

HAWAIIAN ELECTRIC INDUSTRIES INC  
Form 8-K  
July 20, 2004

---

**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: July 19, 2004**

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

---

**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.)**

---

**Item 5. Other Events and Regulation FD Disclosure**

On July 19, 2004, HEI issued the following news release:

**HAWAIIAN ELECTRIC INDUSTRIES, INC. REPORTS SECOND QUARTER 2004 EARNINGS**

HONOLULU Hawaiian Electric Industries, Inc. (NYSE - HE) today reported net income from continuing operations for the three months ended June 30, 2004, of \$11.2 million, or 14 cents per share, compared with \$25.8 million, or 34 cents per share, in the same quarter of 2003. For the six months ended June 30, 2004, income from continuing operations was \$42.2 million or 54 cents per share, compared with \$50.1 million or 67 cents per share in the same period last year. In June, the Company recognized a cumulative \$24 million charge (30 cents per share) through March 31, 2004, to net income for an unfavorable tax ruling involving American Savings Bank's real estate investment trust (REIT) subsidiary. In addition, in the second quarter, the Company accrued \$0.2 million in interest, net of taxes, related to the REIT tax issue and state bank franchise tax of \$1.2 million. Management continues to believe that its tax position is proper and has appealed the ruling to the Hawaii State Supreme Court.

Excluding the effects of the REIT tax adjustment through March 31, 2004, earnings for the quarter would have been \$35.2 million or 44 cents per share a solid 29% increase over the same quarter last year on a per share basis. This performance resulted primarily from broad-based strength in the Hawaii economy that had positive effects on HEI's electric utility and bank subsidiaries' operating results, said Robert F. Clarke, HEI chairman, president and chief executive officer.

Hawaiian Electric Company's net income for the second quarter was up 17% to \$21.7 million compared with \$18.6 million for the same quarter last year when the adverse effects of the Iraq war on tourism and increased retirement benefits expenses decreased earnings. Electric utility net income for the six months ended June 30, 2004, was \$41.8 million compared with \$36.2 million for the same period of 2003.

Kilowatt-hour sales were higher by 2.8% quarter-over-quarter. Double-digit international and strong domestic visitor arrival growth rates in April and May and increased military activity contributed to increased commercial usage, said Clarke. In addition, residential sales were up on all islands resulting from increased usage by existing customers and the effects of new home construction activity, Clarke added.

Further contributing to the increase in electric utility net income were a reduction in other operation costs principally due to a \$2.3 million decrease in retirement benefits expenses compared with the second quarter of 2003 and a \$0.5 million reduction in interest expenses and preferred securities distributions of trust subsidiaries related to the refinancing of higher-costing debt in the first half of 2004.

Bank net loss in the second quarter was \$6.9 million compared to net income of \$13.5 million in the same quarter last year. Bank net income for the six months ended June 30, 2004, was \$9.0 million compared with \$27.0 million in the same period last year. Bank results included a cumulative \$24 million charge in June 2004 related to the previously reported unfavorable tax court ruling involving the bank's REIT subsidiary. Details of the REIT tax issue were fully disclosed in a separate filing with the Securities and Exchange Commission on Form 8-K on June 8, 2004. Excluding the charge, bank net income would have been \$17.0 million for the second quarter and \$32.9 million for the first six months of 2004.

Strong demand for homes and limited supply continued to add strength to the Hawaii real estate market and further improve asset quality at the bank, said Clarke. Delinquent and nonaccrual loans as a percent of total loans at June 30, 2004, continued to trend downward to 0.4%, a level well below historical norms. These factors combined with recoveries on loans previously charged off resulted in the reversal of \$3.0 million of the bank's allowance for loan losses in the second quarter. The bank remained adequately reserved against possible loan losses with \$38.8 million reserved at June 30, 2004.

Net interest income increased \$1.2 million quarter-over-quarter. The interest rate spread increased to 3.08% for the second quarter compared with 3.02% for the second quarter of 2003. The increase in the interest rate spread quarter-over-quarter was primarily due to a change in the mix of the bank's funding base out of higher-costing borrowings and into low-costing core deposits, partially offset by a decrease in the yield on loans.

The holding and other companies' net expenses were \$3.5 million in the second quarter of 2004 versus \$6.3 million in same quarter of 2003. The holding and other companies' net expenses for the six months ended June 30, 2004, were \$8.6 million compared with \$13.1 million for the same period of 2003. Second quarter net expenses decreased compared with the same quarter of 2003 due in part to the impact of lower interest rates and lower legal expenses.

HEI and its subsidiaries are a critical part of Hawaii's economy. HEI supplies power to over 400,000 customers or 93% of the Hawaii market through its electric utilities and provides a wide array of banking and other financial services to consumers and businesses through the state's third largest financial institution.

#### **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 the Forward-Looking Statements and Risk Factors discussion (which is incorporated by reference herein) set forth on page v of HEI's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, 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.

Edgar Filing: HAWAIIAN ELECTRIC INDUSTRIES INC - Form 8-K

Hawaiian Electric Industries, Inc. (HEI) and Subsidiaries

**CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

| (in thousands, except per share amounts)                      | Three months     |                  | Six months       |                  | Twelve months     |                   |
|---|------------------|------------------|------------------|------------------|-------------------|-------------------|
|   | ended June 30,   |                  | ended June 30,   |                  | ended June 30,    |                   |
|   | 2004             | 2003             | 2004             | 2003             | 2004              | 2003              |
| <b>Revenues</b>   |                  |                  |                  |                  |                   |                   |
| Electric utility  | \$ 370,605       | \$ 354,529       | \$ 717,218       | \$ 683,441       | \$ 1,430,462      | \$ 1,354,610      |
| Bank  | 89,982           | 92,703           | 179,240          | 187,805          | 362,755           | 386,149           |
| Other   | 1,211            | 1,524            | 2,450            | 2,146            | 13,615            | (104)             |
|   | <u>461,798</u>   | <u>448,756</u>   | <u>898,908</u>   | <u>873,392</u>   | <u>1,806,832</u>  | <u>1,740,655</u>  |
| <b>Expenses</b>   |                  |                  |                  |                  |                   |                   |
| Electric utility  | 324,691          | 311,944          | 627,164          | 599,881          | 1,247,403         | 1,172,651         |
| Bank  | 66,971           | 70,342           | 130,121          | 143,018          | 265,668           | 295,019           |
| Other   | 3,190            | 5,017            | 6,840            | 9,952            | 15,952            | 21,241            |
|   | <u>394,852</u>   | <u>387,303</u>   | <u>764,125</u>   | <u>752,851</u>   | <u>1,529,023</u>  | <u>1,488,911</u>  |
| <b>Operating income (loss)</b>                                |                  |                  |                  |                  |                   |                   |
| Electric utility  | 45,914           | 42,585           | 90,054           | 83,560           | 183,059           | 181,959           |
| Bank  | 23,011           | 22,361           | 49,119           | 44,787           | 97,087            | 91,130            |
| Other   | (1,979)          | (3,493)          | (4,390)          | (7,806)          | (2,337)           | (21,345)          |
|   | <u>66,946</u>    | <u>61,453</u>    | <u>134,783</u>   | <u>120,541</u>   | <u>277,809</u>    | <u>251,744</u>    |
| Interest expense other than bank                              | (19,106)         | (17,879)         | (40,553)         | (35,859)         | (73,986)          | (71,284)          |
| Allowance for borrowed funds used during construction         | 733              | 446              | 1,377            | 889              | 2,402             | 1,901             |
| Preferred stock dividends of subsidiaries                     | (475)            | (501)            | (950)            | (1,003)          | (1,953)           | (2,006)           |
| Preferred securities distributions of trust subsidiaries      |                  | (4,009)          |                  | (8,018)          | (8,017)           | (16,035)          |
| Allowance for equity funds used during construction           | 1,673            | 989              | 3,122            | 1,977            | 5,412             | 4,116             |
|   | <u>1,673</u>     | <u>989</u>       | <u>3,122</u>     | <u>1,977</u>     | <u>5,412</u>      | <u>4,116</u>      |
| <b>Income from continuing operations before income taxes</b>  |                  |                  |                  |                  |                   |                   |
|   | 49,771           | 40,499           | 97,779           | 78,527           | 201,667           | 168,436           |
| Income taxes  | 38,533           | 14,739           | 55,609           | 28,440           | 91,536            | 58,462            |
|   | <u>11,238</u>    | <u>25,760</u>    | <u>42,170</u>    | <u>50,087</u>    | <u>110,131</u>    | <u>109,974</u>    |
| <b>Loss from discontinued operations, net of income taxes</b> |                  |                  |                  |                  |                   |                   |
|   |                  | (3,870)          |                  | (3,870)          |                   | (3,870)           |
|   | <u>11,238</u>    | <u>21,890</u>    | <u>42,170</u>    | <u>46,217</u>    | <u>110,131</u>    | <u>106,104</u>    |
| <b>Net income</b>   |                  |                  |                  |                  |                   |                   |
|   | <u>\$ 11,238</u> | <u>\$ 21,890</u> | <u>\$ 42,170</u> | <u>\$ 46,217</u> | <u>\$ 110,131</u> | <u>\$ 106,104</u> |
| Per common share  |                  |                  |                  |                  |                   |                   |
| Basic earnings (loss) - Continuing operations                 | \$ 0.14          | \$ 0.34          | \$ 0.54          | \$ 0.67          | \$ 1.43           | \$ 1.49           |

Edgar Filing: HAWAIIAN ELECTRIC INDUSTRIES INC - Form 8-K

|  |                |           |           |           |           |            |            |
|--|----------------|-----------|-----------|-----------|-----------|------------|------------|
| operations   | - Discontinued |           | (0.05)    |           | (0.05)    |            | (0.05)     |
|  |                | \$ 0.14   | \$ 0.29   | \$ 0.54   | \$ 0.62   | \$ 1.43    | \$ 1.44    |
| Diluted earnings (loss) - Continuing operations      |                | \$ 0.14   | \$ 0.34   | \$ 0.53   | \$ 0.67   | \$ 1.43    | \$ 1.48    |
| operations   | - Discontinued |           | (0.05)    |           | (0.05)    |            | (0.05)     |
|  |                | \$ 0.14   | \$ 0.29   | \$ 0.53   | \$ 0.62   | \$ 1.43    | \$ 1.43    |
| Dividends  |                | \$ 0.31   | \$ 0.31   | \$ 0.62   | \$ 0.62   | \$ 1.24    | \$ 1.24    |
| Weighted-average number of common shares outstanding |                | 80,350    | 74,390    | 78,544    | 74,094    | 76,906     | 73,590     |
| Adjusted weighted-average shares                     |                | 80,707    | 74,754    | 78,895    | 74,444    | 77,136     | 73,956     |
| Income (loss) from continuing operations by segment  |                |           |           |           |           |            |            |
| Electric utility                                     |                | \$ 21,735 | \$ 18,556 | \$ 41,758 | \$ 36,212 | \$ 84,457  | \$ 82,208  |
| Bank   |                | (6,949)   | 13,494    | 8,978     | 27,002    | 38,237     | 55,064     |
| Other  |                | (3,548)   | (6,290)   | (8,566)   | (13,127)  | (12,563)   | (27,298)   |
| Income from continuing operations                    |                | \$ 11,238 | \$ 25,760 | \$ 42,170 | \$ 50,087 | \$ 110,131 | \$ 109,974 |

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, 2003 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, 2004 and June 30, 2004 (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. In April 2004, the HEI Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend with a distribution date of June 10, 2004. All share and per share information above reflects the stock split.

In the first quarter of 2004, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, and deconsolidated Hawaiian Electric Industries Capital Trust I, HEI Preferred Funding, LP, HECO Capital Trust I and HECO Capital Trust II. The Company did not elect to restate previously issued financial statements. Due to the deconsolidation, for the three and six months ended June 30, 2004, the Company's consolidated statement of income reflected equity in earnings of Hawaiian Electric Industries Capital Trust I, HEI Preferred Funding, LP, HECO Capital Trust I and HECO Capital Trust II of \$0.1 million and \$0.6 million, respectively, interest expense from borrowings related to these entities of \$0.8 million and \$5.4 million, respectively, and no preferred securities distributions of trust subsidiaries. The trust preferred securities of Hawaiian Electric Industries Capital Trust I and HECO Capital Trusts I and II were redeemed in April 2004. In March 2004, HECO Capital Trust III issued \$50 million of trust preferred securities, which were never consolidated.

In 1998, ASB formed a subsidiary, which elects to be taxed as a real estate investment trust (REIT). The State of Hawaii Department of Taxation (DOT) challenged ASB's tax position and issued notices of tax assessment. In 2002, ASB filed an appeal with the State Board of Review, First Taxation District, which issued its decision in favor of the DOT in 2003. ASB filed a notice of appeal with the Hawaii Tax Appeal Court. In May 2004, the DOT and ASB each filed a Motion for Summary Judgment, and in June 2004, the Hawaii Tax Appeal Court ruled in favor of the DOT and against ASB. ASB continues to believe that its tax position is proper and has appealed the decision. However, as a result of the Court's decision, ASB recorded a charge to net income (i.e., net of federal tax benefits) in the second quarter of 2004 of approximately \$24 million for the potential cumulative bank franchise tax liability (\$21 million) and interest (\$3 million) since the REIT was formed through March 31, 2004.



Hawaiian Electric Company, Inc. (HECO) and Subsidiaries

**CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

| (in thousands)   | Three months ended |            | Six months ended |            |
|--|--------------------|------------|------------------|------------|
|  | June 30,           |            | June 30,         |            |
|  | 2004               | 2003       | 2004             | 2003       |
| <b>Operating revenues</b>                                | \$ 369,393         | \$ 353,385 | \$ 715,337       | \$ 681,346 |
| <b>Operating expenses</b>                                |                    |            |                  |            |
| Fuel oil   | 114,496            | 102,168    | 211,582          | 193,007    |
| Purchased power  | 94,267             | 95,264     | 186,506          | 180,618    |
| Other operation  | 36,877             | 38,317     | 71,146           | 76,844     |
| Maintenance  | 15,910             | 15,476     | 32,906           | 29,758     |
| Depreciation   | 28,744             | 27,633     | 57,488           | 55,245     |
| Taxes, other than income taxes                           | 34,198             | 32,810     | 67,082           | 63,887     |
| Income taxes   | 13,779             | 11,676     | 26,666           | 22,891     |
|  | 338,271            | 323,344    | 653,376          | 622,250    |
| <b>Operating income</b>                                  | 31,122             | 30,041     | 61,961           | 59,096     |
| <b>Other income</b>                                      |                    |            |                  |            |
| Allowance for equity funds used during construction      | 1,673              | 989        | 3,122            | 1,977      |
| Other, net   | 1,088              | 869        | 1,729            | 1,636      |
|  | 2,761              | 1,858      | 4,851            | 3,613      |
| <b>Income before interest and other charges</b>          | 33,883             | 31,899     | 66,812           | 62,709     |
| <b>Interest and other charges</b>                        |                    |            |                  |            |
| Interest on long-term debt                               | 10,825             | 10,436     | 20,895           | 20,760     |
| Amortization of net bond premium and expense             | 577                | 528        | 1,146            | 1,041      |
| Preferred securities distributions of trust subsidiaries |                    | 1,919      |                  | 3,838      |
| Other interest charges                                   | 980                | 407        | 3,392            | 749        |
| Allowance for borrowed funds used during construction    | (733)              | (446)      | (1,377)          | (889)      |
| Preferred stock dividends of subsidiaries                | 229                | 229        | 458              | 458        |
|  | 11,878             | 13,073     | 24,514           | 25,957     |
| <b>Income before preferred stock dividends of HECO</b>   | 22,005             | 18,826     | 42,298           | 36,752     |
| Preferred stock dividends of HECO                        | 270                | 270        | 540              | 540        |
| <b>Net income for common stock</b>                       | \$ 21,735          | \$ 18,556  | \$ 41,758        | \$ 36,212  |
| <b>OTHER ELECTRIC UTILITY INFORMATION</b>                |                    |            |                  |            |
| Kilowatthour sales (millions)                            | 2,473              | 2,407      | 4,841            | 4,686      |
| Cooling degree days (Oahu)                               | 1,320              | 1,283      | 2,232            | 2,111      |



## Edgar Filing: HAWAIIAN ELECTRIC INDUSTRIES INC - Form 8-K

|                              |          |          |          |          |
|------------------------------|----------|----------|----------|----------|
| Average fuel cost per barrel | \$ 40.43 | \$ 38.76 | \$ 39.08 | \$ 37.36 |
|------------------------------|----------|----------|----------|----------|

This information should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in HECO's Annual Report on SEC Form 10-K for the year ended December 31, 2003 and the consolidated financial statements and the notes thereto in HECO's Quarterly Reports on SEC Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004 (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.

In the first quarter of 2004, HECO and its subsidiaries adopted the provisions of Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, and deconsolidated HECO Capital Trust I and HECO Capital Trust II. HECO and its subsidiaries did not elect to restate previously issued financial statements. Due to the deconsolidation, for the three and six months ended June 30, 2004, HECO's consolidated statement of income reflected equity in earnings of HECO Capital Trust I and HECO Capital Trust II of \$30 thousand and \$0.1 million, respectively, interest expense from borrowings related to these trusts of \$0.4 million and \$2.4 million, respectively, and no preferred securities distributions of trust subsidiaries. The trust preferred securities of HECO Capital Trusts I and II were redeemed in April 2004. In March 2004, HECO Capital Trust III issued \$50 million of trust preferred securities, which were never consolidated.

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

**CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

| (in thousands)   | Three months ended |               | Six months ended |                |
|--|--------------------|---------------|------------------|----------------|
|  | June 30,           |               | June 30,         |                |
|  | 2004               | 2003          | 2004             | 2003           |
| <b>Interest and dividend income</b>                        |                    |               |                  |                |
| Interest and fees on loans                                 | \$ 45,832          | \$ 50,425     | \$ 92,241        | 100,898        |
| Interest on mortgage-related securities                    | 27,559             | 26,023        | 54,636           | 55,300         |
| Interest and dividends on investment securities            | 1,665              | 1,551         | 3,413            | 3,308          |
|  | <u>75,056</u>      | <u>77,999</u> | <u>150,290</u>   | <u>159,506</u> |
| <b>Interest expense</b>                                    |                    |               |                  |                |
| Interest on deposit liabilities                            | 11,464             | 13,653        | 23,674           | 28,083         |
| Interest on Federal Home Loan Bank advances                | 10,347             | 12,052        | 20,844           | 25,618         |
| Interest on securities sold under repurchase agreements    | 5,231              | 5,431         | 10,477           | 10,772         |
|  | <u>27,042</u>      | <u>31,136</u> | <u>54,995</u>    | <u>64,473</u>  |
| <b>Net interest income</b>                                 | 48,014             | 46,863        | 95,295           | 95,033         |
| Provision for loan losses                                  | (3,000)            | 1,025         | (4,600)          | 2,175          |
| <b>Net interest income after provision for loan losses</b> | <u>51,014</u>      | <u>45,838</u> | <u>99,895</u>    | <u>92,858</u>  |
| <b>Other income</b>  |                    |               |                  |                |
| Fees from other financial services                         | 6,160              | 6,264         | 11,742           | 11,949         |
| Fee income on deposit liabilities                          | 4,276              | 3,964         | 8,657            | 7,834          |
| Fee income on other financial products                     | 2,646              | 2,379         | 5,622            | 5,234          |
| Fee income on loans serviced for others, net               | 907                | (442)         | 577              | (1,444)        |
| Gain on sale of securities                                 |                    | 1,554         | 16               | 2,366          |
| Other income   | 937                | 985           | 2,336            | 2,360          |
|  | <u>14,926</u>      | <u>14,704</u> | <u>28,950</u>    | <u>28,299</u>  |
| <b>General and administrative expenses</b>                 |                    |               |                  |                |
| Compensation and employee benefits                         | 15,704             | 16,701        | 31,459           | 32,794         |
| Occupancy  | 4,273              | 4,082         | 8,529            | 7,916          |
| Equipment  | 3,378              | 3,394         | 7,045            | 6,752          |
| Data processing  | 2,777              | 2,603         | 5,600            | 5,407          |
| Professional services                                      | 2,221              | 2,303         | 3,861            | 5,500          |
| Interest on income taxes                                   | 5,324              | 195           | 5,324            | 195            |
| Other  | 9,252              | 8,903         | 17,908           | 17,806         |
|  | <u>42,929</u>      | <u>38,181</u> | <u>79,726</u>    | <u>76,370</u>  |
| <b>Income before minority interests and income taxes</b>   | 23,011             | 22,361        | 49,119           | 44,787         |
| Minority interests   | 23                 | 32            | 49               | 66             |

Edgar Filing: HAWAIIAN ELECTRIC INDUSTRIES INC - Form 8-K

|  |                   |                  |                 |               |
|--|-------------------|------------------|-----------------|---------------|
| Income taxes                                   | 28,584            | 7,483            | 37,387          | 15,014        |
| <b>Income before preferred stock dividends</b> | (5,596)           | 14,846           | 11,683          | 29,707        |
| Preferred stock dividends                      | 1,353             | 1,352            | 2,705           | 2,705         |
| <b>Net income for common stock</b>             | <b>\$ (6,949)</b> | <b>\$ 13,494</b> | <b>\$ 8,978</b> | <b>27,002</b> |
| Interest rate spread (%)                       | 3.08              | 3.02             | 3.06            | 3.08          |

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, 2003 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, 2004 and June 30, 2004 (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.

In 1998, ASB formed a subsidiary, which elects to be taxed as a real estate investment trust (REIT). The State of Hawaii Department of Taxation(DOT) challenged ASB's tax position and issued notices of tax assessment. In 2002, ASB filed an appeal with the State Board of Review, First Taxation District, which issued its decision in favor of the DOT in 2003. ASB filed a notice of appeal with the Hawaii Tax Appeal Court. In May 2004, the DOT and ASB each filed a Motion for Summary Judgment, and in June 2004, the Hawaii Tax Appeal Court ruled in favor of the DOT and against ASB. ASB continues to believe that its tax position is proper and has appealed the decision. However, as a result of the Court's decision, ASB recorded a charge to net income (i.e., net of federal tax benefits) in the second quarter of 2004 of approximately \$24 million for the potential cumulative bank franchise tax liability (\$21 million) and interest (\$3 million) since the REIT was formed through March 31, 2004.

**Item 12. Results of Operations and Financial Condition**

The news release dated July 19, 2004 filed under Item 5, Other Events and Regulation FD Disclosure, herein is also furnished pursuant to Item 12, Results of Operations and Financial Condition.

**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)

/s/ Eric K. Yeaman

---

Eric K. Yeaman  
Financial Vice President, Treasurer

and Chief Financial Officer  
(Principal Financial Officer of HEI)  
Date: July 19, 2004

HAWAIIAN ELECTRIC COMPANY, INC.  
(Registrant)

/s/ Richard A. von Gnechten

---

Richard A. von Gnechten  
Financial Vice President

(Principal Financial Officer of HECO)  
Date: July 19, 2004