



ALLETE First Quarter Earnings Increased Six Percent Over 2005

guidance of 15 percent to 20 percent earnings growth reaffirmed

ALLETE (NYSE: ALE) today reported earnings of 68 cents per share of common stock in the first quarter of 2006, a six percent increase over the 64 cents per share recorded during the same period a year ago.

ALLETE recorded \$18.8 million of net income on operating revenue of \$192.5 million in the first quarter of 2006 compared to net income of \$17.4 million and operating revenue of \$193.3 million in the first quarter of 2005.

"Our quarterly earnings were in line with what we anticipated at the beginning of the year," said CEO Donald J. Shippar. "ALLETE's energy and real estate businesses are positioned to deliver another solid year of financial performance. We're on track to meet our projected 15 percent to 20 percent increase in earnings per share compared to 2005."

Although record warm temperatures in early 2006 curtailed energy sales to residential and commercial customers in Minnesota and Wisconsin, sales to large power customers remained strong. Minnesota Power's taconite mining customers continue to operate at historically high output levels.

ALLETE's real estate segment was a significant contributor to earnings, with net income of \$5 million during the first quarter. ALLETE Properties had \$85 million of land sales under contract as of March 31, 2006. Most of that contracted land is located in the 1,550-acre Town Center at Palm Coast development taking shape in fast-growing Flagler County, Florida. On May 4, ALLETE Properties announced an additional \$52.5 million contract for the sale of property at its Palm Coast Park development.

Shippar said several factors support ALLETE's projection of a 15 percent to 20 percent increase in earnings per share from continuing operations this year. He noted that earnings from its investment in the American Transmission Company, the elimination of operating losses associated with the Kendall County agreement, a smaller loss in the emerging technology portfolio, and continued strong Florida real estate sales will contribute to earnings growth as the year unfolds. ALLETE plans to invest \$60 million into ATC during 2006.

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 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 March 31, 2006 and 2005
Millions Except Per Share Amounts

	Quarter Ended	
	2006	2005
Operating Revenue	\$192.5	\$193.3
Operating Expenses		
Fuel and Purchased Power	69.4	67.6
Operating and Maintenance	74.5	72.7
Depreciation	12.2	11.9
Total Operating Expenses	156.1	152.2
Operating Income from Continuing Operations	36.4	41.1
Other Income (Expense)		
Interest Expense	(6.4)	(6.8)
Other	1.7	(4.2)
Total Other Expense	(4.7)	(11.0)
Income from Continuing Operations Before Minority Interest and Income Taxes	31.7	30.1
Minority Interest	1.3	1.2
Income from Continuing Operations Before Income Taxes	30.4	28.9
Income Tax Expense	11.6	11.5
Income from Continuing Operations	18.8	17.4
Income from Discontinued Operations – Net of Tax	–	–
Net Income	\$ 18.8	\$ 17.4
Average Shares of Common Stock		
Basic	27.6	27.2
Diluted	27.7	27.4
Basic and Diluted Earnings Per Share of Common Stock		
Continuing Operations	\$0.68	\$0.64
Discontinued Operations	–	–
	\$0.68	\$0.64
Dividends Per Share of Common Stock	\$0.3625	\$0.3000

Consolidated Balance Sheet
Millions

	Mar. 31, 2006	Dec. 31, 2005		Mar. 31, 2006	Dec. 31, 2005
Assets			Liabilities and Shareholders' Equity		
Cash and Cash Equivalents	\$ 75.0	\$ 89.6	Current Liabilities	\$ 103.2	\$ 104.0
Short-Term Investments	161.5	116.9	Current Maturities	61.8	2.7
Other Current Assets	147.0	167.0	Long-Term Debt	327.3	387.8
Property, Plant and Equipment	862.3	860.4	Other Liabilities	292.2	288.5
Investments	112.3	117.7	Discontinued Operations	–	13.0
Discontinued Operations	–	2.6	Shareholders' Equity	619.5	602.8
Other	45.9	44.6			
Total Assets	\$1,404.0	\$1,398.8	Total Liabilities and Shareholders' Equity	\$1,404.0	\$1,398.8

	Quarter Ended March 31,	
	2006	2005
ALLETE, Inc.		
Income (Loss)		
Millions		
Regulated Utility *	\$13.0	\$12.9
Nonregulated Energy Operations *	0.9	1.6
Real Estate	5.0	6.9
Other	(0.1)	(4.0)
Income from Continuing Operations	18.8	17.4
Income from Discontinued Operations	–	–
Net Income	\$18.8	\$17.4
Diluted Earnings Per Share		
Continuing Operations	\$0.68	\$0.64
Discontinued Operations	–	–
	\$0.68	\$0.64

* In 2006, financial results for ALLETE's Taconite Harbor Energy Center are included in the Regulated Utility segment. In 2005, Taconite Harbor is included in the Nonregulated Energy Operations segment.

Corporate

Common Stock		
High	\$47.81	\$44.40
Low	\$42.99	\$35.65
Close	\$46.60	\$41.85
Book Value	\$20.48	\$20.71

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Millions

Regulated Utility		
Retail and Municipals		
Residential	308.0	319.8
Commercial	328.7	339.8
Industrial	1,822.3	1,777.1
Municipals	219.3	222.0
Other	20.0	20.4
	2,698.3	2,679.1
Other Power Suppliers	505.1	236.7
	3,203.4	2,915.8
Nonregulated Energy Operations	65.6	353.9
	3,269.0	3,269.7

Real Estate

Town Center Development Project		
Commercial Square Footage Sold	80,000	-
Other Land		
Acres Sold	456	483
Lots Sold	-	7

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