



## **Automotive Earnings Growth Highlights ALLETE's Third-Quarter Results**

DULUTH, Minn.--Bolstered by a strong showing from its Automotive Services businesses, ALLETE, Inc. (NYSE:ALE) today reported third quarter 2003 earnings of 57 cents per share, compared with 55 cents per share in the third quarter of 2002. Net income for the quarter rose six percent to \$47.6 million on revenue of \$397 million, compared with \$45.1 million on revenue of \$389 million during the same time period last year.

"Our third quarter results were on target with our expectations," said Dave Gartzke, ALLETE Chairman, President and CEO. "And I remain confident that we'll achieve our earnings projections for the year."

Net income at Automotive Services was \$29.2 million in the third quarter of 2003, an increase of 20 percent over last year. This was due primarily to an increase in the number of vehicles sold at ADESA auctions and improved conversion rates compared with the third quarter of 2002 when difficult market conditions were present. Separately today, ALLETE announced that its Board of Directors has approved a plan to spin-off its Automotive Services business which will become a publicly traded company to be named ADESA Corporation.

Energy Services net income was \$15.3 million for the quarter compared with \$17.5 million during the same time period in 2002. Higher employee benefit costs in 2003 and a positive one-time adjustment in 2002 related to the utility fuel adjustment clause impacted the third quarter comparison.

## **Florida Water Services Sale Update**

ALLETE continues to divest of its water businesses. Significant progress was made during the third quarter with to-date sales or sales agreements totaling \$442 million, which represents approximately 90 percent of Florida Water's assets.

"Nearly all of the Florida Water systems are now sold or contracted to be sold," said Gartzke. "We expect most of the transactions to close by the end of the year." Proceeds from these sales will be used to strengthen ALLETE's balance sheet. Earlier this month ALLETE issued a redemption notice on its \$50 million, 7¾ percent First Mortgage Bonds.

ALLETE's corporate headquarters are located in Duluth, Minnesota. ALLETE's holdings include ADESA, the second largest wholesale 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.

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, 2003 and 2002**  
Millions Except Per Share Amounts

	Quarter Ended		Nine Months Ended	
	2003	2002	2003	2002
Operating Revenue				
Energy Services	\$164.0	\$171.2	\$ 501.6	\$ 468.2
Automotive Services	226.4	210.1	700.0	636.7
Investments	6.7	7.6	28.3	29.2
Total Operating Revenue	397.1	388.9	1,229.9	1,134.1
Operating Expenses				
Fuel and Purchased Power	64.9	66.1	197.2	174.7
Operations	249.7	244.5	792.8	733.5
Interest	16.7	17.3	48.4	52.4
Total Operating Expenses	331.3	327.9	1,038.4	960.6
Operating Income from Continuing Operations	65.8	61.0	191.5	172.5
Income Tax Expense	26.1	22.4	76.0	66.3
Income from Continuing Operations	39.7	38.6	115.5	106.2
Income from Discontinued Operations – Net of Tax	7.9	6.5	20.8	12.9
Net Income	\$ 47.6	\$ 45.1	\$ 136.3	\$ 119.1
Average Shares of Common Stock				
Basic	83.0	81.5	82.6	80.9
Diluted	83.4	81.9	82.9	81.5
Earnings Per Share of Common Stock				
Basic – Continuing Operations	\$0.48	\$0.47	\$1.40	\$1.31
Discontinued Operations	0.09	0.08	0.25	0.16
	\$0.57	\$0.55	\$1.65	\$1.47
Diluted – Continuing Operations	\$0.48	\$0.47	\$1.40	\$1.30
Discontinued Operations	0.09	0.08	0.24	0.16
	\$0.57	\$0.55	\$1.64	\$1.46
Dividends Per Share of Common Stock	\$0.2825	\$0.275	\$0.8475	\$0.825

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

	Sept. 30, 2003	Dec. 31, 2002		Sept. 30, 2003	Dec. 31, 2002
Assets			Liabilities and Shareholders' Equity		
Current Assets	\$ 884.3	\$ 658.4	Current Liabilities	\$ 815.5	\$ 738.2
Property, Plant and Equipment	1,486.4	1,364.7	Long-Term Debt	753.0	661.3
Investments	166.9	170.9	Mandatorily Redeemable Preferred Securities	75.0	75.0
Goodwill	508.1	499.8	Other Liabilities	300.2	277.4
Discontinued Operations	322.6	346.1	Discontinued Operations	169.2	162.9
Other	110.4	107.3	Shareholders' Equity	1,365.8	1,232.4
Total Assets	\$3,478.7	\$3,147.2	Total Liabilities and Shareholders' Equity	\$3,478.7	\$3,147.2

ALLETE, Inc.	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Net Income</b>				
Millions				
Energy Services	\$15.3	\$17.5	\$ 34.3	\$ 36.3
Automotive Services	29.2	24.4	90.0	79.3
Investments and Corporate Charges	(4.8)	(3.3)	(8.8)	(9.4)
Income from Continuing Operations	39.7	38.6	115.5	106.2
Income from Discontinued Operations	7.9	6.5	20.8	12.9
Net Income	\$47.6	\$45.1	\$136.3	\$119.1
<b>Diluted Earnings Per Share</b>				
Continuing Operations	\$0.48	\$0.47	\$1.40	\$1.30
Discontinued Operations	0.09	0.08	0.24	0.16
	\$0.57	\$0.55	\$1.64	\$1.46

**Diluted Earnings Per Share**

Continuing Operations	\$0.48	\$0.47	\$1.40	\$1.30
Discontinued Operations	0.09	0.08	0.24	0.16
	\$0.57	\$0.55	\$1.64	\$1.46

**Statistical Data****Corporate**

Common Stock				
High	\$27.86	\$27.62	\$27.86	\$31.10
Low	\$25.46	\$18.50	\$18.75	\$18.50
Close	\$27.38	\$21.60	\$27.38	\$21.60
Book Value	\$15.73	\$14.38	\$15.73	\$14.38

**Energy Services**

Millions of Kilowatt-hours Sold				
Utility				
Retail				
Residential	250.2	240.1	787.0	758.7
Commercial	347.5	327.5	963.5	937.1
Industrial	1,535.6	1,746.8	4,909.2	5,150.8
Other	20.5	18.9	59.3	56.5
Resale	736.2	567.6	1,649.4	1,411.3
	2,890.0	2,899.9	8,368.4	8,314.4
Nonregulated	400.4	517.6	1,100.6	827.9
	3,290.4	3,417.5	9,469.0	9,142.3

**Automotive Services**

Vehicles Sold				
Wholesale	468,000	433,000	1,391,000	1,348,000
Total Loss	45,000	41,000	143,000	131,000
	503,000	474,000	1,534,000	1,479,000
Conversion Rate - Wholesale Vehicles	61.1%	56.0%	61.5%	60.3%
Vehicles Financed	238,000	237,000	712,000	715,000