

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

Year Ended December 31,	2005	2004	2003
<b>OPERATING REVENUES</b>			
Regulated electricity segment	<b>\$ 2,237,145</b>	\$ 2,035,247	\$ 1,978,075
Marketing and trading segment	<b>351,558</b>	400,628	391,196
Real estate segment	<b>338,031</b>	350,315	361,604
Other revenues	<b>61,221</b>	42,816	27,929
Total	<b>2,987,955</b>	2,829,006	2,758,804
<b>OPERATING EXPENSES</b>			
Regulated electricity segment fuel and purchased power	<b>595,141</b>	567,433	517,320
Marketing and trading segment fuel and purchased power	<b>293,091</b>	320,667	344,862
Operations and maintenance	<b>635,827</b>	592,320	548,732
Real estate segment operations	<b>278,366</b>	284,194	305,974
Depreciation and amortization	<b>347,652</b>	391,597	435,140
Taxes other than income taxes	<b>132,040</b>	120,722	110,270
Other expenses	<b>51,987</b>	34,108	23,254
Regulatory disallowance (Note 3)	<b>138,562</b>	–	–
Total	<b>2,472,666</b>	2,311,041	2,285,552
<b>OPERATING INCOME</b>	<b>515,289</b>	517,965	473,252
<b>OTHER</b>			
Allowance for equity funds used during construction	<b>11,191</b>	4,885	14,240
Other income (Note 19)	<b>23,360</b>	53,289	35,563
Other expenses (Note 19)	<b>(26,716)</b>	(21,340)	(20,574)
Total	<b>7,835</b>	36,834	29,229
<b>INTEREST EXPENSE</b>			
Interest charges	<b>185,087</b>	183,527	193,973
Capitalized interest	<b>(12,018)</b>	(11,460)	(19,078)
Total	<b>173,069</b>	172,067	174,895
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>350,055</b>	382,732	327,586
<b>INCOME TAXES</b>	<b>126,892</b>	136,142	102,202
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>223,163</b>	246,590	225,384
Income (loss) from discontinued operations – net of income tax expense (benefit) of (\$29,797), (\$1,805) and \$9,887	<b>(46,896)</b>	(3,395)	15,195
<b>NET INCOME</b>	<b>\$ 176,267</b>	\$ 243,195	\$ 240,579
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC</b>	<b>96,484</b>	91,397	91,265
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED</b>	<b>96,590</b>	91,532	91,405
<b>EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING</b>			
Income from continuing operations – basic	<b>\$ 2.31</b>	\$ 2.70	\$ 2.47
Net income – basic	<b>1.83</b>	2.66	2.64
Income from continuing operations – diluted	<b>2.31</b>	2.69	2.47
Net income – diluted	<b>1.82</b>	2.66	2.63
<b>DIVIDENDS DECLARED PER SHARE</b>	<b>\$ 1.925</b>	\$ 1.825	\$ 1.725

See Notes to Pinnacle West's Consolidated Financial Statements.