

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED		Increase (Decrease)	
	September 30,		Amount	Percent
	2003	2002		
<b>Operating Revenues</b>				
Regulated electricity segment	\$ 694,306	\$ 719,361	\$ (25,055)	3.5% W
Marketing and trading segment	154,519	87,258	67,261	77.1% B
Real estate segment	75,009	43,547	31,462	72.2% B
Other revenues	22,736	21,224	1,512	7.1% B
Total	<u>946,570</u>	<u>871,390</u>	<u>75,180</u>	8.6% B
<b>Operating Expenses</b>				
Regulated electricity segment purchased power and fuel	235,663	257,484	(21,821)	8.5% B
Marketing and trading segment purchased power and fuel	156,156	43,361	112,795	260.1% W
Operations and maintenance	133,852	144,438	(10,586)	7.3% B
Real estate segment operations	63,196	44,041	19,155	43.5% W
Depreciation and amortization	110,997	108,672	2,325	2.1% W
Taxes other than income taxes	28,206	26,757	1,449	5.4% W
Other expenses	19,650	34,146	(14,496)	42.5% B
Total	<u>747,720</u>	<u>658,899</u>	<u>88,821</u>	13.5% W
<b>Operating Income</b>	<u>198,850</u>	<u>212,491</u>	<u>(13,641)</u>	6.4% W
<b>Other</b>				
Allowance for equity funds used during construction	11,194	-	11,194	100.0% B
Other income	5,533	3,026	2,507	82.8% B
Other expense	(5,791)	(10,713)	4,922	45.9% B
Total	<u>10,936</u>	<u>(7,687)</u>	<u>18,623</u>	242.3% B
<b>Interest Expense</b>				
Interest charges	52,571	49,255	3,316	6.7% W
Capitalized interest	(2,851)	(11,015)	8,164	74.1% W
Total	<u>49,720</u>	<u>38,240</u>	<u>11,480</u>	30.0% W
<b>Income From Continuing Operations Before Income Taxes</b>	160,066	166,564	(6,498)	3.9% W
<b>Income Taxes</b>	<u>50,528</u>	<u>65,851</u>	<u>(15,323)</u>	23.3% B
<b>Income From Continuing Operations</b>	109,538	100,713	8,825	8.8% B
<b>Income from Discontinued Operations - Net of Income Tax Expense</b>	<u>510</u>	<u>203</u>	<u>307</u>	151.2% B
<b>Net Income</b>	<u>\$ 110,048</u>	<u>\$ 100,916</u>	<u>\$ 9,132</u>	9.0% B
<b>Weighted-Average Common Shares Outstanding - Basic</b>	91,271	84,768	6,503	7.7%
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	91,467	84,797	6,670	7.9%
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Income From Continuing Operations - Basic	\$ 1.20	\$ 1.19	\$ 0.01	0.8% B
Net Income - Basic	\$ 1.21	\$ 1.19	\$ 0.02	1.7% B
Income From Continuing Operations - Diluted	\$ 1.20	\$ 1.19	\$ 0.01	0.8% B
Net Income - Diluted	\$ 1.20	\$ 1.19	\$ 0.01	0.8% B

Certain prior year amounts have been restated to conform to the 2003 presentation.

B -- Better

W -- Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	NINE MONTHS ENDED		Increase (Decrease)	
	September 30,		Amount	Percent
	2003	2002		
<b>Operating Revenues</b>				
Regulated electricity segment	\$ 1,585,898	\$ 1,596,440	\$ (10,542)	0.7% W
Marketing and trading segment	484,737	212,576	272,161	128.0% B
Real estate segment	172,886	127,352	45,534	35.8% B
Other revenues	<u>64,494</u>	<u>28,382</u>	<u>36,112</u>	127.2% B
Total	<u>2,308,015</u>	<u>1,964,750</u>	<u>343,265</u>	17.5% B
<b>Operating Expenses</b>				
Regulated electricity segment purchased power and fuel	434,442	423,606	10,836	2.6% W
Marketing and trading segment purchased power and fuel	447,499	109,625	337,874	308.2% W
Operations and maintenance	408,488	390,864	17,624	4.5% W
Real estate segment operations	157,297	123,219	34,078	27.7% W
Depreciation and amortization	323,471	310,114	13,357	4.3% W
Taxes other than income taxes	84,851	81,147	3,704	4.6% W
Other expenses	<u>51,380</u>	<u>39,116</u>	<u>12,264</u>	31.4% W
Total	<u>1,907,428</u>	<u>1,477,691</u>	<u>429,737</u>	29.1% W
<b>Operating Income</b>	<u>400,587</u>	<u>487,059</u>	<u>(86,472)</u>	17.8% W
<b>Other</b>				
Allowance for equity funds used during construction	11,194	-	11,194	100.0% B
Other income	13,886	10,139	3,747	37.0% B
Other expense	<u>(15,079)</u>	<u>(26,787)</u>	<u>11,708</u>	43.7% B
Total	<u>10,001</u>	<u>(16,648)</u>	<u>26,649</u>	160.1% B
<b>Interest Expense</b>				
Interest charges	151,539	140,538	11,001	7.8% W
Capitalized interest	<u>(24,061)</u>	<u>(38,782)</u>	<u>14,721</u>	38.0% W
Total	<u>127,478</u>	<u>101,756</u>	<u>25,722</u>	25.3% W
<b>Income From Continuing Operations Before Income Taxes</b>	283,110	368,655	(85,545)	23.2% W
<b>Income Taxes</b>	<u>98,530</u>	<u>145,888</u>	<u>(47,358)</u>	32.5% B
<b>Income From Continuing Operations</b>	184,580	222,767	(38,187)	17.1% W
<b>Income from Discontinued Operations - Net of Income Tax Expense</b>	<u>6,908</u>	<u>7,271</u>	<u>(363)</u>	5.0% W
<b>Net Income</b>	<u>\$ 191,488</u>	<u>\$ 230,038</u>	<u>\$ (38,550)</u>	16.8% W
<b>Weighted-Average Common Shares Outstanding - Basic</b>	91,262	84,768	6,494	7.7%
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	91,432	84,859	6,573	7.7%
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Income From Continuing Operations - Basic	\$ 2.02	\$ 2.63	\$ (0.61)	23.2% W
Net Income - Basic	\$ 2.10	\$ 2.71	\$ (0.61)	22.5% W
Income From Continuing Operations - Diluted	\$ 2.02	\$ 2.63	\$ (0.61)	23.2% W
Net Income - Diluted	\$ 2.09	\$ 2.71	\$ (0.62)	22.9% W

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B -- Better

W -- Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	TWELVE MONTHS ENDED		Increase (Decrease)	
	September 30,		Amount	Percent
	2003	2002		
<b>Operating Revenues</b>				
Regulated electricity segment	\$ 2,002,481	\$ 2,033,006	\$ (30,525)	1.5% W
Marketing and trading segment	598,092	229,996	368,096	160.0% B
Real estate segment	246,615	188,447	58,168	30.9% B
Other revenues	<u>98,049</u>	<u>34,275</u>	<u>63,774</u>	186.1% B
Total	<u>2,945,237</u>	<u>2,485,724</u>	<u>459,513</u>	18.5% B
<b>Operating Expenses</b>				
Regulated electricity segment purchased power and fuel	510,379	520,231	(9,852)	1.9% B
Marketing and trading segment purchased power and fuel	531,913	122,979	408,934	332.5% W
Operations and maintenance	602,162	512,654	89,508	17.5% W
Real estate segment operations	220,003	175,433	44,570	25.4% W
Depreciation and amortization	437,439	419,175	18,264	4.4% W
Taxes other than income taxes	111,656	102,114	9,542	9.3% W
Other expenses	<u>117,223</u>	<u>45,464</u>	<u>71,759</u>	157.8% W
Total	<u>2,530,775</u>	<u>1,898,050</u>	<u>632,725</u>	33.3% W
<b>Operating Income</b>	<u>414,462</u>	<u>587,674</u>	<u>(173,212)</u>	29.5% W
<b>Other</b>				
Allowance for equity funds used during construction	11,194	-	11,194	100.0% B
Other income	16,591	17,729	(1,138)	6.4% W
Other expense	<u>(19,881)</u>	<u>(40,256)</u>	<u>20,375</u>	50.6% B
Total	<u>7,904</u>	<u>(22,527)</u>	<u>30,431</u>	135.1% B
<b>Interest Expense</b>				
Interest charges	198,513	187,257	11,256	6.0% W
Capitalized interest	<u>(29,028)</u>	<u>(51,240)</u>	<u>22,212</u>	43.3% W
Total	<u>169,485</u>	<u>136,017</u>	<u>33,468</u>	24.6% W
<b>Income From Continuing Operations Before Income Taxes</b>	252,881	429,130	(176,249)	41.1% W
<b>Income Taxes</b>	<u>84,870</u>	<u>170,557</u>	<u>(85,687)</u>	50.2% B
<b>Income from Continuing Operations</b>	168,011	258,573	(90,562)	35.0% W
<b>Income from Discontinued Operations -</b>				
<b>Net of Income Tax Expense</b>	8,592	7,271	1,321	18.2% B
<b>Cumulative Effect of a Change in Accounting for Trading Activities -</b>				
<b>Net of Income Tax Benefit</b>	<u>(65,745)</u>	<u>-</u>	<u>(65,745)</u>	100.0% W
<b>Net Income</b>	<u>\$ 110,858</u>	<u>\$ 265,844</u>	<u>\$ (154,986)</u>	58.3% W
<b>Weighted-Average Common Shares Outstanding - Basic</b>	89,760	84,746	5,014	5.9%
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	89,919	84,851	5,068	6.0%
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Income From Continuing Operations - Basic	\$ 1.87	\$ 3.05	\$ (1.18)	38.7% W
Net Income - Basic	\$ 1.24	\$ 3.14	\$ (1.90)	60.5% W
Income From Continuing Operations - Diluted	\$ 1.87	\$ 3.05	\$ (1.18)	38.7% W
Net Income - Diluted	\$ 1.23	\$ 3.13	\$ (1.90)	60.7% W

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