



ALLETE's EPS climbs 37% over first quarter 2006

ALLETE, Inc. (NYSE: ALE) today reported first quarter 2007 earnings of 93 cents per share, a 37 percent increase over the 68 cents per share recorded in the first quarter of 2006. ALLETE's net income in the first quarter of 2007 was \$26.3 million on operating revenue of \$205.3 million, compared to net income of \$18.8 million on operating revenue of \$192.5 million in the first quarter of 2006.

"We're pleased to begin the year on such a positive note," said Don Shippar, ALLETE's Chairman, President and Chief Executive Officer. "These results provide a solid foundation for what we expect will be another strong year financially. They're in line with our expectation of earning between \$2.95 and \$3.05 per share in 2007."

ALLETE's Regulated Utility net income climbed from \$13.0 million in the first quarter of 2006 to \$18.8 million in 2007. The increase was due, in part, to a ten percent jump in heating degree days from 2006 to 2007, which increased electricity sales to residential, commercial and municipal customers. Sales to industrial customers remained strong.

Nonregulated Energy Operations net income of \$2.2 million in the first quarter of 2007 included a \$1.2 million gain from a sale of property in northeastern Minnesota.

Net income from ALLETE's investment in ATC, which commenced in May of 2006, continued to grow, to \$1.8 million during the first quarter of 2007. As of March 31, 2007, ALLETE had an investment balance of \$63.7 million in ATC.

ALLETE's Real Estate segment recorded net income of \$3.1 million during the quarter. The timing of real estate closings varies from quarter to quarter. As of March 31, 2007, ALLETE Properties had \$111.1 million in sales under contract.

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE provides energy services in the upper Midwest and has significant real estate holdings in Florida. More information about the company is available on ALLETE's Web site at www.allete.com.

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.

ALLETE, Inc.
Consolidated Statement of Income
For the Periods Ended March 31, 2007 and 2006
Millions Except Per Share Amounts

	Quarter Ended	
	2007	2006
Operating Revenue	\$205.3	\$192.5
Operating Expenses		
Fuel and Purchased Power	77.7	69.4
Operating and Maintenance	74.6	74.5
Depreciation	11.7	12.2
Total Operating Expenses	164.0	156.1
Operating Income from Continuing Operations	41.3	36.4
Other Income (Expense)		
Interest Expense	(6.3)	(6.4)
Other	7.5	1.7
Total Other Income (Expense)	1.2	(4.7)
Income from Continuing Operations Before Minority Interest and Income Taxes	42.5	31.7
Minority Interest	0.1	1.3
Income from Continuing Operations Before Income Taxes	42.4	30.4
Income Tax Expense	16.1	11.6
Income from Continuing Operations	26.3	18.8
Income from Discontinued Operations – Net of Tax	–	–
Net Income	\$ 26.3	\$ 18.8
Average Shares of Common Stock		
Basic	28.1	27.6
Diluted	28.1	27.7
Basic and Diluted Earnings Per Share of Common Stock		
Continuing Operations	\$0.93	\$0.68
Discontinued Operations	–	–
	\$0.93	\$0.68
Dividends Per Share of Common Stock	\$0.4100	\$0.3625

Consolidated Balance Sheet
Millions

	Mar. 31, 2007	Dec. 31, 2006		Mar. 31, 2007	Dec. 31, 2006
Assets			Liabilities and Shareholders' Equity		
Cash and Short-Term Investments	\$ 128.5	\$ 149.3	Current Liabilities	\$ 145.4	\$ 143.5
Other Current Assets	153.3	138.4	Long-Term Debt	359.3	359.8
Property, Plant and Equipment	933.0	921.6	Other Liabilities	367.7	364.3
Investments	206.7	189.1	Shareholders' Equity	687.7	665.8
Other	138.6	135.0			
Total Assets	\$1,560.1	\$1,533.4	Total Liabilities and Shareholders' Equity	\$1,560.1	\$1,533.4

ALLETE, Inc.	Quarter Ended	
	2007	March 31, 2006

Income (Loss)

Millions		
Regulated Utility	\$18.8	\$13.0
Nonregulated Energy Operations	2.2	0.9
ATC	1.8	—
Real Estate	3.1	5.0
Other	0.4	(0.1)
Income from Continuing Operations	26.3	18.8
Income from Discontinued Operations	—	—
Net Income	\$26.3	\$18.8
Diluted Earnings Per Share		
Continuing Operations	\$0.93	\$0.68
Discontinued Operations	—	—
	\$0.93	\$0.68

Statistical Data

Corporate

Common Stock		
High	\$49.69	\$47.81
Low	\$44.93	\$42.99
Close	\$46.62	\$46.60
Book Value	\$22.54	\$20.48

Kilowatthours Sold

Millions		
Regulated Utility		
Retail and Municipals		
Residential	341.6	308.0
Commercial	352.2	328.7
Municipals	266.4	219.3
Industrial	1,705.4	1,822.3
Other	22.2	20.0
Total Retail and Municipal	2,687.8	2,698.3
Other Power Suppliers	524.0	505.1
Total Regulated Utility	3,211.8	3,203.4
Nonregulated Energy Operations	63.7	65.6
Total Kilowatthours Sold	3,275.5	3,269.0

Real Estate

Town Center Development Project		
Commercial Square Footage Sold	—	80,000
Residential Units	—	—
Palm Coast Park Development Project		
Residential Units	—	—
Other Land		
Acres Sold	367	456
Lots Sold	—	—