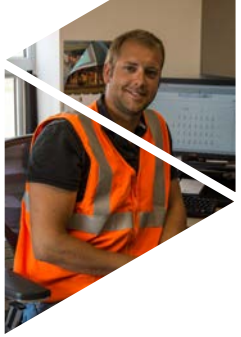










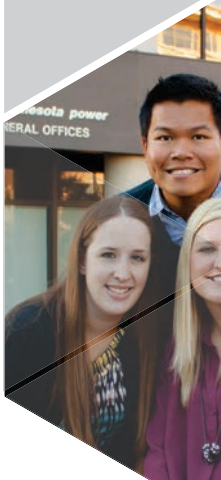

ALLETE®

Your Energy Company

NYSE: ALE | ALLETE.COM

Our Shared Purpose

ALLETE will be a leader in clean, safe, efficient and affordable energy products and services that fuel modern day necessities and enrich quality of life. We are committed to providing exceptional customer value and superior shareholder returns. Through wise investments and strong partnerships, we will grow while answering the call to transform the nation's energy landscape.

Minnesota Power, an operating division of ALLETE serving customers since 1906, generates, transmits and distributes electricity in a 26,000-square-mile region of northern Minnesota rich with mineral deposits and timber.

Power Supply

Our energy supply in Minnesota is a mix of company generation and purchased power. The company is reducing the amount of coal it uses to generate power from 95 percent coal in 2005 to 75 percent coal in 2013 to about 50 percent coal by 2026 on a total energy basis. Ten hydroelectric stations combined with the expanding Bison wind installation account for a growing percentage of Minnesota Power electricity. We purchase power from Square Butte Electric Cooperative in North Dakota and from two wind facilities totaling 98 megawatts in Oliver County, N.D.

Large Industrial Customers

Minnesota Power sells a high percentage of its electric power to large industrial customers. Eleven of these customers require 10 megawatts or more of generating capacity. Among these are taconite producing facilities, and paper and pulp mills. Taconite is an iron-bearing rock important as a source of raw material for steel.

New Industrial Projects

Several natural resource-based companies are developing new projects in northeastern Minnesota. These potential customers of Minnesota Power could require up to 600 megawatts of new electric service if the projects are completed. These include the Polymet Mining and Essar Steel Ltd. projects.

SWL&P has approximately 15,000 electric customers, 12,000 natural gas customers and 10,000 water customers. It is one of several other utilities, including municipalities and rural electric cooperatives, that purchase electricity at wholesale rates from Minnesota Power. SWL&P is known for its reliable electric service and for rates that are among the lowest in Wisconsin. Our natural gas utility also connects to two interstate gas pipelines, providing for competitive rates and enhanced system reliability. SWL&P utilizes Lake Superior as its water source, allowing our state-of-the-art water treatment and distribution system to provide high quality water with the capacity to serve large industrial customers.

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BNI Coal operates a lignite mine in Center, N.D., producing about 4 million tons annually. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Coal's lignite production under agreements extending through 2026. The mining process disturbs and reclaims approximately 200 acres per year.

ALLETE Clean Energy leverages industry knowledge and innovation to bring clean energy to customers across North America. Operating independently of Minnesota Power, ALLETE Clean Energy's customers will include electric utilities, cooperatives, municipalities, independent power marketers and large end users. Projects in the range of $50 million to $150 million will be developed utilizing wind energy, hydropower, biomass and other new technologies, as well as low-emission fuels such as natural gas and liquefied fossil fuels.

ALLETE is a multifaceted energy company

ALLETE is a multifaceted energy company answering the call for an evolutionary energy future while building on a successful past. Listed on the New York Stock Exchange (ticker symbol: ALE) for more than 60 years, ALLETE has paid consecutive dividends on its common stock since 1948.

ALLETE companies provide reliable and competitively-priced electric service in the upper Midwest. We're moving beyond our utility service territories to invest in other energy-centric businesses. We are committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses and sustains growth.

To accomplish this, Minnesota Power, a division of ALLETE, will support customer growth and focus on regulated investments in the environmental, renewable and transmission areas. ALLETE Clean Energy will pursue new initiatives in renewable energy, infrastructure, energy transmission and other energy-related services. We believe that more sustainable energy sources less reliant on carbon will play an increasingly important role in our nation's energy mix. As new trends evolve, energy markets will be impacted by technological, environmental, and demand changes. We see this as an opportunity.

Though we are poised for productive change, ALLETE will continue to invest in energy facilities and operations that have sustained the corporation for many decades. That's why we're restoring facilities of Minnesota Power's hydroelectric system damaged by record rainfall and flooding in June of 2012. We are working with regulators on restoring the Thomson hydro facility and rebuilding a forebay embankment that gave way in the historic flood. We will request cost recovery of capital expenditures related to the restoration and repair of the Thomson facility and other related St. Louis River hydro system projects through a renewable resources rider. Our belief in a balanced mix of energy sources is embodied in another longstanding ALLETE subsidiary, BNI Coal, a lignite mining operation in south-central North Dakota.

ALLETE®

- Annual Operating Revenue: $1 billion
- Dividend Yield: 4%
- Market Cap: $2 billion
- Total Assets: $3.5 billion

Laskin Energy Center in Hoyt Lakes, Minn. will convert from coal to natural gas generation in 2015.

B4s = BALANCE FOR ALLETE AND MINNESOTA POWER

Boswell 4 and Bison 4, two projects now underway at ALLETE, epitomize the balance inherent in Minnesota Power's *EnergyForward* resource strategy. Call them the B4s.

Before an international transmission line is sited, before the startup of two major new mining customers, before a major purchase of hydropower begins, the B4s will lay the groundwork for future investment at ALLETE. Sixty percent of ALLETE's five-year capital expenditure budget is projected to be spent in 2014 and 2015. The bulk of that investment is for the B4s.

Utility division Minnesota Power is heavily engaged in balancing the sources of fuel it needs to generate electricity. This year we are completing renovations and rededicating to service the hydropower plants we operate on three different river systems in northern Minnesota. We are bringing about a balance of renewables, natural gas and coal. Once the Boswell 4 environmental retrofit is done, we'll have one of the cleanest coal fleets in the nation.

In a broader sense, the same balance applies to the corporate strategy of ALLETE. As North American energy trends evolve, we believe they'll be impacted by emerging technologies, environmental awareness, and changes in power demand. So, as much as we rely on our regulated utility earnings, we believe there are opportunities to explore other energy-centric businesses related to energy infrastructure and services.

Before we arrive at the energy balance we seek, we'll build the B4s.

Preliminary work is underway on a project that will reduce emissions of mercury approximately 90 percent and also reduce levels of particulates, sulfur and other emissions at the company's largest and newest coal-fired unit, Boswell Unit 4. Named after a former company president, Clay Boswell, the unit is capable of producing 585 megawatts (MW) of electricity. It's owned 80 percent by Minnesota Power, with the balance owned by WPPI Energy. The retrofit project is estimated to cost Minnesota Power $310 million over the next several years. WPPI Energy, which owns 20 percent of the facility, will pay a corresponding share of the retrofit project.


MOVING ENERGY AND
THE NATION FORWARD

ENVIRONMENTAL UPGRADES

The Boswell 4 retrofit will be similar in scale to the environmental retrofit undertaken by Minnesota Power at Boswell Unit 3, which employed more than 400 workers during the recession of 2008 and 2009. Over the past seven years, Minnesota Power has reduced by about 70 percent the emissions of nitrogen oxides, sulfur dioxide and mercury from three generating stations. The Boswell 4 project will increase overall emission reductions at the company's power plants to around 85 percent.

"Boswell 4 is the capstone piece of a seven-year emission reduction initiative," ALLETE Chairman, President and CEO Al Hodnik said at a groundbreaking ceremony last October at the Boswell Energy Center in Cohasset, Minn. "It will transform the workhorse of our generation fleet into a cleaner facility while maintaining the reliability and affordable power that so many jobs in northern Minnesota depend upon."

Hodnik announced plans for the Boswell 4 environmental upgrade at ALLETE's Annual Meeting of Shareholders in May 2012. Minnesota Power decided to proceed with the project following the release of the company's base load diversification study in February of 2011 and the Environmental Protection Agency's issuance later that year of the MATS Rule, which established new limits on mercury and trace metals for certain electric generation emissions.

Another speaker at the groundbreaking, ALLETE board member Jim Hoolihan, told of his first visit to the power plant when, as a boy, he came to Boswell on a Cub Scout field trip. He said the construction of Boswell, which powered round-the-clock production of taconite on Minnesota's Mesabi Iron Range, lent certainty to the economy of northeast Minnesota. "That was then and this is now," Hoolihan said. "We can only wonder what the next 50 years of commitment will look like."

Award-winning Bison Project proceeds with phase four

One vision of that commitment is the growing number of wind turbines on the North Dakota horizon, spinning out renewable energy for consumers in Minnesota Power's service area. Construction crews are now hard at work erecting the 64 additional turbine towers that will make up phase 4 of the Bison Wind Energy Center near New Salem, N.D. Bison 4 will increase the company's wind portfolio by more than 50 percent to more than 600 megawatts. When construction is

ALLETE board member Jim Hoolihan and ALLETE CEO Al Hodnik at the groundbreaking of Minnesota Power's Boswell 4 retrofit project.

The BNI Coal mine, a low-cost producer of lignite, is transitioning to a new mine area, in Center, N.D.

completed by the end of this year, Bison will be the largest single wind farm in North Dakota, capable of powering 92,000 homes.

Early this year, the Minnesota Public Utilities Commission approved Minnesota Power's request for recovery of investments and expenditures for the Bison 4 wind project through the Renewable Resources Rider, a state program that allows utilities to recover renewable energy investments outside of a rate case. Estimated to cost approximately $345 million, Bison 4 is located near the project's first three phases already in operation. The 200-megawatt expansion will include a new electric substation and about 11 miles of 230-kilovolt transmission line.

In its petition to the MPUC, Minnesota Power said the Bison 4 project is a well-timed step that will help the company meet the state's Renewable Energy Standard as well as serve projected load growth. Adding more wind power is a key component of *Energy**Forward***, the company's resource strategy and road map for providing customers with reliable, cost-effective and environmentally compliant power for decades to come.

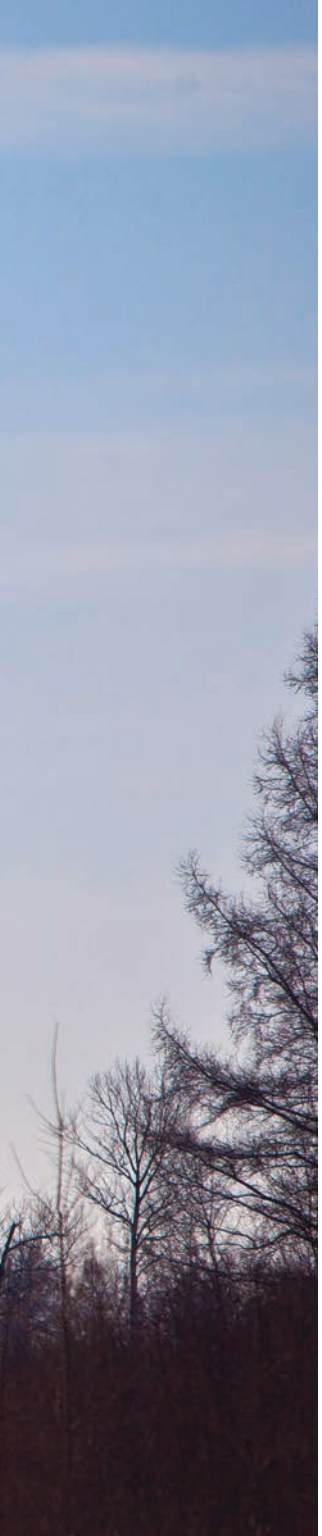
Bison has not only gained the sanction of Minnesota regulators, it also impressed engineers and renewable energy professionals.

Last November, the Bison Project was voted the best wind project of 2013 at the POWER-GEN International Conference and Exhibition awards banquet in Orlando, Fla. Sponsored by Power Engineering magazine and RenewableEnergyWorld.com, the award is considered the industry's top honor for a new wind generation project. Bison is a unique North American "wind-water" energy source because, in concert with a power purchase agreement with Manitoba Hydro, Minnesota Power will be able to "store" wind energy from Bison in the Canadian hydro system, optimizing the timing and value of power delivery for customers.

Minnesota Power was honored for phases 2 and 3 of the Bison Project, whose capacity of 292 MW features 85 state-of-the-art direct-drive Siemens 3-MW turbines. Bison is located in an area with some of the highest quality wind in North America. Construction of Bison 4, which qualifies for a federal production tax credit, will add to the 101 turbines Minnesota Power has installed since 2010 near New Salem, N.D. The energy is delivered to Minnesota customers using a repurposed direct current transmission line, originally built in the 1970s to send coal-based power from Center, N.D., to Duluth, Minn. ◆

WIND FARM EXPANSION

CROSSING BOUNDARIES



BROADENING THE ENERGY HORIZON

Although ALLETE got its start in the energy business more than a century ago when its predecessor company was incorporated as a Minnesota electric utility, the corporation has evolved by stretching its boundaries beyond a defined service territory. Recent developments at our ALLETE Clean Energy subsidiary and progress on spearheading an international transmission line are the corporation's latest examples of "boundless new energy."

The Great Northern Transmission Line, Minnesota Power's project to build a high voltage electric connection between Manitoba, Canada, and Minnesota's Mesabi Iron Range, is advancing through the regulatory process. Late in 2013, Minnesota Power filed its Certificate of Need application for the 500-kilovolt line linking Winnipeg, Canada, to an electric substation near the northern Minnesota town of Blackberry. In January this year, the Minnesota Public Utilities Commission concluded that the application was in order, setting in motion a series of meetings and hearings in northern Minnesota as the process for routing the Great Northern proceeds. Significant progress in locating the proposed line has already been made. In the summer of 2012, the transmission line's study area encompassed 20,000 square miles. After numerous meetings with interested parties, landowners and government officials, the proposed route has been narrowed down to two alternatives ranging from 208 to 227 miles long. Final routes will be determined through the regulatory process. The international project will also require a Presidential Permit from the United States Department of Energy.

The impetus for this major transmission project is a power purchase agreement signed in 2011 (and approved by regulators the following year) that calls for Minnesota Power to buy 250 MW of hydroelectricity from Manitoba Hydro beginning in 2020. Manitoba Hydro is developing two new generating stations on the Nelson River in the northern part of the province that will be capable of producing more than 2,000 MW of renewable electricity. The Great Northern Transmission Line will facilitate the delivery of at least 750 MW of renewable energy to the electric grid in the Upper Midwest, which will promote system reliability in the large regional

The Great Northern Transmission Line, Minnesota Power's project to build a high voltage electric connection between Manitoba, Canada, and Minnesota's Mesabi Iron Range, is advancing through the regulatory process.

transmission organization, the Mid-Continent Independent System Operator. MISO has been actively involved in discussions and planning surrounding the Great Northern Line.

Minnesota Power estimates that construction of the project in the U.S., including substation work, represents an investment of approximately $600 million, depending upon the transmission line's final route. While financial details remain to be finalized, Minnesota Power expects to own 51 percent of the Great Northern Transmission line, representing an investment estimated at $300 million.

Subject to receipt of permits, construction is anticipated to begin in June 2016 and take approximately 48 months to complete. A recent economic impact study showed that construction will generate more than $800 million in local economic impact and create approximately 250 jobs for the design and construction period.

In approving the 250-MW power purchase last year, the MPUC determined that the hydropower resources proposed in the agreement represented the most cost-effective way to meet future electric needs of Minnesota Power's customers. The innovative contract feature that allows Minnesota Power to "store" wind energy in Manitoba for optimal delivery was endorsed by the MPUC as well as by the POWERGEN Conference judges who named Bison the wind project of the year in 2013.

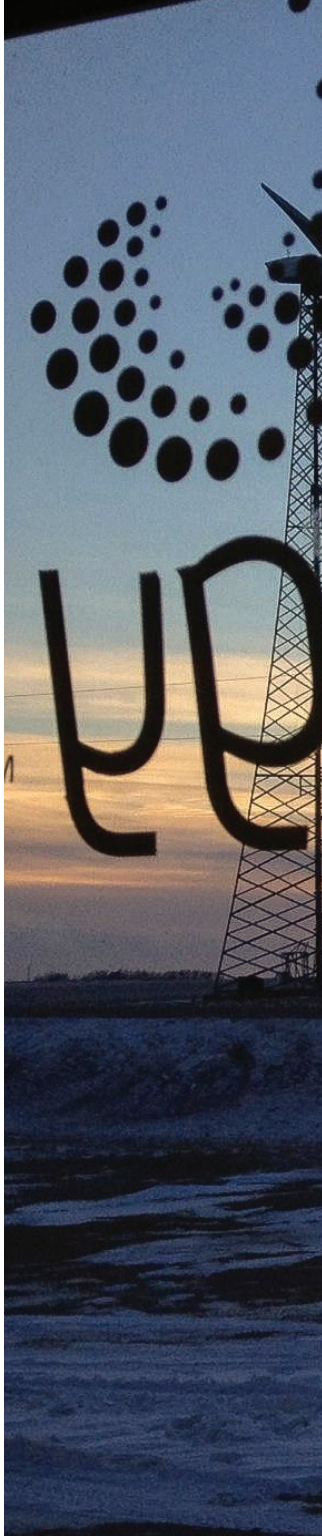
ALLETE Clean Energy acquires wind facilities in three states

Early this year, subsidiary ALLETE Clean Energy finalized the purchase of wind farms in Minnesota, Iowa and Oregon from the AES Corporation for $27 million. The transaction, which brings ALLETE investments into two new states, fits the corporate strategy of growing energy-centric earnings to complement traditional utility operations.

ALLETE Clean Energy acquired operating wind energy projects in Lake Benton, Minn., Storm Lake, Iowa, and Condon, Ore., with a total output of 231 megawatts. All three installations have power purchase agreements in place for their entire electric output. The acquisition establishes ALLETE Clean Energy core infrastructure in new markets, which will help foster expansion into other renewable or clean energy projects. The acquisitions are expected to be accretive to ALLETE earnings in 2014, excluding transaction costs.

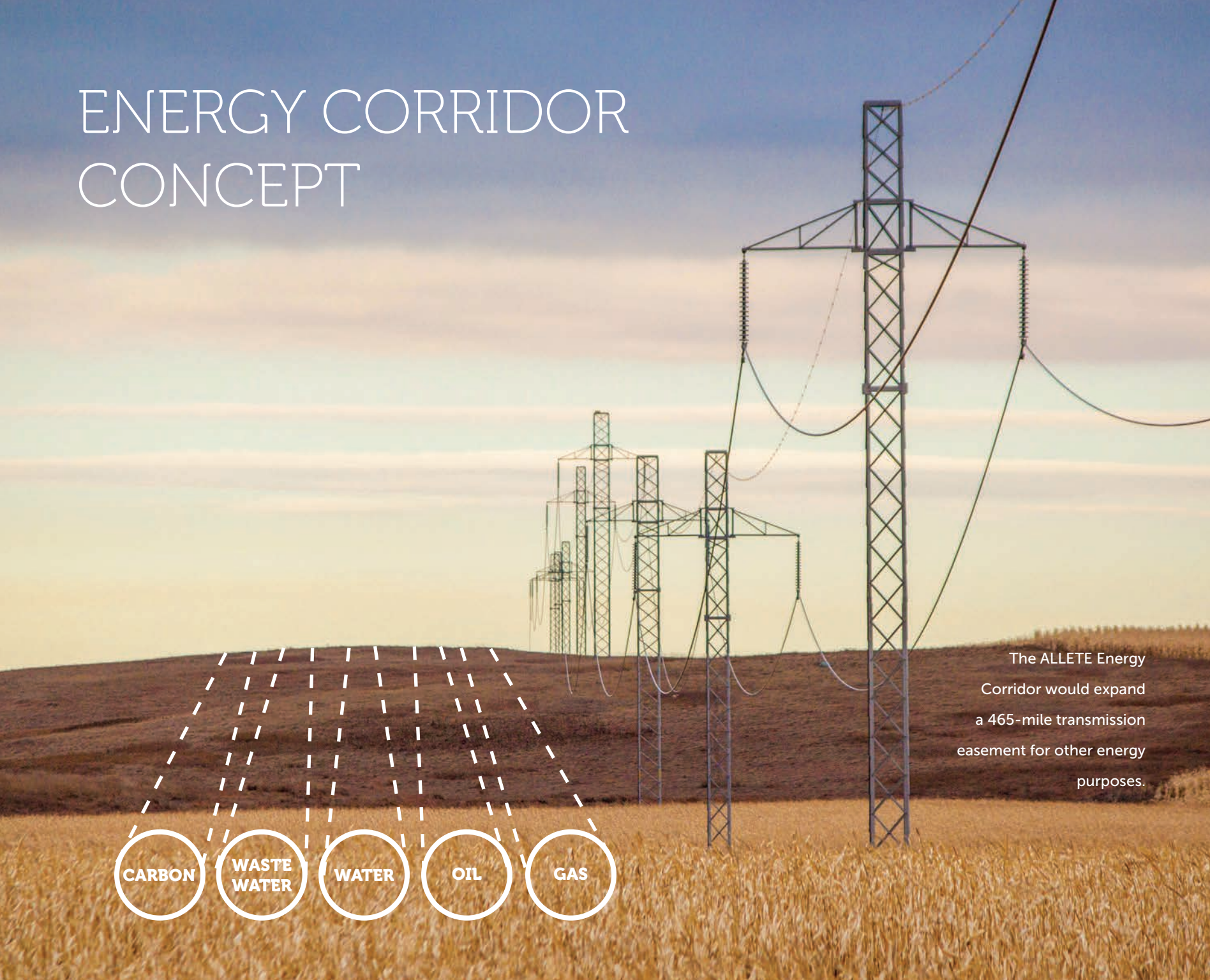
Most of the approximately 40 AES employees who were operating the wind farms chose to join ALLETE Clean Energy. ALLETE Clean Energy also signed in November 2013 an option agreement to acquire a fourth wind farm from AES in mid-2015. Pursuant to that agreement, ALLETE Clean Energy will have an option to acquire a 101-MW wind farm in Armenia Mountain, Penn., near the Pennsylvania-New York border. It became operational in 2009 and has two long-term power purchase agreements in place.

ALLETE Clean Energy was established in 2011 to acquire or develop capital projects to create energy solutions by way of wind, solar, biomass, hydro, natural gas, shale resources, clean coal technology and other emerging energy innovations. ◆

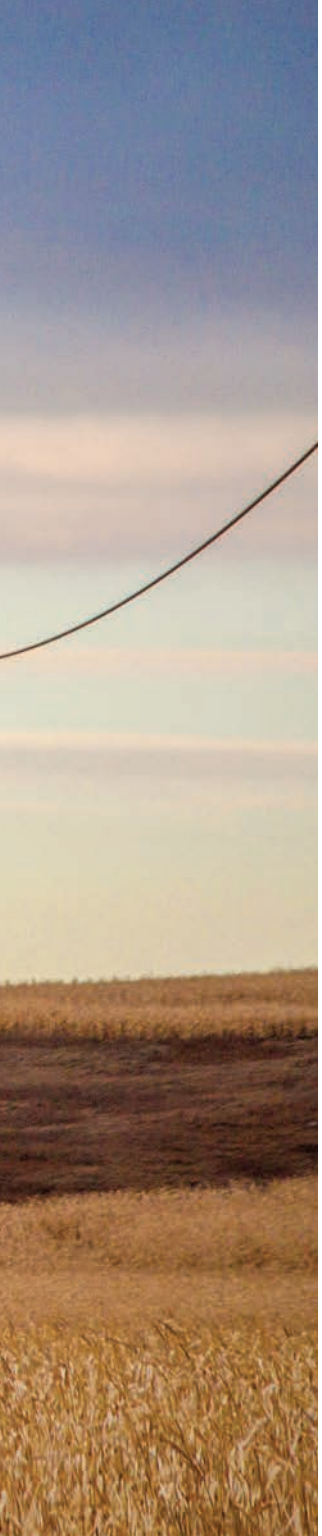


The 77-megawatt Storm Lake, Ia. facility is one of three wind farms purchased by ALLETE Clean Energy early in 2014. Some of the 102 lattice structures holding Storm Lake turbines are pictured here and on opposite page.

ENERGY CORRIDOR CONCEPT



The ALLETE Energy Corridor would expand a 465-mile transmission easement for other energy purposes.



ENERGY CORRIDOR CONCEPT CAPTURES THE ATTENTION OF NORTH DAKOTA GOVERNOR

ALLETE laid out its vision for a comprehensive interstate energy transportation corridor that could help provide solutions for the movement of natural gas, petroleum products, water and wastewater, wind energy and future sequestered carbon across a coordinated, shared right-of-way.

The energy corridor's backbone would follow an existing 465-mile path that contains a direct current transmission line running between Center, N.D., and Duluth, Minn. The 250-kilovolt line, purchased by Minnesota Power in 2009, is used to transmit electric energy from the lignite-fired Young Generating Station in Center and the nearby Bison Wind Energy Center to Duluth, Minn., home of the nation's busiest inland seaport. The energy corridor would expand a pathway along strategic portions of the existing right of way to minimize land use and optimize energy delivery infrastructure development within North Dakota.

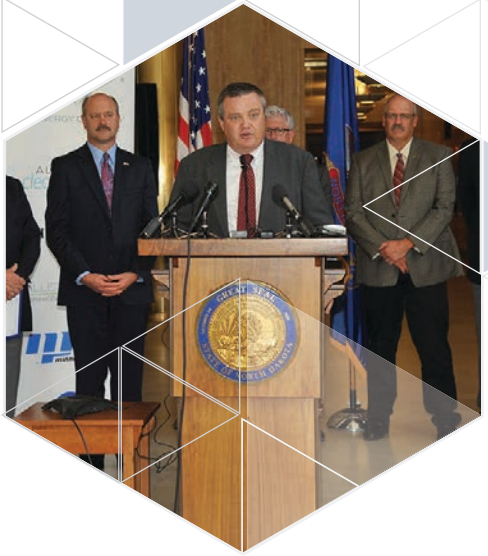
A top priority of the ALLETE Energy Corridor is to develop an extension of the existing energy delivery path some 60 miles westward to the burgeoning Bakken shale oil fields of west-central North Dakota. ALLETE subsidiary ALLETE Clean Energy has been working with potential partners to study the co-location of facilities and assess the capital needs for the Bakken link. It is envisioned that various lengths of the corridor would be used for different purposes.

"We see the ALLETE Energy Corridor as a comprehensive infrastructure solution in North Dakota that could serve many products and producers across the region," said ALLETE President, Chairman and CEO Al Hodnik at a press conference in the North Dakota Capitol Sept. 25, 2013. He thanked North Dakota Governor Jack Dalrymple for hosting the press event and voicing his support for the energy corridor concept.

ALLETE has been invested in North Dakota for decades through its purchase of BNI Coal, which sells lignite to the Young station. Since 2010, the company has constructed more than 100 wind turbines at the Bison Project near New Salem, N.D.

In remarks to EmPower North Dakota, a commission established to develop a comprehensive energy policy for North Dakota, Gov. Dalrymple said ALLETE's energy corridor concept is a prime example of the way business can creatively tackle pressing problems like the proliferation of flare gas at oil wells dotting the Bakken field, and the traffic tie-ups caused by too many trucks and trains hauling petroleum products to market.

"The ALLETE Energy Corridor is a breakthrough opportunity to reduce flaring by locating a major natural gas pipeline from the Bakken to eastern markets," Dalrymple said. "While the corridor would support the transfer of many energy resources, it could also carry carbon dioxide from coal-fired power plants to western North Dakota for use in advanced oil recovery."



ALLETE Clean Energy President Eric Norberg speaks at the North Dakota Capitol.

Taconite plants use large quantities of electric power to grind iron-bearing rock and pelletize the iron particles.

AN ELITE SOURCE OF RESOURCES KEEPS THIS COMPANY GROWING

Minnesota Power has thrived by electrifying the development of natural resources, particularly iron ore and native timber. While these resources remain abundant in our region and help maintain our uniquely industrial customer base, refinements in processes, innovative technology and new discoveries have kept Minnesota Power growing.

Although many electric utilities are experiencing declining load, Minnesota Power is looking at significant increases in energy use in the coming decades. The largest new taconite mine and processing plant to be built on Minnesota's Mesabi Iron Range in decades is now under construction by Essar Steel Minnesota in Nashwauk. On the eastern end of the range, PolyMet is developing the first copper-nickel mine in Minnesota history. Magnetation, which has patented a process for recycling old byproducts of iron ore mining, is building another facility that will require more electric power. And transport of more crude oil through Minnesota and Wisconsin will drive increased energy sales by both Minnesota Power and ALLETE affiliate Superior Water, Light and Power Co.

Steel making

Essar Steel is developing a fully integrated onsite mining-through-steelmaking project in Nashwauk, a small municipality that obtains all its electricity from Minnesota Power in a contract running through June of 2024. Nashwauk in turn will provide retail electric service to the Essar mine, crusher, concentrator, and taconite pellet plant. Minnesota Power also provides retail electric service to Essar at two locations needed for pit dewatering. Construction activities are well underway for the initial 4.1 million ton-per-year plant; permits have been finalized for the expansion to a 7 million ton-per-year production rate. While Essar continues to work on the financing for the larger production tonnage, mining operations are slated to start in 2015. The facility will result in up to 110 MW of new additional load to Minnesota Power. Essar has indicated plans for startup in early 2015 and a move toward full production capacity later that year. Essar already has a 10-year pellet off-take agreement to supply ArcelorMittal with between 3 and 4 million tons of pellets annually beginning with the Essar startup in 2015.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Nonferrous mining

PolyMet, the first planned copper, nickel and precious metals mining operation in Minnesota Power's service territory, is moving into the permitting phase as Minnesota's first nonferrous mine. PolyMet's long-awaited Supplemental Draft Environmental Impact Statement (SDEIS) was released in December, followed by three public meetings that attracted thousands of people. Assuming successful completion of the SDEIS process, permits could be issued late this year. Construction would commence immediately upon issuance of the permits. Minnesota Power could begin to supply between 45 MW and 50 MW of electricity as early as 2016 through a 10-year power supply contract that would begin at the startup of mining operations. Twin Metals LLC, a joint venture between Duluth Metals Limited and Chilean copper mining company Antofagasta PLC, is conducting extensive testing and core sampling in the same Duluth Complex copper-nickel mining region.

Mineral reclamation

Magnetation Inc. is a high-growth iron ore producer and inventor of hematite beneficiation technology that is on a fast track as a Minnesota Power customer. Magnetation has developed a patented mineral reclamation process to extract weakly magnetic particles from stockpiles left from the natural ore mining that occurred primarily in the first half of the 20th century. The company operates two facilities, one south of Keewatin and a second near Taconite. Magnetation is also an equity partner in the Mining Resources facility near Chisholm.

Magnetation has a joint venture agreement with AK Steel that owns and operates two facilities. In February of this year, Magnetation signed a new electric service agreement with Minnesota Power to energize Magnetation's new concentrate reclamation facility. Pending contract execution and MPUC approval, this facility will become Minnesota Power's first new Large Power customer in nearly seven years (industrial customers who use more than 10 MW of electricity are subject to minimum demand charges and other special contract provisions). Construction has begun on this new plant, located northwest of Coleraine, which should begin producing concentrate early in 2015. Magnetation has the ability to expand the operation into hard-rock mining, developing iron reserves near the large, natural-ore Canisteo Mine.

Pipeline expansion

Natural resources from western North Dakota and Canada are also contributing to ALLETE's energy growth in the form of oil pumped through pipelines. Enbridge Energy, Canada's largest transporter of crude oil, is a large customer of Minnesota Power in Minnesota and is the largest customer of ALLETE affiliate Superior Water, Light and Power Co. in Wisconsin. Future Enbridge expansions needed for its Alberta Clipper and Sandpiper pipelines will include new pump units at Enbridge Minnesota pump stations served by Minnesota Power and at Wisconsin pump stations served by SWL&P. Minnesota Power and SWL&P are constructing transmission infrastructure to serve significant new Enbridge electric loads in 2015. Power demand is expected to increase by at least 50 percent from additions now underway or being planned and could potentially double by 2020. Enbridge's Alberta Clipper is a 1,000-mile crude oil pipeline that provides service between Hardisty, Alberta, and Superior, Wis. with an ultimate capacity of up to 800,000 barrels per day. Enbridge is proposing to build its 610-mile Sandpiper Pipeline along a route from Tioga, N.D., to a terminal owned by an Enbridge affiliate in Superior. ◆

PolyMet will recycle this former taconite plant to process copper, nickel and other precious metals from Minnesota's first nonferrous mine.

2014 ALLETE BOARD OF DIRECTORS

Top (left to right):
James J. Hoolihan
Heidi J. Jimmerson
Leonard C. Rodman
Sidney W. Emery Jr.
Alan R. Hodnik
Kathryn "Kitty" Dindo
George Goldfarb.

Seated (left to right):
James S. Haines Jr.
Madeleine W. Ludlow
Douglas C. Neve
Bruce Stender.

TRANSFORMING THE ENERGY LANDSCAPE

The proposed Great Northern Transmission Line (blue) and the conceptual ALLETE Energy Corridor (yellow) represent potentially large investments for ALLETE. This year, ALLETE Clean Energy bought wind farms in Minnesota, Iowa and Oregon and signed an option for another in Pennsylvania.


WATER
FACILITY

ALLETE

minnesota power | SWL&P | BNI COAL | ALLETE clean energy | ALLETE Renewable Resources, Inc.

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