



ALLETE Announces Public Offering Of ADESA

IPO to Be Followed by Tax-Free Spin-off;

2004 Earnings Outlook for ALLETE

DULUTH, Minn.--ALLETE, Inc. (NYSE: ALE) today announced that its board of directors has approved a plan to complete the separation of ADESA, Inc. from ALLETE through an initial public offering (IPO) of common stock by ADESA followed by a tax-free spin-off in which ALLETE will distribute its remaining equity interest in ADESA to ALLETE stockholders. ADESA has filed a registration statement on Form S-1 with the Securities and Exchange Commission (SEC) and expects to complete the IPO in the second quarter of 2004. After the IPO, ALLETE will own at least 80% of the equity of ADESA. The company anticipates completing the subsequent spin-off within four months of the IPO.

This announcement follows the decision reached in October 2003 by the ALLETE board of directors to separate ALLETE's Automotive Services business into a publicly traded company to be named ADESA, Inc. ADESA operates a network of 53 wholesale used vehicle auctions, 27 salvage vehicle auctions, and 80 Automotive Finance Corporation offices in the United States and Canada. ADESA will be based in Carmel, Indiana.

"As independent companies, we believe that ALLETE and ADESA will be better positioned to focus on their own strategic objectives in their respective areas of expertise," said David Gartzke, ALLETE Chairman. "ALLETE has always been committed to creating long-term shareholder value. We are confident that the public offering and separation of ADESA will help us achieve this goal."

Prior to the spin-off, ALLETE and ADESA will enter into recapitalization and debt reallocation transactions that will establish a post-spin capital structure for both ALLETE and ADESA. As part of this recapitalization, ADESA will use a portion of the proceeds from the initial public offering and additional debt issuances to pay a \$100 million dividend to ALLETE, as well as to repay inter-company debt which was \$136 million at December 31, 2003. ALLETE expects to use the funds received from ADESA to reduce debt by approximately \$150 million to \$200 million, as well as for general corporate purposes including providing capital for strategic initiatives. ADESA expects to use the remaining proceeds from the initial public offering and additional debt issuances to repay existing debt and repurchase ADESA common stock from certain ALLETE employee benefit plans upon consummation of the spin-off.

ALLETE's board of directors expects to continue quarterly dividend payments at the current rate until the time of the spin-off at which time the company intends to adjust the dividend rate to equal a payout ratio similar to that of comparable companies.

After the spin-off, ALLETE will be comprised of its current Energy Services business, which includes Minnesota Power, SWL&P, BNI Coal, Enventis Telecom and Rainy River Energy, and ALLETE Properties, Inc., its Florida real estate business. ALLETE's headquarters will remain in Duluth, Minnesota.

ALLETE 2004 Outlook

ALLETE has filed its 2004 annual report on Form 10-K with the Securities and Exchange Commission, reporting that its businesses remain strong and are poised for growth in their respective markets. In its 10-K, ALLETE provided 2004 net income guidance for its remaining businesses, which it expects will be approximately the same as its 2003 net income, excluding the financial implications of the spin-off of Automotive Services. The company anticipates an increase in net income from Investments and Corporate Charges of approximately \$5 to \$10 million primarily due to significant debt reductions in 2003. This increase, however, is expected to be offset by an increase of approximately \$4 million after-tax of pension and post-retirement health expenses and additional expenses associated with planned maintenance at its Square Butte facility of approximately \$4 million after-tax.

ALLETE will hold a conference call at 10:00 a.m. ET on Friday, March 12, 2004 to review ALLETE's strategy and earnings guidance for 2004. Interested parties may listen to the conference by calling (913) 981-5547 or by listening to a Webcast on www.allete.com. A replay is available by calling (888) 203-1112 and entering pass code 114809.

UBS Investment Bank and Merrill Lynch & Co., Inc. are financial advisers, and Skadden, Arps, Slate, Meagher & Flom LLP, and Kaplan, Strangis and Kaplan, P.A., are legal counsel to ALLETE.

This press release is not an offer to sell, or solicitation of offers to buy, any securities. A copy of ADESA, Inc.'s registration statement on Form S-1 is available on www.sec.gov.

ALLETE's corporate headquarters are located in Duluth, Minnesota. For more information about ALLETE, visit the company's Web site at www.allete.com.

A registration statement relating to the common stock of ADESA has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.