



TO OUR SHAREHOLDERS

Third Quarter Holds Challenges, Growth Opportunities

Along with most companies, we are experiencing the effects of a weakened and unpredictable economy. Although our third quarter results improved over the second quarter, they fell short of expectations. Yet the quarter also was a time for advancing growth opportunities as we invested in major wind energy initiatives within our manufacturing and electric platforms.

Quarterly Results

We are experiencing a continuation of the difficult general business conditions as noted last quarter, including reduced demand for ShoreMaster's waterfront equipment, the impact of sluggish housing and construction markets on our plastics segment and, more importantly, higher costs related to DMI Industries' startup of new facilities and integration of new customers as it prepares for anticipated wind industry growth.

Reductions in raw potato supplies and increased energy costs resulted in lower earnings at Idaho Pacific Holdings. Otter Tail Power Company's results were in line with the previous year, but lower than expected due to mild summer temperatures and the outcome of a Minnesota rate case earlier in the year. Our transportation and construction companies produced strong results for the quarter, primarily due to infrastructure services provided to wind farm and electric transmission projects in development.

2008 Expectations

Ongoing economic volatility makes it increasingly difficult to project earnings. Given our third quarter results and the impact of continued economic uncertainty at several of our companies, as outlined under the 2008 Expectations in our November 3, 2008 earnings release, we lowered our prior 2008 earnings guidance set

in September from a range of \$1.25 to \$1.50 to a range of \$1.05 to \$1.30 per diluted share.

Although we need to adjust our expectations given current economic realities, we are methodically addressing challenges, working to control costs and making substantial commitments for future growth. Despite the difficult year our balance sheet is strong, we have sufficient liquidity under our credit facilities, and we remain in compliance with our debt covenants.

We completed our equity offering in September, which allowed us to invest in major organic growth opportunities in wind energy projects. The investments include Otter Tail Power Company's construction of 32 wind turbines at the Ashtabula Wind Center in North Dakota, and DMI Industries' expansion of wind tower manufacturing plants in North Dakota and Oklahoma.

While we cannot predict swings in the overall economy, we anticipate stronger financial performance across our organization in 2009 because of expected returns on these major investments and improvements at several of our operating companies.

We remain committed to our diversification strategy as the right path to long-term growth and stability. More than 4,000 employees across our companies are working hard to meet your expectations for reliable dividends and investment returns. As always, we greatly appreciate your support and confidence in Otter Tail Corporation.

Sincerely,

John Erickson | President and CEO | November 2008

N A S D A Q : O T T R

Stock Price Quarterly High: \$46.15
 Stock Price Quarterly Low: \$29.71
 Third Quarter Revenues: \$352.9 million
 Third Quarter Net Income: \$9.6 million

Third Quarter Diluted EPS: 31 cents
 Revised 2008 EPS Guidance: \$1.05 to \$1.30
 2008 Indicated Dividend Rate: \$1.19 per share
 Market Cap (9/30/08): \$1.09 billion

RESULTS BY OPERATING SEGMENT

(in thousands)	REVENUES				NET INCOME			
	Quarter Ended September 30,		Year-to-Date September 30,		Quarter Ended September 30,		Year-to-Date September 30,	
	2008	2007	2008	2007	2008	2007	2008	2007
Electric	\$ 82,883	\$ 72,110	\$ 249,139	\$ 232,662	\$ 6,519	\$ 6,493	\$ 22,545	\$ 17,491
Plastics	36,690	36,975	99,685	114,319	1,641	1,384	2,913	7,610
Manufacturing	127,778	95,330	345,715	286,341	380	3,477	1,160	11,351
Health Services	31,139	31,360	91,144	96,775	254	53	(525)	1,709
Food Ingredient Processing	15,333	15,714	47,144	53,612	(1,074)	993	734	2,985
Other Business Operations	59,650	51,231	145,840	126,964	4,341	1,361	3,370	2,595
Corporate*	(554)	(485)	(1,911)	(1,473)	(2,430)	(429)	(8,819)	(3,898)
Total	\$ 352,919	\$ 302,235	\$ 976,756	\$ 909,200	\$ 9,631	\$ 13,332	\$ 21,378	\$ 39,843

*Corporate revenues include intersegment eliminations

Expanded third quarter results are available in the November 3, 2008 earnings release posted on www.ottertail.com under NEWS.

DIVERSIFIED ■ DECENTRALIZED ■ DISCIPLINED

COMMON STOCK OFFERING COMPLETED

Otter Tail Corporation issued 5,175,000 common shares in a public offering on September 24, 2008, which yielded net proceeds of \$149.1 million. Merrill Lynch & Co. acted as sole book-running manager. Robert W. Baird & Co. and J.P. Morgan acted as joint lead managers. Banc of America Securities LLC, Wells Fargo Securities and KeyBanc Capital Markets acted as co-managers.

The corporation will use the net proceeds from the offering to finance Otter Tail Power Company's portion of the Ashtabula Wind Center in Barnes County, North Dakota and the expansion of DMI Industries' wind tower manufacturing facilities in Tulsa, Oklahoma and West Fargo, North Dakota.

OTTER TAIL ON LIST OF 40 BEST ENERGY COMPANIES

For the fourth consecutive year, Otter Tail Corporation is designated as a top-performing energy company by *Public Utilities Fortnightly*, a leading trade publication. In its September issue, 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.

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.

DENNIS KOSTRZEWSKI NAMED PRESIDENT OF SHOREMASTER, INC.

Dennis Kostrzewski has been promoted to president of ShoreMaster, Inc., a waterfront equipment manufacturer based in Fergus Falls, Minnesota. Kostrzewski was appointed chief financial officer for ShoreMaster in 2005. "As a key member of the management team, Dennis already

knows the company well and will be a capable successor. He brings proven insight and commitment to address the growth challenges and opportunities ahead for ShoreMaster," said Chuck Hoge, Otter Tail vice president and ShoreMaster CEO. ShoreMaster has manufactured world-class waterfront equipment since 1972. For more information, visit www.shoremaster.com.



Kostrzewski

OTTER TAIL POWER COMPANY REQUESTS FIRST RATE INCREASES IN ND AND SD SINCE 1980s

Otter Tail Power Company is proposing to increase base rates for electric service in North Dakota for the first time since 1982 and South Dakota since 1987. Although the utility has kept rates stable in these states for more than 20 years by improving efficiency and managing operating costs, the dual impact of rising energy costs and growing energy use are driving the need for rate increases.

The proposed revenue increase in North Dakota is approximately \$6.08 million, an increase of about 5% over what customers paid in 2007. In South Dakota, which has a smaller customer base, the proposed revenue increase is approximately \$3.8 million, about 15% over what customers paid in 2007. As part of the North Dakota filing, the power company is requesting an interim rate increase beginning January 2, 2009. This provides a transition to a final rate decision from the North Dakota Public Service Commission, which is expected by midsummer 2009. A decision from the South Dakota Public Utilities Commission, which does not grant interim rates, also is expected midyear. To learn more, visit www.otpc.com.

WATCH FOR IRS FORM 1099

Shareholders whose dividends totaled more than \$10 during 2008 will receive IRS Form 1099 from Otter Tail Corporation in early 2009. Shareholders who receive their form directly from Otter Tail must report all dividend payments, whether paid directly or reinvested, as 2008 income for tax purposes. You can also view your 1099 information online at www.ottertail.com.

2009 POCKET CALENDARS AVAILABLE

This handy calendar is now available from Otter Tail Power Company. To request one, email prossow@otpc.com or call 800-434-5015 (739-8250 in the Fergus Falls area). Or you may mail in the request to the Shareholder Services address below, and add Attention: Pocket Calendars.

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.