



OTTER TAIL CORPORATION SHAREHOLDERS ELECT DIRECTORS TO THREE-YEAR TERMS



Karen Bohn



Edward J. McIntyre



Joyce Nelson Schuette

Otter Tail Corporation hosted 350 shareholders and guests at its annual meeting of shareholders on Monday, April 10 in Fergus Falls, Minnesota. Represented by proxy or present in person at the meeting were 82% of the corporation's total shares outstanding. Shareholders elected Karen Bohn, Edward J. (Jim) McIntyre and Joyce Nelson Schuette to three-year terms on Otter Tail Corporation's board of directors. Bohn has been a director since 2003 and is the president and CEO of the Galeo Group, LLC, a management consulting firm based in Edina, Minnesota. McIntyre is a former vice president and CFO of Xcel Energy and resides in Incline Village, Nevada. Schuette is a managing director at Piper Jaffray in Minneapolis.

Shareholders also approved amendments to add 500,000 shares to the 1999 Employee Stock Purchase Plan and one million shares to the 1999 Stock Incentive Plan, Otter Tail Corporation's two stock-based benefit plans. The purpose of these plans is to encourage employees to focus on Otter Tail Corporation's long-term success and tie their actions to shareholder value.

ANNUAL MEETING MANAGEMENT REPORTS

The following articles provide a recap of corporate officers' reports from the 2006 annual meeting.

CEO REPORT/JOHN ERICKSON



John Erickson,
President and CEO

OUR BEST YEAR EVER: RECORD REVENUES AND EARNINGS

By most measures, 2005 was our best year ever. Our revenues were up 22% and we reached a very significant milestone—surpassing the \$1 billion revenue mark for the first time in Otter Tail history. Those increased revenues are a sign of increased business activity which bodes well for our future. Our earnings from continuing operations were up

30% and total earnings overall, including divestitures, were up 48%. We had more shares outstanding in 2005 than in 2004 so earnings per share weren't up quite that high in percentages but were still up significantly, with earnings per share from continuing operations up 17% and overall operations up 34%. This was an outstanding year from an earnings growth perspective.

With our diversified set of businesses, we always expect some positives and some negatives, and 2005 was no exception. But it is clear the positives far outweighed the negatives. There were three key drivers to the record earnings in 2005. First, it was the best year ever for both of our plastics businesses. Second, Otter Tail Power Company had an excellent year in 2005, particularly in the wholesale side of the business. And third, the sale of Midwest Information Systems resulted in a significant gain.

A number of other operating companies had a good year in 2005, including the DMS Health Group, DMI Industries and T.O Plastics. But our construction companies faced some challenges and our food ingredient processing business, Idaho Pacific, experienced a tough year along with basically every company in the dehydrated potato industry.



Retiring board members Tim Brown and Bob Spolum were commended at the meeting for their years of service to Otter Tail Corporation. Left to right: CEO John Erickson, Tim Brown, Bob Spolum and Chairman John MacFarlane.

However, it is clear that our non-electric rebound continues. We had a difficult year in the non-electric businesses in 2003, with earnings contributions of \$5.5 million. That rebounded significantly to over \$10 million in 2004 and now is over \$15 million in 2005.

We also have a strong balance sheet. Financial stability is something we place a very high priority on at Otter Tail. We are not a highly leveraged company. Our capital structure is very strong. In fact, our equity ratio is considerably stronger than most companies in our sector.

STOCK PERFORMANCE

We also had very good stock performance. Our stock price increased 13.5% in 2005 and the dividend yield was 4.4%, bringing a total return to shareholders of almost 18%. If you invested \$1,000 in Otter Tail stock 10 years ago and let your dividends reinvest, it would be worth over \$2,500 today. That's a compounded annual growth rate of 9.8%.

GROWTH ON THE HORIZON

I expect 10 or 15 years from now, Otter Tail will be made up of a diversified set of businesses with an electric core business, just like we have today. Growth will likely come both from the electric and non-electric businesses. There was a time when we didn't see much growth opportunity in the electric side of the business, but that has changed. I also expect the growth to come organically, by expanding our existing operating companies, and through acquisition.

Divestiture is part of our future as well, but it is not a major part. I want to make it clear we are a long-term owner. That is a key part of our vision. When we make an acquisition of a company, it is with the expectation that the company will grow with Otter Tail Corporation.

Our primary focus going forward is to grow our existing platforms. We have 12 operating companies spread across six segments. Many of those companies have good growth potential, both short-term and long-term opportunities, which creates a bright future for us. Here are some examples. The first is in our core electric business with the Big Stone II project, which involves adding a second generating unit at our South Dakota plant. DMI Industries, our wind tower manufacturer, has added a new production facility in Fort Erie, Ontario, just across the border from Buffalo, New York. Vinyltech, our PVC pipe manufacturing company in Phoenix, has expansion plans which will increase capacity by 40% by 2007.

OUR FOUNDATION: THE VALUES

Along with our vision and our mission, we have a set of values to guide us. We have a very diversified organization, with operating companies in several different types of industries. But our values provide a common thread that runs across the entire organization and they define what it means to be an Otter Tail company. Our values can be summed up into five words: Integrity, Safety, People, Performance and Community. With regard to community, our goal is to improve the communities where we work and where we live. Otter Tail has a long history of community involvement and it is important that we maintain that involvement.

Safety will always be a top priority in this organization. We have over 3,500 employees and every single one of those employees deserves a safe work environment. That requires constant attention to our safety programs and the safety emphasis is working. The results show it: 2005 was an excellent year for a number of our operating companies in the safety arena. Otter Tail Power, BTM Manufacturing, Vinyltech, ShoreMaster and several others had a great year in safety. In the big picture, there is nothing more important than protecting the lives and health of our people who are on the job.

READY, RELIABLE, RESPONSIBLE

Finally, our theme this year is Ready, Reliable and Responsible. It is about people who are engaged and ready to act, people who are reliable and who through their actions make their companies reliable. It is about people who are responsible, who share and live the Otter Tail values. People are the key to the success of the organization.

So in closing, I would like to thank the 3,500 men and women who work at Otter Tail companies. These are the people who are ready, reliable and responsible and we truly appreciate their efforts. And I'd also like to thank you as shareholders for your investment in Otter Tail Corporation. We will do everything we can to make this an investment that you are glad you made.



Lauris Molbert,
Executive Vice President
and COO

DIVERSIFIED, DECENTRALIZED, DISCIPLINED

Our operating model consists of what I call the Three D's: Diversified and Decentralized with Discipline. We consist of many companies by design. Our diversification is intended to allow us to grow more predictably and steadily, and thus grow in shareholder value through market value and dividend increases.

We believe we are better able to weather the cycles of separate businesses. In any one year, some businesses will do well and some will be poor performers. We expect, however, that collectively our businesses that are doing well will overshadow those that are having difficulties. Also, we believe that diversification allows us to make better long-term business decisions and avoid the short-term focus that plagues many public companies.

By decentralized, we mean the decision-making process is at the operating company level. We expect that our operating company leaders will "think and act like owners." While we provide these experienced and talented leaders much discretion, we have also developed the needed discipline.

We use leadership programs, incentive systems, strategy processes, robust dialogue, and other methods to ensure we act fiscally responsible, we identify and manage risks, and we act in accordance with our values. We believe our model provides an environment where people can make a difference and that ends up breeding ownership, sound strategies and good strategic execution.

ACQUISITIONS AND DIVESTITURES UPDATE

Collectively, the results of three divestitures in 2005 were positive to our earnings. However, we did not embark on the ownership changes to create a one-time earnings gain. Over the long run, we did not believe these companies would provide us with the required returns and growth. We also believe a significant amount of our earnings growth will continue to come from acquisitions. Our acquisition focus today is on improving the companies we have by adding to our platforms. In 2005, we added several smaller and successful companies into the operations at BTM Manufacturing and ShoreMaster.

ELECTRIC

Otter Tail Power Company, our largest business, had excellent financial performance and a record year in 2005. The increase in earnings was primarily driven by Otter Tail Power's exceptional performance in the newly redesigned wholesale energy market for the Midwest. We believe that as the market matures, it will be difficult to repeat the results of 2005. Nonetheless, the transition represents a job well done.

We are very proud of Otter Tail Power as it continues to be the best of class in safety. The attitude of the company's employees was inspiring when a severe ice storm hit the region at the end of 2005. Up to 800 poles and hundreds of miles of lines were downed, leaving about 18,000 customers in 50 communities without power. Working in terrible conditions and putting in long days (over 11,000 overtime hours), employees pulled together to restore power in amazing time. Equally impressive was the fact that not a single OSHA injury or vehicle accident occurred during the repairs.

Big Stone II is a proposed coal-fired 600 megawatt generating station, co-located with the existing Big Stone plant. If the project proceeds as planned, there will be seven regional utilities as co-owners including Otter Tail Power which will operate the plant and hold an estimated 19% ownership share. If permits and other approvals are obtained, construction could start as early as 2007 and operations could commence in 2011.

We believe coal is a necessary component to our country's and region's energy mix. While there are choices available today, coal is the most responsible choice. Today, approximately 50% of our nation's base load generation comes from coal and we believe, practically speaking, there is no economical alternative. Other forms of energy, like gas, are very expensive and do nothing to reduce our dependency on foreign sources. Wind energy can help but cannot possibly offer enough capacity to rely on.

We take our environmental role very seriously. In designing the new plant, the Big Stone development team has also proposed improvements to the old plant. If these are built as proposed, the annual emissions of EPA pollutants from the combined plants (Big Stone I and II) would be equal to or less than the current emissions even though the energy output would be more than doubled. Also, the transmission system design, if approved, is sized with extra capacity to add power from other sources such as wind energy.

PLASTICS

Plastics also had a banner year and a record level of earnings. The earnings result from three factors: intense demand for pipe products driven by a robust housing and construction economy, resin supply shortages, and efficient operation at our plants. In addition to excellent operating results, the companies are busily preparing for the future by adding infrastructure. Northern Pipe installed a new PVC line at its Iowa plant, extending its geographic reach and absorbing the overhead of its new plant. Vinyltech, located in high-growth Phoenix, has started construction of a substantial project to increase production capacity by 40% and install a new state-of-the-art blending system.

MANUFACTURING

The manufacturing segment continued to produce improvements. For ShoreMaster, it was a year of integration of its new acquisitions and locations, including a new headquarters and manufacturing building in Fergus Falls, Minnesota. BTD Manufacturing continued its impressive culture of constantly improving technology and systems in order to deliver millions of high-quality parts just in time to customer assembly lines. T.O. Plastics had strong financial results and continued growth in product offerings. This growth has led to a major addition to its plant in Clearwater, Minnesota. DMI Industries had a turnaround, with a posting of strong financial results and growth. DMI's newly added location in Fort Erie, Ontario, will initially produce 400 to 500 wind tower sections a year and will allow DMI to reach the vibrant wind energy regions in eastern Canada and the northeastern United States.

HEALTH SERVICES

The DMS Health Group consists of two companies: DMS Health Technologies, which sells and services diagnostic imaging equipment in a five-state area, and DMS Imaging, which operates diagnostic imaging equipment in virtually every state. DMS Imaging had improvement in revenues and profitability. Once again, we are proud to report that DMS Health Technologies achieved the impressive recognition of being named as a top vendor by *Medical Imaging*. And we are pleased with the appointment of Paul Wilson as DMS Health Group CEO. He brings a depth of experience from the acute care industry, having managed hospitals in several states. We also recently promoted Nat Geissel to president of DMS Health Technologies and Mark Doda to president of DMS Imaging.

FOOD INGREDIENT PROCESSING

Idaho Pacific Holdings (IPH) is in the business of manufacturing and packaging dehydrated potato products. It has plants located in Idaho, Colorado, and Prince Edward Island, Canada. Earnings have been much below expectations in 2005. This industry is going through a tough cycle presently, with record high energy costs, raw material cost increases and availability issues, and currency exchange challenges. We do not expect this condition will improve quickly in 2006, but we are working hard to get back on track as the markets absorb these difficulties.

OTHER BUSINESSES

E.W. Wylie, a flatbed common carrier, drove or brokered freight over 19 million miles in 2005 and showed continuing improvements in results. Foley Company, our construction business headquartered in Kansas City, had a disappointing year but built up an impressive backlog of projects for 2006. Also, we are pleased to have named Chris Callegari as Foley's president to succeed the retiring Mike Palmer. Midwest Construction Services (MCS) is primarily involved in transmission and wind energy electric infrastructure, as well as industrial and commercial electric construction. MCS had a difficult year in 2005 but we expect improved 2006 results, especially in the transmission and wind energy businesses.

I would like to thank the many women and men of Otter Tail Corporation and our operating companies for their hard work and dedication. No matter how good the coach is on a basketball team, without talented and hard-working players you will not win many games. It is because of you, our employees at Otter Tail, we are winning. Thank you also to our shareholders. We know very clearly that you have many investment choices and we appreciate your confidence in us.



COO Lauris Molbert provided an overview on the progress of developing Big Stone II, the proposed 600-megawatt coal generating station that would be added to an existing plant in South Dakota.



Kevin Moug,
Chief Financial Officer
and Treasurer

2005: A YEAR OF RECORDS

Otter Tail Corporation had record revenues in 2005 of over \$1 billion and record earnings from continuing operations. We also had record earnings from total operations which resulted from the gain that we incurred on the sales of three companies.

It was also a record year in cash flows. We generated \$95 million in cash flows from operating activities. Our earnings per share were \$1.78 for continuing operations and \$2.11 for total operations.

2005 PERFORMANCE

The electric utility had a record year, driven by strong wholesale energy markets. Plastics also had a record year, generating almost \$14 million in net earnings. Manufacturing results were flat between the years. We saw improvement of \$1 million in earnings in the health services segment. Food ingredient processing had a disappointing year, impacted by lower than expected volumes with customers, high fuel prices, high potato costs, issues with product mix and increased Canadian province tax rates. Losses increased in the other businesses segment due in part to a \$1 million goodwill write-off at our natural gas services business, increased health insurance costs and a negative swing in earnings in our construction businesses.

Moody's and Standard & Poor's both removed the negative outlook they had on our ratings in 2005 and put them at stable. Our company remains in roughly the top 30% of senior unsecured credit ratings across the investor-owned utility industry.

INVESTOR RELATIONS

The following companies currently provide equity research on Otter Tail Corporation and issue recommendations on our stock: A.G. Edwards (hold), UBS (neutral), D.A. Davidson (underperform) and Robert Baird (outperform). (Note: The Davidson rating changed to neutral on April 11, 2006.)

Here is how we compare with our peers in Baird's March 2006 report on diversified utilities. In terms of our price/earnings (P/E) ratio, we are the second highest in the region compared with others in the diversified utility industry. Our P/E ratio trades at slightly over a 9% premium to that group's median.

In terms of our indicated dividend yield of 4% for 2006, we are at the middle of the pack compared to the regional utilities we benchmark ourselves against and slightly below the 4.4% median of all diversified utilities.

Our dividend history is impressive. We have paid dividends since 1938 and our dividends have increased every year since 1975. Since 2001, our dividends have increased at 2 cents a share, about 2% on an annual basis.

In 2006, the board approved a 3 cent dividend increase for an indicated rate of \$1.15 per share. We felt it was appropriate to

increase the dividend about 3% in 2006, given our strong results in 2005. What does that equate to in terms of dollars? From 2001 through 2005, Otter Tail has returned almost \$141 million to shareholders in dividends. When we include the 2006 indicated dividend rate, we will have returned approximately \$175 million over this period, to you, our shareholders.

Otter Tail Corporation is viewed by analysts, Wall Street and institutional investors as a company that has an attractive dividend and a very good total return potential. Our strong dividend history and the fact that we have good opportunities to grow our businesses equates to an attractive dividend and total return potential.

We have a very balanced growth and income strategy. Our stable and growing utility base provides strong earnings and cash flows to support our dividends and our non-electric businesses provide above-average earnings growth potential. Our senior unsecured credit ratings are some of the strongest in the sector and we are committed to maintaining a strong balance sheet.

OUR COMMITMENT TO SHAREHOLDERS

As we grow, we are committed to growing shareholder value. We intend to drive that value by improving our existing operating companies' performance, by increasing their earnings and improving their returns on invested capital. We will continue to invest in our operating companies to meet customer needs. We are going to grow by identifying capital projects at our operating companies to further expand their existing businesses, and we also intend to grow through acquisitions as well.

This approach results in a successful operating cycle which will help drive strong cash flows and investment in our future. This will allow us to return value to you, our shareholders, through strong earnings and earnings per share, and when combined with our dividends, forms the basis of how we will continue to deliver value to you, our shareholders.

Thank you to all our employees across the Otter Tail family of companies, who make us the successful company that we are. Thank you also to our shareholders for your continued trust and support in us. Otter Tail Corporation is committed to a culture of innovation and resourcefulness at our operating companies. We are a company that is built on reliability, and we are committed to integrity, safety, people, performance and the communities where we live and work.



After Otter Tail Corporation announced in February 2006 that 2005 earnings had surpassed \$1 billion, the NASDAQ stock market posted congratulations on its electronic billboard in Times Square.

To view slides and videos of the officer presentations at the annual meeting, go to:

<http://www.ottertail.com/investors/presentations.cfm>



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