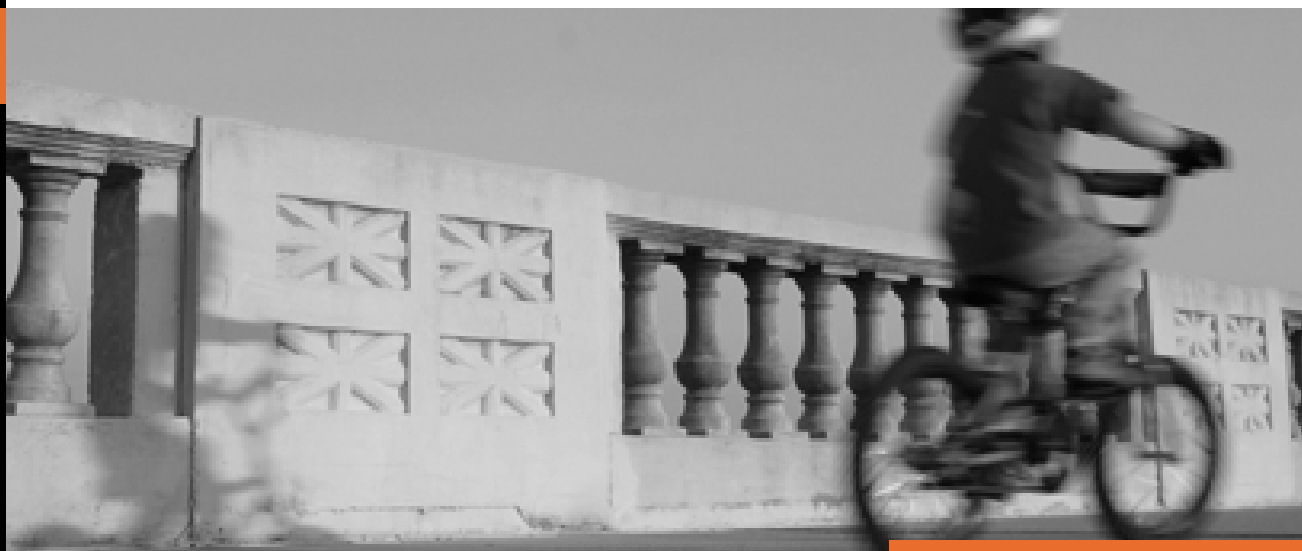


ACCELERATED GROWTH



HIGHLIGHTS

TECO Energy earnings per share climb 22 percent during the first half of the year.

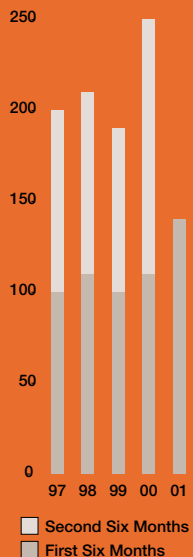
TECO Power Services acquires 477-megawatt Texas power station.

TECO Energy completes successful equity offering, raising \$232 million in net proceeds.

TECO Power Services and Panda Energy complete financing for the two largest merchant plants in the nation.

FINANCIAL HIGHLIGHTS

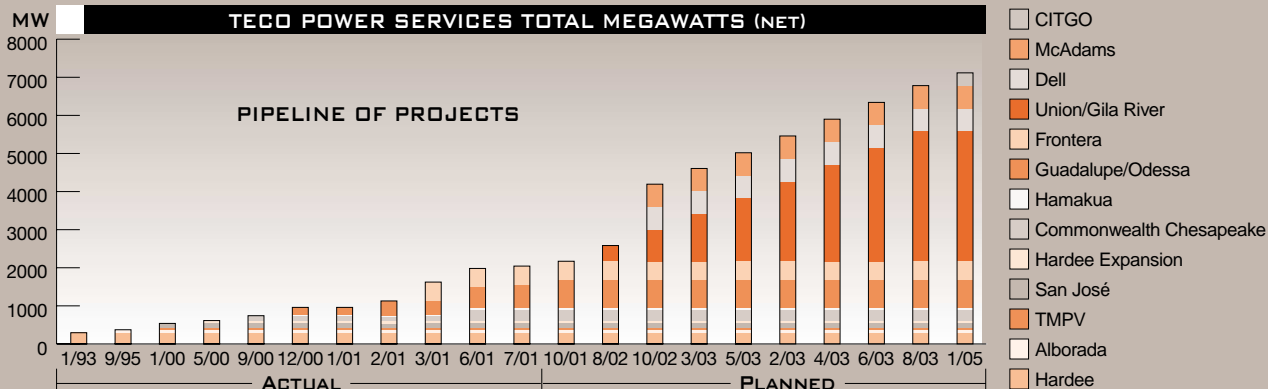
NET INCOME MILLIONS OF DOLLARS



Six Months Ended June 30,

	2001	2000
TECO ENERGY (millions except per share amounts)		
Revenues	\$ 1,314.4	\$ 1,084.0
Net income		
Net income from continuing operations	\$ 141.6	\$ 111.0
Net income	\$ 141.6	\$ 111.0
Earnings per share - basic		
From continuing operations	\$ 1.07	\$.88
Net income	\$ 1.07	.88
Dividends per share	\$.68	\$.66
Average shares outstanding	131.7	125.8
Segment Net Income ⁽¹⁾		
Tampa Electric	\$ 68.6	\$ 64.3
Peoples Gas System	14.7	12.5
TECO Transport	14.6	14.5
TECO Power Services	9.3	12.6
TECO Coal	27.7	6.8
Other companies	21.4	11.1
Financing/Other	(14.7)	
(10.8)		

(1) Beginning in 2001, segment net income is reported on a basis that includes internally allocated financing costs. Prior period net income has been restated to reflect the estimated internally allocated financing costs that would have been attributable to such prior periods. Internally allocated finance costs for 2001 and 2000 were at pretax rates of 7% and 6.75%, respectively, based on the average investment in each subsidiary.



TO OUR SHAREHOLDERS



Halfway through 2001, we are moving forward with the transformation of TECO Energy, one that has already begun to add value for our shareholders.

SUCCESS 2001

TECO Energy's growth in the independent power industry continues to accelerate, and we are adding competitive assets to our company.

At the same time, we are experiencing strong, steady customer and load growth in our regulated Florida operations.

During the first half of 2001, TECO Energy achieved earnings per share growth of 22 percent, building on growth of 13 percent during the first half of 2000.

Net income for the first half of 2001 was \$142 million, an increase of 28 percent over the first half of 2000.

Clearly, our business strategy is paying off.

FINANCING ACHIEVEMENTS

In March, TECO Energy's successful common stock offering added major new investors to our shareholder base.

In June, TECO Power Services and Panda Energy secured one of the largest non-recourse project financings in the history of the energy industry.

This \$2.2-billion transaction was made up of nearly \$1.7-billion in non-recourse construction debt and a \$0.5 billion equity bridge loan.

It will fund construction for the two largest merchant plants in the nation.

Great performance from both our regulated and unregulated businesses makes financings like this possible.

HITTING ON ALL CYLINDERS

The growing competitive nature of our industry demands that our businesses make a solid contribution to our bottom line.

This, I'm happy to report, continues to be the case. In fact, as I've said regularly this year, we're hitting on all cylinders.

Our accelerated growth is demonstrated most visibly in the projects being added by TECO Power Services, our independent power business.

The company is making rapid progress on the facilities announced in late 2000, including the almost 4,400 megawatts of generation being built as part of the company's joint venture with Panda Energy.

And early this year, TPS announced the purchase of a new 477-megawatt merchant power plant in McAllen, Texas, close to the Mexican border.

Our Florida operations continue to provide solid results. Tampa Electric is currently enjoying customer growth of about 3 percent and retail energy sales growth of 5 percent, as well as eight straight quarters of quarter-to-quarter growth.

Construction has begun on the repowering of Tampa Electric's Bayside Power Station.

Peoples Gas is currently enjoying nearly 5 percent customer growth in its service territory and continued earnings growth.

Continuing to add to its fleet, TECO Transport acquired a 40,000-ton self-discharging ship this year.

TECO Coal benefited so far this year from two full quarters of production from our synthetic fuel facilities, as well as increased coal production and improved pricing in the market.

These are just a few highlights of 2001 so far at TECO Energy.

As we enter the second half of the year, our goal of transforming ourselves into a primarily unregulated company is well within our sights.

And each of us is sharply focused on implementing the strategy that will take us there.

A handwritten signature in orange ink that reads "Robert D. Fagan".

Robert D. Fagan

Chairman of the Board, President and
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Six Months Ended June 30,	
(millions except per share amounts)	2001	2000
Revenues	\$ 1,314.4	\$ 1,084.0
Expenses		
Operation	790.6	593.8
Maintenance	74.3	79.6
Depreciation	142.6	126.0
Taxes, other than income	90.1	76.8
	1,097.6	876.2
Income from operations	216.8	207.8
Other income (expense), net	19.1	7.6
Income before interest and income taxes	235.9	215.4
Interest expense	91.5	75.0
Income before provision for income taxes	144.4	140.4
Provision for income taxes	2.8	29.4
Net income from continuing operations	141.6	111.0
Discontinued operations, net of income tax	—	—
Net income	\$ 141.6	111.0
Average common shares outstanding	131.7	125.8
Earnings per average common share outstanding:		
Basic - From continuing operations	\$ 1.07	\$.88
Diluted - From continuing operations	1.06	.88
Dividend rate per common share outstanding	.68	.66

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
(millions)	2001	2000
Cash flows from operations	\$ 232.6	\$ 195.0
Cash flows from investing activities		
Capital expenditures	(427.4)	(315.2)
Other investing activities	(32.7)	(72.4)
	(460.1)	(387.6)
Cash flows from financing activities	201.4	122.8
Net increase (decrease) in cash and cash equivalents	(26.1)	(69.8)
Cash and cash equivalents at beginning of period	99.6	97.5
Cash and cash equivalents at end of period	\$ 73.5	\$ 27.7

RESULTS FROM OPERATIONS

Earnings Summary

Earnings per share increased 22 percent in the first six months of 2001 to \$1.07 from \$0.88 in the same period last year. Net income increased 28 percent to \$141.6 million for the six-month period compared with \$111.0 million last year. Results for the six-month period reflected continued strong customer growth in the electric and gas businesses, increased contributions from TECO Power Services, the favorable impact of increased conventional coal production and improved pricing and increased synthetic fuel production at TECO Coal and higher realized gas prices for TECO Coalbed Methane.

Regulated Florida Operations

Tampa Electric net income increased 7 percent for the first six months of 2001, driven by almost 5 percent higher year-to-date retail sales from customer growth of almost 3 percent and favorable winter weather. Depreciation expense increased from normal plant additions to support the growing customer base.

Net income at Peoples Gas System increased 17 percent for the first six months of 2001 compared with the same period last year. With customer growth of more than 4 percent, and favorable winter weather, year-to-date residential sales volumes increased 14 percent and commercial sales volumes increased 7 percent.

Decreased volumes for low-margin, transportation gas for electric power generators, interruptible customers and off-system sales reflected the higher cost of gas for these customers who have the ability to switch to alternate fuels or alter consumption patterns.

Unregulated businesses

Net income at TECO Power Services was \$9.3 million for the first six months of 2001, compared with \$12.6 million in the 2000 period. The improved operating performance was offset by increased financing costs

and a \$6.1-million after-tax valuation reserve recognized in the first quarter for TPS' sale of its minority interests in Energía Global International, Ltd. (EGI) and EGI's smaller international projects. The sale was completed in the second quarter.

In March, TECO Power Services acquired the 477-megawatt, natural gas-fired combined-cycle Frontera Power Station from American Electric Power, located close to McAllen, Texas.

In June, TECO Power Services and Panda Energy, the joint venture partners, closed on a \$2.2-billion construction financing for the Gila River and Union power stations, the two largest merchant power plants in the nation.

TECO Transport recorded net income of \$14.6 million in the first six months, compared with \$14.5 million for the 2000 period. These results reflect higher domestic grain shipments, higher northbound river volumes and lower fuel expenses, partially offset by lower government grain shipments.

TECO Coal recorded net income of \$27.7 million for the first half of 2001, compared with \$6.8 million for the 2000 period. These results reflect increased conventional coal production, improved coal prices and a full six months of synthetic fuel production from facilities placed in service in the second quarter last year.

TECO Energy's other unregulated companies recorded net income of \$21.4 million for the first six months, compared with \$11.1 million for the same period last year. The improved results were driven by higher gas prices at TECO Coalbed Methane and increased earnings at TECO Solutions and TECO Propane Ventures.

Non-operating items:

Financing costs were higher for the first half of 2001, reflecting higher borrowing levels primarily associated with the expansion of the independent power business.

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 TECO Power Services; 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 TECO Power Services' merchant plants; changes in and compliance with environmental regulations that may impose additional costs or curtail some activities; TECO Power Services' ability to successfully develop, construct, finance and operate its projects on schedule and within budget; TECO Energy's ability to find and successfully implement attractive investments in unregulated businesses; interest rates and other factors that could impact TECO Energy's ability to obtain access to sufficient capital on satisfactory terms; 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 credits could be impacted by changes in tax law or interpretive action by the U.S. Treasury. Some of these factors are discussed more fully under "Investment Considerations" in the company's Annual Report on Form 10-K for the year ended December 31, 2000, and reference is made thereto.

COMPANY HIGHLIGHTS

INDEPENDENT POWER

TECO Power Services continues to experience rapid and dramatic capacity growth.

During the first half of 2001, the company acquired a 477-megawatt, natural gas-fueled commercially operating merchant power plant located near McAllen, Texas, close to the Mexican border.

The region surrounding the twin border cities of McAllen, Texas, and Reynosa, Mexico, has been described as one of the fastest-growing areas of North America.

Frontera is currently selling electricity in the domestic wholesale market, and also will have the ability to sell into the Mexican power market through a direct interconnection across the Rio Grande.

Also during the first half of the year, TECO Power Services formally broke ground on its Dell and McAdams power stations, located in Arkansas and Mississippi, respectively.

Each of these projects, which were acquired in late 2000, will be natural gas-fueled, with a capacity of 575 megawatts.

In April, TECO Power Services and Panda Energy began initial construction activity on the two largest merchant plants in the nation.

Gila River Power Station in Gila Bend, Arizona, and Union Power Station in El Dorado, Arkansas, are being constructed as a joint venture between the two companies.

The \$2.2-billion construction financing for the projects, the majority of which was non-recourse project debt, closed in June.

The plants are expected to be permanently financed after they begin commercial operation.

Other operating projects continue to progress with increasing capacity. Additional capacity at the Commonwealth Chesapeake Power Station is scheduled for commercial operation in August.

TPS operating projects have no exposure to the California market, nor will they be affected by the price caps imposed during the first half of 2001.



Frontera facility acquired. The 477-megawatt power station has the ability to deliver electricity in the U.S. and Mexico.



Top: Bayside construction. Work is well underway for the repowering of Gannon station from coal to natural gas.



Bottom: McAdams groundbreaking. Mississippi Governor Ronnie Musgrove talks with TPS President Rick Ludwig and Senior VP Mike Schuyler.

FLORIDA OPERATIONS

Demand for electricity in the Florida market continues to grow.

In fact, current projections show that Florida will require 1,000 additional megawatts per year going forward.

To meet its customers' growing needs, the company is aggressively implementing its plans to repower capacity at its Gannon Power Station.

The repowered plant, to be known as Bayside Power Station, will add significant incremental capacity of up to 1,500 megawatts to Tampa Electric's system.

Progress on the first phase of this project continues to move forward on schedule.

Thanks to progress like this, Florida utilities have a 20 percent capacity reserve margin, compared with only 2 percent in California.

Tampa Electric's Polk Power Station, the first large-scale commercial integration of gasification and

combined-cycle technologies, has received renewed national interest and attention in 2001.

With "clean coal" technology mentioned prominently in the Bush Administration's National Energy Policy, which unveiled in June, Polk hosted members of the national media, as well as legislators, throughout the first half of the year.

Peoples Gas continued to expand its system to meet the state's growing demand for natural gas.

In March, the company completed a 27-mile pipeline expansion, stretching from the south end of Jacksonville to near St. Augustine.

The expansion will serve World Golf Village, the development that houses the PGA Hall of Fame.

Ultimately, more than 7,200 homes are planned for the development.

TECO Solutions expanded its presence through acquisition.

In April, the company's TECO BGA subsidiary acquired the energy services division of AMSI Inc., a diversified contracting company located in Fort Lauderdale.

The acquisition expands on TECO Solutions' ability to offer complete performance solutions, including engineering design, construction, energy programs and operations and maintenance services to South Florida.

OTHER BUSINESSES

During the first half of 2001, TECO Transport enjoyed higher grain shipments to Puerto Rico, increased phosphate shipments and higher northbound river volumes.

To take advantage of this increasing business, the company also added a 40,000-ton ship to its growing fleet at a very attractive price this year.

At TECO Coal, two full quarters of synthetic fuel production, improved coal prices and increased coal production helped the company deliver strong results during the first two quarters.

The coal production results achieved so far in 2001 reflect the addition of the production at Perry County Coal, acquired in late 2000.

SHAREHOLDER INQUIRIES

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

TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company, N.A.
P.O. Box 43010, Providence, RI 02940

EQUISERVE SHAREHOLDER SERVICES

800/650-9222

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TECO ENERGY 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. This issue of TECO Energy's Mid-Year Report is also available online.



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