

National Fuel Gas Company



FINANCIAL AND STATISTICAL REPORT

CORPORATE PROFILE

National Fuel Gas Company, incorporated in 1902, is a diversified energy company with its headquarters in Williamsville, New York. The Company's \$3.6 billion in assets is distributed among six principal business segments: Pipeline and Storage, Utility, Exploration and Production, Timber, Energy Marketing and International.

National Fuel's history dates from the earliest days of the natural gas and oil industry in the United States, and the Company has been responsible for many industry firsts. Today, the Company continues to be managed in the same innovative and entrepreneurial spirit, and takes pride in its 101-year tradition of delivering service and value.

Pipeline and Storage *National Fuel Gas Supply Corporation* and *Empire State Pipeline* provide natural gas transportation and storage services to affiliated and nonaffiliated companies through an integrated system of 3,040 miles of pipeline and 32 underground natural gas storage fields (including four storage fields co-owned with nonaffiliated companies). This system is located within an area bounded by the Canadian border at the Niagara River, southwestern Pennsylvania and central New York just north of Syracuse.

Utility *National Fuel Gas Distribution Corporation* sells or transports natural gas to over 733,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The major areas served by this system include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania.

Exploration and Production *Seneca Resources Corporation* explores for, develops and purchases natural gas and oil reserves in the Gulf Coast region of Texas and Louisiana, the Appalachian region, California and the western provinces of Canada. Currently, Seneca's exploration emphasis is centered around new reserves in Canada and Appalachia, while development drilling continues to expand in California.

Timber *Highland Forest Resources, Inc.* and *Seneca Resources Corporation, Northeast Division* carry out the Timber segment operations for the Company. Highland operates two sawmills in northwestern Pennsylvania. Seneca markets timber from its New York and Pennsylvania land holdings.

Energy Marketing *National Fuel Resources, Inc.* markets natural gas to industrial, commercial, public authority and residential end-users in western and central New York and northwestern Pennsylvania, offering competitively priced energy and energy management services to its customers.

International *Horizon Energy Development, Inc.* engages in foreign energy projects through the investments of its indirect subsidiaries as the sole or substantial owner of various business entities. In addition to assets in the Czech Republic, joint development agreements have been signed with partners in Bulgaria and Italy.

CONTENTS

	2	Consolidated Statement of Income and Earnings Reinvested in the Business
	3	Consolidated Balance Sheet
	4	Consolidated Statement of Cash Flows
	5	Consolidated Statement of Comprehensive Income; Selected Financial Ratios
	6–8	Schedule of Business Segment Information
	8	Security Ratings
	9	Common Stock Data; Summary of General Rate Increases
Exploration and Production	10	Seneca Resources Corporation
	11	Gas and Oil Reserves; Net Undeveloped Acreage
	12	Revenues; Gas and Oil Production; Net Well Completions
	13	Producing Wells; Gas and Oil Prices; Exploration and Production Costs
Pipeline and Storage	14	National Fuel Gas Supply Corporation and Empire State Pipeline
	15	Regulation
	16	Revenues, Volumes and Revenue Rates; Transmission Statistics
	17	Firm Transportation by Customer; Contract Storage Service; Storage Statistics
Utility	18	National Fuel Gas Distribution Corporation
	19	Regulation
	20	Revenues, Volumes and Customers
	21	Degree Days; Industrial and Commercial Volumes
	22	Retail Market Comparative Fuel Cost; Sources of Utility Gas Supply
Timber	23	Highland Forest Resources, Inc. and Seneca Resources Corporation, Northeast Division
	23	Revenues; Production; Acreage; Board Feet
Energy Marketing	23	National Fuel Resources, Inc.
	23	Revenues; Volumes; Number of Customers
International	24	Horizon Energy Development, Inc.
	24	Revenues; Volumes; Number of Employees

This report is not a representation or prospectus with regard to the Company's securities and is not furnished in connection with any proposed sales or offer to sell or buy any stock or securities. Data contained herein with respect to any particular year should be considered in conjunction with the notes and comments appearing in the Company's annual report to shareholders for that year.



Consolidated Statement of Income and Earnings Reinvested in the Business

Year Ended September 30 (Thousands of Dollars, Except Per Common Share Amounts)

	2003	2002	2001	2000	1999
Income					
Operating Revenues	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416	\$1,254,402
Operating Expenses					
Purchased Gas	963,567	462,857	1,002,466	488,383	397,053
Fuel Used in Heat and Electric Generation	61,029	50,635	54,968	54,893	55,788
Operation and Maintenance	386,270	394,157	364,318	350,383	328,800
Property, Franchise and Other Taxes	82,504	72,155	83,730	78,878	91,146
Depreciation, Depletion and Amortization	195,226	180,668	174,914	142,170	124,778
Impairment of Oil and Gas Producing Properties	42,774	—	180,781	—	—
	1,731,370	1,160,472	1,861,177	1,114,707	997,565
Gain on Sale of Timber Properties	168,787	—	—	—	—
Loss on Sale of Oil and Gas Producing Properties	(58,472)	—	—	—	—
Operating Income	414,416	304,024	198,659	297,709	256,837
Other Income (Expense):					
Income from Unconsolidated Subsidiaries	535	224	1,794	1,669	999
Impairment of Investment in Partnership	—	(15,167)	—	—	—
Other Income	6,887	7,017	10,639	6,366	11,344
Interest Expense on Long-Term Debt	(92,766)	(90,543)	(81,851)	(67,195)	(65,402)
Other Interest Expense	(12,290)	(15,109)	(25,294)	(32,890)	(22,296)
Income Before Income Taxes and Minority Interest in Foreign Subsidiaries	316,782	190,446	103,947	205,659	181,482
Income Tax Expense	128,161	72,034	37,106	77,068	64,829
Minority Interest in Foreign Subsidiaries - (Expense)	(785)	(730)	(1,342)	(1,384)	(1,616)
Income Before Cumulative Effect of Changes in Accounting	187,836	117,682	65,499	127,207	115,037
Cumulative Effect of Changes in Accounting	(8,892)	—	—	—	—
Net Income Available for Common Stock	178,944	117,682	65,499	127,207	115,037
Earnings Reinvested in the Business					
Balance at Beginning of Year	549,397	513,488	525,847	472,517	428,112
	728,341	631,170	591,346	599,724	543,149
Dividends on Common Stock	85,651	81,773	77,858	73,877	70,632
Balance at End of Year	\$642,690	\$549,397	\$513,488	\$525,847	\$472,517
Earnings Per Common Share:					
Basic:					
Income Before Cumulative Effect of Changes in Accounting	\$2.32	\$1.47	\$0.83	\$1.63	\$1.49
Cumulative Effect of Changes in Accounting	(0.11)	—	—	—	—
Net Income Available for Common Stock	\$2.21	\$1.47	\$0.83	\$1.63	\$1.49
Diluted:					
Income Before Cumulative Effect of Changes in Accounting	\$2.31	\$1.46	\$0.82	\$1.61	\$1.47
Cumulative Effect of Changes in Accounting	(0.11)	—	—	—	—
Net Income Available for Common Stock	\$2.20	\$1.46	\$0.82	\$1.61	\$1.47
Weighted Average Common Shares Outstanding:					
Used in Basic Calculation	80,808,794	79,821,430	79,053,444	78,233,842	77,327,962
Used in Diluted Calculation	81,357,896	80,534,453	80,361,258	79,166,200	78,083,456



Consolidated Balance Sheet

At September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Assets					
Property, Plant and Equipment	\$4,657,343	\$4,512,651	\$4,273,716	\$3,829,637	\$3,390,875
Less - Accumulated Depreciation, Depletion and Amortization	1,658,256	1,667,906	1,493,003	1,146,246	1,029,643
	2,999,087	2,844,745	2,780,713	2,683,391	2,361,232
Current Assets					
Cash and Temporary Cash Investments	51,421	22,216	36,227	32,125	29,222
Receivables - Net	136,532	95,510	131,379	121,639	97,828
Unbilled Utility Revenue	27,443	21,918	25,375	27,105	18,674
Gas Stored Underground	89,640	77,250	83,231	55,795	41,099
Materials and Supplies - at average cost	32,311	31,582	33,710	25,145	23,631
Unrecovered Purchased Gas Costs	28,692	12,431	4,113	29,681	4,576
Prepayments	43,225	41,354	39,520	39,150	35,072
Fair Value of Derivative Financial Instruments	1,698	3,807	37,585	—	—
	410,962	306,068	391,140	330,640	250,102
Other Assets					
Recoverable Future Taxes	84,818	82,385	86,586	84,199	87,724
Unamortized Debt Expense	22,119	20,635	19,796	19,841	21,717
Other Regulatory Assets	49,616	26,104	23,253	24,804	25,214
Deferred Charges	7,528	5,914	8,440	12,637	13,970
Other Investments	64,025	65,090	62,924	59,396	51,605
Investments in Unconsolidated Subsidiaries	16,425	16,753	31,768	17,378	10,404
Goodwill	5,476	8,255	8,804	9,698	10,539
Intangible Assets	49,664	11,451	—	—	—
Other	18,195	13,909	31,807	9,047	10,079
	317,866	250,496	273,378	237,000	231,252
Total Assets	\$3,727,915	\$3,401,309	\$3,445,231	\$3,251,031	\$2,842,586
Capitalization and Liabilities					
Capitalization:					
Comprehensive Shareholders' Equity					
Common Stock, \$1 Par Value	\$81,438	\$80,265	\$79,406	\$78,660	\$77,675
Paid In Capital	478,799	446,832	430,618	412,887	393,114
Earnings Reinvested in the Business	642,690	549,397	513,488	525,847	472,517
Total Common Shareholder Equity Before Items Of Other Comprehensive Loss	1,202,927	1,076,494	1,023,512	1,017,394	943,306
Accumulated Other Comprehensive Loss	(65,537)	(69,636)	(20,857)	(29,957)	(4,013)
Total Comprehensive Shareholders' Equity	1,137,390	1,006,858	1,002,655	987,437	939,293
Long-Term Debt, Net of Current Portion	1,147,779	1,145,341	1,046,694	953,622	822,743
Total Capitalization	2,285,169	2,152,199	2,049,349	1,941,059	1,762,036
Minority Interest in Foreign Subsidiaries	33,281	28,785	22,324	23,031	27,589
Current and Accrued Liabilities					
Notes Payable to Banks and Commercial Paper	118,200	265,386	489,673	619,502	393,495
Current Portion of Long-Term Debt	241,731	160,564	109,435	11,262	69,608
Accounts Payable	125,779	100,886	123,246	92,493	86,238
Amounts Payable to Customers	692	—	51,223	9,583	5,934
Other Accruals and Current Liabilities	52,851	46,402	69,165	43,351	44,144
Fair Value of Derivative Financial Instruments	17,928	31,204	17,081	12,565	—
	557,181	604,442	859,823	788,756	599,419
Deferred Credits					
Accumulated Deferred Income Taxes	423,282	356,220	340,224	326,994	275,008
Taxes Refundable to Customers	13,519	15,596	16,865	14,410	14,814
Unamortized Investment Tax Credit	8,199	8,897	9,599	9,951	11,007
Cost of Removal Regulatory Liability	84,821	—	—	—	—
Other Regulatory Liabilities	69,867	82,676	68,957	49,015	48,226
Pension Liability	154,871	75,116	20,728	32,379	39,675
Asset Retirement Obligation	27,493	—	—	—	—
Other Deferred Credits	70,232	77,378	57,362	65,436	64,812
	852,284	615,883	513,735	498,185	453,542
Commitments and Contingencies	—	—	—	—	—
Total Capitalization and Liabilities	\$3,727,915	\$3,401,309	\$3,445,231	\$3,251,031	\$2,842,586



Consolidated Statement of Cash Flows

Year Ended September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Operating Activities					
Net Income Available for Common Stock	\$178,944	\$117,682	\$65,499	\$127,207	\$115,037
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities					
Gain on Sale of Timber Properties	(168,787)	—	—	—	—
Loss on Sale of Oil and Gas Producing Properties	58,472	—	—	—	—
Impairment of Oil and Gas Producing Properties	42,774	—	180,781	—	—
Depreciation, Depletion and Amortization	195,226	180,668	174,914	142,170	124,778
Deferred Income Taxes	78,369	62,013	(55,849)	41,858	14,030
Impairment of Investment in Partnership	—	15,167	—	—	—
Cumulative Effect of Changes in Accounting	8,892	—	—	—	—
(Income) Loss from Unconsolidated Subsidiaries, Net of Cash Distributions	703	361	(1,199)	(1,440)	(999)
Minority Interest in Foreign Subsidiaries	785	730	1,342	1,384	1,616
Other	11,289	9,842	6,553	5,946	8,017
Change in:					
Receivables and Unbilled Utility Revenue	(35,118)	40,786	(2,277)	(26,365)	(18,161)
Gas Stored Underground and Materials and Supplies	(12,421)	8,717	(37,054)	(13,707)	(7,280)
Unrecovered Purchased Gas Costs	(16,261)	(8,318)	25,568	(25,105)	1,740
Prepayments	862	(1,737)	(399)	(3,420)	(15,322)
Accounts Payable	20,435	(24,025)	20,419	(16,489)	22,871)
Amounts Payable to Customers	692	(51,223)	41,640	3,649	153
Other Accruals and Current Liabilities	8,595	(27,332)	13,969	(10,233)	10,931
Other Assets and Liabilities - net	(46,614)	22,219	(19,880)	12,791	10,093
Net Cash Provided by Operating Activities	326,837	345,550	414,027	238,246	267,504
Investing Activities					
Capital Expenditures	(152,251)	(232,368)	(292,706)	(269,371)	(256,120)
Investment in Subsidiaries, Net of Cash Acquired	(228,814)	—	(90,567)	(123,809)	(5,774)
Investment in Partnerships	(375)	(536)	(1,830)	(4,442)	(3,633)
Net Proceeds from Sale of Timber Properties	186,014	—	—	—	—
Net Proceeds from Sale of Oil and Gas Producing Properties	78,531	22,068	2,069	4,159	5,945
Other	12,065	5,012	(4,892)	9,124	742
Net Cash Used in Investing Activities	(104,830)	(205,824)	(387,926)	(384,339)	(258,840)
Financing Activities					
Change in Notes Payable to Banks and Commercial Paper	(147,622)	(224,845)	(143,397)	226,477	67,195
Net Proceeds from Issuance of Long-Term Debt	248,513	243,844	210,221	149,334	198,217
Reduction of Long-Term Debt	(227,826)	(104,212)	(23,052)	(167,426)	(213,849)
Proceeds from Issuance of Common Stock	17,019	10,915	11,545	14,278	10,735
Dividends Paid on Common Stock	(84,530)	(80,974)	(76,671)	(73,046)	(69,878)
Dividends Paid on Minority Interest	—	—	—	(152)	(246)
Net Cash Used in Financing Activities	(194,446)	(155,272)	(21,354)	149,465	(7,826)
Effect of Exchange Rates on Cash	1,644	1,535	(645)	(469)	(2,053)
Net Increase (Decrease) in Cash and Temporary Cash Investments	29,205	(14,011)	4,102	2,903	(1,215)
Cash and Temporary Cash Investments at Beginning of Year	22,216	36,227	32,125	29,222	30,437
Cash and Temporary Cash Investments at End of Year	\$51,421	\$22,216	\$36,227	\$32,125	\$29,222
Supplemental Disclosure of Cash Flow Information					
Cash Paid For:					
Interest	\$104,452	\$100,397	\$104,491	\$97,042	\$75,813
Income Taxes	\$56,146	\$29,985	\$77,662	\$41,928	\$48,995



Consolidated Statement of Comprehensive Income

Year Ended September 30 (Thousands of Dollars)

	2003	2002	2001
Net Income Available for Common Stock	\$178,944	\$117,682	\$65,499
Other Comprehensive Income (Loss), Before Tax:			
Minimum Pension Liability Adjustment	(86,170)	(52,977)	—
Foreign Currency Translation Adjustment	54,472	24,278	(7,158)
Reclassification Adjustment for Realized Foreign Currency Translation (Gain) in Net Income	(9,607)	—	—
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	2,419	(2,086)	(712)
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(47,777)	(42,584)	58,355
Reclassification Adjustment for Realized (Gain) Loss on Derivative Financial Instruments in Net Income	69,809	(20,063)	83,218
Other Comprehensive Income (Loss), Before Tax:	(16,854)	(93,432)	133,703
Income Tax Benefit Related to Minimum Pension Liability Adjustment	(30,159)	(18,542)	—
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	847	(730)	(249)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(18,594)	(17,341)	23,053
Reclassification Adjustment for Income Tax (Expense) Benefit on Realized (Gain) Loss on Derivative Financial Instruments in Net Income	26,953	(8,040)	32,032
Income Taxes – Net	(20,953)	(44,653)	54,836
Other Comprehensive Income (Loss), Before Cumulative Effect	4,099	(48,779)	78,867
Cumulative Effect of Change in Accounting, Net of Tax	—	—	(69,767)
Other Comprehensive Income (Loss), After Cumulative Effect	4,099	(48,779)	9,100
Comprehensive Income	\$183,043	\$68,903	\$74,599

Selected Financial Ratios

Year Ended September 30

	2003 ⁽¹⁾	2002 ⁽²⁾	2001 ⁽³⁾	2000	1999
Embedded cost of long-term debt	6.5%	7.0%	7.0%	7.0%	7.0%
Coverage ratios:					
Long-term debt	4.52	3.22	2.55	4.48	4.25
Earnings to fixed charges-SEC basis	3.95	2.74	1.94	2.98	3.02
Capitalization ratios:					
Comprehensive Shareholders equity	43.0%	39.1%	37.9%	38.4%	42.2%
Long-term debt	43.4%	44.4%	39.5%	37.1%	37.0%
Short-term debt	13.6%	16.5%	22.6%	24.5%	20.8%
Effective Federal Income Tax Rate	41.7%	38.0%	36.2%	37.7%	35.6%
Ratio of Internal Cash Flow to Capital Expenditures ⁽⁴⁾	2.12	1.31	1.01	0.91	0.75
Ratio of Internal Cash Flow to Common Stock Dividends Paid	4.81	4.77	4.87	4.34	3.76
Accumulated Depreciation (% of Average Depreciable Assets)	38.0%	40.5%	40.1%	34.3%	33.9%
Depreciation Charge (% of Average Depreciable Assets)	4.5%	4.4%	4.7%	4.2%	4.1%

(1) Includes gain on sale of timber properties of \$102.2 million after tax, loss on sale of oil and gas producing properties of (\$39.6) million after tax, impairment of oil and gas producing properties of (\$28.9) million after tax, and cumulative effect of changes in accounting of (\$8.9) million, where applicable.

(2) Includes impairment of Independence Pipeline of (\$9.9) million, where applicable.

(3) Includes impairment of oil and gas producing properties of (\$104.0) million, where applicable.

(4) Internal Cash Flow excludes Dividends.



Schedule of Business Segment Information

Year Ended September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Operating Revenues					
Utility	\$1,162,983	\$794,221	\$1,234,647	\$846,459	\$807,355
Pipeline and Storage	201,420	167,384	171,091	169,659	168,783
Exploration and Production	305,314	310,980	355,005	222,836	138,122
International	114,070	95,315	97,910	104,736	107,045
Energy Marketing	304,660	151,257	259,206	133,929	99,088
Timber	56,226	47,407	44,914	41,545	31,117
Total Reportable Segments	2,144,673	1,566,564	2,162,773	1,519,164	1,351,510
All Other	3,366	10,135	18,322	5,345	1,765
Intersegment Eliminations ⁽¹⁾	(112,568)	(112,203)	(121,259)	(112,093)	(98,873)
Total Consolidated	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416	\$1,254,402
Depreciation, Depletion & Amortization					
Utility	\$38,186	\$37,412	\$36,607	\$35,842	\$34,215
Pipeline and Storage	35,940	23,626	23,746	23,379	22,690
Exploration and Production	99,292	103,946	98,408	69,583	55,750
International	13,910	11,977	12,634	11,110	10,473
Energy Marketing	117	161	212	209	165
Timber	7,543	3,429	3,186	1,948	1,476
Total Reportable Segments	194,988	180,551	174,793	142,071	124,769
All Other	238	115	119	97	7
Corporate	—	2	2	2	2
Total Consolidated	\$195,226	\$180,668	\$174,914	\$142,170	\$124,778
Significant Items:					
Pipeline and Storage - Impairment of Investment in Partnership	\$—	\$15,167	\$—	\$—	\$—
Exploration and Production - Impairment of Oil and Gas Producing Properties	\$42,774	\$—	\$180,781	\$—	\$—
Exploration and Production - Loss on Sale of Oil and Gas Producing Properties	\$58,472	\$—	\$—	\$—	\$—
Timber - Gain on Sale of Timber Properties	\$168,787	\$—	\$—	\$—	\$—
Operating Income (Loss) Before Income Taxes					
Utility ⁽²⁾	\$120,345	\$109,591	\$129,081	\$126,157	\$120,283
Pipeline and Storage ⁽³⁾	89,465	71,864	77,086	65,155	72,104
Exploration and Production ⁽⁴⁾	3,377	96,339	(14,221)	94,908	42,215
International	6,725	780	6,605	12,938	12,861
Energy Marketing	8,279	12,989	(4,368)	(12,000)	3,036
Timber ⁽⁵⁾	186,804	16,437	15,675	13,593	9,745
Total Reportable Segments	414,995	308,000	209,858	300,751	260,244
All Other	265	(1,309)	(7,792)	(425)	(857)
Corporate	(844)	(2,667)	(3,407)	(2,617)	(2,550)
Total Consolidated	\$414,416	\$304,024	\$198,659	\$297,709	\$256,837
Interest Expense					
Utility	\$29,122	\$30,790	\$27,489	\$31,655	\$29,659
Pipeline and Storage	14,000	10,424	12,131	13,311	13,147
Exploration and Production	53,326	55,367	56,291	42,034	34,409
International	8,700	8,045	9,966	12,353	11,451
Energy Marketing	33	76	1,649	774	234
Timber	2,507	2,896	3,830	4,750	2,208
Total Reportable Segments	107,688	107,598	111,356	104,877	91,108
All Other	521	420	692	262	100
Corporate & Intersegment Eliminations	(3,153)	(2,366)	(4,903)	(5,054)	(3,510)
Total Consolidated	\$105,056	\$105,652	\$107,145	\$100,085	\$87,698



Schedule of Business Segment Information (continued)

Year Ended September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Income Tax Expense (Benefit)					
Utility	\$36,857	\$31,657	\$42,985	\$38,362	\$34,741
Pipeline and Storage	30,863	18,148	29,091	22,172	22,439
Exploration and Production	(17,537)	15,108	(36,075)	19,413	2,992
International	876	(2,030)	253	(1,783)	15
Energy Marketing	3,350	5,103	(1,660)	(4,372)	1,138
Timber	72,692	4,476	4,566	3,816	2,788
Total Reportable Segments	127,101	72,462	39,160	77,608	64,113
All Other	279	(473)	(2,281)	(205)	55
Corporate	781	45	227	(335)	661
Total Consolidated	\$128,161	\$72,034	\$37,106	\$77,068	\$64,829
Segment Profit (Loss): Net Income (Loss) (Income Before Cumulative Effect of Changes in Accounting for 2003)					
Utility	\$56,808	\$49,505	\$60,707	\$57,662	\$56,875
Pipeline and Storage ⁽⁶⁾	45,230	29,715	40,377	31,614	39,765
Exploration and Production ⁽⁷⁾	(31,293)	26,851	(32,284)	34,877	7,127
International	(1,368)	(4,443)	(3,042)	3,282	2,276
Energy Marketing	5,868	8,642	(3,432)	(7,790)	2,054
Timber	112,450	9,689	7,715	6,133	4,769
Total Reportable Segments	187,695	119,959	70,041	125,778	112,866
All Other	193	(885)	(4,277)	(371)	(162)
Corporate	(52)	(1,392)	(265)	1,800	2,333
Total Consolidated	\$187,836	\$117,682	\$65,499	\$127,207	\$115,037
Expenditures for Additions to Long-Lived Assets					
Utility	\$49,944	\$51,550	\$42,374	\$55,799	\$46,974
Pipeline and Storage ⁽⁸⁾	199,327	30,329	25,978	35,806	34,873
Exploration and Production	75,837	114,602	296,419	280,049	97,586
International	2,499	4,244	15,585	9,767	33,412
Energy Marketing	164	51	116	89	302
Timber	3,493	25,574	3,694	13,542	52,314
Total Reportable Segments	331,264	226,350	384,166	395,052	265,461
All Other	48,293	6,554	937	3,725	66
Corporate & Intersegment Eliminations	1,883	—	—	—	—
Total Consolidated	\$381,440	\$232,904	\$385,103	\$398,777	\$265,527

(1) Represents primarily Pipeline and Storage revenue from the Utility segment.

(2) For the year ended September 30, 1999 amounts include the rate recovery of interest expense related to IRS Audits of years 1977-1994. This rate recovery is offset 100% by interest expense, included below the operating income line. Excluding this rate recovery, operating income would be \$120,785 for the year ended September 30, 1999.

(3) 2002 includes impairment of Independence Pipeline of \$15.2 million pretax.

(4) 2003 includes impairment of oil and gas producing properties of \$42.8 million pretax and loss on sale of oil and gas producing properties of \$58.5 million pretax; 2001 includes impairment of oil and gas producing properties of \$180.8 million pretax.

(5) 2003 includes gain on sale of timber properties of \$168.8 million.

(6) 2002 includes impairment of Independence Pipeline of \$9.9 million after tax.

(7) 2003 includes impairment of oil and gas producing properties of \$28.9 million after tax and loss on sale of oil and gas producing properties of \$39.6 million after tax; 2001 includes impairment of oil and gas producing properties of \$104.0 million after tax.

(8) 2000 includes \$1.2 million in a stock-for-asset swap.



Schedule of Business Segment Information (continued)

At September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Segment Assets					
Utility	\$1,413,858	\$1,248,426	\$1,284,189	\$1,233,639	\$1,178,185
Pipeline and Storage	812,435	532,543	549,991	552,059	542,962
Exploration and Production	969,512	1,161,310	1,194,393	1,088,066	727,557
International	254,937	241,466	206,361	202,622	255,042
Energy Marketing	54,134	52,850	68,178	47,121	18,676
Timber	125,915	131,721	113,294	107,402	98,830
Total Reportable Segments	3,630,791	3,368,316	3,416,406	3,230,909	2,821,252
All Other	77,195	33,563	26,858	21,930	7,351
Corporate & Intersegment Eliminations	19,929	(570)	1,967	(1,808)	13,983
Total Consolidated	\$3,727,915	\$3,401,309	\$3,445,231	\$3,251,031	\$2,842,586

Year Ended September 30 (Thousands of Dollars)

	2003	2002	2001	2000	1999
Geographic Information					
Revenues from External Customers ⁽¹⁾ :					
United States	\$1,818,980	\$1,293,239	\$1,887,958	\$1,279,329	\$1,147,357
Czech Republic	114,070	95,315	97,910	104,736	107,045
Canada	102,421	75,942	73,968	28,351	—
Total Revenues from External Customers	\$2,035,471	\$1,464,496	\$2,059,836	\$1,412,416	\$1,254,402

At September 30 (Thousands of Dollars)

Long-Lived Assets:					
United States	\$2,982,301	\$2,624,810	\$2,645,429	\$2,488,180	\$2,369,840
Czech Republic	219,695	216,044	187,961	183,274	215,457
Canada	116,655	258,196	257,939	248,937	—
Total Long-Lived Assets	\$3,318,651	\$3,099,050	\$3,091,329	\$2,920,391	\$2,585,297

(1) Revenue is based upon the country in which the sale originates.

Security Ratings

At September 30

	Standard & Poors	Moody's	Fitch, Inc.
Long-Term Debt	BBB+	A-3	A-
Commercial Paper	A-2	P-2	F-2



Common Stock Data ⁽¹⁾

Year Ended September 30	2003 ⁽²⁾	2002 ⁽³⁾	2001 ⁽⁴⁾	2000	1999
Number of Common Shareholders at Year End	19,217	20,004	20,345	21,164	22,336
Shares Outstanding at Year End	81,438,290	80,264,734	79,406,105	78,659,606	77,674,998
Return on Average Common Equity	15.7%	11.2%	6.4%	13.0%	12.6%
Book Value Per Common Share	\$13.97	\$12.54	\$12.63	\$12.55	\$12.09
Market Price Range					
High	\$27.51	\$25.70	\$32.25	\$29.41	\$25.00
Low	\$17.95	\$15.61	\$21.96	\$19.69	\$18.75
Close	\$22.85	\$19.87	\$23.03	\$28.03	\$23.59
Market/Book Value at Year End	163.6%	158.5%	182.3%	223.3%	195.1%
Cash Flow Per Common Share	\$5.00	\$4.80	\$4.72	\$4.05	\$3.39
Price/Diluted Earnings Ratio	10.4	13.6	28.1	17.2	15.9
Dividends					
Declared Per Share	\$1.06	\$1.03	\$0.99	\$0.95	\$0.92
Paid Per Share	\$1.05	\$1.02	\$0.97	\$0.94	\$0.91
Rate at Year End	\$1.08	\$1.04	\$1.01	\$0.96	\$0.93
Payout Ratio on Dividends Paid	47.7%	69.8%	118.3%	58.4%	61.9%
Yield at Year End	4.7%	5.2%	4.4%	3.4%	3.9%
Dividends to Book Value at Year End	7.7%	8.3%	8.0%	7.6%	7.7%

(1) Common Stock Data reflects two-for-one stock split on September 7, 2001.

(2) Includes gain on sale of timber properties of \$102.2 million after tax, loss on sale of oil and gas assets of (\$39.6) million after tax, impairment of oil and gas assets of (\$28.9) million after tax, and cumulative effect of changes in accounting of (\$8.9) million, where applicable.

(3) Includes impairment of Independence Pipeline of (\$9.9) million after tax, where applicable.

(4) Includes impairment of oil and gas producing properties of (\$104.0) million after tax, where applicable.

Summary of General Rate Increases

	Filing Date	Effective Date	Test Period Ended	Revenue Increase (Decrease)		Rate of Return				Rate Base	
				(Millions)		Total Rate Base		Equity		(Millions)	
				Requested (\$)	Granted (\$)	Requested (%)	Granted (%)	Requested (%)	Granted (%)	Requested (\$)	Granted (\$)
National Fuel Gas Distribution Corporation											
New York Division											
Case:	00-G-1858 ⁽¹⁾	N/A	10-1-03	N/A	—	N/A	N/A	N/A	N/A	N/A	N/A
	00-G-1495 ⁽²⁾	N/A	10-1-00	N/A	—	N/A	N/A	N/A	N/A	N/A	N/A
	98-G-1291 ⁽³⁾	N/A	10-1-98	N/A	(7.2)	N/A	N/A	N/A	N/A	N/A	N/A
	95-G-1009 ⁽⁴⁾	9-29-97	10-1-97	9-98	7.2	7.2	N/A	N/A	N/A	N/A	N/A
	95-G-1009 ⁽⁴⁾	11-09-95	10-1-96	9-97	28.9	7.2	9.56	N/A	11.50	N/A	630.7
	94-G-0885	10-21-94	9-20-95	7-96	56.5	14.2	10.44	9.10	12.85	10.40	628.3
Pennsylvania Division											
Case:	R-038168 ⁽⁵⁾⁽⁶⁾	4-16-03	1-15-04	9-03	16.5	3.5	9.96	N/A	12.75	N/A	262.5
	R-953299 ⁽⁵⁾	3-15-95	9-27-95	11-95	22.0	6.0	10.98	N/A	13.25	N/A	230.6
National Fuel Gas Supply Corporation											
Supply Division											
Case:	RP95—031 ⁽⁷⁾	10-31-94	6-01-95	3-95	21.0	6.0	10.31	9.59 ⁽⁸⁾	12.60	11.30 ⁽⁸⁾	429.0

N/A — Not Applicable.

(1) Extends most of the features of the previous rate plan (00-G-1495). Specific changes include the following: Earnings above an 11% return on equity are to be shared equally between shareholders and ratepayers. The \$5.0 million bill credit continues unless the Company can demonstrate that it is no longer justified. Increases the amount of pension and post retirement benefits recognized in existing rates by \$8.0 million. Continues deferral of pension and post retirement benefit expenses above the amount recognized in rates.

(2) The three year plan that ran from October 1, 2000 through September 30, 2003 has been extended through September 30, 2004. Earnings above an 11.0% return on a cumulative basis are to be shared equally between shareholders and ratepayers. The plan provides that customers will receive a bill credit of \$17.6 million in the first year, of which \$7.6 million relates to customers' share of earnings accumulated under previous settlements. The credit will be reduced to \$5.0 million in the second year, and in the third and subsequent years the credit will remain at \$5.0 million unless the Company can demonstrate that it is no longer justified.

(3) A two year rate plan which runs through September 30, 2000. An allowed return on equity of 12%, above which 50% of additional earnings are shared equally between shareholders and customers, is retained from the previous settlement (see note 3). The rate plan also called for a \$7.2 million generic restructuring reserve to be recorded in fiscal 1999.

(4) Settlement provided for annual base rate increase of \$7.2 million in each fiscal year beginning October 1, 1996 and 1997 with no specified rate of return on equity. Earnings above a 12% return on equity (excluding certain items determined on a cumulative basis over three years ending 9/30/98) are shared equally between shareholders and the customers.

(5) Settlement—only revenue increase specified.

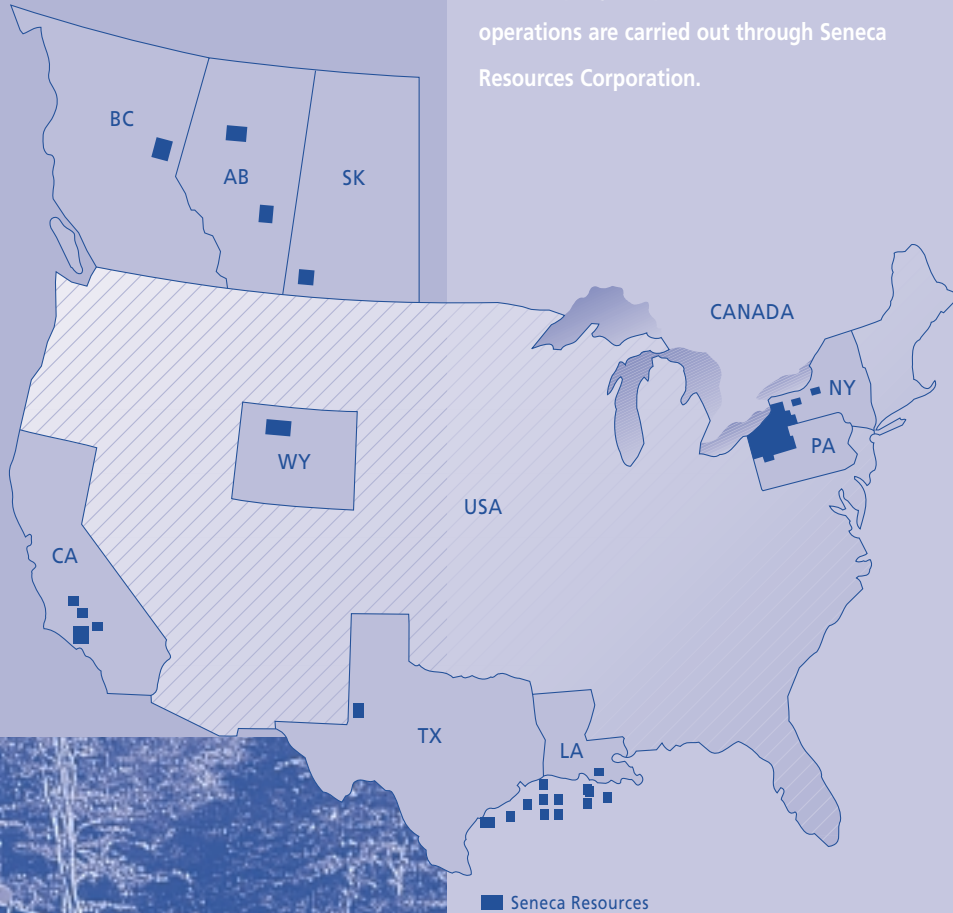
(6) On December 18, 2003, the Pennsylvania PUC adopted a Settlement Agreement in this proceeding. The settlement, among other things, provided for a \$3.5 million annual operating revenue increase. The effective date of the increase in rates was January 15, 2004. The agreement also provides for a mechanism to track differences between actual pension expenses and pension expenses reflected in rates.

(7) Reflects the merger of Penn-York Energy Corporation into Supply Corporation as approved by the FERC on January 19, 1994 at Docket No. CP 92-508.

(8) Not specified in the FERC approved settlement agreement—based upon Company calculations.

EXPLORATION and Production

The Company's Exploration and Production operations are carried out through Seneca Resources Corporation.



Seneca Resources Corporation explores for, develops and purchases natural gas and oil reserves in the Gulf Coast Region of Texas and Louisiana, the Appalachian Region, California and the western provinces of Canada. Currently, Seneca's exploration emphasis is centered around new reserves in Canada and Appalachia, while development drilling continues to expand in California.



Gas and Oil Reserves

Year Ended September 30

	2003	2002	2001	2000	1999
Gas Reserves (MMcf)					
Beginning of Year	258,221	322,380	301,667	320,792	325,065
Extensions and Discoveries	28,023	36,805	51,641	34,641	46,423
Revisions of Previous Estimates	(1,052)	(44,784)	(22,847)	(8,001)	(13,091)
Production	(33,805)	(41,454)	(41,004)	(41,670)	(37,166)
Sales of Minerals In Place	(270)	(14,726)	(6,346)	(7,444)	(439)
Purchases of Minerals In Place and Other	—	—	39,269	3,349	—
End of Year	251,117	258,221	322,380	301,667	320,792
Reserve Replacement Ratio	.80	(.19)	1.66	.72	.90
Oil Reserves (Mbbbl)					
Beginning of Year	99,717	115,328	119,697	75,819	66,591
Extensions and Discoveries	879	2,023	4,549	3,932	3,716
Revisions of Previous Estimates	(4,661)	(9,362)	(3,659)	4,000	9,808
Production	(6,737)	(7,662)	(7,857)	(5,147)	(4,016)
Sales of Minerals In Place	(19,434)	(610)	(765)	(227)	(280)
Purchases of Minerals In Place and Other	—	—	3,363	41,320	—
End of Year	69,764	99,717	115,328	119,697	75,819
Reserve Replacement Ratio	(.56)	(.96)	.54	9.57	3.37
Total Gas & Oil Reserves (MMcfe)					
Beginning of Year	856,523	1,014,348	1,019,849	775,706	724,611
Extensions and Discoveries	33,297	48,943	78,935	58,233	68,719
Revisions of Previous Estimates	(29,018)	(100,956)	(44,801)	15,999	45,757
Production	(74,227)	(87,426)	(88,146)	(72,552)	(61,262)
Sales of Minerals In Place	(116,875)	(18,386)	(10,936)	(8,806)	(2,119)
Purchases of Minerals In Place and Other	—	—	59,447	251,269	—
End of Year	669,700	856,523	1,014,348	1,019,849	775,706
Reserve Replacement Ratio	.06	(.59)	1.06	4.49	1.87

Net Undeveloped Acreage

At September 30

	2003	2002	2001	2000	1999
Region					
Gulf Coast	137,817	204,947	281,408	309,239	305,067
West Coast	860	2,257	2,257	12,533	33,753
Appalachia	414,710	374,380	385,585	394,987	414,286
Canada	336,538	700,811	929,460	1,827,910	—
Total Net Undeveloped Acreage	889,925	1,282,395	1,598,710	2,544,669	753,106



Revenues

Year Ended September 30 (Thousands of Dollars)	2003	2002	2001	2000	1999
Gas (after Hedging)	\$150,982	\$148,467	\$171,045	\$108,832	\$83,229
Oil (after Hedging)	147,101	152,746	169,613	117,606	52,050
Gas Processing Plant	28,879	16,995	39,986	17,666	11,751
Other	1,308	6,627	17,700	(6,034)	(36)
Intrasegment Elimination ⁽¹⁾	(22,956)	(13,855)	(43,339)	(15,234)	(8,872)
Total Revenues	\$305,314	\$310,980	\$355,005	\$222,836	\$138,122

(1) Represents the elimination of certain West Coast gas production revenue included in "Gas (after Hedging)" in the table above that is sold to the gas processing plant shown in the table above. An elimination for the same dollar amount is made to reduce the gas processing plant's purchased gas expense.

Gas Production (MMcf)

Year Ended September 30	2003	2002	2001	2000	1999
Region					
Gulf Coast	18,441	25,776	30,663	32,760	28,758
West Coast	4,467	4,889	4,383	4,374	3,977
Appalachia	5,123	4,402	4,142	4,344	4,431
Canada	5,774	6,387	1,816	192	—
Total Gas Production	33,805	41,454	41,004	41,670	37,166

Oil Production (Mbbbl)

Year Ended September 30	2003	2002	2001	2000	1999
Region					
Gulf Coast	1,473	1,815	1,914	1,415	1,373
West Coast	2,872	3,004	2,875	2,824	2,633
Appalachia	10	9	7	9	10
Canada	2,382	2,834	3,061	899	—
Total Oil Production	6,737	7,662	7,857	5,147	4,016

Total Production (MMcfe)

Year Ended September 30	2003	2002	2001	2000	1999
Total Gas & Oil Production	74,227	87,426	88,146	72,552	61,262

Net Well Completions

Year Ended September 30	2003			2002			2001			2000			1999		
	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio
Region															
Gulf Coast	3.35	—	1.00	1	4	.30	7	2	.79	14	6	.71	10	5	.67
West Coast	30.97	—	1.00	48	2	.96	88	1	.99	80	1	.99	95	5	.95
Appalachia	61.00	0.10	1.00	30	1	.96	26	3	.90	3	1	.75	3	—	—
Canada	22.16	7.50	0.75	34	12	.74	71	14	.84	22	4	.85	—	—	—
Total Well Completions	117.48	7.60	0.94	113	19	.86	192	20	.91	119	12	.91	108	10	.91



Producing Wells

At September 30	2003		2002		2001		2000		1999	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Region										
Gulf Coast	69	35	76	42	104	46	100	35	101	52
West Coast	1,119	1,108	1,103	1,092	976	899	887	815	922	878
Appalachia	1,905	1,817	1,865	1,773	1,834	1,745	1,797	1,714	1,806	1,716
Canada	202	145	828	705	1,167	954	479	430	—	—
Total	3,295	3,105	3,872	3,612	4,081	3,644	3,263	2,994	2,829	2,646

Gas Prices (Average Price per Mcf)

Year Ended September 30	2003	2002	2001	2000	1999
Region					
Gulf Coast	\$5.41	\$2.89	\$4.93	\$3.29	\$2.15
West Coast	5.01	2.86	10.18	3.62	2.28
Appalachia	5.07	3.74	5.03	3.16	2.44
Canada	4.67	2.29	2.41	2.52	—
Weighted Average	\$5.18	\$2.88	\$5.39	\$3.31	\$2.20
Weighted Average After Hedging	\$4.47	\$3.58	\$4.17	\$2.61	\$2.24

Oil Prices (Average Price per Barrel)

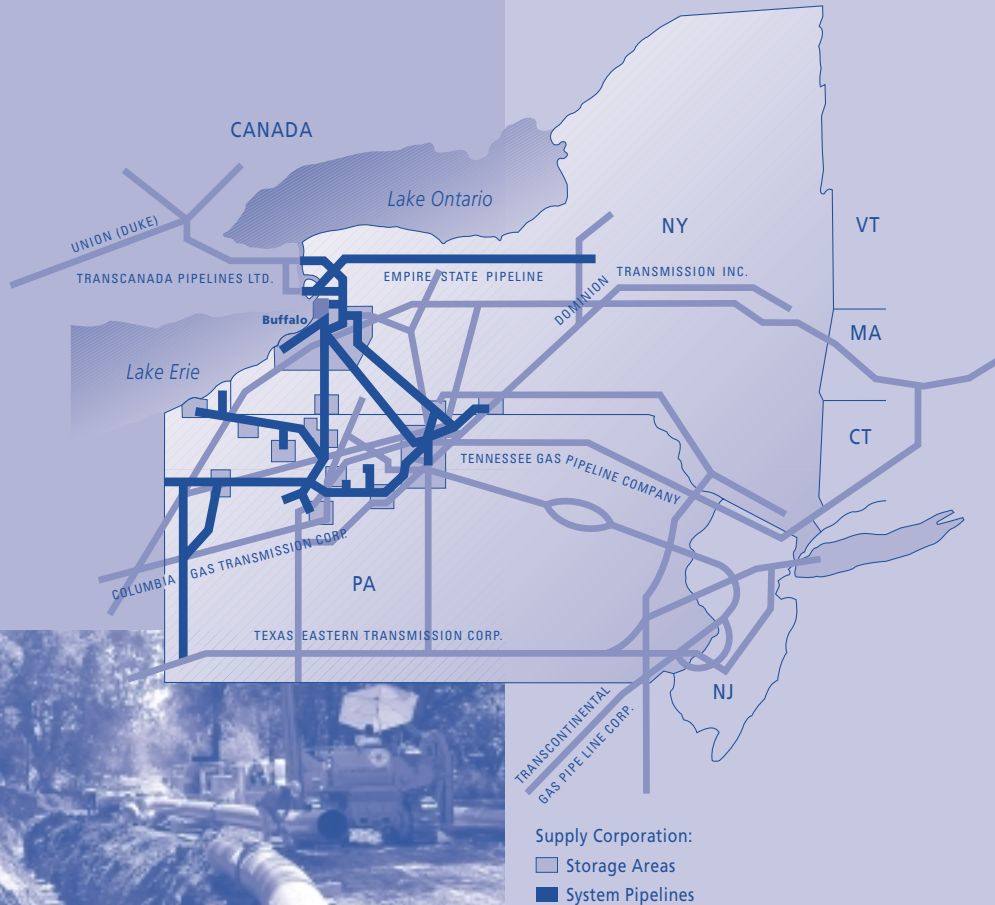
Year Ended September 30	2003	2002	2001	2000	1999
Region					
Gulf Coast	\$29.17	\$22.83	\$27.47	\$28.27	\$15.18
West Coast	26.12	19.94	24.06	23.87	11.62
Appalachia	28.77	23.76	28.51	25.12	14.73
Canada	26.41	19.94	24.29	29.28	—
Weighted Average	\$26.90	\$20.63	\$24.99	\$26.03	\$12.85
Weighted Average After Hedging	\$21.84	\$19.94	\$21.59	\$22.85	\$12.96

Exploration and Production Costs

Year Ended September 30 (Dollars per Mcf equivalent)	2003	2002	2001	2000	1999
Reserve Replacement	\$17.38	\$(2.19)	\$3.41	\$1.20	\$0.80
Lifting	\$0.97	\$0.84	\$0.73	\$0.58	\$0.46
General and Administrative	\$0.29	\$0.40	\$0.25	\$0.20	\$0.15

PIPELINE and Storage

The Company's Pipeline and Storage operations are conducted through National Fuel Gas Supply Corporation and Empire State Pipeline.



National Fuel Gas Supply Corporation and Empire State Pipeline provide natural gas transportation and storage services to affiliated and nonaffiliated companies through an integrated system of 3,040 miles of pipeline and 32 underground natural gas storage fields (including four storage fields co-owned with nonaffiliated companies). This system is located within an area bounded by the Canadian border at the Niagara River, southwestern Pennsylvania and central New York just north of Syracuse.



Regulation

The Company's Pipeline and Storage operations are regulated at the Federal level by the Federal Energy Regulatory Commission (FERC).

FERC Overview

The FERC is an independent regulatory agency within the Department of Energy, responsible for regulating interstate activities in the natural gas, electric, hydro and oil pipeline industries. The FERC is composed of five commissioners, including a chair, appointed by the President and confirmed by the Senate for a five-year term.

Current Commissioners

(As of September 30, 2003)

	Term Began	Term Expires	Background
Patrick Henry Wood III <i>Chair</i>	2001	2005	Former Chairman of the Public Utility Commission of Texas.
Nora Mead Brownell	2001	2006	Former member of the Pennsylvania Public Utility Commission.
Joseph T. Kelliher	2003	2007	Former Senior Policy Advisor to Secretary of Energy, Spencer Abraham.
Suedeem G. Kelly	2003	2007	Former Professor of Law at the University of New Mexico School of Law.

**Revenues, Volumes and Revenue Rates**

<i>Year Ended September 30</i>	2003	2002	2001	2000	1999
Revenues <i>(Thousands of Dollars)</i>					
Firm Transportation:					
Affiliated	\$53,884	\$52,200	\$54,643	\$54,449	\$54,752
Nonaffiliated	55,624	35,882	36,968	37,856	36,527
Interruptible Transportation	3,944	3,315	1,917	1,578	856
Total Transportation	113,452	91,397	93,528	93,883	92,135
Affiliated Storage	33,299	33,326	32,677	30,460	28,309
Nonaffiliated Storage	29,960	29,414	29,552	32,726	35,519
Total Storage	63,259	62,740	62,229	63,186	63,828
Other	24,709	13,247	15,334	12,590	12,820
Total Revenues	\$201,420	\$167,384	\$171,091	\$169,659	\$168,783
Volumes (MMcf)					
Firm Transportation:					
Affiliated	131,763	112,164	125,858	113,241	108,250
Nonaffiliated	209,162	178,343	178,325	178,577	191,992
Interruptible Transportation	10,004	7,315	17,372	21,730	8,061
Total Volumes	350,929	297,822	321,555	313,548	308,303
Average Revenues per Mcf					
Firm Transportation-Nonaffiliated	\$0.27	\$0.20	\$0.21	\$0.21	\$0.19
Interruptible Transportation	\$0.39	\$0.45	\$0.11	\$0.07	\$0.11

Transmission Statistics

<i>At September 30</i>	2003	2002	2001	2000	1999
Compressor Stations					
Number	14	14	14	14	14
Horsepower	44,051	44,051	43,776	43,416	43,391
Pipeline Mileage	3,040	2,910	2,989	3,034	3,065



Firm Transportation by Customer (MMcf)

Year Ended September 30

	2003
National Fuel Gas Distribution Corporation	100,502
National Fuel Resources, Inc.	31,204
Williams Energy Services Co.	20,265
Transcontinental Gas Pipe Line	19,560
Public Service Electric and Gas Company	15,955
Amerada Hess Corporation	14,472
Sithe/Independence Power	12,408
Consolidated Edison Company of NY, Inc.	11,062
Tennessee Gas Pipeline Corporation	10,290
Progas U.S.A., Inc.	9,147
Rochester Gas & Electric	7,646
TXU Energy Trading, Inc.	6,331
Burlington Resources Canada	4,998
NUI Corporation	4,671
All Others	72,414
Total Firm Transportation	340,925
Revenues (Thousands of Dollars)	\$109,508

Contract Storage Service (MMcf)

At September 30

	2003
National Fuel Gas Distribution Corporation	29,500
Transcontinental Gas Pipe Line Corp.	16,031
National Fuel Resources, Inc.	3,732
South Jersey Resources	2,371
Niagara Mohawk Power Corp., A National Grid Co.	2,234
Yankee Gas Service Company	1,978
Equitable Gas Company	1,706
Entergy Koch Trading	1,491
Connecticut Natural Gas Corporation	1,487
Dominion Peoples	727
All Others	4,497
Total Contracted Storage	65,754
Revenues (Thousands of Dollars)	\$63,259

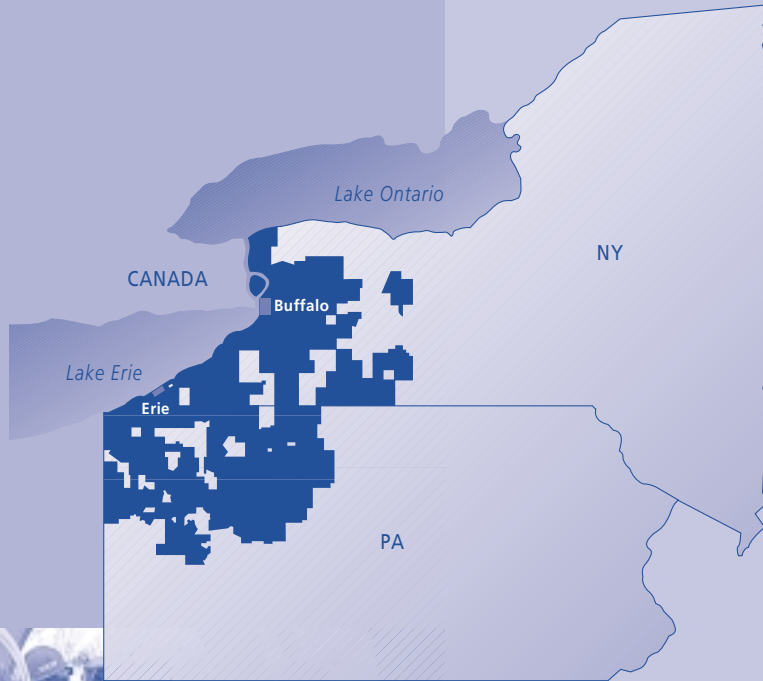
Storage Statistics

At September 30

	2003	2002	2001	2000	1999
Storage Services-Bcf					
Firm Service – Affiliated	32.2	33.1	34.1	31.1	28.1
Firm Service – Nonaffiliated	29.8	31.6	30.6	33.0	34.2
Operational Capacity	7.0	7.0	7.0	7.0	7.0
Total Available Working Capacity – Bcf	69.0	71.7	71.7	71.0	69.4
Leased Storage Capacity	—	1.0	1.0	—	—
Total Capacity – Bcf	69.0	72.7	72.7	71.0	69.4
Underground Areas	32	32	31	32	33
Compressor Stations					
Number	15	15	15	15	15
Horsepower	31,255	31,255	31,255	31,255	31,255

UTILITY

The Company's Utility operations are carried out by National Fuel Gas Distribution Corporation.



■ Distribution Corporation Service Area

National Fuel Gas Distribution Corporation sells or transports natural gas to over 733,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The major areas served by this system include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania.





Regulation

The Company's Utility operations are regulated at the state level by the State of New York Public Service Commission (PSC) and the Pennsylvania Public Utility Commission (PaPUC).

PSC Overview

There are five Commission seats. Each Commissioner is appointed by the Governor and confirmed by the State Senate for a term of six years. The Chairman is appointed by the Governor. The PSC is, by law, bipartisan. All of the current Commissioners were appointed by Governor George E. Pataki. The PSC staff consists of approximately 557 employees.

Current Commissioners

(As of September 30, 2003)

	Term Began	Term Expires	Background
William M. Flynn, Esq. <i>Chairman</i>	2003	2009	Former President of the New York State Energy Research and Development Authority (NYSERDA).
Thomas J. Dunleavy	1996	2001	Former Deputy Commissioner of the New York City Department of Information Technology and Telecommunications.
James D. Bennett	1998	2003	Former Board Member, Long Island Power Authority, Practicing Attorney and CEO of Holiday Inn in Rockville Centre, New York.
Leonard A. Weiss	1999	2004	Former Presiding Justice, Appellate Division of the New York State Supreme Court.
Neal N. Galvin	1999	2005	Retired President and Chief Executive Officer of Callanan Industries, Inc. Former Chairman and Chief Executive Officer of Oldcastle New York State Materials Group.

PaPUC Overview

The PaPUC consists of five members, each appointed by the Governor and confirmed by the State Senate for a term of five years. The Chairman is designated by the Governor. Terrance J Fitzpatrick was appointed Chairman by Governor Edward G. Randell. Commissioner Holland was also appointed by Governor Edward G. Randell. The remaining Commissioners were appointed by Governor Thomas J. Ridge. The PaPUC is served by a staff of approximately 500 employees, divided into twelve offices and bureaus.

Current Commissioners

(As of September 30, 2003)

	Term Began	Term Expires	Background
Terrance J. Fitzpatrick <i>Chairman</i>	1999	2004	PaPUC Commissioner since 1999. Former Counsel to State Senate Environmental Resource and Energy Committee.
Robert K. Bloom <i>Vice Chairman</i>	2000	2005	Former PaPUC Commissioner from 1971-1979 and from 1995-2000.
Glen R. Thomas	2001	2006	Former Chairman of the PaPUB from 2001-2003. Former Deputy Policy Director in the office of Governor Thomas J. Ridge.
Kim Pizzigrilli	2002	2007	Former Secretary of the Commonwealth.
Wendell F. Holland	2003	2008	Retired Judge and serving his second non-consecutive term as Commissioner of PaPUC.



Revenues, Volumes and Customers

Year Ended September 30

	2003	2002	2001	2000	1999
Revenues (Thousands of Dollars)					
Residential Sales	\$801,984	\$538,345	\$875,050	\$584,618	\$581,022
Commercial Sales	137,905	86,963	154,266	93,914	101,482
Industrial Sales	23,263	18,332	29,110	21,543	15,903
Off-System Sales	107,220	68,606	84,078	47,962	29,214
Total Sales	1,070,372	712,246	1,142,504	748,037	727,621
Transportation	86,374	83,267	89,037	104,534	77,600
Other	6,237	(1,292)	3,106	(6,112)	2,134
Total Revenues	\$1,162,983	\$794,221	\$1,234,647	\$846,459	\$807,355
Volumes (MMcf)					
Residential Sales	76,449	64,639	73,530	68,196	71,177
Commercial Sales	14,177	11,549	13,831	12,312	13,885
Industrial Sales	3,537	3,715	4,089	4,276	4,144
Off-System Sales	17,999	21,541	12,736	12,833	12,469
Total Sales Volumes	112,162	101,444	104,186	97,617	101,675
Transportation	64,232	61,909	66,283	71,862	64,086
Total Volumes	176,394	163,353	170,469	169,479	165,761
Pipeline Mileage					
	14,773	14,783	14,778	14,769	14,773
Average Revenue per Mcf					
Residential	\$10.49	\$8.33	\$11.90	\$8.57	\$8.16
Commercial	9.73	7.53	11.15	7.63	7.31
Industrial	6.58	4.93	7.12	5.04	3.84
Off-System	5.96	3.18	6.60	3.74	2.34
Transportation	1.34	1.34	1.34	1.45	1.21
Average Number of Customers					
Residential	684,175	683,166	683,526	686,407	683,595
Commercial	47,982	47,811	47,722	47,723	47,728
Industrial	1,231	1,241	1,249	1,272	1,272
Total Average Number of Customers	733,388	732,218	732,497	735,402	732,595
Average Number of Transportation Customers					
Aggregator Programs	51,559	49,887	52,311	76,706	39,572
Other	1,822	1,842	1,829	1,904	1,943
Residential Customer Statistics					
Average Mcf per Customer	119	101	115	110	109
Average Annual Bill	\$1,251	\$838	\$1,366	\$943	\$891
Househeating Customers – Percent	97%	96%	96%	96%	95%



Degree Days

Year Ended September 30

	2003	2002	2001	2000	1999
Buffalo, NY	7,137	5,808	6,648	6,312	6,179
Percent Colder (Warmer) than Normal	4.7%	(15.2%)	(3.2%)	(8.9%)	(9.8%)
Erie, PA	6,769	5,334	6,351	5,657	5,607
Percent Colder (Warmer) than Normal	10.3%	(13.2%)	2.8%	(9.2%)	(9.9%)

Volumes* by Industrial Category (MMcf)

Year Ended September 30

	2003
Primary Metal	9,710
Food	4,290
Power Generation	4,281
Fabricated Metal Products	3,827
Chemical & Allied	2,571
Lumber and Wood Products (excluding furniture)	1,566
Transportation Equipment	1,345
Stone, Clay, Glass and Concrete Products	1,316
Total Volumes 8 Largest Industrial Categories	28,906
Total Industrial Volumes	37,807
Total Utility Volumes	176,394
Percent of 8 Largest Industrial Categories to:	
Total Industrial Volumes	76.5%
Total Utility Volumes	16.4%

Volumes* by Commercial Category (MMcf)

Year Ended September 30

	2003
Educational Services	6,324
Retail Trade	4,976
Health Services	4,273
Real Estate	2,738
Justice, Public Order and Safety	1,231
Personal Services	962
Membership Organization	854
Sanitary Services	757
Hotels	690
Social Services	665
Total Volumes 10 Largest Commercial Categories	23,470
Total Commercial Volumes	37,315
Total Utility Volumes	176,394
Percent of 8 Largest Commercial Categories to:	
Total Commercial Volumes	62.9%
Total Utility Volumes	13.3%

*Sales and transportation volumes.

**Retail Market Comparative Fuel Cost* (per million Btu)**

At September 30

	2003	2002	2001	2000	1999
New York					
Residential					
Natural Gas	\$10.17	\$8.61	\$8.97	\$11.04	\$7.93
No. 2 Oil	9.33	12.16	6.32	8.28	7.04
Electricity	30.56	33.46	33.81	30.25	30.78
Industrial					
Natural Gas	9.01	7.45	7.80	9.87	6.75
Boiler Fuel (150,000 Mcf and Over)					
Alternate Fuel Capability No. 6 Oil	8.05	6.63	7.00	9.01	5.44
Any Other Alternate Fuel Capability	8.02	6.42	6.70	9.26	5.80
Transportation	0.49	0.50	0.49	0.50	0.49
No. 6 Oil	7.52	4.82	5.01	5.17	3.61
No. 2 Oil	6.88	10.99	5.80	7.56	5.20
Pennsylvania					
Residential					
Natural Gas	\$10.58	\$8.50	\$8.78	\$8.04	\$6.93
No. 2 Oil	13.15	10.91	7.99	8.42	7.00
Electricity	31.72	28.64	29.71	23.50	23.54
Industrial					
Natural Gas	8.97	6.98	7.30	6.59	5.37
Transportation	0.61	0.67	0.98	1.04	1.01
No. 6 Oil	7.55	5.09	5.16	5.20	3.73
No. 2 Oil	6.34	11.42	5.71	7.70	5.77

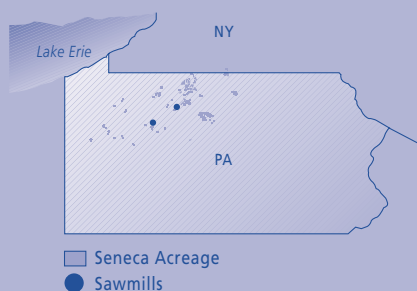
*Prices include revenue tax where applicable.

Sources of Utility Gas Supply (MMcf)

Year Ended September 30

	2003	2002	2001	2000	1999
Long-Term Contract	57,832	62,805	74,255	73,400	78,347
Spot Purchases	57,188	39,650	40,274	29,463	32,415
Appalachian	7,953	7,324	2,771	1,139	1,609
Total Utility Gas Supply	122,973	109,779	117,300	104,002	112,371
Storage Change – Net (Into) or Out	(1,294)	356	(5,356)	620	(747)
Used In Operations, Shrinkage and Other	(9,518)	(8,691)	(7,758)	(7,005)	(9,949)
Total Gas Available for Utility Sales	112,161	101,444	104,186	97,617	101,675

TIMBER



The Company's Timber operations are carried out by Highland Forest Resources, Inc. and Seneca Resources Corporation, Northeast Division.

Highland Forest Resources, Inc. operates two sawmills in northwestern Pennsylvania. *Seneca Resources Corporation* markets timber from its New York and Pennsylvania land holdings.

Year Ended September 30	2003	2002	2001	2000	1999
Revenues (Thousands of Dollars)	\$56,226	\$47,407	\$44,914	\$41,545	\$31,117
Production (Thousands of Board Feet)					
Log Sales	8,764	8,174	8,839	9,370	6,902
Green Lumber Sales	11,913	12,878	10,332	8,193	8,541
Kiln Dry Lumber Sales	13,300	10,794	8,804	6,987	5,711
Total	33,977	31,846	27,975	24,550	21,154
At September 30					
Acreage	87,000	155,000	151,577	152,000	140,000
Board Feet (Thousands)	329,600	600,000	575,000	471,000	423,000

ENERGY MARKETING



The Company's Energy Marketing operations are carried out by National Fuel Resources, Inc.

National Fuel Resources, Inc. markets natural gas to industrial, commercial, public authority and residential end-users in western and central New York and northwestern Pennsylvania, offering competitively priced energy and energy management services to its customers.

Year Ended September 30	2003	2002	2001	2000	1999
Revenues (Thousands of Dollars)	\$304,660	\$151,257	\$259,206	\$133,929	\$99,088
Natural Gas Marketing Volumes (MMcf)	45,325	33,042	36,753	35,465	34,454
At September 30					
Number of Customers	21,605	22,122	31,831	33,115	17,480

INTERNATIONAL



The Company's International operations are carried out by Horizon Energy Development, Inc.

Horizon Energy Development, Inc. engages in foreign energy projects through the investments of its indirect subsidiaries as the sole or substantial owner of various business entities. In addition to assets in the Czech Republic, joint development agreements have been signed with partners in Bulgaria and Italy.

Year Ended September 30

	2003	2002	2001	2000	1999
Revenues (Thousands)					
Heating	\$80,752	\$65,386	\$69,072	\$69,387	\$71,974
Electricity	29,386	26,960	26,398	31,426	34,158
Other	3,932	2,969	2,440	3,923	913
Total Revenues	\$114,070	\$95,315	\$97,910	\$104,736	\$107,045
Sales Volumes					
Heating (Gigajoules)	8,714,806	8,689,887	9,978,118	10,222,024	10,047,042
Electricity (Megawatt hours)	973,968	972,832	1,019,901	1,147,303	1,138,980

At September 30

	2003	2002	2001	2000	1999
Number of Employees	862	873	911	1,115	1,406

OFFICERS

National Fuel Gas Company

Philip C. Ackerman
*Chairman of the Board,
President and Chief
Executive Officer*

Joseph P. Pawlowski
Treasurer

Ronald J. Tanski
Controller

Anna Marie Cellino
Secretary

OFFICERS OF PRINCIPAL SUBSIDIARIES

National Fuel Gas Distribution Corporation

Philip C. Ackerman
Chairman of the Board

David F. Smith
President

Anna Marie Cellino
*Senior Vice President
and Secretary*

Walter E. DeForest
Senior Vice President

Joseph P. Pawlowski
*Senior Vice President
and Treasurer*

James D. Ramsdell
Senior Vice President

Dennis J. Seeley
Senior Vice President

Ronald J. Tanski
*Senior Vice President
and Controller*

Carl M. Carlotti
Vice President

National Fuel Gas Supply Corporation

Philip C. Ackerman
Chairman of the Board

Dennis J. Seeley
President

John R. Pustulka
Senior Vice President

David F. Smith
Senior Vice President

Joseph P. Pawlowski
Treasurer and Secretary

Seneca Resources Corporation

Philip C. Ackerman
Chairman of the Board

James A. Beck
President

Barry L. McMahan
Senior Vice President

John F. McKnight
Vice President

Thomas L. Atkins
Treasurer

Donald P. Butler
Secretary

National Fuel Resources, Inc.

Donna L. DeCarolis
Vice President and Secretary

Highland Forest Resources, Inc.

Philip C. Ackerman
Chairman of the Board

James A. Beck
President

Thomas L. Atkins
Treasurer

Donald P. Butler
Secretary

Horizon Energy Development, Inc.

Philip C. Ackerman
President

Bruce H. Hale
Vice President

Ronald J. Tanski
Treasurer and Secretary

DIRECTORS

Philip C. Ackerman⁶

Chairman of the Board of Directors of the Company, Chief Executive Officer since October 2001, and President since July 1999. Chairman of the Board and President of certain subsidiaries of the Company. Board member since 1994.

Robert T. Brady^{3, 5, 8}

Chairman, President and Chief Executive Officer of Moog Inc. Board member since 1995. Director of Astronics Corporation, M&T Bank Corporation and Seneca Foods Corporation.

R. Don Cash^{1, 7}

Chairman Emeritus since May 2003 and Director since May 1978 of Questar Corporation. Former Chairman, Chief Executive Officer and President of Questar Corporation from May 1984 to February 2001. Director of Zions Bancorporation, Texas Tech Foundation and Associated Electric & Gas Insurance Services Limited.

James V. Glynn^{1, 7}

Chairman and Chief Executive Officer since November 2001 of Maid of the Mist Corporation and former President from 1971 to November 2001. Board member since 1997. Director of M&T Bank Corporation, M&T Bank, and Chairman Emeritus of Niagara University Board of Trustees.

Bernard J. Kennedy

Chairman of the Board of Directors of the Company from March 1989 to January 2002, Chief Executive Officer from August 1988 to October 2001, and President from January 1987 to July 1999. Chairman of the Board of Associated Electric & Gas Insurance Services Limited.

Rolland E. Kidder¹

Executive Director of the Robert H. Jackson Center in Jamestown, N.Y. Board member since September 2002. Former Chairman and President of Kidder Exploration, Inc. Former Trustee of the New York Power Authority.

Bernard S. Lee, PhD²

Former President of the Institute of Gas Technology. Board member since 1994. Director of NUI Corporation and Peerless Manufacturing Company.

George L. Mazanec^{1, 4, 5}

Former Vice Chairman of PanEnergy Corporation (now part of Duke Energy Corporation). Board member since 1996. Director of the Northern Trust Bank of Texas, NA, and Associated Electric & Gas Insurance Services Limited. Former Chairman of the Management Committee of Maritimes & Northeast Pipeline, L.L.C.

John F. Riordan^{3, 5}

President and Chief Executive Officer of the Gas Technology Institute since April 2000. Board member since July 2000. Director of Nicor Inc. and Niagara University.

¹ Member of Audit Committee

² Chairman, Audit Committee

³ Member of Compensation Committee

⁴ Chairman, Compensation Committee

⁵ Member of Executive Committee

⁶ Chairman, Executive Committee

⁷ Member of Nominating/Corporate Governance Committee

⁸ Chairman, Nominating/Corporate Governance Committee



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