



## ALLETE Reports Solid Third Quarter

Duluth, Minn. — ALLETE, Inc. (NYSE: ALE) today reported earnings of 55 cents per share for the third quarter of 2002, compared with 47 cents over the comparable period a year ago, an increase of 17 percent. Net income was \$45.1 million, up 19 percent from the third quarter of 2001. Operating revenue was \$390 million in the quarter compared with \$383.1 million a year ago. Year-to-date, earnings are \$1.46 per share, compared with \$1.50 for the first nine months of 2001. Excluding exit charges related to the vehicle transport business and Electric Odyssey, year-to-date earnings per share are \$1.51 this year.

"We reported earnings comparable to last year despite difficult market conditions for both the energy and automotive businesses," said Dave Gartzke, ALLETE Chairman, President and CEO. "We are confident that the company is well-positioned to contend with current market conditions and will show stronger earnings performance once the economic environment improves."

While total kilowatt-hour sales increased 24 percent, earnings at Energy Services for the quarter were down three percent compared to a year ago due to weak wholesale power prices. Revenue and earnings from our core retail electric business remain strong.

**Investments and Corporate Charges** in the third quarter were flat compared with the comparable period in 2001.

Earnings at **Automotive Services** increased by \$3.5 million for the quarter compared with the third quarter of 2001. At ADESA, growth was due to mandated goodwill accounting changes, lower interest expense and increased auction efficiency. Total receivables at Automotive Finance Corporation have increased by eight percent over 2001 to \$535 million, and its strong credit quality helped AFC post another strong quarter. Year-to-date, net income for Automotive Services is 33 percent over the same period last year.

"In the first few weeks of October we were surprised to see conversion rates fall to 50 percent at our U.S. auctions," Gartzke said. "New car manufacturers have extended zero-percent financing into the 2003 model year, causing a further reduction in wholesale used car prices. This has slowed the sale of vehicles at our auctions."

The conversion rate represents the number of vehicles sold compared with the number of vehicles offered at auction.

"We expect the sellers of used cars will ultimately accept the lower prices at auction and begin selling again," Gartzke said. "But timing is uncertain. Based on current market conditions we believe Automotive Services will not achieve its stated earnings growth goal of 30 percent this year. We now expect ALLETE's earnings per share to be at the low end of the range with respect to our estimate for 2002 of \$1.80 to \$1.90."

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE's holdings include ADESA, the second largest wholesale automobile auction network in North America; AFC, the leading provider of independent auto dealer inventory financing; Minnesota Power, a low-cost electric utility that serves some of the largest industrial customers in the United States; and significant real estate holdings in Florida. For more information about ALLETE, visit the company's Web site at [www.allete.com](http://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 September 30, 2002 and 2001**  
Millions Except Per Share Amounts

	Quarter Ended		Year to Date	
	2002	2001	2002	2001
Operating Revenue				
Energy Services	\$171.2	\$167.8	\$ 468.2	\$ 474.3
Automotive Services	211.2	206.6	643.2	626.2
Investments	7.6	8.7	29.2	64.6
<b>Total Operating Revenue</b>	<b>390.0</b>	<b>383.1</b>	<b>1,140.6</b>	<b>1,165.1</b>
Operating Expenses				
Fuel and Purchased Power	66.1	60.2	174.7	179.4
Operations	246.0	249.9	741.8	754.9
Interest	15.8	19.7	47.9	57.8
<b>Total Operating Expenses</b>	<b>327.9</b>	<b>329.8</b>	<b>964.4</b>	<b>992.1</b>
Operating Income from Continuing Operations	62.1	53.3	176.2	173.0
Distributions on Redeemable Preferred Securities of ALLETE Capital I	1.5	1.5	4.5	4.5
Income Tax Expense	22.3	16.5	66.0	63.0
Income from Continuing Operations	38.3	35.3	105.7	105.5
Income from Discontinued Operations	6.8	2.5	13.4	7.7
<b>Net Income</b>	<b>\$ 45.1</b>	<b>\$ 37.8</b>	<b>\$ 119.1</b>	<b>\$ 113.2</b>
Average Shares of Common Stock				
Basic	81.5	79.0	80.9	74.6
Diluted	81.9	79.8	81.5	75.3
Earnings Per Share of Common Stock				
Basic - Continuing Operations	\$0.47	\$0.45	\$1.31	\$1.42
Discontinued Operations	0.08	0.03	0.16	0.10
	\$0.55	\$0.48	\$1.47	\$1.52
Diluted - Continuing Operations	\$0.47	\$0.44	\$1.30	\$1.40
Discontinued Operations	0.08	0.03	0.16	0.10
	\$0.55	\$0.47	\$1.46	\$1.50
Dividends Per Share of Common Stock	\$0.275	\$0.2675	\$0.825	\$0.8025

**ALLETE, Inc.**  
**Consolidated Balance Sheet**  
Millions

	Sept. 30, 2002	Dec. 31, 2001		Sept. 30, 2002	Dec. 31, 2001
<b>Assets</b>			<b>Liabilities and Shareholders' Equity</b>		
Current Assets	\$ 759.3	\$ 909.9	Current Liabilities	\$ 590.4	\$ 704.5
Property, Plant and Equipment	1,380.6	1,323.3	Long-Term Debt	915.5	933.8
Investments	144.5	141.0	Other Liabilities	268.9	270.5
Goodwill	496.9	494.4	Discontinued Operations	159.9	154.9
Other	122.1	103.6	Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0
Discontinued Operations	334.8	310.3	Shareholders' Equity	1,228.5	1,143.8
<b>Total Assets</b>	<b>\$3,238.2</b>	<b>\$3,282.5</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>\$3,238.2</b>	<b>\$3,282.5</b>

	Quarter Ended September 30,		Year to Date September 30,	
ALLETE, Inc.	2002	2001	2002	2001
<b>Net Income</b>				
Millions				
Energy Services	\$17.5	\$18.0	\$ 36.3	\$ 40.2
Automotive Services	24.1	20.6	78.8	59.2
Investments and Corporate Charges	(3.3)	(3.3)	(9.4)	6.1
Income from Continuing Operations	38.3	35.3	105.7	105.5
Income from Discontinued Operations *	6.8	2.5	13.4	7.7
<b>Net Income</b>	<b>\$45.1</b>	<b>\$37.8</b>	<b>\$119.1</b>	<b>\$113.2</b>
<b>Diluted Earnings Per Share</b>				
Continuing Operations	\$0.47	\$0.44	\$1.30	\$1.40
Discontinued Operations *	0.08	0.03	0.16	0.10
	\$0.55	\$0.47	\$1.46	\$1.50

\* Discontinued operations included the operating results of ALLETE's Water Services businesses, the auto transport business and the Electric Odyssey retail business. For the nine months ended September 30, 2002, ALLETE included \$3.9 million, or \$0.05 per share, in charges to complete the exit from the auto transport business and the retail business.

## Statistical Data

### Corporate

#### Common Stock

High	\$27.62	\$26.89	\$31.10	\$26.89
Low	\$18.50	\$21.50	\$18.50	\$20.19
Close	\$21.60	\$25.64	\$21.60	\$25.64
Book Value	\$14.38	\$13.52	\$14.38	\$13.52

### Energy Services

#### Millions of Kilowatthours Sold

#### Regulated

#### Retail

Residential	240.1	231.5	758.7	743.2
Commercial	327.5	325.9	937.1	932.8
Industrial	1,745.8	1,600.4	5,150.8	4,922.3
Other	18.9	19.5	56.5	56.7
Resale	567.6	548.7	1,411.3	1,623.2

	2,899.9	2,726.0	8,314.4	8,278.2
Merchant	487.4	—	730.2	—
	3,387.3	2,726.0	9,044.6	8,278.2

### Automotive Services

#### Vehicles Sold

#### Wholesale

#### Total Loss

433,000	429,000	1,348,000	1,353,000
41,000	34,000	131,000	103,000
474,000	463,000	1,479,000	1,456,000

#### Conversion Rate - Wholesale Vehicles

56.0%	55.9%	60.3%	59.3%
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#### Vehicles Financed

237,000	223,000	715,000	676,000
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#### EBITDAL (Millions)\*

\$57.0	\$55.8	\$186.6	\$173.5
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\* Earnings Before Interest, Taxes, Depreciation, Amortization and Lease Expense