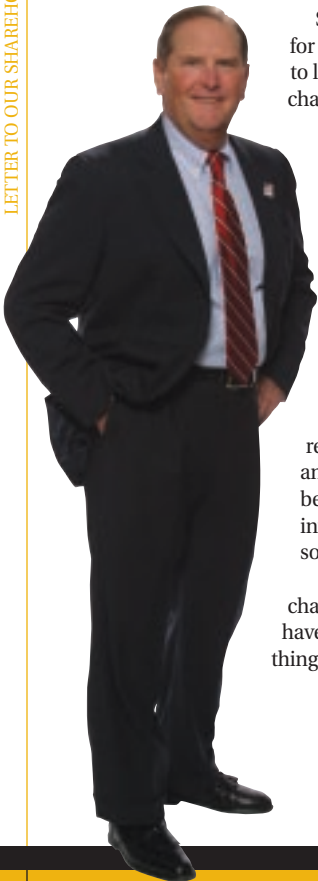




#### *Highlights*

- Earnings per share growth of 6 percent
- Net income increases 19 percent
- Increased dividend for 43rd consecutive year



TO OUR SHAREHOLDERS

So far in 2002, a transition year for TECO Energy, it is more telling to look at the things that have not changed at our company than those that have.

Personal ethics and financial integrity have always been central to our company's culture. So have a strong balance of operations, and a history of a growing dividend. These concepts are catching on with a broader audience these days.

Stability and integrity are replacing short-term growth and high risk/high return as being critically important to investors, and they're doing so at a dramatic pace.

For TECO Energy, the challenges of the last 12 months have put the nation's spotlight on things we have always known were

important for business — things we have consistently practiced in our day-to-day operations.

We operate under the philosophy that integrity starts at the top. This is evidenced not only in our financial disclosures, but in every activity taking place in our company — from maintaining electric and gas lines and building power plants to transporting bulk products and mining coal.

It's certainly fair to say the events of the past year, including a difficult economy and the high profile Enron bankruptcy in our industry, have challenged us, but they haven't fundamentally changed the way we do business, or our company's continued strong results.

Final Stages of Construction

With 5,600 megawatts of electric generation preparing for commercial operation at TECO Power Services and a major repowering project at Tampa Electric, TECO Energy is in full construction mode this year.

Through new contractor agreements with internationally recognized SNC-Lavalin to replace NEPCO, an Enron subsidiary, TPS maintained the same knowledgeable contract workforce on its four construction projects while removing the uncertainty associated with NEPCO.

Dell Power Station and Union Power Station in

Arkansas, Gila River Power Station in Arizona and McAdams Power Station in Mississippi are all expected to enter commercial operation in 2003.

At Tampa Electric, the first phase of the repowered Bayside Power Station is expected to be operational by mid-2003.

The company's growing service territory will benefit from the 600 megawatts of additional capacity gained in the repowering from coal to natural gas when the project is completed in 2004.

Equity Issued

The company's strong, steady growth was recognized by the financial community's response to our series of successful equity offerings.

The company issued \$449 million in mandatorily convertible equity units earlier this year, and \$357 million in common stock in June.

Notably, we expect these offerings to support our need for equity through the current cycle of capital spending at TECO Energy, including our major construction programs at Tampa Electric and TPS.

And, the fact that the marketed equity transactions were significantly oversubscribed represents a vote of confidence from the investment community.

This is particularly significant during this extraordinarily weak period in the stock market in general, and this challenging period in the energy industry.

In these especially trying times, we believe that fundamentals are important: a strong balance sheet, a good dividend policy and growing earnings.

We are committed to all three, and as evidence, our stock has done well compared with the Standard and Poor's 500 Index over the past two years.

As we enter the second half of 2002, you can expect more of the same hard work from our company — delivered in the same spirit of integrity you've seen from us in the past.

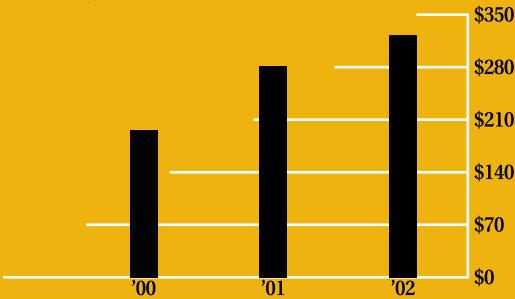
Some things weren't meant to change.

Sincerely,

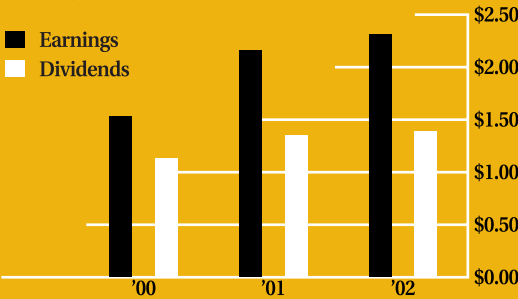
Robert D. Fagan  
Chairman of the Board,  
President & Chief Executive Officer

FINANCIAL HIGHLIGHTS (12 months ended 6/30/02)

Net Income  
(millions of dollars)



Earnings/Dividends Per Share  
(dollars per share)



TECO ENERGY FINANCIAL HIGHLIGHTS  
(millions except per share amounts)

	Six Months Ended June 30,	
	2002	2001
Revenues	\$1,560.2	\$1,313.0
Net income	\$ 161.1	\$ 141.6
Earnings per share - basic	\$ 1.13	\$ 1.07
Dividends per share	\$ .70	\$ .68
Average shares outstanding	142.3	131.7
Segment Net Income <sup>(1)</sup>		
Tampa Electric	\$ 81.4	\$ 68.6
Peoples Gas System	14.2	14.7
TECO Power Services	13.8	9.3
TECO Transport	11.1	14.6
TECO Coal	37.1	27.7
Other companies	14.4	21.4
Financing/Other	(10.9)	(14.7)

(1) Segment net income is reported on a basis that includes internally allocated financing costs at pretax rates of 7% for 2001 and 2002.



## COMPANY OVERVIEW

### Florida Operations

TECO Energy's strong first- and second-quarter results were led by contributions from the company's traditional cornerstone, Tampa Electric.

Tampa Electric's Bayside Power Station natural gas conversion is in full construction mode, providing earnings through an allowance for funds used during construction.

With continued strong growth in the regulated utility's service territory, Tampa Electric delivered good net income results for the first half of 2002.

Customer growth for Tampa Electric was nearly 3 percent, and energy sales increased nearly 4 percent.

This is evidence that Florida continues to be arguably the most attractive energy market in the United States.

Florida's tourism industry continues to bolster its robust economy, with more than 15 million visitors to the state per year.

The state's growth is clearly demonstrated by the expansion of TECO Energy's other regulated utility over the past decade.

Over the past 10 years, Peoples Gas has nearly doubled its pipeline presence in the state to 9,000 miles. The company's customer base has increased by 100,000 customers, an increase of 57 percent.

On the unregulated side of TECO Energy's Florida operations, TECO Solutions also increased its contribution to earnings per share over that of the first six months of 2001.

### Independent Power

TECO Power Services delivered \$13.8 million in net income, compared with \$9.3 million for the first six months of 2001.

The company resolved issues related to Enron during the first half of the year, including replacement of NEPCO as general contractor.

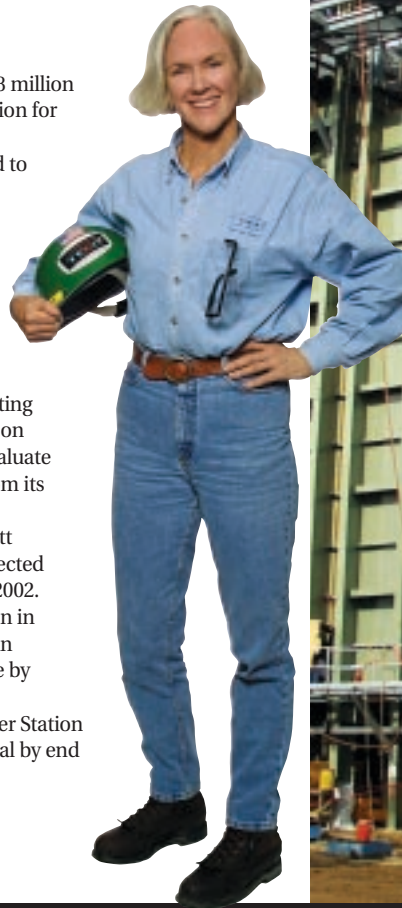
SNC-Lavalin Constructors Inc. is now building the projects, utilizing virtually the same qualified contract work force employed by NEPCO.

As the company's four major generating projects progress through construction on schedule, the company continues to evaluate the most efficient ways to sell power from its generating assets in each region.

The first phase of the 2,200-megawatt Union Power Station in Arkansas is expected to begin commercial operation by late 2002.

The 599-megawatt Dell Power Station in Arkansas and McAdams Power Station in Mississippi are expected to come online by mid-2003.

All four phases of the Gila River Power Station in Arizona are expected to be operational by end of summer 2003.



*(left) TECO Ocean Shipping transports cargo via the Gulf of Mexico.*

*(right) The Bayside repowering project progresses.*

TECO Power Services' latest acquisition, the fully operational Frontera Power Station, now has the capability of providing energy to Mexico and has done so this year.

### Other Businesses

TECO Transport experienced a decrease in its net income results for the first half of 2002, compared with the first half of 2001.

This decrease resulted from lower volumes transported northbound on the Mississippi River for TECO Barge Line, (formerly Mid-South Towing) and lower tonnage

transferred at TECO Bulk Terminal.

TECO Coal enjoyed better pricing on both its conventional coal and synthetic fuel.

The company also produced more synthetic fuel during the first half of the year. Synthetic fuel qualifies for federal income credits designed to encourage the production of fuel from non-conventional sources.

TECO Coalbed Methane's net income was down relative to last year, largely due to lower gas prices, but the company continues to make good contributions to earnings.



RESULTS FROM OPERATIONS

Earnings Summary

Earnings per share increased almost 6 percent to \$1.13 per share from \$1.07 per share in the first six months of 2002. Net income increased 14 percent to \$161.1 million, compared with \$141.6 million for the same period last year.

Results for the first six months of the year reflected continued strong customer growth, increased energy sales and higher earnings on the equity component of allowance for funds used during construction (AFUDC) (which represents allowed equity cost capitalized to the construction costs) at Tampa Electric, higher earnings from TECO Power Services' portfolio of generating facilities, and increased synthetic fuel sales and higher coal prices at TECO Coal.

Regulated Operations

Tampa Electric's year-to-date net income increased almost 19 percent to \$81.4 million, compared with \$68.6 million for the same period last year, reflecting almost 3 percent customer growth and almost 4 percent higher retail energy sales as a result of a return to more normal spring weather. The equity component of AFUDC increased to \$10.0 million from \$2.1 million in the first half of 2001. Depreciation expense increased from normal plant additions and operations and maintenance expenses increased due to a small-scale employee retirement program.

Peoples Gas System reported year-to-date net income of \$14.2 million, compared with \$14.7 million for the same period last year. These results reflected mild winter weather partially offset by almost 4 percent customer growth, higher commercial usage and increased volumes for low margin, transportation gas for electric power generators, interruptible customers and off-system sales as lower gas prices made gas utilization more attractive for price-sensitive customers.

Unregulated Businesses

TECO Power Services (TPS) reported year-to-date net income of \$13.8 million, compared with \$9.3 million for the same period last year. These results reflected higher capacity payments due to higher prices and generation at both the San José and Alborada stations in Guatemala and increased earnings from construction-related and loan agreements with Panda Energy. The improved operating performance was partially offset by higher operations and maintenance expense and low energy prices at the Frontera Station in Texas, higher operating costs

and increased financing costs. First half results in 2001 included a \$6.1-million after-tax valuation reserve recognized for TPS' sale of its minority interests in Energía Global International, Ltd. (EGI), which owned smaller projects in Central America.

In May, TECO Power Services replaced NEPCO, an Enron subsidiary which had been responsible for the construction of the Union, Gila River, Dell and McAdams power stations, with SNC-Lavalin Constructors Inc., a subsidiary of SNC-Lavalin Group, Inc., a large Canadian construction company. The replacement of NEPCO eliminated the risk that the four projects could be drawn into the Enron bankruptcy.

The projects will be completed on a cost-plus-fee basis, with the fee portion at risk until the completion of the projects. TECO Energy is responsible for any cost overruns for the projects. For the Union and Gila River projects the potential cost overrun is estimated at \$90 million. For the Dell and McAdams projects, the potential cost overrun amount is estimated to be approximately \$27 million.

TECO Transport reported year-to-date net income of \$11.1 million, compared with \$14.6 million for the first six months last year. These results reflected lower revenues from lower northbound river volumes and lower outside tonnage transferred at the river terminal, more than offsetting the effects of lower fuel and repair expenses and higher government grain shipments.

TECO Coal achieved year-to-date net income of \$37.1 million, compared with \$27.7 million last year. These results reflected increased prices for conventional coal and synthetic fuel and increased synthetic fuel production resulting in higher tax credits, partially offset by increased mining costs.

TECO Energy's other unregulated companies recorded year-to-date net income of \$14.4 million, compared with \$21.4 million for the same period last year. These results reflected lower gas prices throughout the period at TECO Coalbed Methane, partially offset by higher earnings at TECO Solutions, which includes TECO BGA, TECO Properties, TECO Gas Services and Prior Energy (an end-use gas marketing company.)

Non-operating Items

Financing costs were lower the first half, reflecting lower debt balances as a result of equity issuances, project financing at TPS completed in the third quarter of 2001 and lower short-term interest rates.

In June, the company sold 15.5 million shares of com-

mon stock priced to the public at \$23 per share, resulting in net proceeds of \$346 million. This sale, and the sale of mandatorily convertible preferred equity units in January, raising \$436 million of net proceeds, strengthened the

balance sheet and are expected to support TECO Energy's equity needs for the current business cycle, which includes the completion of four major power plants at TPS and the Bayside repowering project at Tampa Electric.

Note: This report contains forward-looking statements, which are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results to differ materially from those projected in these forward-looking statements include the following: general economic conditions, particularly those in Tampa Electric's service area affecting energy sales; weather variations affecting energy sales and operating costs; potential competitive changes in the electric and gas industries, particularly in the area of retail competition; regulatory actions affecting Tampa Electric, Peoples Gas System or TPS; commodity price changes affecting the competitive positions of Tampa Electric and Peoples Gas System, as well as the margins at TECO Coalbed Methane and TECO Coal; energy price changes affecting TPS' merchant plants; changes in and compliance with environmental regulations that may impose additional costs or curtail some activities; TPS' ability to successfully construct, finance and operate its projects on schedule and within budget; TPS' ability to obtain project financing for its Frontera, Dell and McAdams projects; TPS' ability to sell the output of the merchant plants operating or under construction at volumes and rates to recover the investment; the ability of TECO Energy's subsidiaries to operate equipment without undue accidents, breakdowns or failures; interest rates and other factors that could impact TECO Energy's ability to obtain access to sufficient capital on satisfactory terms; any unanticipated need for additional equity capital that might results from lower than expected cash flow or higher than projected capital requirements; and TECO Coal's ability to successfully operate its synthetic fuel production facilities in a manner qualifying for Section 29 federal income tax credits, which could be impacted by changes in law, regulation or administration. Some of these factors and others are discussed more fully under "Investment Considerations" in the company's Annual Report on Form 10-K for the year ended December 31, 2001, and in the company's Registration Statement on Form S-3 (Registration No. 333-83958).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (millions except per-share amounts)	Six Months Ended June 30, 2002	2001
Revenues	\$ 1,560.2	\$1,313.0
Expenses		
Operation	1,039.6	790.6
Maintenance	80.9	74.3
Depreciation	158.8	142.6
Taxes, other than income	89.1	90.1
	1,368.4	1,097.6
Income from operations	191.8	215.4
Other income (expense), net	38.5	20.5
Income before interest and income taxes	230.3	235.9
Interest expense	89.6	91.5
Income before provision for income taxes	140.7	144.4
Provision for income taxes	(20.4)	2.8
Net income	161.1	141.6
Average common shares outstanding	142.3	131.7
Earnings per average common shares outstanding		
– Basic	\$ 1.13	\$ 1.07
– Diluted	1.13	1.06
Dividend rate per common share outstanding	.70	.68

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (millions)	Six Months Ended June 30, 2002	2001
Cash flows from operations	\$ 322.4	\$232.3
Cash flows from investing activities		
Capital expenditures	(578.8)	(430.3)
Other investing activities	(331.3)	(29.7)
	(910.1)	460.0
Cash flows from financing activities	619.4	201.3
Net increase (decrease) in cash and cash equivalents	31.7	(26.3)
Cash and cash equivalents at beginning of period	108.4	98.2
Cash and cash equivalents at end of period	\$ 140.1	\$ 71.9

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## INFORMATION FOR INVESTORS

### *TECO Energy, Inc. Online*

For timely information about TECO Energy and its subsidiaries and to access the Investor Relations Web site, visit us online at [www.tecoenergy.com](http://www.tecoenergy.com). This issue of TECO Energy's Mid-Year Report is also available online.

### *Shareholder Inquiries*

Communication concerning transfer requirements, lost certificates, dividends and changes of address should be directed to the Transfer Agent.

### *Transfer Agent and Registrar*

Equiserve, P.O. Box 43010, Providence, RI 02940  
800.650.9222 • [www.equiserve.com](http://www.equiserve.com)

*TECO Energy is listed on the New York Stock Exchange,  
symbol: TE*



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