



Second Quarter 2020 Earnings Conference Call

August 5, 2020



ALLETE is closely monitoring, proactively planning, and rapidly responding to the COVID-19 pandemic

Principles and priorities guiding our COVID-19 strategy, response and actions

Protecting the safety and health of our employees, families, customers, and communities

- Took action early-on
 - Suspended travel and group meetings
 - Working remotely whenever possible
 - Ensuring PPE supplies for our employees
- Will continue to take action promptly as the situation evolves

Continuing to provide safe and reliable essential energy services

- Customers and communities rely on the services our businesses provide – now more than ever
- Closely engaged with industry peers to ensure best practices
- Aligned with local, state, and federal requirements in all of the states where we operate, with a focus on safety

Ensuring ALLETE's continued financial health and ability to execute our strategy over the longer term

- Clearly and regularly communicating with stakeholders the importance of the financial health of our company
- Doing all we can to ensure that ALLETE remains financially healthy while our customers are facing challenges

Frequently communicating with employees, customers and all stakeholders

- Close and regular engagement with employees, customers, regulators, and legislators regarding our efforts
- Engagement with stakeholders on creative solutions to address challenges

Reprioritizing all that we do to ensure we accomplish all of the above

- Reprioritizing work and efforts to ensure that everyone stays safe and keeps focused on these objectives – and serving our customers with excellence

ALLETE Earnings *(millions)*

Quarter and six months ended June 30, 2020

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Regulated Operations	\$11.1	\$30.3	\$68.6	\$81.8
ALLETE Clean Energy	4.0	1.9	15.7	7.7
U.S. Water Services	--	--	--	(1.1)
Corporate and Other	5.0	2.0	2.1	16.3
Net Income Attributable to ALLETE	\$20.1	\$34.2	\$86.4	\$104.7
Diluted Earnings Per Share of Common Stock	\$0.39	\$0.66	\$1.67	\$2.02

See slide 4 for earnings per share impacts related to:

- 1) 2020 included a reserve for interim rates of \$8.3 million after-tax.
- 2) 2019 included the after-tax gain on sale of U.S. Water Services of \$11.1 million after-tax.

ALLETE Earnings Per Share

Quarter and six months ended June 30, 2020

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Earnings Per Share - GAAP	<u>\$0.39</u>	<u>\$0.66</u>	<u>\$1.67</u>	<u>\$2.02</u>
Impacts on Earnings Per Share				
Rate Case Resolution				
Regulated Operations	<u>(0.16)</u>		<u>(0.16)</u>	
U.S. Water Services Gain and Results				
U.S. Water Services – Results of Operations				(0.02)
Corporate and Other – Gain on Sale		<u>0.02</u>		<u>0.21</u>

ALLETE liquidity and financing

	Per June 30, 2020 Form 10-Q (\$ millions)
Cash on hand	\$26
Revolving credit	\$400 / \$376 available credit facility with \$150 accordion
<u>Recent Financing Activity</u>	
First mortgage bonds	\$140
Tax equity commitments – Nobles	\$116
Tax equity proposals received – Diamond Spring	~\$240
DRIP expected	\$20-25
PIE capacity	\$170

Available liquidity ~\$540

ALLETE second quarter 2020 guidance update

At this time, we are reinstating our 2020 earnings guidance to reflect latest demand nominations for Minnesota Power's taconite mining customers and other considerations

CONSIDERATIONS

GUIDANCE RANGE (Non-GAAP)*	\$3.25 - \$3.45 (Excludes \$0.16 rate case settlement impact, net of tax)
<i>Regulated Operations</i>	<i>\$2.65 - \$2.75</i>
<i>ALLETE Clean Energy / Corporate & Other</i>	<i>\$0.60 - \$0.70</i>

We now have information regarding the following:

- August 1st demand nominations received
- Minnesota Power rate case settlement approved June 4, 2020
- We are now better able to quantify COVID-19 impacts on remainder of 2020, as impacts have been played out thus far

Minnesota Power Large Power customers:

- Demand nominations received August 1 in effect through December 31, 2020
- Cliffs' Northshore Mining, U.S. Steel Minntac, and Hibbing Taconite – full nominations
- U.S. Steel's Keetac and Verso Paper remain indefinitely idled

Other Regulated customers:

- Commercial, other industrial, municipals – anticipate sales to be down 5% for the remainder of 2020
- Commercial & Municipal ~400 MW
- Residential ~200 MW

ALLETE Clean Energy / Corporate and Other – no significant change

- South Peak wind facility in service slightly later than expected
- Additional project development expenses

*See ALLETE's press release dated August 5, 2020 for a reconciliation of 2020 annual GAAP earnings guidance range to 2020 annual adjusted earnings guidance range (Non-GAAP).



ALLETE is committed to its long-term financial objectives

Despite the COVID-19 pandemic which may present challenges into 2021, we believe the long-term fundamentals of our businesses remain intact

- **Our business models are regulated or highly recurring in nature**
- **The industries we serve are critical to the economy and country (iron/steel, non-ferrous mining)**
- **Our primary growth engine in the renewables segment will see substantial demand as ESG trends continue beyond economic weakness**

Our long-term average annual growth objective remains at 5-7%

- However, the timing of COVID-19 recovery may negatively impact near-term growth

Balance sheet and liquidity position are strong as we have already raised significant capital in 2020

Debt ratings are expected to remain investment grade

- S&P recently downgraded to BBB but our metrics place ALLETE on the high end of this rating, giving ample credit headroom
- Moody's recently maintained stable Baa1 rating, secured A2

Committed to long-term value proposition of 9-10%, which includes an assumption of dividends increasing in line with our broader annual earnings growth objective; at this time we expect to have the ability to sustain current dividend levels

Forward looking statement

Any statements contained in this presentation and statements that ALLETE, Inc. representatives may make orally in connection with this presentation 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, Inc. with the Securities and Exchange Commission.

ALLETE's presentation and other communications may include certain non-Generally Accepted Accounting Principles (GAAP) financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the company's financial statements.

Non-GAAP financial measures utilized by the Company may include presentations of earnings (loss) per share and earnings before interest, taxes, depreciation and amortization. ALLETE's management believes that these non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of changes in the fundamental earnings power of the Company's operations. Management believes that the presentation of the non-GAAP financial measures is appropriate and enables investors and analysts to more accurately compare the company's ongoing financial performance over the periods presented.

This presentation was prepared as of August 5, 2020, and ALLETE, Inc. assumes no obligation to update the information or the forward-looking statements contained herein. The 2020 outlook contained herein was provided, and is as of, August 5, 2020.

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