

2001 HIGHLIGHTS

FINANCIAL

- Our income from continuing operations of \$327 million was the highest in our company's history.
- Earnings per share from continuing operations increased 8.1 percent in 2001 to \$3.85 per diluted share of common stock.
- For the eighth consecutive year, we increased our annual dividend by 10 cents per share over the previous year.
- Our five-year annualized dividend growth rate for 1996 to 2001 was 9.8 percent – ranking in the top 20 percent of the electric utility industry.
- Our five-year annualized dividend growth rate for 1996 to 2001 was the second highest among U.S. utilities at 7.8 percent, compared with a negative growth rate for the rest of the industry.

OPERATIONAL

- APS' retail service territory experienced customer growth of 3.7 percent – about three times the national average.
- APS lowered retail prices for the seventh time in eight years.
- For the 10th consecutive year, the Palo Verde Nuclear Generating Station was the nation's number one power producer of any kind.
- Our Cholla, West Phoenix, Ocotillo and Saguaro fossil-fueled plants had their best years ever in terms of production.
- Pinnacle West Energy put Unit 4 of the West Phoenix Power Plant into operation, neared completion on Units 1 and 2 of the new Redhawk Power Plant, and broke ground on West Phoenix Unit 5.

MOVING FORWARD

OUR LONG-TERM STRATEGIES

- Deliver shareholders combined earnings and dividend growth that is above the industry average.
- Provide retail electricity customers reliable energy at stable prices.
- Capture retail electric growth opportunities and capitalize on opportunities in Western competitive markets as they develop.
- Build our generation portfolio consistent with our native load, cash flow and market conditions.
- Manage purchases and sales of wholesale electricity and related commodities to limit risk and optimize usage of resources.
- Maintain the corporate discipline to focus on our long-term goals, while remaining agile enough to adapt to changing circumstances.