



ALLETE Third Quarter EPS From Continuing Operations Rises 34%

ALLETE, Inc. (NYSE: ALE) today reported earnings from continuing operations of 78 cents per share in the third quarter of 2006, a 34 percent increase over the 58 cents per share recorded in the third quarter a year ago. Net income for the quarter was \$21.8 million on revenue of \$199.1 million.

Income from ALLETE's energy businesses was up 26 percent from a year ago, driven by higher industrial power sales to taconite facilities, paper mills and petroleum pipelines and by additional summer cooling load needed by municipal, residential, and commercial customers. Returns on ALLETE's investment in the American Transmission Company also contributed to income. ALLETE had invested \$35.2 million in ATC by the end of the third quarter.

ALLETE Properties income, which was 28 percent higher than in the third quarter of 2005, continued to benefit from contract closings, recognition of deferred profit from earlier sales at ALLETE's Town Center at Palm Coast development project and from other non-project property sales. ALLETE Properties had \$114.5 million in land sales under contract as of Sept. 30, 2006.

"We're very pleased with the earnings momentum demonstrated by our two primary businesses," said Don Shippar, ALLETE's chairman, president and CEO. "We now expect to be near the upper end of our 2006 earnings guidance range."

ALLETE's 2006 earnings guidance, issued in February, projected earnings per share growth of 15 to 20 percent compared with 2005. The guidance was based on diluted earnings from continuing operations in 2005 of \$2.26 per share, which excluded transactions not representative of ongoing operations.

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, 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, 2006 and 2005
Millions Except Per Share Amounts

	Quarter Ended		Year to Date	
	2006	2005	2006	2005
Operating Revenue	\$199.1	\$177.4	\$569.9	\$545.1
Operating Expenses				
Fuel and Purchased Power	79.5	65.4	211.9	201.9
Operating and Maintenance	68.7	67.4	220.0	211.8
Kendall County Charge	-	-	-	77.9
Depreciation	12.2	11.9	36.6	35.7
Total Operating Expenses	160.4	144.7	468.5	527.3
Operating Income from Continuing Operations	38.7	32.7	101.4	17.8
Other Income (Expense)				
Interest Expense	(7.3)	(6.6)	(20.1)	(20.1)
Other	3.7	0.4	8.8	(2.3)
Total Other Expense	(3.6)	(6.2)	(11.3)	(22.4)
Income (Loss) from Continuing Operations Before Minority Interest and Income Taxes	35.1	26.5	90.1	(4.6)
Minority Interest	1.1	1.0	3.2	2.4
Income (Loss) from Continuing Operations Before Income Taxes	34.0	25.5	86.9	(7.0)
Income Tax Expense (Benefit)	12.1	9.7	32.6	(0.4)
Income (Loss) from Continuing Operations Loss from Discontinued Operations – Net of Tax	21.9	15.8	54.3	(6.6)
	(0.1)	(0.6)	(0.5)	(1.1)
Net Income (Loss)	\$ 21.8	\$ 15.2	\$ 53.8	\$ (7.7)
Average Shares of Common Stock				
Basic	27.8	27.4	27.7	27.3
Diluted	27.9	27.5	27.8	27.3
Basic Earnings (Loss) Per Share of Common Stock				
Continuing Operations	\$0.78	\$0.58	\$1.96	\$(0.24)
Discontinued Operations	-	(0.02)	(0.02)	(0.04)
	\$0.78	\$0.56	\$1.94	\$(0.28)
Diluted Earnings (Loss) Per Share of Common Stock				
Continuing Operations	\$0.78	\$0.58	\$1.95	\$(0.24)
Discontinued Operations	-	(0.02)	(0.02)	(0.04)
	\$0.78	\$0.56	\$1.93	\$(0.28)
Dividends Per Share of Common Stock	\$0.3625	\$0.3150	\$1.0875	\$0.9300

Consolidated Balance Sheet
Millions

	Sept. 30, 2006	Dec. 31, 2005		Sept. 30, 2006	Dec. 31, 2005
Assets			Liabilities and Shareholders' Equity		
Cash and Cash Equivalents	\$ 51.4	\$ 89.6	Current Liabilities	\$ 82.6	\$ 106.7
Short-Term Investments	121.6	116.9	Long-Term Debt	385.2	387.8
Other Current Assets	135.5	167.0	Other Liabilities	287.3	288.5
Property, Plant and Equipment	877.9	860.4	Discontinued Operations	-	13.0
Investments	165.1	117.7	Shareholders' Equity	645.8	602.8
Discontinued Operations	-	2.6			
Other	49.4	44.6			
Total Assets	\$ 1,400.9	\$ 1,398.8	Total Liabilities and Shareholders' Equity	\$ 1,400.9	\$ 1,398.8

Corporate

Common Stock				
High	\$49.30	\$51.70	\$49.30	\$51.70
Low	\$43.26	\$42.80	\$42.99	\$35.65
Close	\$43.45	\$45.81	\$43.45	\$45.81
Book Value	\$21.26	\$19.57	\$21.26	\$19.57

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Millions

Regulated Utility

Retail and Municipals

Residential	263.0	254.5	800.1	804.2
Commercial	361.7	346.6	1,005.9	986.9
Industrial	1,836.9	1,782.8	5,429.1	5,306.8
Municipals	248.6	236.0	684.0	657.3
Other	20.8	20.7	59.4	59.2

	2,731.0	2,640.6	7,978.5	7,814.4
Other Power Suppliers	584.3	261.3	1,604.9	864.9

Nonregulated Energy Operations	3,315.3	2,901.9	9,583.4	8,679.3
	60.4	405.8	181.3	1,159.6

	3,375.7	3,307.7	9,764.7	9,838.9
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Real Estate

Town Center Development Project

Commercial Square Footage Sold	114,300	246,000	364,995	643,000
Residential Units	356	-	542	-

Palm Coast Park Development Project

Residential Units	200	-	200	-
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Other Land

Acres Sold	242	521	708	1,058
Lots Sold	-	-	-	7

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