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ANNUAL MEETING UPDATES

WORKING TOGETHER TO GROW OUR COMPANIES

OTTER TAIL CORPORATION SHAREHOLDERS ELECT DIRECTORS TO THREE-YEAR TERMS



Dennis Emmen



Kenneth Nelson



Nathan Partain

Otter Tail Corporation hosted 370 shareholders and guests at its 96th annual meeting of common shareholders on Monday, April 11 in Fergus Falls, Minnesota. Represented by proxy or present in person at the meeting were 82% of the corporation's total shares outstanding.

Shareholders reelected Dennis Emmen, Kenneth Nelson and Nathan Partain to three-year terms on Otter Tail Corporation's board of directors. Emmen has been a director since 1984 and is the retired senior vice president of finance, treasurer and CFO of Otter Tail Power Company. He resides in Fergus Falls.

Nelson has been a director since 1990. He is the president and CEO of Barrel O' Fun, Inc.; Kenny's Candy, Inc.; and Tuffy's Pet Foods, Inc.; in Perham, Minn. Partain has been a director since 1993. He is the president, CEO and chief investment officer of DNP Select Income Fund, Inc., and president and CEO of Duff & Phelps Investment Management Company, Chicago.

CEO REPORT/JOHN ERICKSON



John Erickson,
President and CEO

We gained momentum throughout 2004 and finished very strong, ending the year with one of our best fourth quarters ever. Revenues were up by 18.5% and earnings were up over 6%. The significant increase in the volume of business, particularly in our nonelectric operating companies, bodes very well for our future. Earnings per share were \$1.58 in 2004, compared

to \$1.51 in 2003. Dividends were up again in 2004, for the 30th consecutive year. The stock price was down 4.5%, so the dividend yield—slightly over 4%—made it a break-even year in terms of total shareholder return. Clearly, we would have preferred a higher total shareholder return but we also understand the importance of keeping the short-term stock performance in perspective.

Let's take a look at Otter Tail Corporation stock with a longer term view. If you invested \$1,000 in Otter Tail Corporation stock 10 years ago and let the dividends reinvest, it would be worth almost \$2,500 at the end of 2004. That's a compounded annual growth rate of 9.5%. For more perspective, compare Otter Tail Corporation's stock performance with utility peers and with the NASDAQ index by looking at our five-year stock performance chart in our 2005 proxy statement. We moved ahead of our peers in the 2001–2002 timeframe and that gap was closed in 2003–2004, but we are still well ahead of the NASDAQ index. If we go back further and compare our stock to the Dow Jones Utility Index from 1970 on, it shows a very positive picture for the long-term Otter Tail investor.

POSITIVE RESULTS IN 2004 |

We see a lot of positives as we look back at 2004, including earnings growth and the improvement in our mix of earnings. In 2004, the electric business remained solid, moving toward more sustainable long-term earnings levels. The nonelectric businesses rebounded nicely from 2003, increasing earnings across the board with just a couple of exceptions. Earnings contributions from the nonelectric businesses in 2004 almost doubled from 2003, rising from \$5.5 million to \$10.5 million in 2004. Also, we've had good returns on capital, probably the best indicator of the financial performance of a company. Our return on average equity for 2004 was just over 12%, which is better than average for our sector.



Shareholders listen to John Erickson's CEO Report at the 96th annual meeting.

We also maintain a very strong balance sheet and capital structure. We are not a highly leveraged company and we maintain an equity ratio that is above average for our sector. We strengthened our balance sheet even more with a very successful equity offering in December 2004. We issued just over three million shares, producing gross proceeds of about \$75 million. We were very pleased with the demand for the shares, both from individual investors and from institutional investors. Our largest shareholder chose to increase their stake in Otter Tail Corporation in 2004 as well. We appreciate this confidence in the company by our investors, who provide the opportunity for Otter Tail Corporation to continue to grow.

2005 AND BEYOND |

Our strategy is well-established after 15 years with a diversified set of businesses and a core electric business. It is a strategy that is proven; it is a strategy that we will continue to implement. We grow two ways, organically and by acquisition. Organically is the internal growth that occurs at our existing operating companies. On the acquisition side, we add new companies as well as businesses that become part of our existing operating companies.

Divestiture is part of our future as well. I do want to make it clear Otter Tail Corporation is a long-term owner. We are not in the business of buying and selling companies for a quick profit. When we make an acquisition, it is with the expectation that the acquired company will grow along with Otter Tail Corporation over the long term. But that doesn't mean we will never divest. There will be times when it is in the best interests of shareholders that we do divest.

OPPORTUNITIES FOR GROWTH |

Our primary focus for growth is on our existing platforms. We have 13 operating companies spread across five segments and several of these companies have very good growth potential. And we now have an opportunity for growth at Otter Tail Power Company as well. I've been with the organization nearly 25 years and this is the best growth opportunity I've seen in our core electric business since the early 1980s. There is a need for additional generation and transmission in this region and Otter Tail Power Company is assessing the feasibility of adding a second generating unit at the Big Stone Plant site in South Dakota. The jointly-owned coal-fired unit would have highly effective environmental controls. If Big Stone II is built, it likely would be online in the year 2011.

PEOPLE FIRST: SAFETY A TOP PRIORITY |

A successful business is not just about the numbers, the financial measures. We strive to be a good corporate citizen, an asset to the community, a contributing member of the communities in which our companies do business. We also strive to be a preferred place to work and instill integrity throughout our entire organization. One of our core values is safety. Good safety programs reduce costs—insurance costs and the like—but that is not the main reason for the safety focus. The main reason is that our 3,500 employees are more than just employees. They are also someone's

spouse, mother, father or child. They all have people in their lives who care about them and count on them. It is our responsibility to provide them with safe work environments, which requires constant attention. In 2004, we put a special emphasis on safety across all our operating companies. We paired up safety staff to do peer assessments of each other's safety programs and practices. Safety has always been a top priority in this organization and it always will be a top priority.

I want to thank the 3,500 men and women who work at the Otter Tail companies. These are the people who make things happen. They face the challenges of today's business environment and succeed, and those efforts are truly appreciated. And finally, I want to thank you, the shareholders, for the confidence you place in Otter Tail Corporation. We will do everything we can to make this an investment that meets your expectations.

COO REPORT/LAURIS MOLBERT



Lauris Molbert,
Executive Vice President
and COO

LONG-TERM STRATEGIC DIRECTION |

It is appropriate to start with a review of our vision, our view of the present and the future. We are and we intend to be a company of decentralized businesses growing through expansion of existing and new products and services—and through acquisition. Our vision will not change because of the conventional wisdom of the day or some fad. While we will not change this fundamental strategy, we will from time to time change our business mix as we strive to create shareholder value. We have found and I expect we will continue to find over time that certain businesses do not belong in our family of businesses and we will, with a long-term focus, adjust our business mix as appropriate.

As a result of this vision, today we are composed of 13 operating companies—decentralized businesses working together to create a successful company, each lead by a capable and entrepreneurial management team.

ACQUISITION AND DIVESTITURE UPDATE |

We have had some changes since last year. Over a year ago, we became interested in Idaho Pacific and we started discussions with its owners and management team. We were immediately impressed with the management team. They are a highly-spirited and talented management group that had shown a remarkable ability to grow and operate a company with limited resources.

In addition, in our research of the industry and the company's performance in the industry, we felt it was a good fit for us. And, as we grow, we felt it was common sense that our acquisitions would increase in size. This company also met that criteria of larger acquisition target. Finally, we were attracted to Idaho Pacific's market share in the products it manufactures. It is our largest single acquisition to date. The company has three locations, Idaho, Colorado, and Prince Edward Island, Canada, and this gives Otter Tail

Corporation our first facility outside the United States. With approximately 400 employees, Idaho Pacific has over 260,000 square feet of production space and office space. It is a premier manufacturer of dehydrated potato products, with quality and service second to none.

Consistent with our vision, we have decided to divest Midwest Information Systems and St. George Steel. Our motivation to sell results simply from our focus on creating shareholder value. Concerning Midwest Information Systems, our decision to sell was based upon the fact that we believe its earnings would not grow and most likely would decline over time. Similarly, with St. George Steel we believed that its financial prospects compelled us to move on.

In the near future, we will be more focused on what we refer to as “add-on acquisitions,” smaller companies to add to our existing companies, either electric or nonelectric. We have made two such acquisitions this year.

ELECTRIC SEGMENT |

In 2004, Otter Tail Power Company prepared for the new rules of wholesale power delivery and for the prospect of a new baseload power plant called Big Stone II. Despite this very large “to-do” list, Otter Tail Power followed record performance in 2003 with a lower but still impressive year of financial results in 2004. The company continues to have an enviable safety record, far exceeding industry averages. Additionally, the company continued its record of customer reliability and operated its plants efficiently with a high degree of availability. Also during the year, Otter Tail Power engaged an industry-respected firm to survey the company’s residential customers. The result, to say the least, has been very gratifying. In customer satisfaction, Otter Tail Power ranked significantly higher than the electric utility industry’s average. In fact, it scored seven points higher than the next highest-rated utility.

HEALTH SERVICES |

The DMS Health Group is composed of DMS Health Technologies and DMS Imaging. DMS Health Technologies, a dealer of medical equipment, was named in a 2004 survey by a major industry publication as one of the top medical vendors in the country. It had a solid year with continuing growth in service revenues and sales margins. DMS Imaging owns and operates approximately 200 diagnostic imaging assets for customers nationwide. We believe that DMS Imaging, in its peer group, has the most modern asset fleet in the country. Although DMS Imaging has had disappointing results over the last few years, improvements gained in 2004 are continuing in 2005. DMS Imaging was recently selected as the sole preferred vendor of outsource imaging for the VHA, a national purchasing alliance with 2,200 member hospitals.

MANUFACTURING SEGMENT |

Manufacturing had impressive improvement in 2004 with a 27% growth in revenues and a 78% increase in net income. These improved results come from several sources. First, a return to profitability at DMI Industries, our wind tower manufacturer. This was due to the efforts of a different management team and improved business discipline. Second, productivity improved at most of the manufacturing companies. Third, improved customer demand led to a higher utilization of capacity and better margins. In fact, 2004 was a record year for T.O. Plastics and BTD Manufacturing. BTD, our custom metal fabrication business, recently celebrated its 10th anniversary as an Otter Tail company. Since we acquired BTD in 1995, sales increased from \$12 million to nearly \$69 million in 2004, over a five-fold increase, and employee counts changed from approximately 75 to well over 400. We take pride in fostering a culture of decentralized and disciplined ownership that allows this entrepreneurial spirit to flourish.

PLASTICS SEGMENT |

Plastics had an impressive year with net income increasing 180%, attributable in part to a strong construction and housing market driving robust demand for PVC pipe. However, it was much more than the market at work. The profitability in this business depends on efficiency and our two plastics companies excel at that. Consider Vinyltech, which reached record production in 2004 and did so without any additional equipment or employees. Innovative techniques allowed Vinyltech to produce more pounds of pipe and ultimately have more sales. Northern Pipe Products also achieved a record output in 2004, surpassing 100 million pounds of production.

OTHER BUSINESSES |

E.W. Wylie, a flatbed common carrier, had a good recovery in 2004 and we expect even better results in 2005, despite increasing fuel costs. Midwest Construction Services, primarily an electrical contractor, had a disappointing 2004. We have made changes to address these issues and expect improved results. Foley Company, a mechanical and prime contractor, had its first full year as an Otter Tail company in 2004. We are pleased to see Foley named as an OSHA “Build Safe” member, a tribute to their focus on safety and a sign to us of a well-managed company.



My thanks to the men and women of Otter Tail Corporation and its operating companies. As I travel to these companies, I am continually in awe of the talent and devotion that they bring to our common purpose. And, of course, thanks to you, our shareholders. Without your support, none of this would be possible. You can be assured we do not take your confidence in us for granted.



Kevin Moug,
Chief Financial Officer
and Treasurer

REVENUES AND EARNINGS IMPROVE IN 2004 |

Otter Tail Corporation revenues grew 18.5% in 2004, primarily due to the growth in the nonelectric operations. The electric segment had a strong year in 2004 even though earnings were down \$3 million; 2003 was a record year for earnings at Otter Tail Power Company and

the decrease in net earnings in 2004 was expected. The manufacturing segment increased revenues by \$48 million and the plastics segment revenues increased \$29 million. Companies in these segments experienced increases in volume and increases in prices due to raw material increases which they were able to pass on to their customer base. Our other business operations segment increased revenues by \$47 million, due mainly to the first full year of Foley Company results and the addition of Idaho Pacific Holdings Inc. that occurred in August of 2004. We also saw a \$13 million increase in revenues in the health services segment.

These revenue increases, along with productivity improvements, better capacity utilization, and improved operations in our health services segment resulted in a \$5 million improvement in net earnings from our nonelectric operations in 2004 compared to 2003. In 2004, we now have net income from discontinued operations because of the agreement we have in place to divest the telecommunications company, Midwest Information Systems. Earnings per share increased from \$1.51 in 2003 to \$1.58 in 2004.

CAPITAL STRUCTURE AND CREDIT RATINGS |

We completed an equity offering in 2004 to fund the acquisition of Idaho Pacific Holdings, Inc. That equity offering further strengthened our consolidated capital structure. We now have a total equity to total capitalization ratio of 60% which places us in the upper end of the capital structures when compared with other Edison Electric Institute companies. We continue to have strong senior unsecured credit ratings (BBB+ from Standard & Poor's and A2 from Moody's) when compared with others in our sector. Currently these ratings are in the top 28% of all investor-owned utilities within the Edison Electric Institute. Both of these ratings carry a negative outlook. This is due to the increased business risk associated with our nonelectric operations.

INVESTOR RELATIONS |

The following companies currently provide equity research coverage on Otter Tail Corporation with either a hold or neutral rating: A. G. Edwards, Robert W. Baird and D. A. Davidson. UBS Warburg is in the process of completing their research on Otter Tail Corporation and will initiate coverage in 2005.

Our price/earnings ratio based on 2005 earnings estimates is at 14.9, below the median of 15.7 for Robert Baird's Diversified Services Utility Group. While we are currently trading below this median, the utility industry is trading at premium levels compared to historical metrics.

This is due to some important factors: We have historically low interest rates, the economy is improving and capital markets are strong, and the impact of the 2003 dividend tax cut certainly altered the value proposition for the industry and made it a much more attractive investment from a value standpoint to investors.

Dividends have been a key ingredient to your total shareholder return over the years. We have paid dividends since 1938 and we have increased those dividends annually since 1975. Our dividend yield is slightly ahead of the median. This is based on the Robert Baird Diversified Services Utility Group median of 4.3% and our current yield is 4.4%. We have a strong dividend yield when compared with seven other regional utilities.

INVESTMENT HIGHLIGHTS |

Here are characteristics of how Otter Tail is viewed in the investment community.

Attractive Dividend and Total Return Potential

- Indicated 2005 annual dividend of \$1.12 per share
- Dividend paid since 1938 with increases over the last 30 consecutive years

Balanced Growth and Income Strategy

- Strong and stable regulated electric operations provide cash flow to support dividends
- Nonelectric businesses provide above-average earnings growth potential

Stable Utility Base

- Competitive, low-cost coal-fired integrated electric operations
- Constructive regulatory environment with performance-based rate-making in North Dakota

Successful Nonelectric Businesses

- Platforms of companies enhances OTTR's earnings growth while mitigating volatility
- Acquisition of Idaho Pacific provides significant new growth platform

Strong Credit Quality

- Current senior unsecured credit ratings of A2/BBB+ (negative outlook)
- Otter Tail Corporation's senior unsecured debt rating ranks in the top 28% of all investor-owned utilities listed by the Edison Electric Institute

As your management team, we are committed to grow our businesses profitably and to continue improvement in our existing businesses. I, too, would like to thank our employees for all their hard work in making Otter Tail Corporation the successful company it is, and to you, our shareholders, for your continued belief in us and your support.