



ALLETE Reports Solid First Quarter Earnings

ALLETE (NYSE: ALE) today announced earnings of 46 cents per share for the first quarter of 2001, compared to 43 cents for the first quarter of 2000. Net income was up 8 percent to \$32.9 million on quarterly revenue of \$413.0 million, compared to \$30.4 million of net income and \$322.6 million in revenue a year ago.

"Each of our four businesses performed well this quarter," said Ed Russell, ALLETE President and CEO. "Our diverse strengths in basic necessities - cars, electricity, water and real estate - continue to help us prosper during times of economic challenge."

Automotive services showed continued growth with net income for the quarter rising by \$5.8 million. The 49 percent increase over the same period last year was due in large part to acquisitions made in 2000 and increased financing activity at Automotive Finance Corporation.

Energy services posted a 11 percent increase in net income due to a combination of factors. Property taxes and O&M expenses were down compared to a year ago. Wholesale, residential and commercial margins were higher than last year and helped offset a decrease in industrial margins.

Water services experienced continued strong customer growth of 6 percent over the period. In addition, higher rates in North Carolina, productivity enhancements and an escrow fund adjustment in Florida helped this business segment achieve a 29 percent increase in net income for the quarter over last year.

Investments reported a \$6.0 million decrease in net income for the quarter, primarily due to three large real estate transactions that occurred in the first quarter of 2000. ALLETE Properties recently announced that its largest sale ever is expected to close in June 2001. The company's securities portfolio saw strong returns in 2001 compared to 2000, but had less cash to invest due to ALLETE's significant acquisition activity during the past year.

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 private 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
Consolidated Statement of Income
For the Periods Ended March 31, 2001 and 2000
Millions Except Per Share Amounts

	Year to Date	
	2001	2000
Operating Revenue		
Energy Services	\$159.4	\$141.6
Automotive Services	211.1	119.5
Water Services	29.5	28.0
Investments	13.0	33.5
Total Operating Revenue	413.0	322.6
Operating Expenses		
Fuel and Purchased Power	62.4	53.1
Operations	272.6	201.2
Interest Expense	22.0	16.3
Total Operating Expenses	357.0	270.6
Operating Income	56.0	52.0
Distributions on Redeemable Preferred Securities of Subsidiary	1.5	1.5
Income Tax Expense	21.6	20.1
Net Income	\$ 32.9	\$ 30.4
Average Shares of Common Stock		
Basic	71.2	69.1
Diluted	71.8	69.2
Earnings Per Share of Common Stock		
Basic	\$0.46	\$0.43
Diluted	\$0.46	\$0.43
Dividends Per Share of Common Stock	\$0.2675	\$0.2675

ALLETE
Consolidated Balance Sheet
Millions

	Mar. 31,	Dec. 31,		Mar. 31,	Dec. 31,
	2001	2000		2001	2000
Assets			Liabilities and Stockholders' Equity		
Current Assets	\$ 871.0	\$ 731.0	Current Liabilities	\$ 755.4	\$ 707.0
Property, Plant and Equipment	1,493.5	1,479.7	Long-Term Debt	1,069.5	952.3
Investments	118.0	116.4	Other Liabilities	280.1	278.9
Goodwill	499.5	472.8	Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0
Other	115.5	114.1	Stockholders' Equity	917.5	900.8
Total Assets	\$3,097.5	\$2,914.0	Total Liabilities and Stockholders' Equity	\$3,097.5	\$2,914.0

ALLETE	Year to Date March 31,	
	2001	2000
Net Income		
Millions		
Energy Services	\$11.9	\$10.7
Automotive Services	17.7	11.9
Water Services	3.1	2.4
Investments	5.5	11.5
Corporate Charges	(5.3)	(6.1)
Net Income	\$32.9	\$30.4
Diluted Earnings Per Share	\$0.46	\$0.43
Statistical Data		
Corporate		
Common Stock		
High	\$26.00	\$18.06
Low	\$20.19	\$14.75
Close	\$25.82	\$16.63
Book Value	\$12.13	\$11.46
Energy Services		
Millions of Kilowatthours Sold		
Retail		
Residential	270.4	257.8
Commercial	285.4	276.8
Industrial	1,524.3	1,719.0
Other	18.8	18.3
Resale	814.1	847.8
	2,913.0	3,119.7
Automotive Services		
Vehicles Sold	500,000	295,000
Vehicles Financed	221,000	195,000
EBITDAL (Millions)**	\$57.8	\$34.4
Water Services		
Millions of Gallons Billed		
Florida Water Services		
Water	4,344.3	4,238.2
Wastewater	1,297.0	1,289.4
Heater Utilities		
Water	672.1	683.5

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