



T O O U R S H A R E H O L D E R S

First Quarter Proves Challenging

Our diversification strategy is designed to lessen the impact of a downturn in a specific industry or company. Over time, our strategy continues to prove its value and stability for the long-term investor. After two consecutive years of record earnings from our nonelectric businesses, the first quarter of 2008 presented challenges that caused results to fall below our expectations. Although some of our companies fell short of expectations this quarter, we still anticipate solid performance in 2008 for the corporation overall.

Given the first quarter results and uncertainty with economic conditions for the balance of the year, on May 5 we revised earnings per share guidance to a range of \$1.75 to \$2.00 from our initial range of \$1.85 to \$2.10.

Operational Results

The quarterly results in health services and manufacturing were disappointing. Results in health services were primarily affected by lower than expected asset utilization rates in the imaging business. The lower manufacturing results were primarily due to a significant adjustment in the profitability of a wind tower order at DMI Industries' Ontario plant and from lower margins at ShoreMaster. The remaining manufacturing businesses produced solid results, and we expect DMI—and our manufacturing segment as a whole—will have record earnings in 2008.

There were definite achievements this quarter. Earnings from our food ingredient processing segment were higher than the same quarter a year ago, continuing a trend over the last six quarters. Otter Tail Power Company showed improvement over the prior year, due in part to colder weather and an interim rate increase in Minnesota.

Recently we announced Otter Tail Power Company's intent to build and own 48 megawatts of generation as part of the Ashtabula Wind Center planned in North Dakota for 2008. We also announced the acquisition of Illinois-based Miller Welding & Iron Works by BTM Manufacturing. (To learn more about both these developments, turn to page 3.) While we slightly reduced our expectations for the year, we have many exciting opportunities ahead and anticipate growth in consolidated earnings for 2008.

OTTR Recognized as Merger Dividend Achiever

Otter Tail Corporation once again has been listed in *Merger's Dividend Achievers*, which each year recognizes those companies that consistently reward their shareholders through outstanding records of dividend increases. To qualify as a dividend achiever, a company must have raised its annual cash dividend for at least 10 consecutive calendar years. The 2008 Dividend Achievers Index consists of 319 stocks. Otter Tail Corporation has paid dividends on common stock each quarter since 1938 without interruption or reduction and has increased dividends annually since 1975.

On behalf of more than 4,000 employees throughout Otter Tail Corporation, we will continue to work together to grow great companies and strive to deliver long-term value in your investment.

Sincerely,

John Erickson | President and CEO | May 2008

N A S D A Q : O T T R

Stock Price Quarterly High: \$35.68
 Stock Price Quarterly Low: \$31.28
 First Quarter Revenues: \$300.2 million
 First Quarter Net Income: \$8.2 million

First Quarter Diluted EPS: 27 cents
 Revised 2008 EPS Guidance: \$1.75 to \$2.00
 2008 Indicated Dividend Rate: \$1.19 per share
 Market Cap (3/31/08): \$1.06 billion

RESULTS BY OPERATING SEGMENT for the three months ended March 31

(in thousands)	Revenues		Net Income	
	1st Qtr 2008	1st Qtr 2007	1st Qtr 2008	1st Qtr 2007
Electric	\$ 97,590	\$ 89,980	\$ 12,750	\$ 5,922
Plastics	22,350	37,819	620	2,828
Manufacturing	97,595	86,225	(616)	2,539
Health Services	29,265	32,963	(691)	948
Food Ingredient Processing	15,898	19,495	1,123	449
Other Business Operations	38,110	35,146	(1,765)	77
Corporate*	(571)	(507)	(3,191)	(2,355)
Total	\$ 300,237	\$ 301,121	\$ 8,230	\$ 10,408

*Corporate revenues include intersegment eliminations

Expanded first quarter results are available in the May 5, 2008 earnings release posted on www.ottertail.com under NEWS.

DIVERSIFIED ■ DECENTRALIZED ■ DISCIPLINED

OUR COMPANIES

Otter Tail Corporation has interests in diversified operations that include an electric utility, manufacturing, health services, food ingredient processing and infrastructure businesses, which include plastics, construction and transportation.

ELECTRIC PLATFORM

Otter Tail Power Company ■ Electric utility serving customers in Minnesota, North Dakota and South Dakota

MANUFACTURING PLATFORM

BTD Manufacturing, Inc. ■ Custom metal parts fabricator
 DMI Industries, Inc. ■ Wind tower and heavy steel manufacturer
 ShoreMaster Inc. ■ Waterfront equipment manufacturer
 T.O. Plastics, Inc. ■ Custom plastic parts manufacturer

HEALTH SERVICES PLATFORM

DMS Health Group ■ Diagnostic imaging services and equipment sales

FOOD INGREDIENT PROCESSING

Idaho Pacific Holdings, Inc. ■ Dehydrated potato processor

INFRASTRUCTURE PRODUCTS & SERVICES

PLASTICS

Northern Pipe Products, Inc. ■ PVC pipe manufacturer
 Vinyltech Corporation ■ PVC pipe manufacturer

CONSTRUCTION

Foley Company ■ Mechanical and prime contractor
 Midwest Construction Services, Inc. ■ Electrical and transmission constructor

TRANSPORTATION

E.W. Wylie Corporation ■ Flatbed and specialized contract and common carrier



North Dakota Governor John Hoeven (center) cut the ceremonial ribbon with help from (left to right) FPL Energy Senior VP Mike O'Sullivan, Minnkota President Dave Loer, Otter Tail Power Company President Chuck MacFarlane and Langdon Mayor Chuck Downs.

LANGDON WIND ENERGY CENTER DEDICATED

FPL Energy, Otter Tail Power Company and Minnkota Power Cooperative dedicated the Langdon Wind Energy Center in Cavalier County, North Dakota, on May 14. At the dedication ceremony, Chuck MacFarlane thanked all the stakeholders responsible for the project's success. "The Langdon Wind Energy Center hits the mark in terms of providing our customers with cost-effective wind-generated electricity, and it might look easy because this region has so much wind," said MacFarlane. "Certainly the area's rich wind resource is an important factor. However, a number of other variables—favorable tax incentives, a supportive regulatory process, willing landowners, reputable partners and dedicated employees—had to line up just right to make the project a success."

Otter Tail Power Company owns 27 of the Center's 106 turbines and purchases energy from an additional 13, for a generating capacity of 60 megawatts.

Forward-looking Statements ■ Except for historical information, all other information provided in this document 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.



SPOTLIGHT ON T.O. PLASTICS

T.O. Plastics, Inc., headquartered in Minnesota, thermoforms thousands of horticultural and customized plastic parts for hundreds of customers. Staying true to form means the heat is always on. To learn more about the company, see the interview with company president Mike Vallafskey at www.ottertail.com.

With the investment in the Ashtabula Wind Center, Otter Tail Power Company's wind-generating capability will rise to 130 megawatts by the end of 2008.



BTD Manufacturing is building its brand as 'the one-stop shop' for metal contract manufacturing through strategic acquisitions, such as Miller Welding & Iron Works.

GROWING GREAT COMPANIES

OTTER TAIL POWER COMPANY TO INVEST IN MORE WIND ENERGY GENERATION

Otter Tail Power Company has entered into agreements to build and own 48 megawatts of generation at a wind energy facility planned in Barnes County, North Dakota. The 48-megawatt project would be part of a projected 200-megawatt facility operated by FPL Energy LLC. Known as the Ashtabula Wind Center, it would be the largest wind energy farm in North Dakota to date and is scheduled to be operational by the end of 2008.

Otter Tail Power Company expects to invest more than \$121 million on this project, which includes the cost of wind energy turbines, site construction, and required transmission construction. "In terms of dollars, this is the largest project we've undertaken in over 25 years," said Otter Tail Power Company President Chuck MacFarlane. Once built, this project would increase the amount of wind-generated electricity owned or purchased by the company to 130 megawatts, enough to power more than 38,000 homes.

MacFarlane added, "While the Public Service Commission has to approve project applications and we need to finalize other permits, easements, and construction contracts before actual construction begins, we're confident that this project will allow us to provide our customers with additional cost-effective wind-generated electricity."

Otter Tail Corporation's Executive Vice President and COO Lauris Molbert said, "We are proud of Otter Tail Power Company's commitment to renewable energy and diversified sources of electric generation. With this investment, Otter Tail Power will own more wind energy generation than any other electric utility serving the Dakotas and Minnesota."

Molbert noted, "A project of this size requires coordinated effort by many stakeholders. In particular, we appreciate the cooperation and assistance of the many local and state government offices and agencies in helping this major wind center become a reality."

Otter Tail Power Company, a division of Otter Tail Corporation, is headquartered in Fergus Falls, Minnesota. The company provides low-cost electricity through a balanced mix of energy resources including baseload coal plants, natural gas, energy conservation and renewable energy to nearly 250,000 people living in Minnesota, North Dakota and South Dakota. To learn more, visit www.otpc.com.

BTD MANUFACTURING ACQUIRES MILLER WELDING & IRON WORKS

BTD Manufacturing, based in Detroit Lakes, Minnesota, acquired Miller Welding & Iron Works of Washington, Illinois, on May 1. The transaction, the terms of which were not disclosed, involved an exchange of cash for assets.

Miller Welding employs 120 people and generated annual revenues of approximately \$26 million in 2007. Chuck Hoge, BTD CEO and the manufacturing platform vice president at Otter Tail Corporation, said the acquisition opens up opportunities to expand in existing and new markets.

"This is welcome news for the respective customers of BTD and Miller Welding. The complementing production capabilities greatly expand the scope and capacity of what both companies can now offer," Hoge said. "And, while Miller Welding currently derives only a small portion of its revenues from the wind energy sector, it has the capabilities to expand significantly. We expect considerable growth and synergies with BTD and other Otter Tail companies, such as DMI Industries, our wind energy tower manufacturer."

"Miller Welding has a reputation for uncompromising quality and customer service," said Paul Gintner, BTD president. "With the additional services and experienced workforce of Miller Welding, we will continue to broaden our model of being 'the one-stop shop' for metal contract manufacturing."

Miller Welding is a custom job shop fabricator and finisher. The company manufactures parts, metal fabrications and machined parts for off-road equipment, mining machinery, oil fields and offshore oil rigs, wind industry components, broadcast antennae and farm equipment. Based near Peoria, the company serves several major equipment manufacturers in the region and nationwide, including Caterpillar, Komatsu and Gardner Denver.

"We gain significant resources and growth potential through BTD and its parent company, Otter Tail Corporation," said Sam Miller, president of Miller Welding. "BTD is an excellent fit for us. They share our deep commitment to taking care of customers and employees."

Metal fabricator BTD now employs more than 580 people across its three Minnesota locations and in Illinois. For more information, visit the company's website at www.btdmfg.com.

2008 ANNUAL MEETING UPDATE

Otter Tail Corporation hosted 370 shareholders and guests at its annual meeting on Monday, April 14 in Fergus Falls, Minnesota. Represented by proxy or present in person at the meeting were 84% of the corporation's total shares outstanding.

In his address to shareholders, President and CEO John Erickson said Otter Tail Corporation had a successful year in 2007, with revenues, earnings, stock price and dividends all showing increases. "2007 was a good year for Otter Tail shareholders," he said. "Our stock price increased 11% and, combined with a dividend yield of 3.8%, total shareholder return was 14.8%. This is the third consecutive year of double-digit total shareholder return."

The corporation's nonelectric businesses produced 55% of 2007 net income, and Erickson cited strong performance in its manufacturing platform and a turnaround in its potato processing business as key earnings drivers.

Several Otter Tail companies have significant involvement in wind energy, Erickson said. "Otter Tail Power Company now has an ownership stake in the Langdon Wind Energy Center and will continue to add wind resources. DMI, our wind tower manufacturer, is strategically positioned with three plant locations to better serve wind energy developers in Canada and the United States. We have construction subsidiaries working to build and connect wind farm infrastructure, and our trucking company has added heavy haul service to transport larger items such as wind towers. It is an exciting time for us in the wind energy arena, and we have a lot of opportunity ahead."

For 2008 annual meeting slide presentations and podcasts, visit www.ottertail.com/investors/presentations.cfm.



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Nilsson

STEFAN NILSSON NAMED DMI INDUSTRIES PRESIDENT

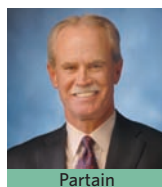
Stefan Nilsson has been appointed president of DMI Industries, a leading North American manufacturer of wind towers headquartered in West Fargo, North Dakota, effective April 1.

Prior to accepting the DMI role, Nilsson was a vice president in the U.S. Robotics Division of ABB Inc., a multinational engineering corporation. He held various executive roles at ABB, including in sales, business development, operations and general management.

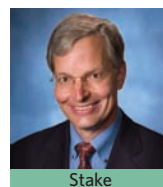
"Stefan brings many facets to DMI, including a strong leadership style that is people-focused, analytical and action-oriented," said Chuck Hoge, DMI CEO and the manufacturing platform vice president at Otter Tail Corporation. "We are fortunate to have him at the helm of DMI."

"I am impressed with DMI's recent expansion activity and excited to help guide the company's strategic direction and future success," Nilsson said.

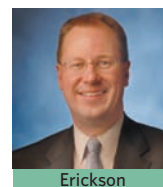
DMI is a heavy steel wind tower manufacturer with plants located in North Dakota, Oklahoma and Ontario, Canada. For more information, visit www.dmiindustries.com.



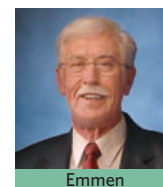
Partain



Stake



Erickson



Emmen

DIRECTORS ELECTED TO THREE YEAR TERMS, DENNIS EMMEN RETIRES

Shareholders reelected Nathan Partain, and elected James Stake and John Erickson to serve three-year terms on Otter Tail Corporation's board of directors. Partain has served on the board since 1993. He is president and chief investment officer of Duff & Phelps Investment Management Co. and president, CEO and CIO of DNP Select Income Fund, Chicago.

Stake, of St. Paul, Minnesota, is a recently retired 3M Company executive. He served as 3M's executive vice president of enterprise services and also chaired several 3M committees including risk management and environmental, health and safety. Stake fills the opening created by the retirement of Dennis Emmen, former CFO of Otter Tail Power Company, who served on the board for 24 years.

Erickson, Otter Tail Corporation's president and CEO, became a director one year ago by board appointment following another director's retirement. "I want to extend my gratitude to Dennis Emmen for his dedicated service to our organization over the years," Erickson said. "He has given us an exceptional legacy, both as an executive and as a board member."