



Limitless opportunities

2019-2020 PROFILE





Renewable from the start

ALLETE's roots run back to 1906, when Minnesota Power got its start by harnessing the energy of the St. Louis River near Duluth, and today operates the largest hydroelectric system in Minnesota.

Together, 11 stations on five rivers in central and northeastern Minnesota produce more than 120 megawatts of renewable electricity. Hydropower will continue to play a vital role in Minnesota Power's renewable strategy for decades to come.

**Focus on
renewables
serves
customers,
investors**



The ALLETE board of directors elected Bethany Owen president in January 2019, and she is working in close partnership with Chairman and CEO Al Hodnik to execute the company's growth strategy.

A LETTER TO OUR SHAREHOLDERS

Renewable energy has been part of ALLETE's DNA since 1906, when the company was built on the hydropower of Minnesota's St. Louis River.

Those well-watered roots nourish ALLETE's values, including environmental stewardship, and its shared purpose to answer the call to transform the nation's energy landscape. In turn, ALLETE's values and shared purpose laid the groundwork for the company's growth strategy of focusing on the limitless opportunities in the clean energy sector.

As seen in Minnesota Governor Tim Walz's recent proposal for the state to move to 100 percent carbon-free electricity by 2050, we expect societal demand to grow and more states to adopt aspirational goals. These state standards, along with market fundamentals, are driving even more demand for sustainable energy.

ALLETE's business mix is positioned for considerable growth, with more than \$2.2 billion in planned capital investments over the next five years, most of which advance clean energy initiatives.

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Our renewable energy outlook is supported by the 2019 sale of ALLETE's interest in U.S. Water Services to Kurita, a global water management company based in Tokyo, Japan, for \$270 million. This sale, which closed in March, was a win-win—U.S. Water Services is poised to thrive under Kurita, and the sale empowers ALLETE to invest the proceeds in further clean energy growth initiatives. The U.S. Water Services sale and ALLETE Clean Energy's growing reputation as a premier renewable developer and operator place ALLETE in a strong growth position.

At the same time, Minnesota Power has been successfully rescaled and continues to execute its *EnergyForward* strategy. Various projects under this strategy will bring more than 500 megawatts of renewable energy online within the next few years. In fact, Minnesota Power expects to be at nearly 50 percent renewable energy by 2021, ten times more than in 2005, moving faster and further than most other Midwestern utilities.

A strong economy and trade policy have triggered investments by Minnesota Power's large customers in Minnesota iron ore facilities and enhanced domestic steelmaking capability. The Army Corps of Engineers recently issued the final necessary permit for PolyMet's NorthMet project, the first non-ferrous mine in Minnesota. The clean-energy transformation requires state-of-the-art, domestic sources of iron, copper and other strategic metals, and Minnesota is poised to be a leader in both clean energy and clean mining.

Taken as a whole, ALLETE is a stronger company as a new decade dawns. We have improving returns from all of our businesses and an increased ability to invest in renewable energy opportunities. Correspondingly, our 2019 earnings guidance places us comfortably within our 5 percent to 7 percent average annual earnings growth objective, while clean energy growth enables us to potentially exceed that objective over the next five years.

A sustainable future and sustainable prosperity go hand-in-hand at ALLETE. Our balanced view of sustainability also includes healthy communities; a healthy society; and ensuring diversity of gender, experience, thought and strategy from the board of directors to our employees. Community engagement is a core value for everyone at ALLETE. Our employees regularly volunteer their time and talent in the communities where they live and work, and ALLETE and its employees donated more than \$1.1 million in 2018 to agencies that serve those communities.

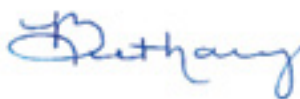
On the financial side of sustainability, we are working in full fidelity with each other and our entire team to usher in even more clean energy while growing your investment. On behalf of the ALLETE board and our nearly 1,400 employees, we thank you for your interest and investment in ALLETE!

ALLETE FINANCIAL SNAPSHOT
(12/31/2018)

Dividend yield: 2.94%
Market capitalization: \$3.9 billion
Gross revenue: \$1.5 billion
Total assets: \$5.17 billion



Al Hodnik
Chairman and CEO

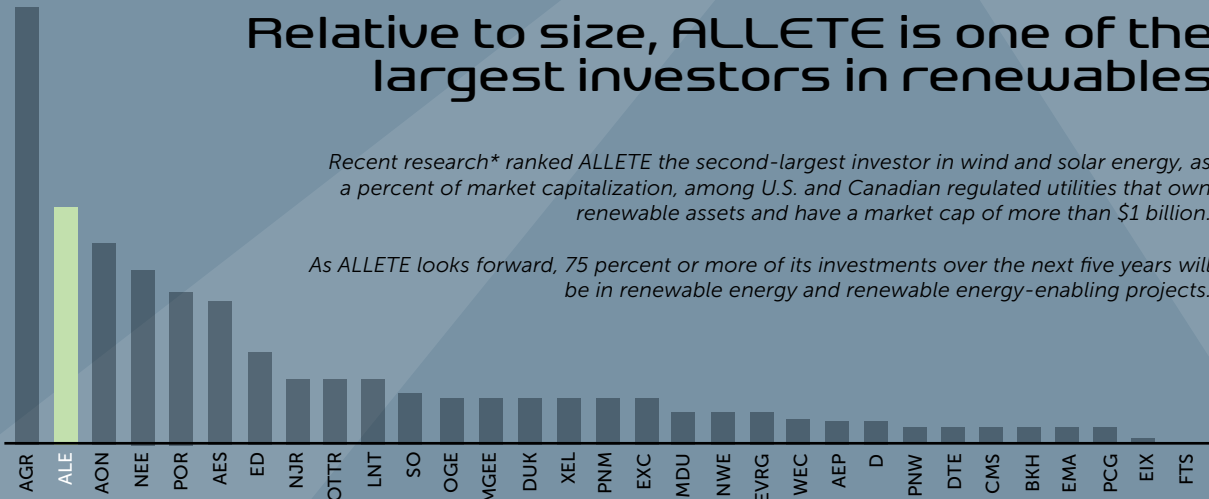


Bethany Owen
President

Relative to size, ALLETE is one of the largest investors in renewables

Recent research* ranked ALLETE the second-largest investor in wind and solar energy, as a percent of market capitalization, among U.S. and Canadian regulated utilities that own renewable assets and have a market cap of more than \$1 billion.

As ALLETE looks forward, 75 percent or more of its investments over the next five years will be in renewable energy and renewable energy-enabling projects.

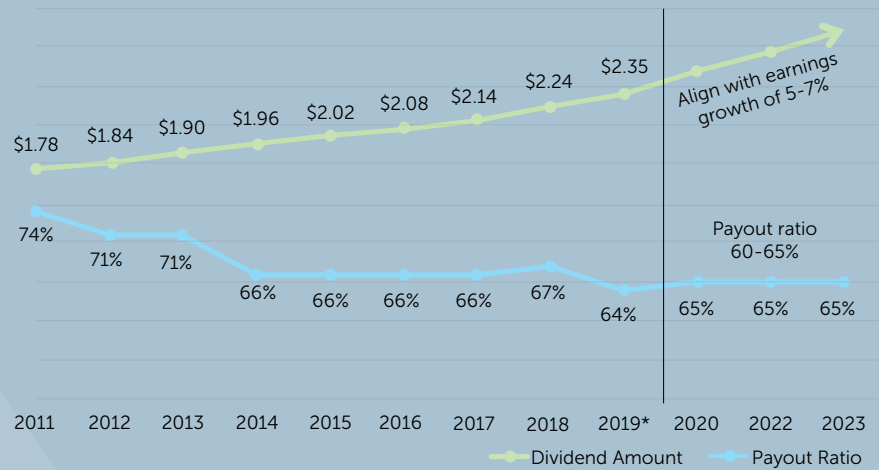


*Source: Company public filings, SNL, news releases, Bloomberg market data as of Feb. 20, 2018

Earnings outlook supports growth

ALLETE's businesses support long-term shareholder returns by providing consistent earnings and cash flow for future growth.

ALLETE targets a minimum average Earnings Per Share (EPS) growth of 5-7 percent annually while maintaining a competitive dividend, and has paid consecutive dividends on its common stock since 1948.



*based on midpoint of 2019 earnings guidance

ALLETE Companies

ALLETE CLEAN

ENERGY leverages industry knowledge and innovation to bring clean energy to customers across North America. It has a growing reputation as a respected national player in wind energy as it builds relationships tied to new projects.

MINNESOTA POWER

is moving to renewable energy faster and further than most similar utilities through innovative projects and partnerships. It serves customers, including large industrial customers that provide clean minerals for a clean energy economy, with safe and reliable power.

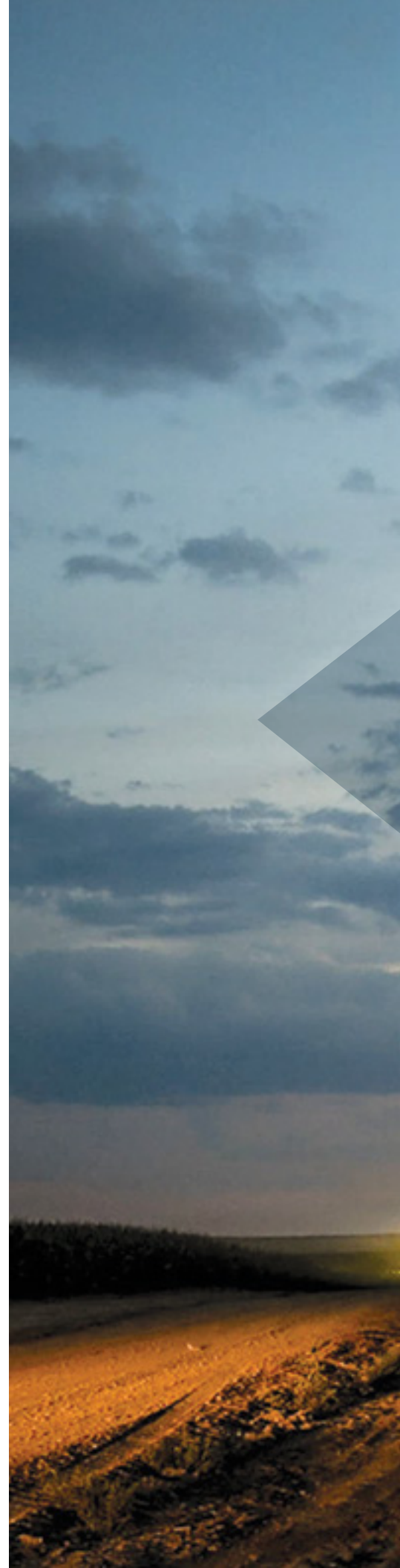
SUPERIOR WATER, LIGHT & POWER

is transforming the way it delivers electricity, natural gas and water while giving its customers in northwestern Wisconsin more choices in ways to manage their energy use.

BNI ENERGY is at the center of national efforts to develop carbon capture and sequestration for the energy industry and is an industry leader in reclamation practices at its North Dakota mine.

ALLETE sees limitless opportunities in the growth of clean energy

The transformation of the nation's energy landscape continues to outpace expectations held just a few years ago as renewables become more cost-competitive and natural gas prices look to remain low for the foreseeable future. Most U.S. states have renewable energy goals in place, with many poised to increase their renewable requirements. Many cities and counties and an increasing number of states have adopted ambitious goals to reach 100 percent carbon-free energy. Federal tax policy encourages the expansion of renewables through production tax credits and other means. Society also is calling for the further transformation of its energy supply, electrification of the economy and upgrades to the nation's infrastructure.





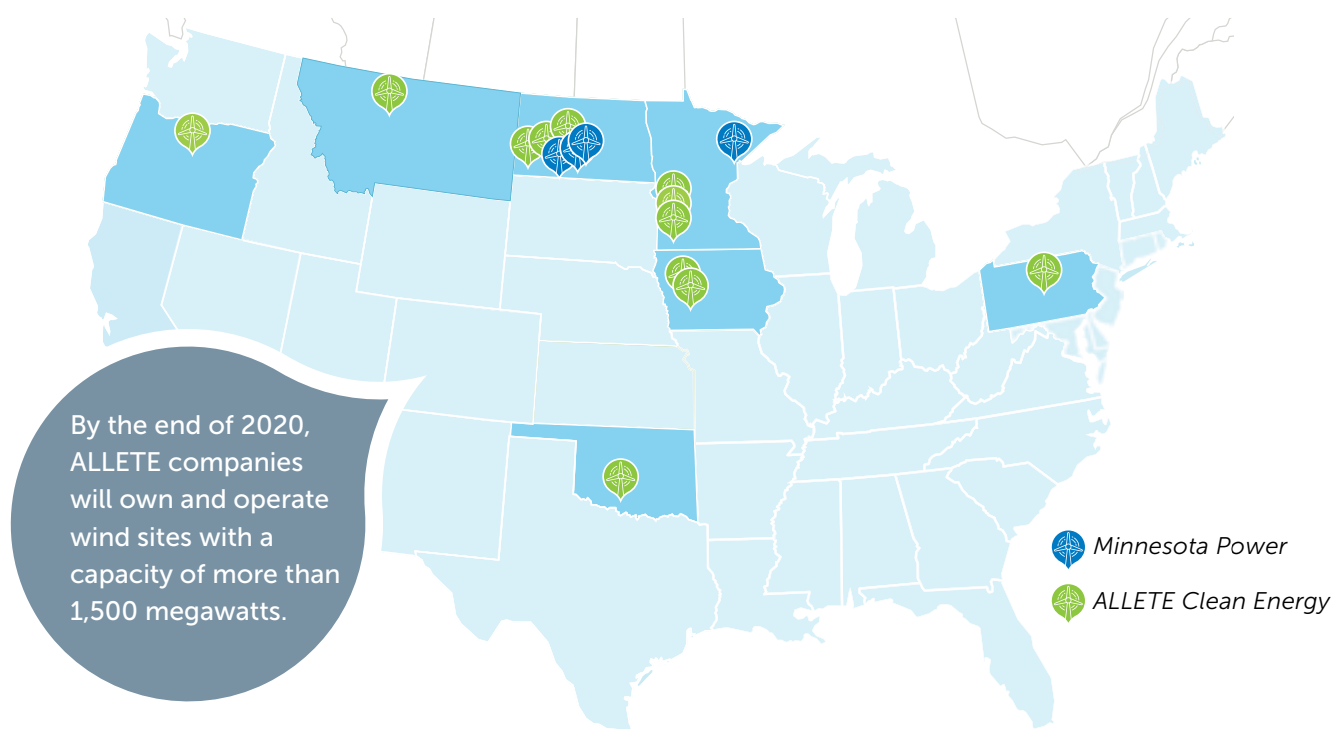
ALLETE Clean Energy's development of the Thunder Spirit wind farm in North Dakota is but one example of the company's proven expertise. Montana-Dakota Utilities purchased the 107-megawatt first phase in 2015 and a 48-megawatt expansion in 2018.

ALLETE's growth strategy is designed to take advantage of these converging trends in the renewable energy market. The recent \$270 million sale of ALLETE's interest in U.S. Water Services provided an infusion of capital that ALLETE has already reinvested in renewable projects. This is where ALLETE's diversification and growth strategy over the past years will pay dividends because we have a ready platform for renewable project development or acquisitions. We created ALLETE Clean Energy in 2011 with the goal of capitalizing on the growing market for renewable energy. Among ALLETE Clean Energy's key differentiators is its reputation as a respected national player in wind energy with proven expertise in project development, operation and finance.

As it continues to build industry relationships tied to new projects, ALLETE Clean Energy also is well-positioned with wind turbines that meet the safe harbor provision under federal renewable energy

production tax credits. Its reputation, relationships and safe harbor turbines give ALLETE Clean Energy the power to provide innovative, creative renewable energy solutions for its customers. Already in 2019, it has three wind projects totaling more than 400 megawatts under development and scheduled to come online by the end of 2020. Combined with its existing wind portfolio of more than 550 megawatts, the new projects will boost ALLETE Clean Energy's wind capacity to more than 1,000 megawatts. ALLETE Clean Energy has maintained its financial discipline while growing into ALLETE's second-largest source of earnings, and continues to pursue projects to ensure a robust deal pipeline that supports ALLETE's earnings growth targets.

Opportunities in the renewable energy sector also are supported by the evolving priorities among our customers and in American society and politics. ALLETE Clean Energy is ready and able





ALLETE Clean Energy has a growing reputation as a trusted renewable energy developer and operator, with projects and wind sites in seven states.

to capture a meaningful share of the resulting opportunities. At the same time, renewable investments also will be made at Minnesota Power and ALLETE. In 2005, Minnesota Power's energy mix was 95 percent coal and 5 percent renewables, mainly hydropower. In 2019, the company's energy mix is about 30 percent renewable and will grow to nearly 50 percent renewable by 2021, far ahead of Minnesota's renewable energy goal of 25 percent by 2025.

Minnesota Power's *EnergyForward* strategy has moved the company further and faster than many other similar utilities in the Upper Midwest through the retirement of 700 megawatts of coal-fired generation. The result is a material reduction of carbon and other emissions and a sizable expansion of renewable generation. Minnesota Power's renewable energy transformation will continue with the

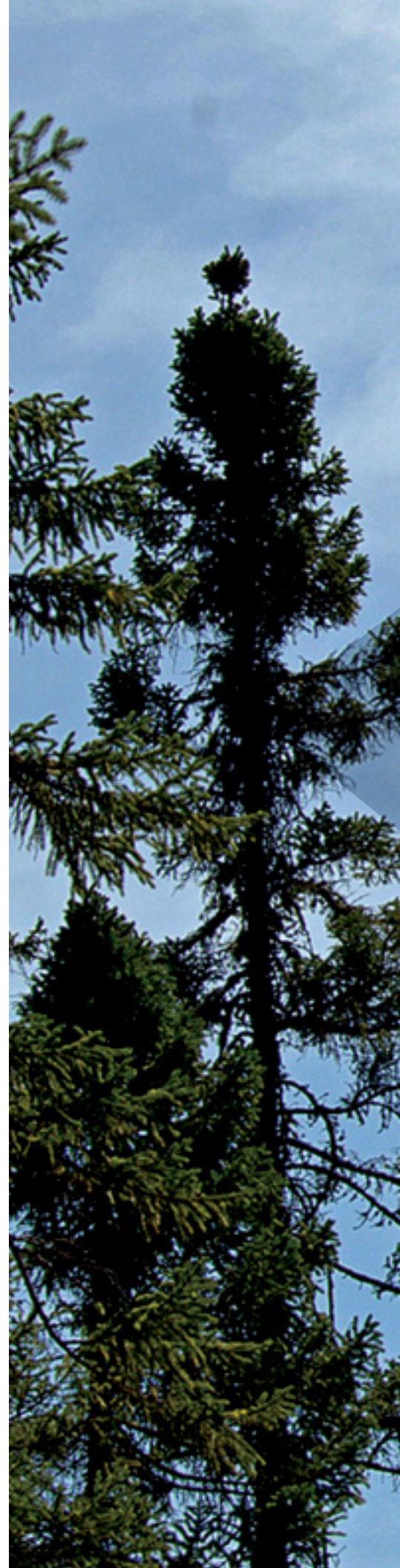
addition of wind, hydropower and solar generation in conjunction with natural gas generation needed for reliability when the wind isn't blowing and the sun isn't shining.

This is truly an exciting time at ALLETE as we continue to demonstrate our commitment to develop sustainable, safe, reliable and cost-competitive energy sources for our customers and generate sustainable returns for our investors. We have a record-high level of wind power construction and ongoing negotiations for more projects at ALLETE Clean Energy. We have continued investment in renewable projects at Minnesota Power; Superior Water, Light and Power; and ALLETE. Most importantly, we have the expertise and the capital to do more as ALLETE continues to answer the call to transform the nation's energy landscape, where opportunities truly have no limits.

We're developing cleaner energy, many projects at a time

Delivering the clean energy our customers and society want isn't a quick and easy job. It requires planning, expertise, communication, perseverance, stakeholder engagement, capital and lots of hard work. ALLETE and its subsidiary companies are busy on a number of fronts in 2019 and 2020 to develop and deliver more renewable and cleaner energy. We're building or upgrading four wind farms to supply energy to other utility customers, developing another wind farm to sell electricity to corporate and industrial customers, and completing and upgrading two renewable energy transmission superhighways to Canada and North Dakota to bring carbon-free energy to our customers. We're also investing in a southern Minnesota wind farm that will supply energy to Minnesota Power while growing your ALLETE investment.

Adding more renewables to Minnesota Power's energy mix also requires a reliable and flexible backup for those intermittent renewables. To do that, we're planning to build a combined-cycle natural gas power plant that can start up quickly and has half the emissions of coal.



A helicopter delivers a tower for the Great Northern Transmission Line, which will carry carbon-free hydropower from Canada to Minnesota Power's customers.



Sustainable energy investment

Diamond Spring wind farm

ALLETE Clean Energy has entered the important corporate and industrial energy market by developing the approximately 300-megawatt Diamond Spring wind farm in Oklahoma to deliver renewable energy to Walmart, Starbucks and Smithfield Foods. Walmart will purchase 175 megawatts for 15 years, Smithfield will purchase 75 megawatts for 12 years, and Starbucks will purchase 50 megawatts for 15 years. The project adds customer and geographic diversity to ALLETE Clean Energy's wind holdings and is scheduled to come online in 2020.



Glen Ullin Energy Center

ALLETE Clean Energy's 100-megawatt Glen Ullin wind project in North Dakota will provide energy to Xcel Energy subsidiary Northern States Power under a 20-year power sale agreement. The wind site features the latest wind turbine technology to maximize production and is expected to be complete and producing electricity in late 2019.

South Peak wind farm

ALLETE Clean Energy is constructing the 80-megawatt South Peak wind site in central Montana under a 15-year power sale agreement with NorthWestern Energy. The wind site southeast of Great Falls adds geographic diversity and a new customer to ALLETE Clean Energy's wind portfolio. South Peak is expected to be complete and generating electricity in late 2019.

Nobles 2

ALLETE subsidiary South Shore Energy is partnering with Tenaska on building the 250-megawatt Nobles 2 wind site in southwestern Minnesota, expected to be online in 2020. Beyond bolstering Minnesota Power's renewable energy portfolio under a 20-year power purchase agreement, ALLETE investors will see earnings growth from a 49 percent ownership capital investment structure.

Nemadji Trail Energy Center

ALLETE subsidiary South Shore Energy and Dairyland Power Cooperative plan to build the Nemadji Trail Energy Center, a 525- to 550-megawatt combined-cycle natural gas power plant, in Superior, Wisconsin. Minnesota Power would take 50 percent of the plant's capacity to serve its customers and Dairyland would take the other half. The Minnesota Public Utilities Commission approved the project, finding it is a flexible resource needed to deliver reliable and affordable power as Minnesota Power adds more renewables. We expect decisions from the Public Service Commission of Wisconsin on approvals and permits for the power plant by early 2020. The project would be

Investments drive ALLETE growth

the largest private investment in Superior and Douglas County history. The Nemadji Trail Energy Center is an important part of Minnesota Power's *EnergyForward* strategy and North American grid reliability, and demonstrates the need for and value of cleaner natural gas.

Two renewable energy superhighways

The Great Northern Transmission Line to the Canadian border in northwestern Minnesota will be complete in 2020. The 224-mile line will allow Minnesota Power to deliver Canadian hydropower, all of it renewable and carbon-free, to its customers. Projected to be complete on time and on budget, the line will connect with a Manitoba Hydro transmission line at the border. Minnesota Power plans to purchase up to 383 megawatts of hydropower from Manitoba Hydro beginning in 2020.

Upgrades to Minnesota Power's DC transmission line from Duluth to North Dakota are scheduled through 2023. The upgrades will allow for the delivery of 200 more megawatts of electricity across the line, which will be capable of moving energy in both directions. The project will create an opportunity for more renewable energy to move across the Upper Midwest electric grid.

Carbon solutions

Part of BNI Energy's mission is to work with partners such as the state of North Dakota to advance clean carbon solutions, including carbon sequestration technology, that are critical to the coal industry and could help solve climate issues. BNI also is an industry leader in mineland reclamation at its Center Mine, where farmers work alongside mining operations on reclaimed land.



Our companies evolve to meet changing customer expectations

Across ALLETE, our companies have recommitted to a focus on our customers. Their energy preferences and security, comfort and quality of life motivate everyone at ALLETE.

As the clean energy economy takes hold and technology advances, our customers' expectations are changing. They want their energy to come from increasingly cleaner sources but not at a cost to reliability or affordability. They are increasingly driving electric vehicles and need the chargers and other smart energy infrastructure to support that shift. They also want mobile convenience to track their energy use, pay their bill or communicate with the company.





ALLETE's companies are committed to delivering the safe, reliable and clean energy that ensures security, comfort and quality of life.

ALLETE's utilities increasingly help customers choose their energy source, how they use that energy and how they pay for the energy. They've also modernized billing and metering systems and strengthened their electrical, natural gas and water infrastructure. All of this gives customers a convenient way to manage their accounts and ensures the safe and reliable delivery of the energy that is the foundation for our modern quality of life.

ENERGY CHOICES

ALLETE's companies deliver the clean energy customers expect. Minnesota Power is on track to achieve nearly 50 percent of its energy produced from renewable sources by 2021, far ahead of the state standard of 25 percent by 2025. Recognizing that some customers want to see a faster shift toward renewables, the company recently started the Renewable Source program that provides more options for customers to choose to support more renewable energy on the power grid.

Minnesota Power also offers customers two ways to tap into power from the sun. The company's SolarSense program provides rebates to customers who decide to install their own solar photovoltaic array.

The second solar program is a community solar garden, in which customers buy shares of the output from two solar arrays.

SUPERIOR SOLAR

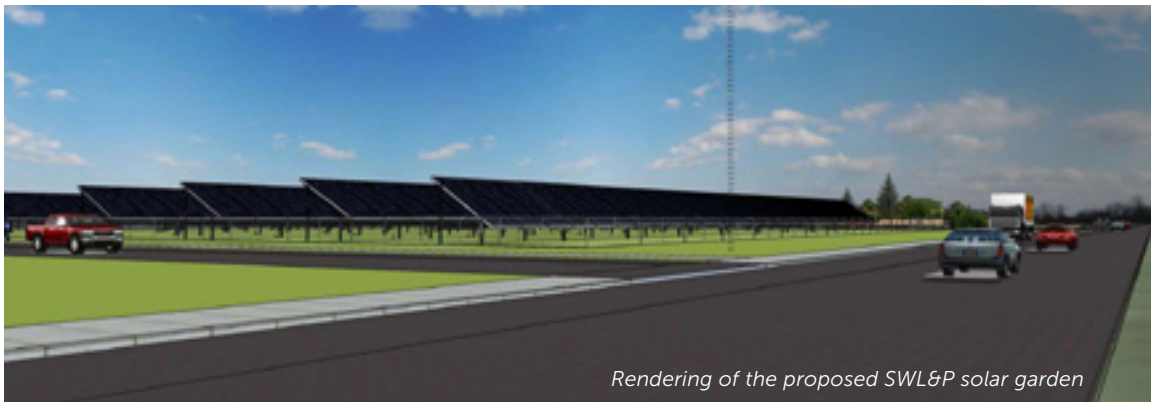
Superior Water, Light and Power will offer its customers the opportunity to purchase solar energy through a proposed community solar garden. Customers will be able to buy a share of the output from the 250-kilowatt solar array that is expected to be online in 2020.

TRANSPORTATION

The electrification of the economy also drives customer expectations. As just one example, electric vehicles are replacing gas-powered vehicles in a trend expected to accelerate. To help advance the transition, Minnesota Power has installed five electric vehicle charging stations in areas it serves and encourages the adoption of electric vehicles through special rates.

NEW TECHNOLOGY

Superior Water, Light and Power is nearing the end of a project to install smart meters that will improve safety, efficiency and billing accuracy for all customers.



Rendering of the proposed SWL&P solar garden



Minnesota Power supports the shift toward electric vehicles by building charging stations, similar to the one pictured above, and other infrastructure to power drivers on the road.

Both utilities also are placing the power of information into the hands of customers by marrying smart meters with mobile technology. Mobile apps enable customers to track energy use, pay their bill and get information on rebates and conservation programs. Customers also can report and monitor outages from wherever they can use their smartphone.



CONSERVATION

A key component of customer service for each utility is a conservation program that helps customers reduce their energy and water use and their monthly bill. From homeowners and renters to large industrial customers, the programs consistently deliver savings to customers while cutting overall carbon emissions. Minnesota Power's state-leading Power of One program has exceeded the state standard of 1.5 percent reduction in electricity use for nine years in a row.

Best-practice governance starts in our boardroom. With the board and management fulfilling their respective roles and bolstered by diversity of talent, experience and thought, ALLETE continues to advance its growth strategy while answering the call to transform the nation's energy landscape.

ALLETE Board of Directors



*Standing (from left):
Heidi Jimmerson,
Bethany Owen,
Alan Hodnik,
George Goldfarb,
James Hoolihan,
Madeleine Ludlow*

*Seated (from left):
Susan Nestegard,
Douglas Neve,
Kathryn Dindo,
Robert Powers*

ALLETE Senior Leadership Team

Standing (from left):

*Nicole Johnson, VP-ALLETE and
Chief Administrative Officer;*

*Al Rudeck, President, ALLETE
Clean Energy;*

*Wade Boeshans, President, BNI
Energy;*

*Pat Cutshall, VP, Corporate
Treasurer;*

*Steve Morris, VP, Controller and
Chief Accounting Officer;*

*Maggie Thickers, VP, Chief Legal
Officer and Corporate Secretary;*

Seated (from left):

*Robert Adams, SVP and Chief
Financial Officer;*

Bethany Owen, President;

*Al Hodnik, Chairman
and CEO*





A sustainable future includes the environment, society and governance. At ALLETE, we recognize that impacts from human activity, including climate change, are real, pressing and complex. We are proud to answer the call to transform the nation's energy landscape with innovative energy solutions – growing our company while creating a sustainable tomorrow.

Learn more at allete.com/sustainability



30 W. Superior Street, Duluth, MN 55802
NYSE: ALE | ALLETE.com

