



ALLETE Reports Solid Second Quarter Earnings

ALLETE, Inc. (NYSE: ALE) today reported earnings of 57 cents per share for the second quarter of 2001, a 19 percent increase over a year ago. The stated increase excludes a gain of 44 cents per share from the sale of the company's investment in ACE Limited last year. Quarterly revenue was \$443.0 million, compared to \$327.0 million in 2000. This 35 percent increase reflects the success of ALLETE's growth initiatives. The second quarter results bring year-to-date earnings to \$1.03 per share, 13 percent ahead of last year, excluding ACE. ALLETE remains on track to achieve its target of 12 percent annual earnings growth for 2001.

"Being a diversified company, we're not dependent on a single business to deliver value to our shareholders," said Ed Russell, ALLETE President and CEO. "Our strong second quarter is a clear example of this strategy at work, and we're delighted with the results."

Automotive Services net income climbed 37 percent for the quarter, 42 percent year-to-date, which is in line with expectations set for 2001. ADESA vehicle sales for the quarter rose 60 percent over a year ago, due primarily to the addition of 28 vehicle auctions. At Automotive Finance Corporation, the number of vehicles financed grew by 15 percent.

ALLETE's Investments portfolio recorded a 70 percent increase in net income, boosted by a \$29 million real estate sale at Cape Coral, Florida, along with strong sales at other Florida locations. Year-to-date, Investments contributed \$22.8 million, compared to \$21.7 million, illustrating the strength of this segment.

Energy Services net income for the quarter was up modestly compared to last year, despite approximately \$1.3 million in additional costs incurred by Minnesota Power caused by a severe April ice storm and wind damage. Even with these unexpected costs, year-to-date net income is up by 7 percent over last year.

Water Services net income declined slightly in the quarter, due in large part to a 9 percent decrease in water consumption primarily attributable to above-average rainfall in Florida. Customer growth, however, climbed a robust 7 percent compared to a year ago.

ALLETE is a multi-services company with corporate headquarters in Duluth, Minnesota. ALLETE's holdings include the second-largest wholesale automobile auction network in North America; the leading provider of independent auto dealer inventory financing; the largest investor-owned water utilities in Florida and North Carolina; significant real estate holdings in Florida; and a low-cost electric utility that serves some of the largest industrial customers in the United States.

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, 2001 and 2000
Millions Except Per Share Amounts

	Quarter Ended		Year to Date	
	2001	2000	2001	2000
Operating Revenue				
Energy Services	\$147.9	\$138.9	\$307.3	\$280.5
Automotive Services	220.8	129.7	431.9	249.2
Water Services	31.4	31.7	60.9	59.7
Investments	42.9	26.7	55.9	60.2
Total Operating Revenue	443.0	327.0	856.0	649.6
Operating Expenses				
Fuel and Purchased Power	56.8	53.5	119.2	106.6
Operations	292.6	201.2	565.2	402.4
Interest Expense	21.4	15.2	43.4	31.5
Total Operating Expenses	370.8	269.9	727.8	540.5
Operating Income Before ACE	72.2	57.1	128.2	109.1
Disposition of Investment in ACE	-	48.0	-	48.0
Operating Income	72.2	105.1	128.2	157.1
Distributions on Redeemable Preferred Securities of ALLETE Capital I	1.5	1.5	3.0	3.0
Income Tax Expense	28.2	39.4	49.8	59.5
Net Income	\$ 42.5	\$ 64.2	\$ 75.4	\$ 94.6
Average Shares of Common Stock				
Basic	73.4	69.6	72.4	69.4
Diluted	74.0	69.9	73.0	69.5
Earnings Per Share of Common Stock				
Basic	\$0.58	\$0.92	\$1.04	\$1.35
Diluted	\$0.57	\$0.92	\$1.03	\$1.35
Dividends Per Share of Common Stock	\$0.2675	\$0.2675	\$0.535	\$0.535

ALLETE, Inc.
Consolidated Balance Sheet
Millions

	Jun. 30, 2001	Dec. 31, 2000		Jun. 30, 2001	Dec. 31, 2000
Assets			Liabilities and Stockholders' Equity		
Current Assets	\$1,024.8	\$ 731.0	Current Liabilities	\$ 739.5	\$ 707.0
Property, Plant and Equipment	1,528.3	1,479.7	Long-Term Debt	1,068.8	952.3
Investments	114.6	116.4	Other Liabilities	300.1	278.9
Goodwill	503.6	472.8	Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0
Other	122.5	114.1	Stockholders' Equity	1,110.4	900.8
Total Assets	\$3,293.8	\$2,914.0	Total Liabilities and Stockholders' Equity	\$3,293.8	\$2,914.0

ALLETE, Inc.	Quarter Ended June 30,		Year to Date June 30,	
	2001	2000	2001	2000
Net Income				
Millions				
Energy Services	\$ 9.5	\$ 9.3	\$21.4	\$20.0
Automotive Services	20.1	14.7	37.8	26.6
Water Services	3.7	4.1	6.8	6.5
Investments	17.3	10.2	22.8	21.7
Corporate Charges	(8.1)	(4.5)	(13.4)	(10.6)
Net Income Before ACE	42.5	33.8	75.4	64.2
ACE Transaction *	-	30.4	-	30.4
Net Income	\$42.5	\$64.2	\$75.4	\$94.6
Diluted Earnings Per Share				
Before ACE Transaction	\$0.57	\$0.48	\$1.03	\$0.91
ACE Transaction *	-	0.44	-	0.44
	\$0.57	\$0.92	\$1.03	\$1.35

* In May 2000 ALLETE, Inc. sold its investment in ACE Limited (ACE) common stock, which resulted in an after-tax gain of \$30.4 million, or \$0.44 per share. The ACE shares were received in December 1999 upon completion of ACE's merger with Capital Re Corporation.

Statistical Data

Corporate				
Common Stock				
High	\$26.13	\$20.75	\$26.13	\$20.75
Low	\$22.04	\$16.00	\$20.19	\$14.75
Close	\$22.50	\$17.31	\$22.50	\$17.31
Book Value	\$13.45	\$11.79	\$13.45	\$11.79
Energy Services				
Millions of Kilowatthours Sold				
Retail				
Residential	199.0	192.0	469.4	449.9
Commercial	257.6	245.0	543.0	521.7
Industrial	1,630.4	1,719.4	3,154.7	3,438.3
Other	17.3	17.3	36.1	35.6
Resale	542.6	686.1	1,356.7	1,534.0
	2,646.9	2,859.8	5,559.9	5,979.5
Automotive Services				
Vehicles Sold	492,000	307,000	993,000	602,000
Vehicles Financed	232,000	202,000	453,000	397,000
EBITDAL (Millions) **	\$60.4	\$39.6	\$118.2	\$74.0
Water Services				
Millions of Gallons Billed				
Florida Water Services				
Water	5,120.9	5,713.7	9,539.1	9,951.9
Wastewater	1,347.3	1,278.0	2,644.3	2,477.7
Heater Utilities				
Water	992.5	973.3	1,664.6	1,656.8

** Earnings Before Interest, Taxes, Depreciation, Amortization and Lease Expense