

CONSOLIDATED STATEMENTS OF INCOME *(dollars and shares in thousands, except per share amounts)*

	Year Ended December 31,		
	2004	2003	2002
OPERATING REVENUES			
Regulated electricity segment	\$ 2,035,247	\$ 1,978,075	\$ 1,890,391
Marketing and trading segment	461,870	391,886	286,879
Real estate segment	359,792	361,604	201,081
Other revenues	42,816	27,929	26,899
Total	2,899,725	2,759,494	2,405,250
OPERATING EXPENSES			
Regulated electricity segment purchased power and fuel	567,433	517,320	376,911
Marketing and trading segment purchased power and fuel	382,147	344,862	154,987
Operations and maintenance	596,557	548,732	584,538
Real estate operations segment	289,900	305,974	185,925
Depreciation and amortization	401,105	435,140	422,299
Taxes other than income taxes	122,216	110,270	107,952
Other expenses	34,108	23,254	21,895
Total	2,393,466	2,285,552	1,854,507
OPERATING INCOME	506,259	473,942	550,743
OTHER			
Allowance for equity funds used during construction	4,885	14,240	–
Other income (Note 19)	53,989	35,563	14,910
Other expenses (Note 19)	(21,510)	(20,574)	(33,655)
Total	37,364	29,229	(18,745)
INTEREST EXPENSE			
Interest charges	195,859	204,339	187,039
Capitalized interest	(16,311)	(29,444)	(43,749)
Total	179,548	174,895	143,290
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	364,075	328,276	388,708
INCOME TAXES	128,857	102,473	152,145
INCOME FROM CONTINUING OPERATIONS	235,218	225,803	236,563
Income (loss) from discontinued operations – net of income tax expense (benefit) of \$5,480, \$9,616 and (\$14,045)	7,977	14,776	(21,410)
Cumulative effect of a change in accounting for trading activities – net of income tax benefit of (\$43,123)	–	–	(65,745)
NET INCOME	\$ 243,195	\$ 240,579	\$ 149,408
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	91,397	91,265	84,903
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	91,532	91,405	84,964
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING			
Income from continuing operations – basic	\$ 2.57	\$ 2.47	\$ 2.79
Net income – basic	2.66	2.64	1.76
Income from continuing operations – diluted	2.57	2.47	2.78
Net income – diluted	2.66	2.63	1.76
DIVIDENDS DECLARED PER SHARE	\$ 1.825	\$ 1.725	\$ 1.625

See Notes to Pinnacle West's Consolidated Financial Statements.