



ALLETE 2003 Earnings From Continuing Operations Increase 18 Percent

DULUTH, Minn.-- ALLETE, Inc. (NYSE: ALE) today reported 2003 earnings of \$2.84 per share, compared with \$1.68 per share in 2002, an increase of 69 percent. Net income was \$236 million in 2003 on revenue of \$1.62 billion, compared with prior year net income of \$137 million on revenue of \$1.49 billion. Earnings from continuing operations rose 18 percent year over year to \$1.72 per share, compared with \$1.46. Earnings from discontinued operations included a \$71.6 million, or \$0.86 per share, gain related to the sale of substantially all of our Water Services businesses.

"ALLETE had a very successful year, exceeding our stated performance goals," said Dave Gartzke, ALLETE Chairman. "Our Automotive Services and Energy Services businesses both surpassed their earnings objectives, and we achieved a key strategic objective by substantially completing the sale of our Water Services holdings in Florida, the proceeds from which were used to repay debt and strengthen our balance sheet."

2003 Year-End Results

Automotive Services reported 22 percent earnings growth for the year due mainly to increased sales, lower interest expense and improved margins. Net income was \$115 million in 2003, compared with \$94 million for the prior year. Automotive Services revenue was \$922 million versus \$836 million last year, a 10 percent increase. ADESA sold 69,000 more used vehicles than in 2002, an increase of 4 percent. The used vehicle conversion rate at ADESA was 61 percent in 2003, compared with 59 percent in 2002. Sales of salvage vehicles at ADESA Impact rose by 9 percent over last year. At AFC, units financed increased by about 4,000 and bad debt expense was down reflecting the improved credit quality of the portfolio.

Net income at Energy Services was \$42 million in 2003, a slight increase over the prior year due mainly to sales of nonregulated generation from the Taconite Harbor facility and improved power prices. Energy Services revenue grew by 5 percent in the year to \$660 million. The performance at Taconite Harbor in 2003 was offset by increased pension and benefit costs, and the performance of the Kendall County facility. The Kendall County facility operated at a loss in 2003 due to negative spark spreads (the differential between electric and natural gas prices) in the wholesale power market. This resulted in an inability to cover the fixed capacity charge on approximately 175 megawatts. Energy Services also incurred costs to exit the Split Rock Energy partnership.

ALLETE's Florida real estate operations posted a 26 percent increase in net income over the prior year, earning \$14.1 million compared to \$11.2 million last year.

Net income from discontinued operations increased by \$75 million year over year primarily due to the gains recorded from the sale of the Water Services businesses.

Using both the proceeds from the sale of Water Services and internally generated cash, ALLETE repaid \$360 million in debt and \$75 million in mandatorily redeemable preferred securities during 2003. By year end, ALLETE significantly strengthened its balance sheet and reduced its debt to total capital percentage to 36 percent (down from 46 percent at December 31, 2002), and improved its liquidity as illustrated by its current ratio of 1.3 (up from 0.9 at December 31, 2002).

Fourth Quarter 2003 Results

Fourth quarter earnings from continuing operations doubled those of the prior year, bolstered by a 66 percent increase at Automotive Services compared with the fourth quarter of 2002.

ADESA sold 7 percent more vehicles and ADESA Impact sold 9 percent more salvage vehicles in the quarter compared with the quarter a year ago. ADESA used vehicle auctions benefited from a significantly higher conversion rate, while same-store salvage sales in the U.S. climbed 13 percent in the quarter.

Earnings for the quarter grew by 47 percent at Energy Services compared with the quarter last year (including one-time charges incurred in the fourth quarter of 2002). While total electric sales for the quarter were about the same as last year, higher wholesale power prices helped improve 2003 earnings.

Fourth quarter results were also impacted by two large real estate sales and reduced debt expense in 2003, and the liquidation of the securities portfolio in 2002. 2003 Strategic Review

Significant strategic goals were attained during 2003 by ALLETE:

- Substantially completing the sale of our Water Services businesses
- Strengthening our balance sheet
- Adding three board members with automotive expertise: Thomas Cunningham, Dennis Green and Deborah Weinstein
- Adding new ADESA auction facilities in two key markets - Long Island and Atlanta
- Strengthening management at Automotive Services

In October, 2003 ALLETE announced its intention to separate its Automotive Services business into a publicly traded company to be named ADESA, with completion expected by mid-2004. A conference call will be scheduled for a later date as details are finalized.

"The changes at ALLETE should be viewed with an eye on the future as well as on the success of our past accomplishments," Gartzke said. "We've been committed to long-term shareholder value creation, and this will continue as ALLETE begins an exciting new chapter in its history."

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE's holdings include ADESA, the second largest used vehicle auction network in North America; AFC, the leading provider of independent auto dealer 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.

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 December 31, 2003 and 2002
 Millions Except Per Share Amounts

	Quarter Ended		Year Ended	
	2003	2002	2003	2002
Operating Revenue				
Energy Services	\$158.0	\$160.9	\$ 659.6	\$ 626.0
Automotive Services	222.3	200.1	922.3	835.8
Investments	8.6	3.3	36.9	32.5
Total Operating Revenue	388.9	364.3	1,618.8	1,494.3
Operating Expenses				
Fuel and Purchased Power	55.3	63.2	252.5	234.8
Operations	271.9	264.4	1,064.7	997.9
Interest	16.5	16.4	66.6	70.5
Total Operating Expenses	343.7	344.0	1,383.8	1,303.2
Operating Income from Continuing Operations	45.2	20.3	235.0	191.1
Income Tax Expense	16.6	6.6	91.9	72.2
Income from Continuing Operations	28.6	13.7	143.1	118.9
Income from Discontinued Operations - Net of Tax	71.5	4.4	93.3	18.3
Net Income	\$100.1	\$ 18.1	\$ 236.4	\$ 137.2
Average Shares of Common Stock				
Basic	83.6	81.8	82.8	81.1
Diluted	84.3	82.3	83.3	81.7
Earnings Per Share of Common Stock				
Basic - Continuing Operations	\$0.34	\$0.17	\$1.72	\$1.47
Discontinued Operations	0.86	0.05	1.13	0.22
	\$1.20	\$0.22	\$2.85	\$1.69
Diluted - Continuing Operations	\$0.34	\$0.17	\$1.72	\$1.46
Discontinued Operations	0.86	0.05	1.12	0.22
	\$1.20	\$0.22	\$2.84	\$1.68
Dividends Per Share of Common Stock	\$0.2825	\$0.275	\$1.13	\$1.10

ALLETE, Inc.
Consolidated Balance Sheet
For the Periods Ended December 31, 2003 and 2002
Millions

	2003	2002		2003	2002
Assets			Liabilities and Shareholders' Equity		
Current Assets	\$ 695.4	\$ 658.4	Notes Payable	\$ 53.0	\$ 74.5
Property, Plant and Equipment	1,499.0	1,364.7	Long-Term Debt Due Within One Year	37.5	283.7
Investments	204.6	170.9	Other Current Liabilities	435.7	380.0
Goodwill	509.3	499.8	Long-Term Debt	747.7	696.4
Discontinued Operations	87.9	346.1	Mandatorily Redeemable Preferred Securities	—	75.0
Other	105.1	107.3	Other Liabilities	322.2	277.4
			Discontinued Operations	45.0	127.8
			Shareholders' Equity	1,460.2	1,232.4
Total Assets	\$3,101.3	\$3,147.2	Total Liabilities and Shareholders' Equity	\$3,101.3	\$3,147.2

	Quarter Ended December 31,		Year Ended December 31,	
ALLETE, Inc.	2003	2002	2003	2002
Net Income				
Millions				
Energy Services	\$ 8.1	\$ 5.5	\$ 42.4	\$ 41.8
Automotive Services	24.8	14.9	114.8	94.2
Investments and Corporate Charges	(4.3)	(6.7)	(14.1)	(17.1)
Income from Continuing Operations	28.6	13.7	143.1	118.9
Income from Discontinued Operations	71.5	4.4	93.3	18.3
Net Income	\$ 100.1	\$18.1	\$236.4	\$ 137.2

Diluted Earnings Per Share

Continuing Operations	\$0.34	\$0.17	\$1.72	\$1.46
Discontinued Operations	0.86	0.05	1.12	0.22
	\$1.20	\$0.22	\$2.84	\$1.68

Statistical Data

Corporate				
Common Stock				
High	\$31.00	\$23.80	\$31.00	\$31.10
Low	\$27.05	\$18.65	\$18.75	\$18.50
Close	\$30.60	\$22.68	\$30.60	\$22.68
Book Value	\$16.73	\$14.39	\$16.73	\$14.39
Energy Services				
Millions of Kilowatthours Sold				
Regulated Utility				
Retail				
Residential	278.4	285.7	1,065.4	1,044.4
Commercial	322.1	319.9	1,285.6	1,257.0
Industrial	1,649.0	1,795.4	6,558.2	6,946.2
Other	19.9	20.9	79.2	77.4
Resale	505.9	395.4	2,155.3	1,806.7
	2,775.3	2,817.3	11,143.7	11,131.7
Nonregulated	361.7	321.3	1,462.3	1,149.2
	3,137.0	3,138.6	12,606.0	12,280.9
Automotive Services				
Vehicles Sold				
Used	419,000	393,000	1,810,000	1,741,000
Salvage	48,000	44,000	191,000	175,000
	467,000	437,000	2,001,000	1,916,000
Conversion Rate - Used Vehicles	59.5%	55.1%	61.0%	59.0%
Vehicles Financed	238,000	231,000	950,000	946,000