



## **ALLETE Reports Third Quarter Earnings Of 47 Cents Per Share**

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ALLETE, Inc. (NYSE: ALE) today reported third quarter 2001 earnings of 47 cents per share versus 50 cents last year. Net income was \$37.8 million on quarterly revenue of \$420.2 million, compared with net income of \$35.0 million and \$323.5 million of revenue for the same period a year ago.

"We are very pleased with our third quarter results, considering the current national situation," said David Gartzke, ALLETE president. "Energy Services and our real estate business posted strong earnings. However, the Sept. 11 terrorist attacks did have a negative impact on our financial performance this quarter, particularly at Automotive Services and our securities portfolio."

Energy Services net income rose 51 percent over the same period a year ago, boosted by stronger trading margins than in 2000 with its cooler-than-normal summer. Expenses related to a scheduled outage at the Square Butte plant were recorded during the quarter. The outage has been extended into October, which is later than originally planned.

Automotive Services quarterly net income rose 31 percent compared to last year, even though overall auction activity slowed significantly in the weeks following the Sept. 11 terrorist attacks. Dealer attendance, the number of vehicles brought to auction and the percentage of vehicles sold all dropped suddenly during the last half of September. Automotive Services estimates that the decreased activity reduced its net income by \$3.5 million for the quarter. Despite this, same-store growth at ADESA locations rose 13 percent for the quarter, as measured by earnings before interest, taxes, depreciation, amortization and lease expense.

At Automotive Finance Corporation, the number of vehicles financed increased 13 percent and the accounts receivable portfolio climbed 8 percent to \$425 million. Automotive Services remains on track to achieve 40 percent earnings growth for 2001.

Water Services net income for the quarter was flat compared to a year ago. A 6 percent decrease in water sales due to wet weather was offset by a gain on asset sales in Florida resulting from the condemnation of a small water system. The total number of water customers increased 4 percent compared to third quarter 2000.

Economic fallout from the Sept. 11 attacks also affected earnings from ALLETE's Investments segment. Real estate sales were strong, but turbulence in the financial markets resulted in a short-term decline in ALLETE's securities portfolio, which has since recovered.

"As a result of the Sept. 11 attacks, the Square Butte outage extension and other factors, ALLETE is revising its earnings per share growth projection to between 6 and 8 percent for 2001 over 2000," Gartzke said.

ALLETE's corporate headquarters are in Duluth, Minn. 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 investor-owned 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. 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 September 30, 2001 and 2000**  
Millions Except Per Share Amounts

	Quarter Ended		Year to Date	
	2001	2000	2001	2000
Operating Revenue				
Energy Services	\$168.0	\$146.1	\$ 475.3	\$426.6
Automotive Services	212.5	137.4	644.4	386.6
Water Services	31.0	30.2	91.9	89.9
Investments	8.7	9.8	64.6	70.0
Total Operating Revenue	420.2	323.5	1,276.2	973.1
Operating Expenses				
Fuel and Purchased Power	60.2	60.1	179.4	166.7
Operations	280.3	198.3	845.5	600.7
Interest Expense	22.3	15.7	65.7	47.2
Total Operating Expenses	362.8	274.1	1,090.6	814.6
Operating Income Before ACE	57.4	49.4	185.6	158.5
Income from Disposition of Investment in ACE	—	—	—	48.0
Operating Income	57.4	49.4	185.6	206.5
Distributions on Redeemable Preferred Securities of ALLETE Capital I	1.5	1.5	4.5	4.5
Income Tax Expense	18.1	12.9	67.9	72.4
Net Income	\$ 37.8	\$ 35.0	\$ 113.2	\$ 129.6
Average Shares of Common Stock				
Basic	79.0	70.0	74.6	69.6
Diluted	79.8	70.4	75.3	69.8
Earnings Per Share of Common Stock				
Basic	\$0.48	\$0.50	\$1.52	\$1.85
Diluted	\$0.47	\$0.50	\$1.50	\$1.84
Dividends Per Share of Common Stock	\$0.2675	\$0.2675	\$0.8025	\$0.8025

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

	Sept. 30, 2001	Dec. 31, 2000		Sept. 30, 2001	Dec. 31, 2000
Assets			Liabilities and Stockholders' Equity		
Current Assets	\$ 998.7	\$ 731.0	Current Liabilities	\$ 717.5	\$ 707.0
Property, Plant and Equipment	1,536.5	1,479.7	Long-Term Debt	1,066.1	952.3
Investments	122.3	116.4	Other Liabilities	293.6	278.9
Goodwill	498.3	472.8	Mandatorily Redeemable Preferred Securities of ALLETE Capital I	75.0	75.0
Other	121.6	114.1	Stockholders' Equity	1,125.2	900.8
Total Assets	\$3,277.4	\$2,914.0	Total Liabilities and Stockholders' Equity	\$3,277.4	\$2,914.0

ALLETE, Inc.	Quarter Ended September 30,		Year to Date September 30,	
	2001	2000	2001	2000
<b>Net Income</b>				
Millions				
Energy Services	\$17.2	\$11.4	\$ 38.6	\$ 31.4
Automotive Services	20.1	15.4	57.9	42.0
Water Services	3.8	3.8	10.6	10.3
Investments	2.0	5.0	24.8	26.7
Corporate Charges	(5.3)	(0.6)	(18.7)	(11.2)
Net Income Before ACE	37.8	35.0	113.2	99.2
ACE Transaction *	-	-	-	30.4
Net Income	\$37.8	\$35.0	\$113.2	\$129.6
<b>Diluted Earnings Per Share</b>				
Before ACE Transaction	\$0.47	\$0.50	\$1.50	\$1.40
ACE Transaction *	-	-	-	0.44
	\$0.47	\$0.50	\$1.50	\$1.84

\* In May 2000 ALLETE, Inc. sold its investment in ACE Limited (ACE) common stock, which resulted in an aftertax gain of \$30.4 million, or \$0.44 per share. The ACE shares were received in December 1999 upon completion of ACE's merger with Capital Re Corporation.

#### Statistical Data

Corporate				
Common Stock				
High	\$26.89	\$24.25	\$26.89	\$24.25
Low	\$21.50	\$17.31	\$20.19	\$14.75
Close	\$25.64	\$22.13	\$25.64	\$22.13
Book Value	\$13.52	\$12.02	\$13.52	\$12.02
Energy Services				
Millions of Kilowatthours Sold				
Retail				
Residential	213.0	202.2	682.5	652.0
Commercial	289.7	286.3	832.7	808.1
Industrial	1,524.4	1,714.0	4,679.0	5,152.3
Other	19.0	19.2	55.1	54.8
Resale	683.7	644.6	2,040.4	2,178.6
	2,729.8	2,866.3	8,289.7	8,845.8
Automotive Services				
Vehicles Sold				
	463,000	337,000	1,466,000	940,000
Vehicles Financed				
	223,000	198,000	676,000	595,000
EBITDAL (Millions)**	\$56.0	\$43.1	\$174.2	\$117.1
Water Services				
Millions of Gallons Billed				
Florida Water Services				
Water	4,279.9	4,704.3	13,819.0	14,656.2
Wastewater	1,200.4	1,148.8	3,844.8	3,596.5
Heater Utilities				
Water	1,023.1	950.0	2,887.7	2,606.8

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