



## **ALLETE Reports Second-Quarter Net Income Growth Of 14 Percent**

DULUTH, Minn.--ALLETE, Inc. (NYSE: ALE) today reported second quarter 2003 earnings of 53 cents per share, compared with 47 cents per share in the second quarter of 2002. Net income rose 14 percent to \$44.4 million on revenue of \$409.9 million compared with \$38.8 million of net income on \$375.9 million of revenue in the second quarter of 2002.

"We are pleased with the overall financial results for the quarter," said Dave Gartzke, ALLETE Chairman, President and CEO. "We remain confident that our total year performance expectations will be achieved."

Net income at Automotive Services was \$34.1 million in the second quarter of 2003, an increase of 14 percent over the same time period last year. This was due to increased vehicle sales and improved conversion rates at ADESA's U.S. auctions, and lower interest expense. Conversion rates are the percentage of vehicles sold from those that were run through the auction lanes. Year-to-date earnings at Automotive Services were up 11 percent over the same period last year.

Energy Services net income was \$6.8 million in the quarter compared with \$9.7 million for the second quarter of 2002. The decrease was mainly due to the required recognition in 2002 of a \$2.8 million mark-to-market accounting gain on the Kendall County power purchase agreement. Certain mark-to-market accounting rules were rescinded late in 2002, and this \$2.8 million gain was reversed in the fourth quarter. Excluding this accounting entry, results in the second quarter of 2003 were similar to the same time period of 2002.

Strong real estate sales at ALLETE Properties contributed to the \$2.2 million increase in net income from Investments and Corporate Charges. Results from Discontinued Operations were higher than in 2002 when ALLETE recorded exit charges relating to its vehicle transport businesses.

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. For more information about ALLETE, visit the company's Web site at [www.allete.com](http://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 June 30, 2003 and 2002**  
Millions Except Per Share Amounts

	Quarter Ended		Six Months Ended	
	2003	2002	2003	2002
Operating Revenue				
Energy Services	\$158.5	\$154.1	\$337.6	\$297.0
Automotive Services	240.7	216.8	473.6	425.6
Investments	10.7	5.0	21.6	21.6
Total Operating Revenue	409.9	375.9	832.8	744.2
Operating Expenses				
Fuel and Purchased Power	64.9	59.2	132.3	108.6
Operations	266.9	242.8	543.1	489.0
Interest	13.9	16.2	28.7	32.1
Total Operating Expenses	345.7	318.2	704.1	629.7
Operating Income from Continuing Operations	64.2	57.7	128.7	114.5
Distributions on Redeemable Preferred Securities of ALLETE Capital I	1.5	1.5	3.0	3.0
Income Tax Expense	25.3	22.2	49.9	43.9
Income from Continuing Operations	37.4	34.0	75.8	67.6
Income from Discontinued Operations – Net of Tax	7.0	4.8	12.9	6.4
Net Income	\$ 44.4	\$ 38.8	\$ 88.7	\$ 74.0
Average Shares of Common Stock				
Basic	82.6	81.0	82.4	80.7
Diluted	82.9	81.7	82.6	81.3
Earnings Per Share of Common Stock				
Basic – Continuing Operations	\$0.45	\$0.42	\$0.92	\$0.84
Discontinued Operations	0.09	0.06	0.16	0.08
	\$0.54	\$0.48	\$1.08	\$0.92
Diluted – Continuing Operations	\$0.45	\$0.41	\$0.92	\$0.83
Discontinued Operations	0.08	0.06	0.15	0.08
	\$0.53	\$0.47	\$1.07	\$0.91
Dividends Per Share of Common Stock	\$0.2825	\$0.275	\$0.565	\$0.55

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

	Jun. 30, 2003	Dec. 31, 2002		Jun. 30, 2003	Dec. 31, 2002
Assets			Liabilities and Shareholders' Equity		
Current Assets	\$ 800.8	\$ 658.4	Current Liabilities	\$ 786.8	\$ 738.2
Property, Plant and Equipment	1,480.6	1,364.7	Long-Term Debt	753.2	661.3
Investments	166.8	170.9	Other Liabilities	294.4	277.4
Goodwill	508.2	499.8	Discontinued Operations	170.4	162.9
Other	111.4	107.3	Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0
Discontinued Operations	341.4	346.1	Shareholders' Equity	1,329.4	1,232.4
Total Assets	\$3,409.2	\$3,147.2	Total Liabilities and Shareholders' Equity	\$3,409.2	\$3,147.2

ALLETE, Inc.	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
<b>Net Income</b>				
Millions				
Energy Services	\$ 6.8	\$ 9.7	\$19.0	\$18.8
Automotive Services	34.1	30.0	60.8	54.9
Investments and Corporate Charges	(3.5)	(5.7)	(4.0)	(6.1)
Income from Continuing Operations	37.4	34.0	75.8	67.6
Income from Discontinued Operations	7.0	4.8	12.9	6.4
Net Income	\$44.4	\$38.8	\$88.7	\$74.0
<b>Diluted Earnings Per Share</b>				
Continuing Operations	\$0.45	\$0.41	\$0.92	\$0.83
Discontinued Operations	0.08	0.06	0.15	0.08
	\$0.53	\$0.47	\$1.07	\$0.91

**Statistical Data**

Corporate				
Common Stock				
High	\$26.70	\$31.10	\$26.70	\$31.10
Low	\$20.50	\$27.09	\$18.75	\$24.25
Close	\$26.55	\$27.10	\$26.55	\$27.10
Book Value	\$15.39	\$14.21	\$15.39	\$14.21
Energy Services				
Millions of Kilowatthours Sold				
Utility				
Retail				
Residential	223.9	232.8	536.8	518.6
Commercial	289.6	295.1	616.0	609.6
Industrial	1,655.0	1,755.2	3,373.6	3,405.0
Other	18.3	17.8	38.8	37.6
Resale	505.4	400.8	913.2	843.7
	2,692.2	2,701.7	5,478.4	5,414.5
Nonregulated	281.1	226.7	700.2	310.3
	2,973.3	2,928.4	6,178.6	5,724.8
Automotive Services				
Vehicles Sold				
Wholesale	471,000	454,000	933,000	915,000
Total Loss	49,000	44,000	98,000	89,000
	520,000	498,000	1,031,000	1,004,000
Conversion Rate - Wholesale Vehicles	61.1%	59.7%	61.8%	62.6%
Vehicles Financed	241,000	241,000	474,000	478,000