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THIRD QUARTER REPORT

WORKING TOGETHER TO GROW OUR COMPANIES

TO OUR SHAREHOLDERS

Driven by exceptional performance in our electric and plastics segments, Otter Tail Corporation delivered record earnings in the third quarter of 2005. These results follow a record second quarter performance. As was the case in the prior quarter, the electric segment's earnings reflect stronger than expected results in wholesale power markets. The plastics segment again produced excellent results and our health services segment continues to show improvement. We anticipate solid performance throughout our operations for the remainder of the year.

FINANCIAL RESULTS AS OF SEPTEMBER 30, 2005 |

Otter Tail Corporation announced the following financial results for the third quarter of 2005:

- Consolidated net income from continuing operations increased to \$18.1 million compared with \$10.7 million for the third quarter of 2004.
- Total consolidated net income, which includes the results of discontinued operations, increased to \$17.6 million compared with \$11.0 million for the same period last year.
- Diluted earnings per share from continuing operations increased to \$0.61 compared with \$0.40 a year ago.
- Total diluted earnings per share, which includes the results of discontinued operations, increased to \$0.59 compared with \$0.42 for the third quarter of 2004.

In our third quarter earnings release distributed on October 31, 2005, we announced expectations to be in the upper end of both our earnings guidance ranges, which are \$1.50 to \$1.70 for 2005 diluted earnings per share from continuing operations and \$1.80 to \$2.00 for total diluted earnings per share.

OPERATIONAL RESULTS

Operational results in each of the following segments are for the quarter ending September 30, 2005. These results and the outlook references in each segment were announced in our third quarter earnings release on October 31, 2005.

ELECTRIC |

Otter Tail Power Company's net income was \$15.5 million compared with \$6.6 million for the third quarter of 2004. Earnings increased substantially due to favorable results in wholesale power markets. In addition, a warmer summer contributed to an increase in retail kilowatt-hour sales between the quarters.

Given stronger than expected results in wholesale power markets and assuming normal weather patterns in the fourth quarter, we expect earnings in the electric segment in 2005 to be in a range of \$33.5 million to \$35.0 million. Regulated returns for the year are expected to be within authorized levels.

PLASTICS |

Net income for the plastics segment increased to \$2.9 million, more than double the quarterly results from a year ago. Customer demand for PVC pipe accelerated to record levels late in the third quarter of 2005 as substantial resin price increases were announced and concerns developed with the adequacy of resin supply following the hurricanes in the Gulf Coast region. A majority of U.S. resin production plants are located in this region.

We project 2005 earnings from the plastics segment to be in a range of \$9.0 million to \$10.5 million. Customer demand is expected to remain strong in the fourth quarter in anticipation of future resin price increases and as concerns continue over the adequacy of resin supply.

MANUFACTURING |

Net income in the manufacturing segment was \$0.9 million, compared with \$2.5 million for the same quarter in 2004. DMI Industries, Inc., our wind tower manufacturer, recorded a strong increase in revenue due to greater production and sales activity, but results were impacted by a \$0.6 million after-tax write-down of tower inventory with limited use due to changes in tower design requirements. The other companies in the manufacturing segment reported lower net earnings due to material and production cost increases, higher administrative wage and benefits costs, and increases in interest costs and depreciation expense.

The manufacturing segment's 2005 net earnings are expected to be at similar levels to 2004 net earnings.

HEALTH SERVICES |

Net income in the health services segment was \$1.1 million, compared with net income of \$0.9 million for the same period a year ago. Improved operating efficiencies in the imaging business and service cost reductions initiated in 2004 along with growing scan counts have contributed to improved results in the health services segment.

This segment is expected to grow net income in 2005 with continued earnings improvement from its imaging business.

FOOD INGREDIENT PROCESSING |

Third quarter results for the food ingredient processing segment, established with the acquisition of Idaho Pacific Holdings, Inc. in August 2004, included net income of \$0.3 million compared with \$0.2 million from six weeks of operation in the third quarter of 2004. Net income is less than expected as a result of lower sales volume and prices, high energy costs, increasing raw material costs and the increasing value of the Canadian dollar relative to the U.S. dollar.

This segment is expected to generate net income in the range of \$1.6 million to \$2.4 million for 2005.

OTHER BUSINESS OPERATIONS |

Other business operations had a net loss of \$2.5 million for the quarter, compared with a net loss of \$0.7 million for the same quarter in 2004. The 2005 loss includes a \$1.0 million goodwill impairment at our energy services subsidiary. The value of the goodwill was reassessed due to rising natural gas prices and greater market volatility in prices for natural gas. Operating losses in this segment also reflected net losses at our construction companies as well as increases in corporate health insurance costs and other employee benefit costs not allocated to the other operating segments.

The other business operations segment is expected to show slightly higher losses in 2005 compared with 2004 mainly due to the goodwill impairment write-off.

DISCONTINUED OPERATIONS |

Discontinued operations includes the operating results of Midwest Information Systems, Inc. (MIS), a telecommunications company located in Parkers Prairie, Minnesota; St. George Steel Fabrication, Inc. (SGS), a structural steel fabricator in St. George, Utah; and Chassis Liner Corporation, a manufacturer of auto and truck frame-straightening equipment and accessories in Alexandria, Minnesota. The sales of MIS and SGS were completed in the second quarter of 2005. The sale of Chassis Liner, which was still in the process of negotiation at the close of the third quarter, was completed early in the fourth quarter.

EXPANSION PROJECTS UNDERWAY

Many of our companies are undertaking significant expansion projects to prepare for growth opportunities arising from customers' needs and expectations.

The Big Stone II power plant proposal is moving forward with some recent additions to enhance environmental quality. Project planners announced they will increase capacity in a new transmission line to allow for the transfer of additional power generated from wind farms and other energy sources in the region. In addition, emission control technology developed for the new plant will be built with the capacity to also reduce emissions at the original Big Stone plant. We commend and support the project team in their efforts to address important environmental needs and concerns. For more details on the Big Stone project, see page 4.



Otter Tail Corporation common stock (NASDAQ: OTTR) reached a quarterly high of \$31.95 and a low of \$27.20 for the three months ended September 30, 2005.

FORWARD-LOOKING STATEMENTS |

Forward-looking statements in this shareholder report are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to a number of factors including, but not limited to, government regulations and actions; weather conditions; MISO Day 2 electric markets and electric wholesale trading activities; federal and state environmental regulations; diversification efforts; competition; economic uncertainty; impact of volatile financial markets on access to capital markets, borrowing costs and pension plan expenses; the availability of off-gate potato supplies; foreign currency changes between Canada and the United States; natural gas prices; suppliers of PVC resin; dealership arrangements and other agreements with Philips Medical; and other factors discussed from time to time in reports the corporation files with the Securities and Exchange Commission.

Vinyltech Corporation, based in Phoenix, Ariz., is preparing to add a state-of-the-art blending system and two additional extrusion lines, which will increase the company's capacity by 40% in producing PVC pipe used in municipal water, wastewater and reclaimed water systems. Construction will begin in early 2006 and be completed by the end of the year, with all new installations up and running by early 2007.

DMI Industries announced plans in October to develop a production plant in Fort Erie, Ontario, which will be operational by mid-2006. This represents an excellent expansion opportunity that will allow DMI to more effectively serve Canadian and East Coast customers. Within Otter Tail Corporation, this represents our second plant site in Canada. We added our first Canadian operation, located in Prince Edward Island, with the 2004 acquisition of Idaho Pacific, our food ingredient processing company. For more on DMI's Canadian expansion, see page 4.

WORKING TOGETHER FOR HURRICANE RELIEF

When Hurricane Katrina struck the Gulf Coast, people across our operating companies began reaching out to help. To support their generosity as well as urgently needed relief work, we pledged to match employee and operating company hurricane relief donations made during the month of September. The individual donations amounted to \$55,000, which Otter Tail matched in a special donation to the Red Cross.

In addition to the \$55,000 gift to the Red Cross, we donated \$30,000 to the Salvation Army and \$15,000 to other groups focused on relief efforts for a total corporate contribution of \$100,000. In this way, we are working together to help evacuees and communities recover and rebuild.

WORKING TOGETHER TO GROW OUR COMPANIES

People do make the difference within our companies, from the dedication of an individual employee to the momentum of entire teams pulling together to achieve goals. Here are some recent examples of each. Foley Company, our prime contractor firm based in Kansas City, Missouri, completed a leadership transition this fall with the appointment of Chris Callegari as president. Chris—a long-time Foley employee who most recently held the role of chief operating officer—is a competent and worthy successor to Foley's well-respected retiring president, Mike Palmer.

Recently I was privileged to join in a safety celebration at the plastics division of ShoreMaster, our waterfront equipment manufacturer. The plastics team completely turned around the safety statistics, going from a series of accidents within a six-month time period to well over a year without a reportable injury. Their commitment to building a safety culture is on target.

People doing their jobs well, responsibly and safely are exactly what we expect of the individuals and teams within each Otter Tail company. Through their efforts, we achieve the goals that result in dependable value to our shareholders. Thank you for your continued support as we continue working together to grow our companies.

Sincerely,

John Erickson
President and CEO

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CONSOLIDATED STATEMENTS OF INCOME
Three months ended September 30,
Nine months ended September 30,

<i>(In thousands, except share and per-share amounts) (not audited)</i>	2005	2004	2005	2004
Operating revenues				
Electric	\$ 85,770	\$ 62,640	\$ 233,403	\$ 195,944
Plastics	45,462	27,574	113,621	86,646
Manufacturing	59,803	52,373	183,190	144,586
Health services	30,653	27,741	89,775	80,014
Food ingredient processing	9,808	4,803	27,297	4,803
Other business operations	42,276	40,255	116,880	107,676
Intersegment eliminations	(1,114)	(667)	(2,997)	(1,910)
Total operating revenues	272,658	214,719	761,169	617,759
Operating expenses				
Production fuel	14,485	12,477	40,211	38,267
Purchased power - system use	13,295	10,050	44,737	30,875
Other electric operation and maintenance expenses	23,383	19,158	72,635	62,637
Cost of goods sold (excludes depreciation; included below)	147,196	118,690	410,872	332,648
Other nonelectric expenses	26,485	20,667	74,946	62,498
Goodwill impairment loss	1,003	—	1,003	—
Depreciation and amortization	11,720	10,882	34,658	31,918
Property taxes - electric operations	2,735	2,722	7,816	7,570
Total operating expenses	240,302	194,646	686,878	566,413
Operating income (loss)				
Electric	25,788	12,219	49,717	38,630
Plastics	5,175	2,138	14,065	7,459
Manufacturing	2,739	4,737	13,944	9,991
Health services	2,087	1,813	5,860	2,769
Food ingredient processing	558	373	2,216	373
Other business operations	(3,991)	(1,207)	(11,511)	(7,876)
Total operating income	32,356	20,073	74,291	51,346
Other income	1,073	114	1,482	880
Interest charges	4,657	4,582	14,064	13,291
Income from continuing operations before income taxes	28,772	15,605	61,709	38,935
Income taxes - continuing operations	10,692	4,936	21,612	12,200
Income from continuing operations	18,080	10,669	40,097	26,735
Discontinued operations				
(Loss) income from discontinued operations - net of taxes of (\$334); \$234; (\$97) and \$387 for the respective periods	(504)	357	(156)	582
Net gain on disposition of discontinued operations - net of taxes of \$17 and \$5,786 for the three and nine months ended September 30, 2005	27	—	9,937	—
Net income from discontinued operations	(477)	357	9,781	582
Net income	17,603	11,026	49,878	27,317
Preferred dividend requirements	185	184	552	552
Earnings available for common shares	\$ 17,418	\$ 10,842	\$ 49,326	\$ 26,765
Average number of common shares outstanding—basic	29,245,640	26,010,252	29,176,625	25,898,244
Average number of common shares outstanding—diluted	29,441,410	26,121,911	29,289,438	26,019,550
Basic earnings per common share				
Continuing operations (net of preferred dividend requirement)	\$.61	\$.40	\$ 1.36	\$ 1.01
Discontinued operations	\$ (.01)	\$.02	\$.33	\$.02
	\$.60	\$.42	\$ 1.69	\$ 1.03
Diluted earnings per common share				
Continuing operations (net of preferred dividend requirement)	\$.61	\$.40	\$ 1.35	\$ 1.01
Discontinued operations	\$ (.02)	\$.02	\$.33	\$.02
	\$.59	\$.42	\$ 1.68	\$ 1.03
Dividends per common share	\$.28	\$.275	\$.84	\$.825

CONSOLIDATED BALANCE SHEETS

<i>(In thousands) (not audited)</i>	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
ASSETS			LIABILITIES AND EQUITY	
Current assets			Current liabilities	
Cash and cash equivalents	\$ —	\$ —	Short-term debt	\$ 33,000
Accounts receivable, net	132,612	126,013	Current maturities of long-term debt	4,493
Inventories	83,361	72,504	Accounts payable	74,324
Deferred income taxes	4,942	4,852	Income taxes payable	5,854
Accrued utility revenues	17,598	15,344	Other accrued taxes	10,802
Costs and estimated earnings in excess of billings	18,103	18,145	Other accrued liabilities	35,072
Other	23,289	7,800	Liabilities of discontinued operations	1,536
Assets of discontinued operations	4,817	30,937	Total current liabilities	165,081
Total current assets	284,722	275,595	Pension benefit liability	18,984
Investments and other assets	38,406	42,650	Other postretirement benefits liability	26,402
Goodwill—net	98,879	92,196	Other noncurrent liabilities	13,826
Other intangibles—net	21,383	19,600	Deferred credits	
Deferred debits	24,201	23,983	Deferred income taxes	122,376
Plant			Deferred investment tax credit	9,613
Electric plant in service	898,665	890,200	Regulatory liabilities	60,333
Nonelectric operations	223,481	208,311	Other	3,135
Total plant	1,122,146	1,098,511	Total deferred credits	195,457
Less accumulated depreciation and amortization	456,005	436,856	Capitalization	
Plant—net of accumulated depreciation and amortization	666,141	661,655	Long-term debt, net of current maturities	258,981
Construction work in progress	24,910	18,469	Class B stock options of subsidiary	1,258
Net plant	691,051	680,124	Class B stock of subsidiary	745
Total	\$ 1,158,642	\$ 1,134,148	Cumulative preferred shares	15,500
			Common shares	146,651
			Premium on common shares	94,779
			Unearned compensation	(1,998)
			Retained earnings	224,243
			Accumulated other comprehensive loss	(1,267)
			Total common equity	462,408
			Total capitalization	738,892
			Total	\$ 1,158,642

CHRIS CALLEGARI TO HEAD FOLEY COMPANY

Chris Callegari has been named president of Foley Company, a prime contractor based in Kansas City, Missouri. Prior to the appointment, Callegari was executive vice president and COO. He has held various positions at the company since starting his career there in 1984. Retiring President Mike Palmer, who will stay on as a consultant, says Callegari's career at Foley has prepared him well to take over the reins of the company. "I am confident that Chris and our management team will provide excellent leadership for the company," Palmer said. "I am also pleased to leave the company as part of the Otter Tail family of companies." Otter Tail Corporation acquired Foley Company in 2003.



Chris Callegari
President, Foley Company

BIG STONE II PROPOSAL WILL REDUCE EMISSIONS, ADD RENEWABLE ENERGY CAPACITY

Officials from the Big Stone II project announced two significant additions to the project in October that will reduce emissions and build the infrastructure needed for new generation such as renewable energy. Big Stone II is a proposed 600-megawatt power plant adjacent to the existing Big Stone Plant near Milbank, S.D. Currently in development by seven electric utilities in the region, the new power plant will help serve the energy needs of approximately 2 million people by the year 2011.

Emission control technology will be sized to reduce the existing Big Stone Plant's emissions as well. "This change, as well as some operational changes at the existing Big Stone Plant, should make emissions from both plants equal to or less than the current plant's emissions for most pollutants," said Mark Rolfes, Big Stone II project manager. "Doing this while more than doubling the generation capacity is a significant accomplishment."

In addition, the transmission line that leads from Big Stone to Canby and Granite Falls, Minn., will increase capacity from 230 to 345 kilovolts if the project receives regulatory approval. "The voltage upgrade will create an opportunity for approximately 800 to 1,000 megawatts of new transmission capacity that could be available for the development of additional wind and renewable energy sources, once the additional upgrades to the system are completed," Rolfes said.

South Dakota Governor Mike Rounds applauded the announcement. "This is great news," Rounds said. "The sponsors of the Big Stone II project are spending millions of dollars more than required by law so that emissions from the two power plants will be equal to or less than the emissions from the current one power plant. That means cleaner air for many decades. They are doing what's right for future generations. The additional capacity on the transmission line going east will also allow more wind power development in South Dakota and Minnesota if additional transmission is approved by Minnesota regulators."

2006 POCKET CALENDARS AVAILABLE

This handy calendar includes important dates for Otter Tail Corporation shareholders, from dividend payments to the annual meeting. To get your free 2006 pocket calendar, email prossow@otpc.com or call 800-434-5015 (739-8250 in the Fergus Falls area). You also can mail the request to Otter Tail Power Company, Attn: Pocket Calendars, PO Box 496, Fergus Falls, MN 56538-0496. *Allow four weeks for delivery.*

DMI TO OPEN PLANT IN CANADA

DMI Industries, West Fargo, N.D., will expand its heavy steel wind tower fabrication operations into Canada with the purchase of a manufacturing plant in Fort Erie, Ontario. The addition of the Canadian facility positions DMI to better serve wind energy customers in Canada and the Northeastern United States.

"There is strong support for wind energy development from the governments of Canada and Ontario, and demand for wind towers is growing proportionately," said DMI President Lars Moller. "This expansion allows us to meet that demand while lowering the cost of delivery to site for our customers."

DMI's Fort Erie facility, the first wind tower plant in Ontario, will have an initial annual capacity of 400 to 500 tower sections. DMI has purchased and will modernize an existing manufacturing facility in Fort Erie with state-of-the-art wind tower fabrication equipment. Construction is set to begin in late 2005, with deliveries from the plant starting in the summer of 2006.

The Fort Erie plant will employ nearly 100 people in the first year and will create the need for additional jobs at the company's plant in West Fargo as well. The North Dakota-based facility will fabricate internal parts for towers manufactured in Ontario, resulting in the addition of approximately 50 jobs.

IRS FORM 1099 COMING SOON

Shareholders whose dividends totaled more than \$10 during 2005 will receive IRS Form 1099 from Otter Tail Corporation shortly after the first of the year. 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 2005 income for tax purposes. Shareholders can view their 1099 information online under the Investors/Account Access page on www.ottertail.com.

SURVEY SHOWS CUSTOMER SATISFACTION HIGH AT OTTER TAIL POWER COMPANY

Otter Tail Power Company engaged the American Customer Satisfaction Index (ACSI) research program during the second quarter to conduct an independent survey of residential customers in its three-state service territory. ACSI compared the utility's customer satisfaction ratings with those of the top electric and gas utilities in the country, which together serve about 75% of all residential customers in the United States.

"Otter Tail Power Company ranked significantly higher than the ACSI energy utilities industry average. In fact, our relationship survey scored a very significant six points higher than the highest-rated ACSI-measured utility," said Mark Helland, vice president of customer service. "The survey showed that our customers' expectations were highest of all participating utility customers. But interestingly, even with high expectations, customers' overall satisfaction with our company's service was even higher. Residential customers gave high ratings for our ability to restore electric service after an outage, and perceived quality, value, loyalty and reliable electric service ratings also were higher than the highest-rated ACSI-measured utility."

Established in 1994, the ACSI tracks trends in customer satisfaction and provides benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies.