



ALLETE Reports Second Quarter Earnings

DULUTH, Minn.--ALLETE, Inc. (NYSE: ALE) today reported second quarter 2004 earnings of 40 cents per share, compared with 53 cents per share in the second quarter of 2003. Earnings from continuing operations were 38 cents per share for the quarter, compared with 45 cents per share in the second quarter of 2003. Net income from continuing operations was \$32.9 million for the quarter, compared with \$37.1 million in the second quarter of 2003. For the first six months of the year, earnings from continuing operations increased from \$75.1 million to \$86 million.

"In spite of an impairment loss in our emerging technology investment portfolio and charges related to our business separation plans, earnings from continuing operations are up 15 percent year-to-date over last year," said Don Shippar, ALLETE President and CEO. "Energy Services reported another strong quarter, and demand for Florida real estate remains high."

Second quarter earnings at Energy Services climbed 37 percent from a year ago, aided by higher energy demand from industrial customers.

Within Investments and Corporate Charges, ALLETE Properties performance remained strong, earning \$2.2 million compared to an exceptional \$5.2 million in the second quarter of 2003. For the six months ended June 30, 2004, net income from ALLETE Properties was \$13.2 million compared with \$9.4 million for the first six months of 2003. The second quarter of 2004 also reflected the \$4.7 million after-tax impairment on the emerging technology investment portfolio and lower interest expense due to decreased debt balances.

ALLETE expects 2004 net income for those businesses that will comprise post-spin-off ALLETE to increase by 15 percent over their 2003 results, excluding separation-related costs.

Net income from continuing operations at Automotive Services was \$32.3 million for the quarter compared with \$34.1 million during the same period last year and includes incremental expenses related to its separation from ALLETE. ADESA (NYSE: KAR) issued a press release today that provides details regarding its second quarter results.

ALLETE's board of directors is expected to meet in late August to finalize details of the proposed spin-off of ADESA, Inc. Dave Gartzke, ADESA Chairman, President and CEO, said the spin-off is on track to be completed by the end of September.

"Relevant details will be disclosed by press release, communications with our shareholders and public filings with the Securities and Exchange Commission after ALLETE's August board meeting," Gartzke said. Gartzke will resign his position as ALLETE board chairman immediately after the ADESA spin-off and is expected to be succeeded by Bruce Stender, 62, a member of the ALLETE board since 1995.

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. ALLETE is the majority owner of ADESA, Inc., a leading vehicle remarketing company. 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 June 30, 2004 and 2003
Millions Except Per Share Amounts

	Quarter Ended		Six Months Ended	
	2004	2003	2004	2003
Operating Revenue				
Energy Services	\$183.9	\$158.5	\$366.2	\$337.6
Automotive Services	232.1	240.7	479.8	473.6
Investments	(0.7)	10.7	27.8	21.6
Total Operating Revenue	415.3	409.9	873.8	832.8
Operating Expenses				
Fuel and Purchased Power	77.2	64.9	146.1	132.3
Operations	267.6	266.9	556.9	543.1
Interest	13.8	16.0	26.9	32.9
Total Operating Expenses	358.6	347.8	729.9	708.3
Operating Income from Continuing Operations	56.7	62.1	143.9	124.5
Income Tax Expense	23.8	25.0	57.9	49.4
Income from Continuing Operations	32.9	37.1	86.0	75.1
Income from Discontinued Operations – Net of Tax	1.8	7.3	1.2	13.6
Net Income	\$ 34.7	\$ 44.4	\$ 87.2	\$ 88.7
Average Shares of Common Stock				
Basic	85.1	82.6	84.7	82.4
Diluted	85.6	82.9	85.2	82.6
Basic Earnings Per Share of Common Stock				
Continuing Operations	\$0.39	\$0.45	\$1.02	\$0.91
Discontinued Operations	0.02	0.09	0.01	0.17
	\$0.41	\$0.54	\$1.03	\$1.08
Diluted Earnings Per Share of Common Stock				
Continuing Operations	\$0.38	\$0.45	\$1.01	\$0.91
Discontinued Operations	0.02	0.08	0.01	0.16
	\$0.40	\$0.53	\$1.02	\$1.07
Dividends Per Share of Common Stock	\$0.2825	\$0.2825	\$0.565	\$0.565

ALLETE, Inc.
Consolidated Balance Sheet
Millions

	Jun. 30, 2004	Dec. 31, 2003		Jun. 30, 2004	Dec. 31, 2003
Assets			Liabilities and Shareholders' Equity		
Current Assets	\$1,375.9	\$ 695.4	Notes Payable	–	\$ 53.0
Property, Plant and Equipment	1,494.7	1,499.0	Long-Term Debt Due Within One Year	\$ 320.1	37.5
Investments	184.6	204.6	Other Current Liabilities	553.3	435.7
Goodwill	509.5	511.0	Long-Term Debt	790.9	747.7
Discontinued Operations	8.2	87.9	Other Liabilities	414.0	322.2
Other	118.7	103.4	Discontinued Operations	2.7	45.0
			Shareholders' Equity	1,600.6	1,460.2
Total Assets	\$3,681.6	\$3,101.3	Total Liabilities and Shareholders' Equity	\$3,681.6	\$3,101.3

ALLETE, Inc.	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net Income				
Millions				
Energy Services	\$ 9.3	\$ 6.8	\$23.6	\$19.0
Automotive Services	32.3	34.1	65.6	60.8
Investments and Corporate Charges	(8.7)	(3.8)	(3.2)	(4.7)
Income from Continuing Operations	32.9	37.1	86.0	75.1
Income from Discontinued Operations	1.8	7.3	1.2	13.6
Net Income	\$34.7	\$44.4	\$87.2	\$88.7

Diluted Earnings Per Share

Continuing Operations	\$0.38	\$0.45	\$1.01	\$0.91
Discontinued Operations	0.02	0.08	0.01	0.16
	\$0.40	\$0.53	\$1.02	\$1.07

Statistical Data

Corporate

Common Stock				
High	\$36.71	\$26.70	\$36.71	\$26.70
Low	\$31.62	\$20.50	\$30.00	\$18.75
Close	\$33.30	\$26.55	\$33.30	\$26.55
Book Value	\$18.06	\$15.39	\$18.06	\$15.39

Energy Services

Millions of Kilowatthours Sold				
Regulated Utility				
Retail and Municipals				
Residential	228.8	223.9	539.1	536.8
Commercial	294.3	289.6	626.2	616.0
Industrial	1,770.0	1,655.1	3,536.8	3,373.6
Municipals	189.0	204.5	402.8	405.1
Other	17.8	18.3	38.0	38.8
	2,499.9	2,391.4	5,142.9	4,970.3
Other Power Suppliers	168.4	300.8	385.6	508.1
	2,668.3	2,692.2	5,528.5	5,478.4
Nonregulated	414.6	281.1	848.6	700.2
	3,082.9	2,973.3	6,377.1	6,178.6

Automotive Services

Vehicles Sold				
Used	446,000	471,000	926,000	933,000
Salvage	50,000	48,000	108,000	98,000
	496,000	520,000	1,034,000	1,031,000
Conversion Rate - Used Vehicles	61.7%	61.1%	65.0%	61.8%
Loan Transactions	273,000	241,000	536,000	474,000