

ELECTRIC



PLASTICS



MANUFACTURING



HEALTH SERVICES



FOOD INGREDIENT
PROCESSING



OTHER BUSINESSES



2005 ANNUAL REPORT



READY

RELIABLE

RESPONSIBLE

CONTENTS

2	LETTER TO SHAREHOLDERS
6	STRATEGY OVERVIEW
7	ORGANIZATIONAL CHART
8	BUSINESS SEGMENTS
17	FINANCIAL REVIEW
61	OFFICERS AND DIRECTORS

Selected Consolidated Financial Data	17
Selected Electric Operating Data	17
Management's Discussion and Analysis	18
Report of Management	33
Report of Independent Registered Public Accounting Firm	34
Consolidated Financial Statements	35
Notes to Consolidated Financial Statements	41
Consolidated Statistical Supplement	58
Electric Utility Statistical Supplement	59

HIGHLIGHTS OF THE YEAR

	2005	2004	Percent change
CONSOLIDATED OPERATIONS:			
Total operating revenues	\$ 1,046,408,000	\$ 857,362,000	22.0
Income from continuing operations	52,855,000	40,632,000	30.1
Net income	62,551,000	42,195,000	48.2
Basic earnings per share	2.12	1.59	33.3
Diluted earnings per share from continuing operations	1.78	1.52	17.1
Diluted earnings per share	2.11	1.58	33.5
Dividends per common share	1.12	1.10	1.8
Return on average common equity	13.9%	12.0%	15.8
Book value per common share	15.80	14.81	6.7
Cash flow from continuing operations	90,358,000	54,330,000	66.3
Common shares outstanding	29,401,223	28,976,919	1.5
Common shareholders	14,801	14,889	(0.6)
Closing stock price	28.98	25.53	13.5
Total return (share price appreciation plus dividends)	17.9%	(0.4)%	—
Total market value of common stock	852,047,000	739,781,000	15.2
ELECTRIC OPERATIONS:			
Operating revenues:			
Retail	\$ 248,939,000	\$ 224,326,000	11.0
Wholesale – net of purchased power costs*	46,397,000	27,228,000	70.4
Other	17,649,000	14,831,000	19.0
Total electric operating revenues	\$ 312,985,000	\$ 266,385,000	17.5
Total retail electric sales (kwh)	3,894,435,000	3,773,064,000	3.2
Operating income	63,886,000	54,223,000	17.8
Customers	128,466	128,218	0.2
Gross plant investment	923,215,000	902,412,000	2.3
Total assets	654,205,000	634,433,000	3.1
Capital expenditures	30,480,000	25,368,000	20.2
Employees (includes temporary and part-time)	692	683	1.3
NONELECTRIC OPERATIONS:			
Operating revenues	\$ 733,423,000	\$ 590,977,000	24.1
Operating income	33,708,000	21,191,000	59.1
Total assets	527,291,000	499,715,000	5.5
Capital expenditures	29,490,000	24,116,000	22.3
Employees (includes temporary and part-time)	2,859	2,800	2.1

* Includes net mark-to-market gains on forward energy contracts



Left to right: Kevin Moug, Lauris Molbert, John Erickson, George Koeck

JOHN D. ERICKSON (47-25)*
President and
Chief Executive Officer

KEVIN G. MOUG (46-9)
Chief Financial Officer and
Treasurer

LAURIS N. MOLBERT (48-11)
Executive Vice President and
Chief Operating Officer

GEORGE A. KOECK (53-6)
General Counsel and
Corporate Secretary

*(Age-years of service) are as of the
2006 Annual Meeting of Shareholders.

◀ OFFICERS

DIRECTORS ▶

***(Age-years as director) are as of the
2006 Annual Meeting of Shareholders.*

A – Audit Committee
C – Compensation Committee
CG – Corporate Governance Committee
E – Executive Committee

JOHN C. MACFARLANE (66-23)** E
Chairman of the Board of Directors
Fergus Falls, Minnesota
Retired President and Chief Executive
Officer, Otter Tail Corporation

KAREN M. BOHN (52-2) A/CG
Edina, Minnesota
President and Chief Executive Officer,
Galeo Group, LLC
(management consulting firm)

THOMAS M. BROWN (75-15) C/CG
Minneapolis, Minnesota
Retired Partner, Dorsey & Whitney LLP
(law firm)

DENNIS R. EMMEN (72-22) A/C
Fergus Falls, Minnesota
Retired Senior Vice President, Finance,
Treasurer and Chief Financial Officer,
Otter Tail Power Company

ARVID R. LIEBE (64-11) C/CG/E
Milbank, South Dakota
President, Liebe Drug, Inc. (retail business)
Owner, Liebe Farms, Inc.

KENNETH L. NELSON (64-16) A
Perham, Minnesota
President and Chief Executive Officer,
Barrel O' Fun, Inc.; Kenny's Candy, Inc.;
Tuffy's Pet Foods, Inc.
(snack and pet foods manufacturers)

NATHAN I. PARTAIN (49-13) A/C/E
Chicago, Illinois
President, Chief Executive Officer and
Chief Investment Officer,
DNP Select Income Fund, Inc.
(closed-end utility income fund)
President and Chief Executive Officer,
Duff & Phelps Investment Management Co.



Front row, left to right: Gary Spies, Karen Bohn, Nathan Partain, John MacFarlane, Kenneth Nelson
Back row, left to right: Arvid Liebe, Dennis Emmen, Thomas Brown, Robert Spolum

GARY J. SPIES (64-5) A/CG
Fergus Falls, Minnesota
Chairman and President,
Service Food, Inc., (retail business)
Partner, Fergus Falls Development
Company and Midwest Regional
Development Company, LLC
(land and housing development)

ROBERT N. SPOLUM (75-15) A/E
Fargo, North Dakota
Retired Chairman, President, and Chief
Executive Officer, Melroe Company
(industrial equipment manufacturer)
Principal, Robert N. Spolum &
Associates (business consultants)



WWW.OTTERTAIL.COM

NASDAQ: OTTR

SHAREHOLDER SERVICES

OTTER TAIL CORPORATION

215 SOUTH CASCADE STREET

P.O. BOX 496

FERGUS FALLS, MN 56538-0496

PHONE: 800-664-1259 OR 218-739-8479

FAX: 218-998-3165

EMAIL: SHARESVC@OTTERTAIL.COM