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HAWAIIAN ELECTRIC INDUSTRIES INC

Form 8-K

November 01, 2001

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

FORM 8-K  
CURRENT REPORT

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

Date of Report: October 31, 2001

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Exact Name of Registrant as Specified in Its Charter -----	Commission File Number -----	I.R.S. Employer Identification No. -----
Hawaiian Electric Industries, Inc.	1-8503	99-0208097
Hawaiian Electric Company, Inc.	1-4955	99-0040500

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State of Hawaii

-----  
(State or other jurisdiction of incorporation)

900 Richards Street, Honolulu, Hawaii 96813

-----  
(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  
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On October 31, 2001, HEI issued the following news release:

HAWAIIAN ELECTRIC INDUSTRIES, INC. REPORTS THIRD QUARTER 2001 EARNINGS AND  
DISCONTINUATION OF ITS INTERNATIONAL SUBSIDIARY AND PROVIDES NOTICE OF ITS  
PROPOSED REGISTERED OFFERING OF COMMON STOCK

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HONOLULU -- Hawaiian Electric Industries, Inc. (NYSE - HE) reported net income from continuing operations for the three months ended September 30, 2001 of \$28.7 million, or 85 cents per share, compared with \$31.2 million, or 96 cents per share, in the same quarter of 2000. For the nine months ended September 30, 2001, net income from continuing operations was \$82.5 million, or \$2.47 per share, compared with \$87.9 million, or \$2.71 per share, in the same period last year. "Although results were down this quarter as compared with the same quarter in 2000, our core businesses, the utilities and bank, turned in solid results," said Robert F. Clarke, HEI chairman, president and chief executive officer.

The Company also announced that it has discontinued its international power operations effective September 30, 2001. "After evaluating strategic alternatives for our international operations, we believe it is in the best interest of our shareholders to exit this business and focus resources on our Hawaii operations," said Clarke. Over the next year, HEI Power Corp. will wind down its operations and manage the disposition of its assets.

Net losses from discontinued operations during the third quarter, including the discontinued international operations, were \$21.5 million or 64 cents per share, compared to \$9.2 million, or 28 cents per share, in the same quarter last year. Net losses from discontinued operations for the nine months ended September 30, 2001 were \$22.1 million, or 66 cents per share, versus \$17.8 million, or 55 cents per share, in the same period of 2000.

Electric utility net income during the quarter was \$25.7 million versus \$25.0 million in the same quarter last year. Net income for the nine months was \$69.8 million versus \$72.8 million in the same period of 2000. "Utility net income was up slightly this quarter as compared with the same quarter last year. Warmer weather drove kilowatthour sales higher by 1.6% this quarter," said Clarke. "Increased sales, along with decreased maintenance costs, were partially offset by increases in purchased power capacity charges and depreciation expense for the quarter as compared to the same period in 2000."

Bank net income in the third quarter was \$11.1 million, compared to \$9.8 million in the same quarter last year. Net income for the nine months was \$33.2 million, versus \$30.4 million in the same period of 2000. "Our bank earnings were 12.8% higher this quarter compared with the same quarter last year due largely to increases in other income," said Clarke. Lower losses from investing activities, along with increased credit card interchange and ATM fees, contributed to higher other income in the third quarter. Investment activity losses were lower due to the disposition of certain trust securities. The bank's interest rate spread - the difference between the yield on earning assets and the cost of funds declined 3 basis points to 3.08% in the quarter and 8 basis points for the nine months to 3.10%.

The financial results of HEI's other nonutility subsidiaries and the corporate parent reflect a larger net loss for the quarter and nine months ended September 30, 2001 than in the same periods last year due to higher losses from investments acquired in connection with the disposition by the bank of certain trust securities and increased interest expense.

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"While we are pleased with our third quarter results from our core businesses, the September 11 attacks, as well as the ensuing responses, have greatly affected the people of Hawaii and will undoubtedly impact our operations. Resulting declines in Hawaii tourism will have an effect on our utilities' kilowatthour sales and may eventually lead to increased delinquencies at our bank," said Clarke. "Volatility in U.S. capital markets may also negatively impact net pension income, the bank's interest rate spread and

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investments at the corporate parent. While the magnitude and duration of the economic impacts of the September 11 attacks are now unknown, HEI's core operations have been stable and have generated good cash flows even in difficult times."

HEI is a diversified holding company. Its core businesses are electric utilities and a bank.

### Notice of Proposed Registered Offering of Common Stock

HEI also announced that it plans to offer in an underwritten, registered public offering 1.5 million shares of its common stock (or 1.725 million shares if the underwriters' over-allotment option is exercised). Proceeds from the sale will be used to repay debt and for other general corporate purposes.

This notice does not constitute an offer of common stock or any other securities for sale.

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### Forward-looking Statements

This release may contain "forward-looking statements," that are subject to risks and uncertainties. Forward-looking statements are 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. Forward-looking statements in this release should be read in conjunction with "Forward-looking statements" set forth on page v of HEI's Form 10-Q for the quarter ended June 30, 2001 (incorporated by reference herein) and in HEI's future periodic reports that discuss important factors that could cause HEI's results to differ materially from those anticipated in such statements. Forward-looking statements speak only as of the date of this release.

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### Hawaiian Electric Industries, Inc. and subsidiaries CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
<hr/>				
Revenues				
Electric utility	\$ 341,386	\$ 337,324	\$ 973,460	\$ 934,571
Bank	108,034	114,300	336,038	333,261
Other	(2,128)	383	(1,530)	1,871
	<hr/>	<hr/>	<hr/>	<hr/>
	447,292	452,007	1,307,968	1,269,711
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses				
Electric utility	287,064	284,031	821,100	778,031
Bank	88,546	97,321	278,829	280,781
Other	2,631	1,011	9,354	6,711
	<hr/>	<hr/>	<hr/>	<hr/>
	378,241	382,363	1,109,283	1,065,521
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Operating income (loss)				
Electric utility	54,322	53,293	152,360	156,53
Bank	19,488	16,979	57,209	52,48
Other	(4,759)	(628)	(10,884)	(4,83
	-----	-----	-----	-----
	69,051	69,644	198,685	204,19
	-----	-----	-----	-----
Interest expense-				
other than bank	(19,937)	(18,842)	(59,461)	(57,58
Allowance for borrowed funds				
used during construction	524	807	1,711	2,22
Preferred stock dividends of				
subsidiaries	(501)	(501)	(1,504)	(1,50
Preferred securities distributions of				
trust subsidiaries	(4,008)	(4,008)	(12,026)	(12,02
Allowance for equity funds				
used during construction	998	1,505	3,218	4,10
	-----	-----	-----	-----
Income from continuing operations				
before income taxes	46,127	48,605	130,623	139,39
Income taxes	17,461	17,404	48,081	51,47
	-----	-----	-----	-----
Income from continuing operations	28,666	31,201	82,542	87,92
Discontinued operations,				
net of income taxes				
Loss from operations	(711)	(9,152)	(1,254)	(17,80
Net gain (loss) on disposals	(20,821)	--	(20,821)	-
	-----	-----	-----	-----
Loss from discontinued operations	(21,532)	(9,152)	(22,075)	(17,80
	-----	-----	-----	-----
Net income	\$ 7,134	\$ 22,049	\$ 60,467	\$ 70,12
	=====	=====	=====	=====
Per common share				
Basic earnings (loss)				
Continuing operations	\$ 0.85	\$ 0.96	\$ 2.47	\$ 2.7
Discontinued operations	(0.64)	(0.28)	(0.66)	(0.5
	-----	-----	-----	-----
	\$ 0.21	\$ 0.68	\$ 1.81	\$ 2.1
	=====	=====	=====	=====
Diluted earnings (loss)				
Continuing operations	\$ 0.84	\$ 0.95	\$ 2.46	\$ 2.7
Discontinued operations	(0.63)	(0.28)	(0.66)	(0.5
	-----	-----	-----	-----
	\$ 0.21	\$ 0.67	\$ 1.80	\$ 2.1
	=====	=====	=====	=====
Dividends	\$ 0.62	\$ 0.62	\$ 1.86	\$ 1.8
	=====	=====	=====	=====
Weighted-average number of				
common shares outstanding	33,716	32,642	33,454	32,43
	=====	=====	=====	=====
Adjusted weighted-average shares	33,925	32,777	33,634	32,57
	=====	=====	=====	=====
Income (loss) from continuing operations				
by segment				
Electric utility	\$ 25,695	\$ 25,020	\$ 69,836	\$ 72,759
Bank	11,072	9,815	33,154	30,432
Other	(8,101)	(3,634)	(20,448)	(15,269
	-----	-----	-----	-----
Income from continuing operations	\$ 28,666	\$ 31,201	\$ 82,542	\$ 87,922
	=====	=====	=====	=====

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This information should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in HEI's Annual Report on SEC Form 10-K for the year ended December 31, 2000 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, 2001, June 30, 2001 and September 30, 2001 (when filed).

Results of operations for interim periods are not necessarily indicative of results to be expected for future interim periods or the full year.

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### HAWAIIAN ELECTRIC INDUSTRIES, INC. SUPPLEMENTAL DATA TO 3RD QUARTER 2001 EARNINGS RELEASE (Unaudited)

Hawaiian Electric Company, Inc. (HECO) and subsidiaries Consolidated Statements of Income ----- (in thousands)	Three months ended September 30, -----	
	2001 -----	2000 -----
Operating revenues	\$ 340,231	\$ 335,263
Operating expenses		
Fuel oil	96,665	95,883
Purchased power	87,670	85,092
Other operation	30,729	30,582
Maintenance	14,540	16,156
Depreciation	25,363	24,605
Taxes, other than income taxes	31,494	31,615
Income taxes	16,244	15,828
	302,705	299,761
Operating income	37,526	35,502
Other income		
Allowance for equity funds used during construction	998	1,505
Other, net	530	1,856
	1,528	3,361
Income before interest and other charges	39,054	38,863
Interest and other charges		
Interest on long-term debt	10,126	10,024
Amortization of net bond premium and expense	509	485
Other interest charges	832	1,725

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Allowance for borrowed funds used during construction	(524)	(807)
Preferred stock dividends of subsidiaries	228	228
Preferred securities distributions of trust subsidiaries	1,918	1,918
	-----	-----
	13,089	13,573
	-----	-----
Income before preferred stock dividends of HECO	25,965	25,290
Preferred stock dividends of HECO	270	270
	-----	-----
Net income for common stock	\$ 25,695	\$ 25,020
	=====	=====

Other electric utility information

Kilowatthour sales (millions)	2,471	2,433
Cooling degree days (Oahu)	1,578	1,501

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American Savings Bank, F.S.B. and subsidiaries	Three months ended		
	September 30,		
Consolidated Income statement data	2001	2000	2000
-----			
(in thousands)			
Interest income	\$ 96,967	\$ 108,326	\$
Interest expense	52,118	61,885	
	-----	-----	-----
Net interest income	44,849	46,441	
Provision for loan losses	(3,000)	(3,000)	
Other income	11,067	5,974	
Operating, administrative and general expenses	(33,428)	(32,436)	
	-----	-----	-----
Operating income	19,488	16,979	
Minority interest	48	58	
Income taxes	7,015	5,753	
	-----	-----	-----
Income before preferred stock dividends	12,425	11,168	
Preferred stock dividends	1,353	1,353	
	-----	-----	-----
Net income	\$ 11,072	\$ 9,815	\$
	=====	=====	=====
Interest rate spread (%)	3.08	3.11	

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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

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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/ Robert F. Mougeot  
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Robert F. Mougeot  
Financial Vice President, Treasurer  
and Chief Financial Officer  
(Principal Financial Officer of HEI)

Date: October 31, 2001

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

Date: October 31, 2001