

HAWAIIAN ELECTRIC INDUSTRIES INC  
Form 8-K  
January 21, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report: January 20, 2003

**Exact Name of Registrant  
as Specified in Its Charter**

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**Commission  
File Number**

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**I.R.S. Employer  
Identification No.**

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Hawaiian Electric Industries, Inc.  
Hawaiian Electric Company, Inc.

1-8503  
1-4955

99-0208097  
99-0040500

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**State of Hawaii**

(State or other jurisdiction of incorporation)

900 Richards Street, Honolulu, Hawaii 93813  
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:

(808) 543-5662 Hawaiian Electric Industries, Inc. (HEI)  
(808) 543-7771 Hawaiian Electric Company, Inc. (HECO)

None

(Former name or former address, if changed since last report.)

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**Item 5. Other Events**

**NEWS RELEASE**

On January 20, 2003, HEI issued the following news release:

**HAWAIIAN ELECTRIC INDUSTRIES, INC. REPORTS 2002 YEAREND EARNINGS**

HONOLULU Hawaiian Electric Industries, Inc. (NYSE - HE) today reported 2002 income from continuing operations of \$118.2 million, or \$3.26 per share, compared with \$107.7 million, or \$3.19 per share in 2001.

The utility, bank and holding company all contributed to the healthy 10% increase in net income from continuing operations in 2002 as compared with 2001, said Robert F. Clarke, HEI chairman, president and chief executive officer. Utility net income was up 2%, bank net income was up 16% and holding company net losses were down 3% in 2002 a tremendous performance given the challenges of a Hawaii economy recovering from the effects of September 11<sup>th</sup>. In addition, the Company faced decreasing retirement benefits income, as turmoil in the stock market adversely affected our retirement plans asset performance.

Although income from continuing operations was up 10% this year, basic earnings per share from continuing operations were up only 2% due to a 7% increase in the weighted average number of shares outstanding, resulting from HEI's November 2001 common stock offering and new issuances of common stock through HEI's dividend reinvestment and other stock plans.

Electric utility net income was \$90.2 million in 2002 versus \$88.3 million in 2001. Increases in usage and the number of residential customers caused kilowatt-hour sales to grow by 1.9% in 2002 despite cooler weather as compared with 2001, said Clarke. Improved operating efficiency and lower interest expense also had a favorable impact on 2002 utility earnings. Partially offsetting these positives were increased operation and maintenance expenses and depreciation in 2002 versus 2001. Other operations expenses were higher due to a \$6.9 million decrease in gross retirement benefits income. Maintenance expenses were higher primarily due to the timing and larger scope of generating unit overhauls.

Bank net income was \$56.2 million in 2002 compared to \$48.5 million in 2001. An increase in the interest rate spread, a lower provision for loan losses, increased fee income on deposits and on financial services and products, lower investment losses and lower intangible asset amortization boosted 2002 bank net income as compared with 2001. Partially offsetting these improvements were losses on sales of securities versus gains on sales of securities in 2001, writedowns of mortgage servicing rights due to increased prepayments on loans serviced for others and increases in general and administrative expenses.

For most of 2002, bank net income benefited from the low interest rate environment, as the bank was able to lower its cost of funds, said Clarke. However, in the last quarter of 2002, the low interest rate environment put pressure on the interest rate spread. High levels of mortgage refinancing lowered asset yields while deposit rates decreased only slightly as they were already at low levels. The interest rate spread was 3.24% in 2002 versus 3.17% in 2001. Delinquencies during 2002 reached five-year lows, which translated into a lower provision for loan losses compared with 2001. The adoption of new accounting rules established by the Financial Accounting Standards Board calling for the discontinuation of goodwill amortization added \$3.8 million to bank net income in 2002.

Holding company net losses were \$28.2 million in 2002 versus \$29.1 million in 2001 due largely to lower interest expense as \$60 million of debt was paid off in 2002. In addition, the Company had lower stock option expenses in 2002 primarily due to the adoption of the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, as amended, which prescribes a different method for computing stock option expenses than was used in 2001. These decreases were partially offset by higher general and administrative costs.

HEI is the largest Hawaii-based company (based on 2001 Hawaii revenues), providing electric utility services to 95% of Hawaii's residents and a wide array of banking services to consumers and businesses through the state's third largest bank.

*Forward-Looking Statements*

This release may contain forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. In addition, any statements concerning future financial performance (including future revenues, expenses, earnings or losses or growth rates), ongoing business strategies or prospects and possible future actions, which may be provided by management, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about HEI and its subsidiaries, the performance of the industries in which they do business and economic and market factors, among other things. These forward-looking statements are not guarantees of future performance.

Forward-looking statements in this release should be read in conjunction with Forward-looking statements (which is incorporated by reference herein) set forth on page v of HEI's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 and in HEI's future periodic reports that discuss important factors that could cause HEI's actual financial and other results to differ materially from those anticipated in such statements. Forward-looking statements in this release speak only as of the date of this release.

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## Hawaiian Electric Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

|  | Three months<br>ended December 31, |                  | Years ended<br>December 31, |                  |
|--|------------------------------------|------------------|-----------------------------|------------------|
|  | 2002                               | 2001             | 2002                        | 2001             |
| (in thousands, except per share amounts)                     |                                    |                  |                             |                  |
| <b>Revenue</b>   |                                    |                  |                             |                  |
| Electric utility   | \$ 337,533                         | \$ 315,844       | \$ 1,257,176                | \$ 1,289,304     |
| Bank   | 98,622                             | 108,564          | 399,255                     | 444,602          |
| Other  | (452)                              | (5,099)          | (2,730)                     | (6,629)          |
|  | <u>435,703</u>                     | <u>419,309</u>   | <u>1,653,701</u>            | <u>1,727,277</u> |
| <b>Expenses</b>  |                                    |                  |                             |                  |
| Electric utility   | 292,723                            | 274,259          | 1,062,220                   | 1,095,359        |
| Bank   | 76,845                             | 83,674           | 306,372                     | 362,503          |
| Other  | 6,670                              | 3,888            | 18,676                      | 13,242           |
|  | <u>376,238</u>                     | <u>361,821</u>   | <u>1,387,268</u>            | <u>1,471,104</u> |
| <b>Operating income (loss)</b>                               |                                    |                  |                             |                  |
| Electric utility   | 44,810                             | 41,585           | 194,956                     | 193,945          |
| Bank   | 21,777                             | 24,890           | 92,883                      | 82,099           |
| Other  | (7,122)                            | (8,987)          | (21,406)                    | (19,871)         |
|  | <u>59,465</u>                      | <u>57,488</u>    | <u>266,433</u>              | <u>256,173</u>   |
| Interest expense other than bank                             | (17,674)                           | (19,265)         | (72,292)                    | (78,726)         |
| Allowance for borrowed funds<br>used during construction     | 463                                | 547              | 1,855                       | 2,258            |
| Preferred stock dividends of subsidiaries                    | (502)                              | (502)            | (2,006)                     | (2,006)          |
| Preferred securities distributions of trust subsidiaries     | (4,009)                            | (4,009)          | (16,035)                    | (16,035)         |
| Allowance for equity funds<br>used during construction       | 977                                | 1,021            | 3,954                       | 4,239            |
|  | <u>38,720</u>                      | <u>35,280</u>    | <u>181,909</u>              | <u>165,903</u>   |
| <b>Income from continuing operations before income taxes</b> |                                    |                  |                             |                  |
| Income taxes   | 12,345                             | 10,076           | 63,692                      | 58,157           |
|  | <u>26,375</u>                      | <u>25,204</u>    | <u>118,217</u>              | <u>107,746</u>   |
| <b>Income from continuing operations</b>                     |                                    |                  |                             |                  |
| <b>Discontinued operations, net of income taxes</b>          |                                    |                  |                             |                  |
| Loss from operations   |                                    |                  |                             | (1,254)          |
| Net loss on disposals  |                                    | (1,966)          |                             | (22,787)         |
|  |                                    | <u>(1,966)</u>   |                             | <u>(24,041)</u>  |
| <b>Loss from discontinued operations</b>                     |                                    |                  |                             |                  |
|  | <u>\$ 26,375</u>                   | <u>\$ 23,238</u> | <u>\$ 118,217</u>           | <u>\$ 83,705</u> |
| <b>Per common share</b>                                      |                                    |                  |                             |                  |
| Basic earnings (loss)  |                                    |                  |                             |                  |
| Continuing operations  | \$ 0.72                            | \$ 0.73          | \$ 3.26                     | \$ 3.19          |
| Discontinued operations                                      |                                    | (0.06)           |                             | (0.71)           |

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|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
|  | \$ 0.72   | \$ 0.67   | \$ 3.26    | \$ 2.48    |
| Diluted earnings (loss)                              |           |           |            |            |
| Continuing operations                                | \$ 0.72   | \$ 0.73   | \$ 3.24    | \$ 3.18    |
| Discontinued operations                              |           | (0.06)    |            | (0.71)     |
|  | \$ 0.72   | \$ 0.67   | \$ 3.24    | \$ 2.47    |
| Dividends  | \$ 0.62   | \$ 0.62   | \$ 2.48    | \$ 2.48    |
| Weighted-average number of common shares outstanding | 36,658    | 34,644    | 36,278     | 33,754     |
| Adjusted weighted-average shares                     | 36,869    | 34,851    | 36,477     | 33,942     |
| Income (loss) from continuing operations by segment  |           |           |            |            |
| Electric utility                                     | \$ 20,386 | \$ 18,464 | \$ 90,205  | \$ 88,300  |
| Bank   | 13,410    | 15,377    | 56,225     | 48,531     |
| Other  | (7,421)   | (8,637)   | (28,213)   | (29,085)   |
| Income from continuing operations                    | \$ 26,375 | \$ 25,204 | \$ 118,217 | \$ 107,746 |

This information should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in HEI's Annual Reports on SEC Form 10-K for the years ended December 31, 2001 and 2002 (when filed) and the consolidated financial statements and the notes thereto in HEI's Quarterly Reports on SEC Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002.

## Hawaiian Electric Industries, Inc. and Subsidiaries

GOODWILL  
(Unaudited)

The Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets on January 1, 2002. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually.

The Company's \$83.2 million of goodwill is in the bank segment and was tested for impairment as of January 1, 2002 and September 30, 2002 and will be tested for impairment annually in the fourth quarter using data as of September 30. As of January 1, 2002 and September 30, 2002, there was no impairment of goodwill. The fair value of the bank was estimated using a valuation method based on a market approach, which takes into consideration market values of comparable publicly traded companies and recent transactions of companies in the industry.

Application of the provisions of SFAS No. 142 has affected the comparability of current period results of operations with prior periods because the goodwill in the bank segment is no longer being amortized over a 25 year period. Thus, the following transitional disclosures present net income and earnings per common share adjusted as shown below:

|  | Three months ended<br>December 31, |           | Years ended<br>December 31, |           |
|--|------------------------------------|-----------|-----------------------------|-----------|
|  | 2002                               | 2001      | 2002                        | 2001      |
| (in thousands, except per share amounts)   |                                    |           |                             |           |
| <b>Consolidated</b>                        |                                    |           |                             |           |
| Reported net income                        | \$ 26,375                          | \$ 23,238 | \$ 118,217                  | \$ 83,705 |
| Goodwill amortization, net of tax benefits |                                    | 968       |                             | 3,845     |
| Adjusted net income                        | \$ 26,375                          | \$ 24,206 | \$ 118,217                  | \$ 87,550 |
| Per common share                           |                                    |           |                             |           |
| Reported basic earnings                    | \$ 0.72                            | \$ 0.67   | \$ 3.26                     | \$ 2.48   |
| Goodwill amortization, net of tax benefits |                                    | 0.03      |                             | 0.11      |
| Adjusted basic earnings                    | \$ 0.72                            | \$ 0.70   | \$ 3.26                     | \$ 2.59   |
| Per common share                           |                                    |           |                             |           |
| Reported diluted earnings                  | \$ 0.72                            | \$ 0.67   | \$ 3.24                     | \$ 2.47   |
| Goodwill amortization, net of tax benefits |                                    | 0.03      |                             | 0.11      |
| Adjusted diluted earnings                  | \$ 0.72                            | \$ 0.70   | \$ 3.24                     | \$ 2.58   |
| <b>Bank</b>                                |                                    |           |                             |           |
| Reported net income                        | \$ 13,410                          | \$ 15,377 | \$ 56,225                   | \$ 48,531 |
| Goodwill amortization, net of tax benefits |                                    | 968       |                             | 3,845     |
| Adjusted net income                        | \$ 13,410                          | \$ 16,345 | \$ 56,225                   | \$ 52,376 |

## Hawaiian Electric Industries, Inc. and Subsidiaries

STOCK COMPENSATION  
(Unaudited)

In December 2002, the Company elected to adopt the fair value recognition provisions of SFAS No. 123 Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, as of January 1, 2002 using the modified prospective method. The application of SFAS No. 123, as amended, increased net income for the nine months ended September 30, 2002 by \$1.2 million, or three cents per share. Previously reported net income, and basic and diluted earnings per share for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002, were restated as follows:

|  | Three months ended                       |                  |                       |
|--|--|------------------|-----------------------|
|  | March 31,<br>2002                        | June 30,<br>2002 | September 30,<br>2002 |
|  | (in thousands, except per share amounts) |                  |                       |
| Net income as reported   | \$ 26,919                                | \$ 30,984        | \$ 32,777             |
| Add: Stock option expense included in reported net income, net of tax benefits                       | 131                                      | 674              | 945                   |
| Deduct: Total stock option expense determined under the fair value based method, net of tax benefits | (178)                                    | (200)            | (210)                 |
| Restated net income  | \$ 26,872                                | \$ 31,458        | \$ 33,512             |
| Earnings per share   |  |                  |                       |
| Basic as reported  | \$ 0.75                                  | \$ 0.86          | \$ 0.90               |
| Basic restated   | \$ 0.75                                  | \$ 0.87          | \$ 0.92               |
| Diluted as reported  | \$ 0.75                                  | \$ 0.85          | \$ 0.89               |
| Diluted restated   | \$ 0.75                                  | \$ 0.86          | \$ 0.91               |

If the accounting provisions of SFAS No. 123, as amended, had been applied to all periods presented, the pro forma net income and basic and diluted earnings per share would have been:

|  | Three months ended<br>December 31,       |           | Years ended<br>December 31, |           |
|--|--|-----------|-----------------------------|-----------|
|  | 2002                                     | 2001      | 2002                        | 2001      |
|  | (in thousands, except per share amounts) |           |                             |           |
| Net income as reported   | \$ 26,375                                | \$ 23,238 | \$ 118,217                  | \$ 83,705 |
| Add: Stock option expense included in reported net income, net of tax benefits                       | 300                                      | 292       | 888                         | 1,612     |
| Deduct: Total stock option expense determined under the fair value based method, net of tax benefits | (300)                                    | (197)     | (888)                       | (788)     |
| Pro forma net income   | \$ 26,375                                | \$ 23,333 | \$ 118,217                  | \$ 84,529 |
| Earnings per share   |  |           |                             |           |
| Basic as reported  | \$ 0.72                                  | \$ 0.67   | \$ 3.26                     | \$ 2.48   |

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|                     |         |         |         |         |
|---------------------|---------|---------|---------|---------|
| Basic pro forma     | \$ 0.72 | \$ 0.67 | \$ 3.26 | \$ 2.50 |
| Diluted as reported | \$ 0.72 | \$ 0.67 | \$ 3.24 | \$ 2.47 |
| Diluted pro forma   | \$ 0.72 | \$ 0.67 | \$ 3.24 | \$ 2.49 |

Previously, the Company expensed stock options in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The method for expensing stock options prescribed by SFAS No. 123, as amended, is considered preferential by the Financial Accounting Standard Board.



## Hawaiian Electric Company, Inc. (HECO) and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

|  | Three months ended<br>December 31, |            | Years ended<br>December 31, |              |
|--|------------------------------------|------------|-----------------------------|--------------|
|  | 2002                               | 2001       | 2002                        | 2001         |
|  | (in thousands)                     |            |                             |              |
| <b>Operating revenues</b>                                | \$ 336,527                         | \$ 314,333 | \$ 1,252,929                | \$ 1,284,312 |
| <b>Operating expenses</b>                                |                                    |            |                             |              |
| Fuel oil   | 91,694                             | 79,733     | 310,595                     | 346,728      |
| Purchased power  | 85,711                             | 84,777     | 326,455                     | 337,844      |
| Other operation  | 36,337                             | 34,966     | 131,910                     | 125,565      |
| Maintenance  | 20,814                             | 19,049     | 66,541                      | 61,801       |
| Depreciation   | 26,361                             | 25,379     | 105,424                     | 100,714      |
| Taxes, other than income taxes                           | 31,349                             | 29,483     | 120,118                     | 120,894      |
| Income taxes   | 12,619                             | 11,224     | 56,729                      | 55,434       |
|  | 304,885                            | 284,611    | 1,117,772                   | 1,148,980    |
| <b>Operating income</b>                                  | 31,642                             | 29,722     | 135,157                     | 135,332      |
| <b>Other income</b>                                      |                                    |            |                             |              |
| Allowance for equity funds used during construction      | 977                                | 1,021      | 3,954                       | 4,239        |
| Other, net   | 706                                | 730        | 3,141                       | 3,197        |
|  | 1,683                              | 1,751      | 7,095                       | 7,436        |
| <b>Income before interest and other charges</b>          | 33,325                             | 31,473     | 142,252                     | 142,768      |
| <b>Interest and other charges</b>                        |                                    |            |                             |              |
| Interest on long-term debt                               | 10,290                             | 10,169     | 40,720                      | 40,296       |
| Amortization of net bond premium and expense             | 509                                | 517        | 2,014                       | 2,063        |
| Other interest charges                                   | 185                                | 452        | 1,498                       | 4,697        |
| Allowance for borrowed funds used during construction    | (463)                              | (547)      | (1,855)                     | (2,258)      |
| Preferred stock dividends of subsidiaries                | 229                                | 229        | 915                         | 915          |
| Preferred securities distributions of trust subsidiaries | 1,919                              | 1,919      | 7,675                       | 7,675        |
|  | 12,669                             | 12,739     | 50,967                      | 53,388       |
| <b>Income before preferred stock dividends of HECO</b>   | 20,656                             | 18,734     | 91,285                      | 89,380       |
| Preferred stock dividends of HECO                        | 270                                | 270        | 1,080                       | 1,080        |
| <b>Net income for common stock</b>                       | \$ 20,386                          | \$ 18,464  | \$ 90,205                   | \$ 88,300    |
| <b>OTHER ELECTRIC UTILITY INFORMATION</b>                |                                    |            |                             |              |
| Kilowatthour sales (millions)                            | 2,427                              | 2,360      | 9,544                       | 9,370        |
| Cooling degree days (Oahu)                               | 1,187                              | 1,200      | 4,798                       | 4,911        |



## American Savings Bank, F.S.B. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

|  | Three months ended<br>December 31, |               | Years ended<br>December 31, |                |
|--|------------------------------------|---------------|-----------------------------|----------------|
|  | 2002                               | 2001          | 2002                        | 2001           |
| (in a thousands)   |                                    |               |                             |                |
| <b>Interest and dividend income</b>                        |                                    |               |                             |                |
| Interest and fees on loans                                 | \$ 50,782                          | \$ 53,193     | \$ 203,082                  | \$ 231,858     |
| Interest on mortgage-related securities                    | 31,618                             | 36,850        | 135,252                     | 152,181        |
| Interest and dividends on investment securities            | 1,917                              | 2,449         | 7,896                       | 15,612         |
|  | <u>84,317</u>                      | <u>92,492</u> | <u>346,230</u>              | <u>399,651</u> |
| <b>Interest expense</b>                                    |                                    |               |                             |                |
| Interest on deposit liabilities                            | 16,300                             | 24,290        | 73,631                      | 116,531        |
| Interest on Federal Home Loan Bank advances                | 15,281                             | 14,473        | 58,608                      | 68,740         |
| Interest on securities sold under repurchase agreements    | 5,387                              | 5,392         | 20,643                      | 28,314         |
|  | <u>36,968</u>                      | <u>44,155</u> | <u>152,882</u>              | <u>213,585</u> |
| <b>Net interest income</b>                                 | <u>47,349</u>                      | <u>48,337</u> | <u>193,348</u>              | <u>186,066</u> |
| Provision for loan losses                                  | 1,750                              | 3,500         | 9,750                       | 12,500         |
| <b>Net interest income after provision for loan losses</b> | <u>45,599</u>                      | <u>44,837</u> | <u>183,598</u>              | <u>173,566</u> |
| <b>Other income</b>  |                                    |               |                             |                |
| Fees from other financial services                         | 5,873                              | 4,600         | 21,254                      | 17,194         |
| Fees from deposit liabilities                              | 4,017                              | 2,688         | 15,734                      | 9,401          |
| Fee income on other financial products                     | 2,416                              | 2,601         | 10,063                      | 8,451          |
| Fee income on loans serviced for others, net               | 205                                | 664           | (164)                       | 2,458          |
| Gain (loss) on sale of securities                          |                                    | 4,313         | (640)                       | 8,044          |
| Loss on investments  |                                    |               |                             | (6,164)        |
| Other  | 1,794                              | 1,206         | 6,778                       | 5,567          |
|  | <u>14,305</u>                      | <u>16,072</u> | <u>53,025</u>               | <u>44,951</u>  |
| <b>General and administrative expenses</b>                 |                                    |               |                             |                |
| Compensation and employee benefits                         | 15,548                             | 13,285        | 59,594                      | 51,932         |
| Occupancy and equipment                                    | 7,699                              | 7,314         | 30,086                      | 28,638         |
| Data processing  | 2,939                              | 2,893         | 11,167                      | 10,408         |
| Consulting   | 3,319                              | 1,527         | 7,693                       | 3,825          |
| Amortization of goodwill and core deposit intangibles      | 433                                | 1,685         | 1,731                       | 6,706          |
| Other  | 8,189                              | 9,315         | 33,469                      | 34,909         |
|  | <u>38,127</u>                      | <u>36,019</u> | <u>143,740</u>              | <u>136,418</u> |
| <b>Income before minority interest and income taxes</b>    | <u>21,777</u>                      | <u>24,890</u> | <u>92,883</u>               | <u>82,099</u>  |
| Minority interests   | 42                                 | 51            | 173                         | 213            |
| Income taxes   | 6,972                              | 8,109         | 31,074                      | 27,944         |
| <b>Income before preferred stock dividends</b>             | <u>14,763</u>                      | <u>16,730</u> | <u>61,636</u>               | <u>53,942</u>  |
| Preferred stock dividends                                  | 1,353                              | 1,353         | 5,411                       | 5,411          |

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|                                    |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
| <b>Net income for common stock</b> | <b>\$ 13,410</b> | <b>\$ 15,377</b> | <b>\$ 56,225</b> | <b>\$ 48,531</b> |
| Interest rate spread (%)           |                  |                  | 3.24             | 3.17             |

## RETIREMENT BENEFITS

On January 13, 2003, the Pension Investment Committee of Hawaiian Electric Industries, Inc. (HEI) and subsidiaries (Company) adopted new discount rate and long-term rate of return on asset assumptions related to its retirement benefit plans as of December 31, 2002. The Company will use a discount rate of 6.75% to calculate its retirement benefit expense for 2003, which has been reduced from 7.25% as of December 31, 2001. For 2003, the Company will assume a long-term rate of return on plan assets of 9%, which has been reduced from the 10% assumption used for 2002. Based upon these revised assumptions and the actual performance of the plans' assets through December 31, 2002, the Company estimates that net retirement benefits expense will be \$12.6 million in 2003 as compared to net retirement benefits income of \$4.5 million in 2002. The Company's utility subsidiaries, Hawaiian Electric Company, Inc. and its subsidiaries, will record the majority of the expense, an estimated \$8.9 million of net retirement benefits expense in 2003 as compared to net retirement benefits income of \$6.4 million in 2002.

## FORWARD-LOOKING STATEMENTS

This filing contains forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plans, believes, predicts, estimates or similar expressions. In addition, any statements concerning future financial performance (including future revenues, expenses, earnings or losses or growth rates), ongoing business strategies or prospects and possible future actions, which may be provided by management, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about the Company, the performance of the industries in which it does business and economic and market factors, among other things. These forward-looking statements are not guarantees of future performance.

Forward-looking statements in this filing should be read in conjunction with Forward-looking statements (which is incorporated by reference herein) set forth on page v of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 and in the Company's future periodic reports that discuss important factors that could cause the Company's actual financial and other results to differ materially from those anticipated in such statements. Forward-looking statements in this filing speak only as of the date of this filing.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature of the undersigned companies shall be deemed to relate only to matters having reference to such companies and any subsidiaries thereof.

HAWAIIAN ELECTRIC INDUSTRIES, INC.  
(Registrant)

HAWAIIAN ELECTRIC COMPANY, INC.  
(Registrant)

/s/ ERIC K. YEAMAN

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/s/ RICHARD A. VON GNECHTEN

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**Eric K. Yeaman**  
**Financial Vice President, Treasurer**  
**and Chief Financial Officer**  
**(Principal Financial Officer of HEI)**

**Richard A. von Gnechten**  
**Financial Vice President**  
**(Principal Financial Officer of HECO)**

Date: January 21, 2003

Date: January 21, 2003