31
Discontinued operations	—	—	.01	.13
	\$.44	\$.45	\$ 1.31	\$ 1.32
Dividends per common share	\$.2925	\$.2875	\$.8775	\$.8625

CONSOLIDATED BALANCE SHEETS

	September 30, 2007		December 31, 2006	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
<i>(in thousands) (not audited)</i>				
ASSETS			LIABILITIES AND EQUITY	
Current assets			Current liabilities	
Cash and cash equivalents	\$ 704	\$ 6,791	Short-term debt	\$ 78,781
Accounts receivable—net	174,397	145,276	Current maturities of long-term debt	3,019
Inventories	97,757	103,002	Accounts payable	111,550
Deferred income taxes	8,221	8,069	Income taxes payable	4,308
Accrued utility revenues	12,693	23,931	Other accrued taxes	10,075
Costs and estimated earnings in excess of billings	44,055	38,384	Other accrued liabilities	40,503
Other	13,637	9,611	Liabilities of discontinued operations	—
Assets of discontinued operations	—	289	Total current liabilities	248,236
Total current assets	351,464	335,353	Pensions benefit liability	42,260
Investments and other assets			Other postretirement benefits liability	33,335
Goodwill—net	32,959	29,946	Other noncurrent liabilities	21,581
Other intangibles—net	99,242	98,110	Deferred credits	
Deferred debits	20,698	20,080	Deferred income taxes	114,843
Plant	52,695	56,552	Deferred investment tax credit	7,328
Electric plant in service	946,727	930,689	Regulatory liabilities	64,614
Nonelectric operations	255,913	239,269	Other	255
Total plant	1,202,640	1,169,958	Total deferred credits	187,040
Less accumulated depreciation and amortization	503,295	479,557	Capitalization	
Plant—net of accumulated depreciation and amortization	699,345	690,401	Long-term debt—net of current maturities	278,378
Construction work in progress	86,621	28,208	Class B stock options of subsidiary	1,255
Net plant	785,966	718,609	Cumulative preferred shares	15,500
Total	\$ 1,343,024	\$ 1,258,650	Common shares	149,139
			Premium on common shares	107,502
			Retained earnings	258,129
			Accumulated other comprehensive income (loss)	669
			Total common equity	515,439
			Total capitalization	810,572
			Total	\$ 1,343,024
				\$ 1,258,650

› **E.W. WYLIE OPENS NEW HEADQUARTERS;
ADDS HEAVY HAUL SERVICE**

E.W. Wylie Corporation, a nationwide flatbed carrier and operating company of Otter Tail Corporation, has relocated its headquarters and trucking operations to a seven-acre site in West Fargo, N.D. The new site consists of a 12,000-square-foot office building and a 10,000-square-foot inspection facility.

The trucking firm also introduced its new heavy haul service. E.W. Wylie's heavy haul fleet is specifically designed for over-sized loads, which can range from heavy machinery to large infrastructure building components.

The company flatbed fleet consists of 132 trucks with another 74 trucks available through partnerships with owner/operators. E.W. Wylie was also recently designated a Department of Defense contractor, making it a qualified hauler of heavy military equipment and flatbed freight.

In addition to its North Dakota headquarters, Wylie has terminals in Des Moines, Iowa; Denver, Colo.; Minneapolis, Minn.; and Dallas/Fort Worth, Texas. For more information, visit www.wylietrucking.com.

› **LEADERSHIP CHANGE ANNOUNCED
AT DMI INDUSTRIES**

DMI Industries' CEO Chuck Hoge has announced that he is assuming the title of interim president of the company following the resignation of Lars Møller in October 2007. A national search is underway for a new president of the company.

In addition to his role as DMI CEO, Hoge is vice president of Otter Tail Corporation's manufacturing platform. Prior to joining the corporation five years ago, he was president and CEO of Bobcat Company, an international construction-vehicle business.

"We are confident in the talent, dedication and strategic focus of the management group and the entire DMI team, which will allow for a smooth leadership transition," Hoge said. "DMI is on track with exciting growth plans and, with the opening of its third plant, will have one of the largest tower manufacturing operations in North America."

DMI, an operating company of Otter Tail Corporation, is a heavy steel and wind tower manufacturer based in West Fargo, N.D. The wind tower company has increased capacity over the past year at its plants in West Fargo and Fort Erie, Ontario. Earlier this year, DMI announced plans to open a plant in Tulsa, Okla., which is targeted to be operational by early 2008. For more information, visit www.dmiindustries.com.

› **DMS HEALTH GROUP CONTINUES SUPPORT
FOR HURRICANE RECOVERY**

DMS Health Group, based in Fargo, N.D., has announced a donation of \$50,796 to the American Red Cross designated for ongoing recovery needs in areas affected by Hurricane Katrina. The donation amount is based on a commitment made by the company's interim imaging services team, which pledged to donate a portion of DMS revenues from scanning services provided in Louisiana and Mississippi during late 2005 and 2006.

"After Hurricane Katrina hit in 2005, our interim services staff partnered together with one of our primary vendors to provide and send a mobile CT scanner and a mobile MRI unit to Louisiana State University Healthcare Services to use for a full year with no lease payments required," said Paul Wilson, CEO of DMS Health Group. "As time went on we realized much more help was needed, so we set a target and committed to follow up with a monetary donation to the Red Cross. Our people serve this region, and they are deeply aware that recovery efforts are far from complete."

The DMS Health Group, an operating company of Otter Tail Corporation, has two primary business units, DMS Health Technologies and DMS Imaging. For more information about the DMS Health Group, visit www.dmsgh.com.

› **SHAREHOLDER ANNOUNCEMENTS**

WATCH FOR IRS FORM 1099

Shareholders whose dividends totaled more than \$10 during 2007 will receive IRS Form 1099 from Otter Tail Corporation in early 2008. Form 1099 states the amount of dividends Otter Tail paid to you as reported to the Internal Revenue Service. Shareholders who receive their form directly from Otter Tail must report all dividend payments, whether paid directly or reinvested, as 2007 income for tax purposes. Shareholders can also view their 1099 information online by following the links to the Investors/Shareholder Services/Account Access page on www.ottertail.com.

THE EASE OF DIVIDEND REINVESTMENT

The dividend reinvestment plan is designed as a convenient way for shareholders to build equity in Otter Tail Corporation without incurring brokerage fees. In 2007, the plan was updated to make it even more convenient for shareholders to accomplish this goal.

One of those changes now allows residents of Arizona, Florida, Minnesota, North Dakota, South Dakota and Texas to make their initial investment directly through the company with a minimum investment of \$250. Residents outside of those states will still need to make their initial investment through a broker to be eligible for the plan.

Otter Tail also increased the cap on monthly investments to \$10,000 per month as well as increased the amount of shares which can be sold through the plan to 30 shares per month. All investments and sales are done on the first working day of the month. These features are automatically available for participants already enrolled in the plan.

If you are a resident of a qualifying state for direct purchase and would like to join the plan, please contact the Shareholder Services Department or go to www.ottertail.com for a prospectus and an enrollment form. If you are a registered shareholder but not enrolled in this plan, you can obtain an enrollment form by contacting Shareholder Services (see box below).

2008 POCKET CALENDARS AVAILABLE

From dividend payments to the annual meeting, this handy calendar includes important dates for Otter Tail Corporation shareholders. To get your 2008 pocket calendar, email prossow@otpc.com or call 800-434-5015 (739-8250 in the Fergus Falls area). You can also mail in the request to:

Otter Tail Power Company
Attention: Pocket Calendars
PO Box 496
Fergus Falls, MN 56538-0496

Allow four weeks for delivery.



Otter Tail Corporation Shareholder Services
215 South Cascade Street, PO Box 496,
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