SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

Commission file number 1-11071

UGI CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Pennsylvania	23-2668356
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

460 North Gulph Road, King of Prussia, PA 19406
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(610) 337-1000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, without par value	New York Stock Exchange, Inc. Philadelphia Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO .

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

The aggregate market value of UGI Corporation Common Stock held by nonaffiliates of the registrant on December 1, 1996 was $721,933,822.

At December 1, 1996 there were 33,163,162 shares of UGI Corporation Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Annual Report to Shareholders for the year ended September 30, 1996 are incorporated by reference into Parts I and II of this Form 10-K. Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on February 25, 1997 are incorporated by reference into Part III of this Form 10-K.

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PART I: BUSINESS

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

GENERAL

UGI Corporation ("UGI" or the "Company") is a holding company with two principal lines of business: propane distribution and utilities. The Company's AmeriGas, Inc. subsidiary ("AmeriGas") conducts the nation's largest retail propane distribution business through AmeriGas Partners, L.P., a Delaware limited partnership ("AmeriGas Partners" or, the "Partnership") and its 98.99% owned subsidiary AmeriGas Propane, L.P. (the "Operating Partnership"). AmeriGas Propane, Inc., a Pennsylvania corporation and a wholly owned subsidiary of AmeriGas, is the Partnership's sole general partner (the "General Partner"). The common units of AmeriGas Partners, which represent limited partner interests, are traded on the New York Stock Exchange under the symbol "APU." Through its subsidiaries, AmeriGas owns 59% of the Partnership, and the remaining interest is publicly held. The Company has been in the propane distribution business since 1959. The Company's utility business is conducted through its subsidiary, UGI Utilities, Inc. ("Utilities"), which owns and operates natural gas distribution and electric utilities in Pennsylvania. The Company has been in the utility business for over 100 years and supplies gas and electric utility services to approximately 247,000 and 60,000 customers, respectively.

UGI Enterprises, Inc., a wholly owned UGI subsidiary formed in 1994 ("UGI Enterprises"), conducts a retail gas marketing business and evaluates and develops new business opportunities. Black Sea LPG, L.P. is Enterprises' first joint venture. The project will create an energy import and distribution business in Romania. Other joint ventures in international energy markets are being developed.

UGI was incorporated in Pennsylvania in 1991 as part of the restructuring of Utilities (formerly, UGI Corporation) into a holding company system effective April 10, 1992. UGI is not subject to regulation by the Pennsylvania Public Utility Commission ("PUC"). UGI is also exempt from registration as a holding company and not otherwise subject to regulation under the Public Utility Holding Company Act of 1935, except for Section 9(a)(2) thereof, which relates to the acquisition of voting securities of an electric or gas utility company. UGI's executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and its telephone number is (610) 337-1000. References to "UGI" or the "Company" include its consolidated subsidiaries unless the context indicates otherwise. Similarly, references to "AmeriGas Partners" and the "Partnership" include the Operating Partnership, its predecessors and its subsidiaries.

PROPANE PARTNERSHIP BUSINESS

The Company's propane distribution business is conducted through AmeriGas Partners. The Partnership is the largest retail propane distributor in the United States, with over 600 district locations in 44 states at September 30, 1996. Wholly owned subsidiaries of the Company hold an aggregate 59% interest in the Partnership, including the sole general partner interest in each of AmeriGas Partners and the Operating Partnership.

BACKGROUND

On July 15, 1993, AmeriGas acquired a significant equity interest in, and other UGI subsidiaries assumed management of, Petrolane Incorporated ("Petrolane"). The Petrolane acquisition expanded substantially the size of the propane distribution network under the Company's management. From July 15, 1993 to April 19, 1995, the Company's investment in Petrolane was accounted for by the equity method, under which the investment was recorded at cost and adjusted by the Company's share (originally, approximately 30%) of Petrolane's undistributed income or loss. On April 19, 1995, Petrolane became a wholly owned subsidiary of the General Partner, and through a series of related transactions, all of the propane businesses of AmeriGas, including Petrolane, were transferred to the Operating Partnership (the "Partnership Formation"). Although the Company's consolidated financial statements now include 100% of the Partnership's revenues and assets, the Company's net income reflects only its 59% share in the income or loss of the Partnership, due to the public's limited partner interest in the Partnership.

GENERAL INDUSTRY INFORMATION

Propane is separated from crude oil during the refining process and also extracted from natural gas or oil wellhead gas at processing plants. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for economy and ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow its detection. Propane is clean burning, producing negligible amounts of pollutants when properly consumed.

The primary customers for propane are residential, commercial, agricultural, engine fuel and industrial users to whom natural gas is not readily available. Customers use propane primarily for home heating, water heating, cooking, engine fuel and process applications. Propane is typically more expensive than natural gas, competitive with fuel oil when operating efficiencies are taken into account and, in most areas, cheaper than electricity on an equivalent energy basis. Several states have adopted or are considering proposals that would substantially deregulate the electric utility industry and thereby permit retail electric customers to choose their electric supplier. Proponents of electric utility deregulation believe that competition will ultimately reduce the cost of electricity. The Company is unable to predict the impact that electric utility deregulation may have on propane's competitive price advantage over electricity.

PRODUCTS, SERVICES AND MARKETING

As of September 30, 1996, the Partnership distributed propane to approximately 968,000 customers from over 600 district locations in 44 states. The Partnership's operations are located primarily in the Northeast, Southeast, Great Lakes and West Coast regions of the United States. From many of its district locations, the Partnership also sells, installs and services equipment related to its propane distribution business, including heating and cooking appliances and, at some locations, propane fuel systems for motor vehicles. Typically, district locations are found in suburban and rural areas where natural gas is not available. Districts generally consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. The Partnership also engages in the business of delivering liquified petroleum gases by truck as a common carrier. The Partnership operates as an interstate carrier in 49 states throughout the United States, and as an intrastate carrier in 46 states. It is also licensed as a carrier in Canada; a license is pending in Mexico. The Partnership's trucking capacity is part of its overall transportation and distribution infrastructure which is utilized in the conduct of its business.

The Partnership sells propane primarily to five markets: residential, commercial/industrial, engine fuel, agricultural and wholesale. Approximately 73% of the Partnership's 1996 fiscal year sales (based on gallons sold) were to retail accounts (31% to residential customers, 27% to industrial/commercial customers, 9% to engine fuel customers and 6% to agricultural customers), and approximately 27% were to wholesale customers. Sales to residential customers in fiscal 1996 represented approximately 42% of retail gallons sold and 54% of the Partnership's total margin. No single customer accounts for 10% or more of the Partnership's consolidated revenues.

In the residential market, which includes both conventional and mobile homes, propane is used primarily for home heating, water heating and cooking purposes. Commercial users, which include motels, hotels, restaurants and retail stores, generally use propane for the same purposes as residential customers. As an engine fuel, propane is burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines. Industrial customers use propane to fire furnaces, as a cutting gas and in other process applications. Other industrial customers are large-scale heating accounts and local gas utility customers who use propane as a supplemental fuel to meet peak load deliverability requirements. Agricultural uses include tobacco curing, crop drying and poultry brooding.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,200 gallons of propane, into a stationary storage tank on the customer's premises. The Partnership owns most of these storage tanks and leases them to its customers. The capacity of these tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with a typical tank having a capacity of 300 to 400 gallons. The Partnership also delivers propane to retail customers in portable cylinders, which typically have a capacity of 5 to 25 gallons. When these cylinders are delivered to customers, empty cylinders are picked up for replenishment at district locations or are filled in place. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

PROPANE SUPPLY AND STORAGE

Supplies of propane from the Partnership's sources historically have been readily available. In the year ended September 30, 1996, the Amoco companies (Amoco Canada and Amoco USA) and Warren Petroleum Company ("Warren"), a division of Chevron U.S.A., provided approximately 14% and 12%, respectively, of the Partnership's total propane supply. Management believes that if supplies from either source were interrupted, it would be able to secure adequate propane supplies from other sources without a material disruption of its operations; however, the cost of procuring replacement supplies might be materially higher, and at least on a short-term basis, margins could be affected. Aside from Amoco and Warren, no single supplier provided more than 10% of the Partnership's total domestic propane supply in the fiscal year ended September 30, 1996. On a regional basis, however, certain suppliers provide 70 to 80% of the Partnership's requirements. Disruptions in supply in these areas could also have an adverse impact on the Partnership's margins.

The Partnership's propane supply is purchased from over 175 oil companies and natural gas processors in the United States and Canada, and the Partnership also makes purchases on the spot market. The Partnership purchases approximately 80% of its propane supplies from domestic suppliers. Approximately 70% of propane purchases by the Partnership in the 1996 fiscal year were on a contractual basis under one-year agreements subject to annual renewal, but the percentage of contract purchases will vary from year-to-year as determined by the General Partner. The General Partner believes that, as the largest retail propane distributor in the United States, the Partnership generally will be able to obtain propane supplies at competitive prices. Most supply contracts provide for pricing based upon posted prices at the time of delivery or the current prices established at major storage points such as Mont Belvieu, Texas, or Conway, Kansas. In addition, some agreements provide maximum and minimum seasonal purchase guidelines. The Partnership uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges to transport propane from suppliers to storage and distribution facilities. The Partnership stores propane at facilities in Arizona, Rhode Island and several other locations.

Because the Partnership's profitability is sensitive to changes in wholesale propane costs, management generally seeks to pass on increases in the cost of propane to customers. There is no assurance, however, that the Partnership will be able to pass on product cost increases fully, particularly when product costs rise rapidly, as they did in 1996. For example, the average Mont Belvieu price per gallon of propane more than doubled between April 1, 1996 ($.34625) and December 3, 1996 ($.70375) as a result of several unrelated events. Propane inventory levels remained below historic levels during the second half of fiscal year 1996, following an unusually cold winter in the eastern United States. Other factors contributing to the reduced industry inventory levels include a normal 1995-96 winter in Europe, which reduced the amount of propane available for import, and a midsummer explosion affecting gas processing plants in Mexico.

Despite increased product cost, the Partnership expects to be able to secure adequate supplies for its customers during fiscal year 1997, however, periods of severe cold weather, supply interruptions, or other unforeseen events, could result in further increases in product cost. The General Partner is gradually expanding its product price risk management activities to reduce the effect of price volatility on its product costs. Current strategies include the use of contracts to purchase product at fixed prices in the future and, to some extent, options and propane price swaps.

The following table shows the average quarterly prices of propane on the propane spot market during the last five fiscal years at Mont Belvieu, Texas and Conway, Kansas, two major storage areas.

QUARTERLY PRICE AVERAGES

Oct-91	39.588	33.283	Sep 30, 96	50.925	51.588
Jan-92	28.386	23.963	Oct 07, 96	49.550	49.488
Apr-92	31.296	25.939	Oct 14, 96	49.925	49.250
Jul-92	35.508	27.181	Oct 21, 96	53.450	52.963
Oct-92	33.095	33.31	Oct 28, 96	54.266	54.875
1st QRT-93	33.812	37.957	Oct 31, 96	53.215	55.5
2nd QRT-93	33.384	33.102			
3rd QRT-93	30.811	33.566			
Oct-93	27.352	30.651			
1st QRT-94	28.143	26.769			
2nd QRT-94	29.076	28.488			
3rd QRT-94	29.806	29.092			
Oct-94	33.545	30.128			
1st QRT-95	32.513	29.496			
2nd QRT-95	32.303	30.922			
3rd QRT-95	31.172	32.344			
Oct-95	32.407	34.564			
1st QRT-96	38.028	36.674			
2nd QRT-96	35.141	34.979			
3rd QRT-96	40.363	40.01			
Sep 30-96	49.5	48.675			

COMPETITION

Propane is sold in competition with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers against suppliers of electricity, fuel oil and natural gas, principally on the basis of price, availability and portability. Electricity is a major competitor of propane, but propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. As previously stated, the Company is unable to predict the impact that electric utility deregulation may have on propane's current competitive price advantage. In the last two decades, many new homes were built to use electrical heating systems and appliances. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Operating efficiencies and other factors such as air quality and environmental advantages, however, generally make propane competitive with fuel oil as a heating source. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Natural gas is generally a less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel during interruptions in natural gas service. The gradual expansion of the nation's natural gas distribution systems has resulted in the availability of natural gas in some areas that previously depended upon propane. However, natural gas pipelines are not present in many regions of the country where propane is sold for heating and cooking purposes.

The domestic propane retail distribution business is highly competitive. The Partnership competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. Based on the most recent information supplied by the American Petroleum Institute, the 1995 domestic retail market for propane (annual sales for other than chemical uses) was approximately 9.3 billion gallons and, according to LP-GAS magazine, the ten largest propane companies (including AmeriGas Partners) comprise approximately 33% of domestic sales. The Partnership's retail volume of approximately 855 million gallons in fiscal year 1996 represented approximately 9% of 1995 total domestic retail sales. The ability to compete effectively depends on reliability of service, responsiveness to customers and maintaining competitive retail prices.

Competition can intensify in response to a variety of factors, including significantly warmer-than-normal weather, higher prices resulting from extraordinary increases in the cost of propane, and recessionary economic factors. In the past, AmeriGas Propane has experienced greater than normal customer losses in certain years when competitive conditions reflected these factors.

In the engine fuel market, propane competes with gasoline and diesel fuel. When gasoline prices are high relative to propane, propane competes effectively. The wholesale propane business is highly competitive. Propane sales to other retail distributors and large-volume, direct-shipment industrial end users are price sensitive and frequently involve a competitive bidding process.

PROPERTIES

As of September 30, 1996, the Partnership owned approximately 60% of its district locations. In addition, the Partnership subleases three one-million barrel underground storage caverns in Arizona to store propane and butane for itself and third parties. The Partnership also leases a 600,000 barrel refrigerated, above-ground storage facility in California, which could be used in connection with waterborne imports or exports of propane. The California facility, which the Partnership operates, is currently subleased to several refiners for the storage of butane. Petrolane, now a wholly owned subsidiary of the General Partner, owns a 50% interest in a joint venture which owns a 480,000 barrel storage facility in Virginia. This facility is currently used by third parties. The Partnership leases a 420,000 barrel storage facility in Rhode Island, which is owned by a third party. Both the Virginia and Rhode Island facilities may be used in connection with waterborne imports of propane and the Virginia facility may be used in connection with exports.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. The Partnership has a fleet of approximately 421 transport trucks, of which 206 are owned by the Partnership, as well as 586 railroad tank cars, of which 21 are owned by the Partnership. In addition, the Partnership utilizes approximately 2,300 bobtail and rack trucks, of which approximately 53% are owned, and approximately 1,980 other delivery and service vehicles, of which approximately 61% are owned. As of September 30, 1996, the Partnership owned more than 800,000 stationary storage tanks with typical capacities of 300 to 400 gallons and approximately 900,000 portable propane cylinders with typical capacities of 5 to 25 gallons. The obligations of the Partnership under its borrowings are secured by liens and mortgages on the Partnership's real and personal property.

TRADE NAMES; TRADE AND SERVICE MARKS

The Partnership markets propane principally under the "AmeriGas" and "America's Propane Company" trade name and related service marks. UGI owns, directly or indirectly, all the right, title and interest in the "AmeriGas" and "Petrolane" trade names and related trade and service marks. The Partnership has an exclusive (except for use by AmeriGas and the General Partner), royalty-free license to use these names and trade and service marks. The General Partner has discontinued widespread use of the "Petrolane" trade name and conducts Partnership operations almost exclusively under the "AmeriGas" and "America's Propane Company" trade names.

UGI, Petrolane and the General Partner each have the option to terminate their respective license agreements on 12 months' prior notice, or immediately in the case of the General Partner, without penalty if the General Partner is removed as general partner of the Partnership other than for cause. If the General Partner ceases to serve as the general partner of the Partnership for cause, UGI, Petrolane and the General Partner will each have the option to terminate the license agreements immediately upon payment of a fee equal to the fair market value of the licensed trade names.

SEASONALITY

The Partnership's retail sales volume is seasonal, with approximately 59% of the Partnership's fiscal year 1996 retail sales volume and approximately 90% of its earnings occurring during the five-month peak heating season from November through March, because many customers use propane for heating purposes. As a result of this seasonality, sales are concentrated in the Partnership's first and second fiscal quarters (October 1 through March 31), and cash receipts are greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season.

Sales volume for the Partnership traditionally fluctuates from year-to-year in response to variations in weather, prices, competition, customer mix and other factors, such as general economic conditions. Long-term, historic weather data from the National Weather Service Climate Analysis Center indicate that average annual temperatures have remained relatively constant over the last 30 years with fluctuations occurring on a year-to-year basis only. Actual weather conditions in the Partnership's various service territories, however, can vary substantially from historical averages. For information concerning average annual variations in weather across the Partnership's service territories, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

The Partnership is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane. These laws include, among others, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA, also known as the "Superfund" law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment. Propane is not a hazardous substance within the meaning of federal and state environmental laws. However, the Partnership owns and operates real property where such hazardous substances may exist. See Note 12 to the Company's Consolidated Financial Statements.

All states in which the Partnership operates have adopted fire safety codes that regulate the storage and distribution of propane. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. The Partnership conducts training programs to help ensure that its operations are in compliance with applicable governmental regulations. The Partnership maintains various permits under environmental laws that are necessary to operate some of its facilities, some of which may be material to the operations of the Partnership. Management believes that the procedures currently in effect at all of its facilities for the handling, storage and distribution of propane are consistent with industry standards and are in compliance in all material respects with applicable environmental, health and safety laws.

With respect to the transportation of propane by truck, the Partnership is subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation. With respect to general operations, National Fire Protection Association Pamphlets No. 54 and No. 58, which establish a set of rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in a majority of the states in which the Partnership operates.

The Natural Gas Safety Act of 1968 required the U.S. Department of Transportation ("DOT") to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety code applies to, among other things, a propane gas system which supplies 10 or more customers from a single source, and a propane system, any portion of which is located in a public place. The code requires operators of all gas systems to provide training and written instructions for employees, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and keep records of inspections and testing. Significant expense could be incurred if additional safety requirements are imposed that exceed the current DOT standards.

Future developments, such as stricter safety or environmental laws, regulations and enforcement policies thereunder, could affect the handling, transportation, manufacture, use, emission or disposal of propane or solid or hazardous waste. It is not anticipated that the Partnership's compliance with, or liabilities, if any, under safety and environmental laws and regulations, including CERCLA, will have a material adverse effect on the Partnership. To the extent that there are any environmental liabilities unknown to the Partnership or safety or environmental laws or regulations are made more stringent, there can be no assurance that the Partnership's results of operations will not be materially and adversely affected.

EMPLOYEES

The Partnership does not directly employ any persons responsible for managing or operating the Partnership. The General Partner provides these services and is reimbursed for its direct and indirect costs and expenses, including all compensation and benefit costs. At September 30, 1996, the General Partner had 5,071 employees, including 241 temporary and part-time employees.

Approximately two percent of the General Partner's employees are represented by eleven local labor unions which are affiliated with the International Brotherhood of Teamsters (9), the United Steelworkers of America (1) and the Warehouse, Processing and Distribution Workers Union of the International Longshoremen's and Warehousemen's Union, AFL-CIO (1).

UTILITY OPERATIONS

The Company's utility business is conducted by Utilities, a wholly owned subsidiary of the Company. Utilities operates its utility business through two divisions, the gas division ("Gas Utility") and the electric division ("Electric Utility"). The business conducted by each of these divisions is described below.

DISTRIBUTION OF NATURAL GAS

Service Area; Revenue Analysis. Gas Utility distributes natural gas to approximately 247,000 customers in portions of 14 eastern and southeastern Pennsylvania counties through its distribution system of approximately 4,100 miles of gas mains. The service area consists of approximately 3,000 square miles and includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon and Reading, Pennsylvania. Located in Gas Utility's service area are major production centers for basic industries such as steel fabrication. For the fiscal years ended September 30, 1996, 1995 and 1994, revenues of Gas Utility accounted for approximately 25%, 33% and 44%, respectively, of UGI's total consolidated revenues.

System throughput (the volume of gas sold to customers within Gas Utility's distribution system, plus the volume of gas transported for such customers) for the 1996 fiscal year was approximately 85.4 billion cubic feet ("bcf"). System sales of gas accounted for approximately 47% of system throughput, while gas transported for commercial and industrial customers (who buy their gas from others) accounted for approximately 53% of system throughput. Based on industry data for 1995, residential customers account for approximately 36% of total system throughput by local gas distribution companies in the United States. By contrast, for the 1996 fiscal year, Gas Utility's residential customers represented 23% of its total system throughput.

Sources of Supply and Pipeline Capacity. Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with producers and marketers, storage and transportation services from pipeline companies, and its own propane-air and liquefied natural gas peak-shaving facilities. Purchases of natural gas in the spot market are also made to reduce costs and manage storage inventory levels. These arrangements enable Gas Utility to purchase gas from Gulf Coast, mid-continent, Appalachian and Canadian sources. For the transportation and storage function, Utilities has agreements with a number of pipeline companies, including Texas Eastern Transmission Corporation, Columbia Gas Transmission Corporation ("Columbia"), ANR Pipeline Company, Columbia Gulf Transmission Company, CNG Transmission Corporation, National Fuel Gas Supply Corporation, Transcontinental Gas Pipeline Corporation, Trunkline Gas Company, Texas Gas Transmission Corporation and Panhandle Eastern Pipe Line Company.

Gas Supply Contracts. During the 1996 fiscal year, Gas Utility purchased approximately 41.8 bcf of natural gas and sold approximately 40.4 bcf to customers. Gas not sold to customers was used by Gas Utility principally for storage for later sale to customers. Approximately 23.8 bcf or 57% of the volumes purchased were supplied under agreements with Mobil Natural Gas Inc., Exxon Company USA, Pan Energy Trading L.L.C., Amerada Hess Corp., Natural Gas Clearinghouse and Midcon Gas Services Corp. The remaining 18.0 bcf or 43% of gas purchased was supplied by producers and marketers under other arrangements, including multi-month agreements at spot prices. Certain gas supply contracts require minimum gas purchases. Each of these agreements, however, either terminates in fiscal year 1997, or includes provisions which entitle Utilities to terminate in the event the agreement is not market responsive.

Storage and Peak Shaving. Gas Utility contracts for 10.8 bcf of seasonal storage with several interstate pipelines. Gas is injected in storage during the summer and delivered during the winter at combined peak day capacities of approximately .14 bcf. In Harrisburg, Reading and Bethlehem, Pennsylvania, Gas Utility operates peak shaving facilities capable of producing .06 bcf of gas per day from propane air and liquefied natural gas facilities. These facilities are used to meet winter peak service requirements.

Seasonal Variation. Approximately 58% of Gas Utility's system throughput for the 1996 fiscal year occurred during the winter season from November 1, 1995 through March 31, 1996, because many of its customers use gas for heating purposes.

Competition. Natural gas is a fuel that competes with electricity and oil and to a lesser extent with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. Electric utilities in Gas Utility's service area offer extensive rebate programs, primarily in the new construction market. Competition with fuel oil dealers is focused on industrial customers. Gas Utility responds to this competition with marketing efforts designed to retain and grow its customer base.

In substantially all of its service territory, Gas Utility is the only regulated gas distribution utility having the right, granted by the PUC or by law, to provide transportation services. While unregulated gas marketers have been selling gas to commercial and industrial customers in Gas Utility's service territory for over 11 years, Gas Utility provides transportation services for those sales. It is possible, however, for certain large customers to seek transportation services directly from interstate pipelines, "bypassing" Utilities, although none have done so. Gas Utility is closely monitoring certain third-party "bypass" proceedings throughout the United States before FERC, state agencies and the courts.

Customers representing approximately 22% of the Company's non-residential system throughput (10% of non-residential revenues) have the ability to switch to an alternate fuel at any time, and therefore, are served under flexible, interruptible rates which are competitively priced with respect to their alternate fuel. Gas Utility's margins from these customers, therefore, are affected by the spread between the customers' delivered cost of gas and the customers' delivered alternate fuel cost. In addition, other customers representing 27% of non-residential system throughput (7% of non-residential revenues) have locations which afford them the option of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility. The majority of these customers are served under transportation contracts having three- to five-year terms. Included in these two groups are the ten Utilities' customers with the highest volume of system throughput. Although no single customer represents, or is anticipated to represent, more than 10% of the total revenues of Gas Utility, the loss of several of such customers could have a material adverse effect on Gas Utility.

Outlook for Gas Service and Supply. Gas Utility expects to meet the full requirements of all firm customers through fiscal year 1997 and into the foreseeable future. Supply mix is diversified and it is delivered pursuant to various firm transportation and storage arrangements.

During the 1996 fiscal year, Gas Utility supplied transportation service to three major cogeneration installations. Gas Utility continues to pursue opportunities to supply natural gas to electric generation projects located in its service territory. Gas Utility also continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In the residential market sector, Gas Utility connected 6,372 additional heating customers during the 1996 fiscal year, a decrease of 4% from the previous year. The decrease in Gas Utility's residential activity was primarily due to the severe winter weather which delayed construction schedules. Approximately 61% of the additions represent gas customers from the new construction market. The remaining 39% represent customers converting from other energy sources, primarily oil, and existing non-heating gas customers who have added gas heating systems to replace other energy sources. The number of new commercial heating customers was 739, down from 981 in fiscal year 1995.

Utilities continues to monitor and participate extensively in third-party proceedings before the Federal Energy Regulatory Commission ("FERC") affecting the rates and the terms and conditions under which Gas Utility purchases, transports and stores natural gas. Among these proceedings are those arising out of certain FERC orders and/or pipeline filings which relate to (i) pipelines' requests to increase their base rates, or change the terms and conditions of their storage and transportation services; (ii) the flexibility of the terms and conditions of pipeline service contracts; and (iii) the relative pricing of pipeline services in a competitive energy market place.

Gas Utility continues to take the measures it believes necessary, in negotiations with interstate pipeline and natural gas suppliers and in cases before regulatory agencies, to assure availability of supply, transportation and storage alternatives to serve market requirements at the lowest cost consistent with security of supply considerations. Those measures include negotiating for additional firm transportation capacity from production areas on all pipelines serving Gas Utility, arranging for appropriate storage and peak shaving resources, negotiating with producers for competitively priced secure gas purchases and aggressively participating in regulatory proceedings related to transportation rights, costs of service and gas costs.

GENERATION AND DISTRIBUTION OF ELECTRICITY

Service Area; Revenue Analysis. Electric Utility supplies electric service to approximately 60,000 customers in portions of Luzerne and Wyoming Counties in northeastern Pennsylvania through a system consisting of approximately 2,100 miles of transmission and distribution lines and 14 transmission substations. For the 1996 fiscal year, about 54% of sales volume came from residential customers, 34% from commercial customers and 12% from industrial customers and others. For the 1996, 1995 and 1994 fiscal years, revenues of Electric Utility accounted for approximately 4%, 8% and 8%, respectively, of UGI's total consolidated revenues.

Sources of Supply. Electric Utility distributes electricity which it generates or purchases from others. Utilities owns and operates Hunlock generating station located near Kingston, Pennsylvania ("Hunlock Station"), and has a 1.11% ownership interest in the Conemaugh generating station located near Johnstown, Pennsylvania ("Conemaugh Station"), which is operated by another utility. These two coal-fired stations can generate up to 69 megawatts of electric power for Electric Utility and provided approximately 48% of its energy requirements during the 1996 fiscal year.

Coal supplies from various sources will be adequate to meet the operating needs of Hunlock Station for the foreseeable future. As a result of improvements made to Hunlock Station, its useful life has been extended to 2004.

Utilities has a long-term power supply agreement with Pennsylvania Power & Light Company ("PP&L"). Under this agreement, PP&L supplies all the electric power required by Electric Utility above that provided from other sources, through February 28, 2008. The cost of electricity supplied by PP&L is based on PP&L's actual system costs. In December 1993, Utilities entered into an agreement with Foster Wheeler Power Resources ("Foster Wheeler") to purchase power from a wood-fired generator which Foster Wheeler plans to construct. Electric Utility reviews least-cost power supply options on an annual basis in order to plan for its long-term power supply.

Environmental Factors. The operation of Hunlock Station complies with the air quality standards of the Pennsylvania Department of Environmental Resources ("DER") with respect to stack emissions. Under the Federal Water Pollution Control Act, Utilities has a permit from the DER to discharge water from Hunlock Station into the North Branch of the Susquehanna River.

The Federal Clean Air Act Amendments of 1990 (the "Clean Air Act Amendments") impose emissions limitations for certain compounds, including sulfur dioxide and nitrous oxides. The Conemaugh Station is in compliance with these standards, and the Hunlock Station is required to meet these emission standards by 1999.

In compliance with the Clean Air Act Amendments, the DER issued final Reasonably Available Control Technology ("RACT") regulations for nitrous oxides in January 1994. These regulations are applicable to Hunlock and Conemaugh Stations. Utilities' compliance plan for Hunlock Station and Conemaugh Station compliance plan have both been approved by the DER. Capital expenditures associated with the RACT regulations are not expected to be material.

More stringent regulation of nitrous oxide omissions at both Hunlock and Conemaugh Stations may be required due to the actions of the Northeast Ozone Transport Commission. The Commission was created by the Clean Air Act Amendments to provide a plan to reduce ground level ozone in the Northeast to a level acceptable to the U.S. Environmental Protection Agency (the "EPA"). Future actions of the Commission may cause the DER to modify its nitrous oxide RACT plans and thereby affect the compliance plans of Hunlock and Conemaugh Stations.

Competition. Electric Utility is the only regulated electric utility having the right, granted by the PUC or by law, to provide public utility electric service in its service territory. On December 3, 1996, the Governor of Pennsylvania signed into law the Electric Generation Customer Choice and Competition Act ("Customer Choice Act"). The Customer Choice Act permits all retail electric customers to choose their electric generation supplier. One-third of the peak load of each customer class of an electric utility will have the opportunity for direct access to generation suppliers by January 1, 1999, two-thirds of the peak load of each customer class by January 1, 2000, and all customers will have direct access by January 1, 2001, although the PUC can delay these implementation dates by a period of up to one year under certain circumstances.

The PUC also has authority under the Customer Choice Act to order electric utilities to submit proposals for retail access pilot programs to begin as of April 1, 1997.

Additional provisions of the Customer Choice Act establish a mechanism for claiming the recovery of transition or stranded costs, and establish a rate cap at the level of rates in effect as of the effective date of the Customer Choice Act until such time as 100 percent of an electric utility's customers have the right to choose their electric generation supplier and any charges for the recovery of transition or stranded costs have been removed from the electric utility's rates. Under the Customer Choice Act, Electric Utility will continue to be the only regulated electric utility having the right, granted by the PUC or by law, to transmit and distribute electric energy in its service territory. Electric Utility does not expect any material adverse effects on its operations as a result of the Customer Choice Act or open access wholesale wheeling (See "Utility Regulation and Rates - FERC Orders 888 and 889") because it owns relatively low-cost coal generation and purchases the remaining electric power needs of its system.

Seasonality. Sales of electricity for residential heating purposes accounted for approximately 24% of the total sales of Electric Utility during the 1996 fiscal year. Electricity competes with natural gas, oil, propane and other heating fuels in this use. Approximately 56% of sales occurred in the six coldest months of the 1996 fiscal year, demonstrating modest seasonality favoring winter due to the use of electricity for residential heating purposes.

PROPERTIES

Utilities' Mortgage and Deed of Trust constitutes a first lien on substantially all real and personal property of Utilities.

UTILITY REGULATION AND RATES

FERC Orders 888 and 889. In April 1996, FERC issued Orders No. 888 and 889 which established rules for the use of electric transmission facilities for wholesale transactions. In compliance with these orders, Electric Utility filed an open access wholesale electric transmission tariff with FERC on July 9, 1996. In addition, Electric Utility is in the process of renegotiating certain transmission owner agreements to which it is a party to bring these agreements into compliance with the requirements of FERC Order 888.

Pennsylvania Public Utility Commission Jurisdiction. Utilities' gas and electric utility operations are subject to regulation by the PUC as to rates, terms and conditions of service, accounts, issuance of securities, contracts and other arrangements with affiliated entities, and various other matters.

Purchased Gas Cost Rates. Gas Utility's gas service tariff contains Purchased Gas Cost ("PGC") rates which provide for annual increases or decreases in the rate per thousand cubic feet ("mcf") which Gas Utility charges for natural gas sold by it, to reflect Utilities' projected cost of purchased gas. In accordance with regulations adopted by the PUC on June 14, 1995, PGC rates may also be adjusted quarterly to reflect actual purchased gas costs. Each proposed PGC rate is required to be filed with the PUC six months prior to its effective date. During this period the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels which meet that standard. The PGC mechanism also provides for an annual reconciliation. Utilities has two PGC rates. PGC (1) is applicable to small, firm, core market customers consisting of the residential and small commercial and industrial classes; PGC (2) is applicable to firm, contractual, high-load factor customers served on three specific rates (Rates BD, BD-L and N/CIAC). In addition, residential customers maintaining a high load may qualify for the PGC(2) rate. In accordance with the schedule established by law and PUC regulations, Gas Utility will file a new PGC tariff on June 3, 1997, to be effective December 1, 1997. When filed, the proposed tariff will reflect estimated PGC over-collections and under-collections through November 30, 1997.

Energy Cost Rates. Electric Utility's electric service tariff contains an Energy Cost Rate ("ECR") which permits an adjustment to customers' monthly charges to reflect annual changes in the cost of purchased power, fuel, interchange power and the cost of transmitting power purchased from external sources. Electric Utility's ECR collections are reconciled annually as of January 31.

Gas Rate Case. On January 27, 1995, Gas Utility filed with the PUC for an increase in base rates. The PUC approved a settlement of this proceeding, effective August 31, 1995, resulting in base rates which are expected to increase annual revenues by $19.5 million. As part of its settlement with the PUC, Utilities agreed not to file for another gas base rate increase before January 25, 1997.

Electric Rate Case. On January 26, 1996 Electric Utility filed with the PUC for a $6.2 million increase in its base rates, to be effective March 26, 1996. On July 18, 1996, the PUC approved a settlement of this proceeding authorizing a $3.1 million increase in annual revenues. This increase in base rates became effective on July 19, 1996.

Deferred Fuel Adjustments. Utilities defers the difference between the amount of revenue recognized, and the applicable purchased gas costs and purchased power costs incurred, until subsequently billed or refunded to customers under the PGC and ECR.

State Tax Surcharge Clauses. Utilities' gas and electric service tariffs contain state tax surcharge clauses. The surcharges are recomputed whenever any of the tax rates included in their calculation are changed. These clauses protect Utilities from the effect of increases in most of the Pennsylvania taxes to which it is subject.

Recent Regulatory Environment. Since December 1982, Utilities has provided transportation service for commercial and industrial customers who purchase their gas from others. As previously reported, this unbundled service accounted for approximately 53% of Utilities' system throughput in fiscal year 1996. Certain states, including Pennsylvania, are considering whether transportation service options should be extended to residential and small commercial customers, and have begun to approve pilot programs extending such services on a limited basis. Among the issues to be addressed are the standards necessary to ensure reliability of future gas supplies, the recovery of costs of existing gas supplies, relationships with affiliated gas marketers and consumer education requirements. Utilities is considering a number of options for addressing the opening of unbundled transportation services to residential and small commercial customers, including the termination of bundled retail sales services. Because the PUC currently permits gas costs to be passed through to customers on a dollar-for-dollar basis, Utilities does not expect any reduction in revenues from the sale of gas caused by an expansion in the availability of gas transportation services to have a material negative impact on its financial condition. See also "UTILITY OPERATIONS - Generation and Distribution of Electricity - Competition."

UTILITY FRANCHISES

Utilities holds certificates of public convenience issued by the PUC and certain "grandfather rights" predating the adoption of the Pennsylvania Public Utility Code and its predecessor statutes which it believes are adequate to authorize it to carry on its business in substantially all the territory to which it now renders gas and electric service. Under applicable Pennsylvania law, Utilities also has certain rights of eminent domain as well as the right to maintain its facilities in streets and highways in its territories.

OTHER GOVERNMENT REGULATION

In addition to regulation by the PUC, the gas and electric utility operations of Utilities are subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. Certain of Utilities' activities involving the interstate movement of natural gas, the wheeling of electricity, transactions with non-utility generators of electricity and other matters, are also subject to the jurisdiction of FERC.

Utilities is subject to the requirements of the federal Resource Conservation and Recovery Act, CERCLA and comparable state statutes with respect to the release of hazardous substances on property owned or operated by Utilities. See ITEM 3. "LEGAL PROCEEDINGS-Environmental Matters." The electric generation activities of Utilities are also subject to the Clean Air Act Amendments, the Federal Water Pollution Control Act and comparable state statutes and regulations. See "UTILITY OPERATIONS-Generation and Distribution of Electricity-Environmental Factors."

UGI ENTERPRISES, INC.

UGI Enterprises, Inc. is a wholly owned subsidiary of UGI, formed in 1994. Through subsidiaries, UGI Enterprises is developing the energy businesses described below.

In 1995, the gas marketing business previously conducted by a subsidiary of Utilities was transferred to UGI Energy Services, Inc. ("Energy Services"), a wholly owned subsidiary of UGI Enterprises. Energy Services conducts this business under the trade name GASMARK. GASMARK is taking advantage of current trends in deregulation to sell natural gas directly to commercial and industrial customers. In 1996, GASMARK expanded its marketing territory beyond the MidAtlantic region to serve customers in Massachusetts, New York and Ohio. Currently, GASMARK supplies natural gas to more than 700 customers in seven states through the transportation systems of 14 utilities.

During 1996, UGI Enterprises formed a joint venture with affiliates of Energy Transportation Group, Inc. ("ETG") and North American World Trade, Ltd. to develop, build and operate a liquified petroleum gas ("LPG") import project in Romania. ETG operates a major fleet of liquified natural gas ("LNG") vessels, and North American World Trade, Ltd. is a consulting firm with Romanian expertise. The joint venture is known as Black Sea LPG, L.P. The project will include construction of a 26 million gallon refrigerated marine LPG import terminal and an LPG pipeline with propane-air mixing plants to deliver propane to Bucharest, Romania's capital. It is expected to begin operation in 1999. UGI has funded the initial development of the joint venture through UGI Black Sea Enterprises, Inc., a wholly owned subsidiary of UGI Enterprises. ETG will be the developer of the project and UGI Black Sea Enterprises, Inc. will operate the terminal and the propane-air plants.

UGI Enterprises is also pursuing energy development partnerships in other emerging markets overseas. In these markets, UGI Enterprises' principal objective is to capitalize on the operating and financing skills of its U.S. affiliates and apply them in joint ventures with international partners in potentially high-growth, energy-consuming regions.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's industry segments for the 1996, 1995 and 1994 fiscal years appears on page 20 of UGI's 1996 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 1996, UGI and its subsidiaries had 6,371 employees.

ITEM 3. LEGAL PROCEEDINGS

With the exception of the matters set forth below, no material legal proceedings are pending involving UGI, any of its subsidiaries or any of their properties, and no such proceedings are known to be contemplated by governmental authorities.

ENVIRONMENTAL MATTERS - MANUFACTURED GAS PLANTS

Prior to the general availability of natural gas, in the 1800s through the mid-1900s, manufactured gas was a chief source of gas for lighting and heating nationwide. The process involved heating certain combustibles such as coal, oil and coke in a low-oxygen atmosphere. Methods of production included coal carbonization, carbureted water gas and catalytic cracking. These methods were employed at many different sites throughout the country. The residue from gas manufacturing, including coal tar, was typically stored on site, burned in the gas plant, or sold for commercial use. Some constituents of coal tars produced from the manufactured gas process are today considered hazardous substances under the Superfund Law.

The gas distribution business has been one of Utilities' principal lines of business since its inception in 1882. One of the ways Utilities initially expanded its business in its early years was by entering into agreements with other gas companies to operate their businesses. After 1888, the principal means by which Utilities expanded its gas business was to acquire all or a portion of the stock of companies engaged in this business. Utilities also provided management and administrative services to some of these companies. Utilities grew rapidly by means of stock acquisitions and became one of the largest public utility holding companies in the country. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, Utilities divested all of its utility operations other than those which now constitute the Gas Utility and the Electric Utility.

The manufactured gas process was once used by Utilities in connection with providing gas service to its customers. In addition, virtually all of the gas companies that Utilities operated or to which it provided services, or in which Utilities held stock, utilized a manufactured gas process. Utilities has been notified of several sites outside Pennsylvania on which (i) gas plants were formerly operated by it or owned or operated by its former subsidiaries and (ii) either environmental agencies or private parties are investigating the extent of environmental contamination and the necessity of environmental remediation. Utilities is currently litigating two claims against it relating to out-of-state sites. If Utilities were found liable as a "responsible party" as defined in the Superfund Law (or comparable state statutes) with respect to any of these sites, it would have joint and several liability with other responsible parties for the full amount of the cleanup costs. A "responsible party" under that statute includes (i) the current owner of the affected property and (ii) each owner or operator of a facility during the time when hazardous substances were released on the property.

Management believes that Utilities should not have significant liability in those instances in which a former subsidiary operated a manufactured gas plant because Utilities generally is not legally liable for the obligations of its subsidiaries. Under certain circumstances, however, courts have found parent companies liable for environmental damage caused by subsidiary companies when the parent company exercised such substantial control over the subsidiary that the court concluded that the parent company either (i) itself operated the facility causing the environmental damage or (ii) otherwise so controlled the subsidiary that the subsidiary's separate corporate form should be disregarded. There could be, therefore, significant future costs of an uncertain amount associated with environmental damage caused by manufactured gas plants that Utilities owned or directly operated, or that were owned or operated by former subsidiaries of Utilities, if a court were to conclude that the level of control exercised by Utilities over the subsidiary satisfies the standard described above.

Utilities believes that there are approximately 40 manufactured gas plant sites in Pennsylvania where either (i) Utilities formerly operated the plant or (ii) Utilities owns or at one time owned the site. Most of the sites are no longer owned by Utilities and the gas plants formerly operated at these 40 sites have all been out of operation since at least the early 1950s. Two of the sites, located in Palmyra and Lebanon, Pennsylvania, respectively, are discussed below. Based on the 1995 settlement agreement with the PUC relating to Gas Utilities' 1995 base rate increase filing, rate relief will be permitted for certain remediation expenditures on environmentally contaminated sites located in Pennsylvania.

The following is a short description of the status of certain matters involving Utilities related to manufactured gas plants located in Pennsylvania and in other states. See also Note 12 to the Company's Consolidated Financial Statements which appears on pages 36 and 37 of its 1996 Annual Report to Shareholders.

A. PENNSYLVANIA GAS PLANT SITES

1. Palmyra. On May 5, 1993, Petroleum Heat and Power Company ("Petroleum") informed Utilities that Utilities may be responsible for contamination at property owned by Petroleum in Palmyra, Pennsylvania. Utilities is the corporate successor to a company that operated a manufactured gas plant on this site from approximately 1910 to 1928. Petroleum operates a fuel oil dealership at the site and removed a number of underground gasoline storage tanks, some of which were found to be leaking. In the course of remediating the gasoline contamination, Petroleum's consultant discovered creosote or coal tar contamination in one of the groundwater monitoring wells to a depth of approximately twenty feet. Utilities and Petroleum have jointly conducted and shared the cost of additional investigation which suggests that the coal tar-like contaminants are contained in a small area of the site and that they have not entered the groundwater. Utilities and Petroleum have completed investigation of the site, have removed contaminated soils and expect the DER to approve a recommendation that the parties take no further action.

2. Lebanon. In October 1990, Utilities notified the DER of the discovery of coal tar at a site formerly operated by a predecessor company of Utilities as a gas plant in Lebanon, Pennsylvania. This material was discovered during the excavation of the foundation of a new service building that Utilities was constructing on the site. Utilities subsequently removed and disposed of coal tar contaminated soil to the extent practicable. Utilities has continued to monitor groundwater wells on and adjacent to the site. Some of these wells have produced petroleum hydrocarbon contaminated water consistent with leaking underground gasoline tanks. Properties to the east and south of Utilities' property have histories of such leaking tanks. The latest communication from the DER concludes that the predominant contamination at the site is related to the leaking gasoline storage tanks.

B. OUT OF STATE GAS PLANT SITES

1. Halladay Street, Jersey City, New Jersey. By letter dated April 12, 1993, Public Service Electric and Gas Company ("PSE&G") informed Utilities that PSE&G had been named as a defendant in a civil action pending in the United States District Court of the District of New Jersey, seeking damages as a result of contamination relating to the former manufactured gas plant operations at Halladay Street in Jersey City, New Jersey. The Halladay Street gas plant operated from approximately 1884 until 1950. PSE&G asserted that Utilities is liable for that portion of the costs associated with operations of the plant between 1886 and 1899. PPG Industries, Inc. has also been named as a defendant in the action for costs associated with chemical contamination at the site unrelated to gas plant operations. In July 1993, PSE&G served Utilities with a complaint naming Utilities as a third-party defendant in this civil action. PSE&G subsequently amended the complaint to allege additional theories of liability for the period from 1899 to 1940. That action is continuing. Management is currently investigating Utilities' involvement in operations of the site and evaluating its defenses. Investigations of the site conducted to date are insufficient to establish the extent of environmental remediation necessary, if any. Hence, Utilities is unable to estimate the total cost of cleanup associated with manufactured gas plant wastes at this site.

2. Burlington, Vermont. By letter dated November 24, 1992, the EPA notified Utilities of potential liability with respect to contamination at the Pine Street Canal Superfund Site, Burlington, Vermont. The EPA has also identified eighteen other "potentially responsible parties." The site is the location of a former manufactured gas plant owned and operated by Burlington Gas Light Company ("BGLC") and Burlington Light and Power Company ("BLPC"). The EPA contends that Utilities is potentially liable because it assumed the liabilities of American Gas Company of New Jersey, a one-time parent of BGLC and BLPC. In 1985, the EPA removed approximately 15,000 tons of coal tar contaminated material from a portion of the site. From 1986 through 1992, the EPA conducted investigations and developed potential remedial actions at the site. The results of EPA's investigations show that coal gasification wastes, particularly polynuclear aromatic hydrocarbons and coal tar, are present in surface and subsurface soils as well as groundwater. The contamination also extends to wetlands adjacent to the site.

In November 1992, the EPA proposed a cleanup of the site that, among other actions, would consist of on-site containment, dredging and excavation, dewatering and consolidation of contaminated soils, treatment of groundwater and restoration of wetlands. The estimated cost of the proposed plan would have been approximately $50 million. In May 1993, after reviewing extensive public comment concerning the proposed plan of remediation, the EPA withdrew the proposed plan and announced that it would work with community groups, potentially responsible parties and others to develop an alternative plan. Management is unable to estimate the cost of any alternative plan of remediation, but it does not expect such cost to exceed the estimated cost of the original proposed plan. Utilities has responded to the EPA letter and denied liability for any contamination caused by the former operator of the gas plant. Management believes that Utilities has substantial defenses to any claim that may be made for investigative or remedial costs because, among other things, the plant was operated by a subsidiary of a predecessor company.

3. Savannah, Georgia. On March 2, 1992, Atlanta Gas Light Company ("AGL") informed Utilities that it was investigating contamination that appears to be related to manufactured gas plant operations at a site owned by AGL in Savannah, Georgia. AGL believes that Utilities may be liable for investigative and remedial costs as a result of having operated the gas plant through a subsidiary company in the early 1900s. AGL has stated its intention to bring suit against Utilities. AGL estimates that total costs to remediate the site may exceed $5 million. Management believes that Utilities has substantial defenses to any action that may arise out of the activities of its former subsidiary at this site.

4. Concord, New Hampshire. By letter dated October 18, 1993, EnergyNorth Natural Gas, Inc. ("EnergyNorth") informed Utilities that the New Hampshire Department of Environmental Services ("NHDES") has alleged that there is environmental contamination on property in Concord, N.H., where a manufactured gas plant was once located. EnergyNorth requested that Utilities, as a former operator of the plant, participate in investigation of the site. Because this gas plant appears to have been operated almost exclusively by former subsidiary companies of Utilities, Utilities declined to participate. On September 17, 1995 EnergyNorth filed suit against Utilities alone in federal District Court in New Hampshire, seeking Utilities' allocable share of response costs associated with remediating gas plant related contamination at that site. The complaint alleges that EnergyNorth has spent $3.5 million to remove contaminants from a gas holder at the site and will be required to spend an unknown amount in the future. As a result of investigations of gas plant related contamination in a nearby pond completed in 1996, EnergyNorth has recommended to NHDES a remedial plan that would cost approximately $4 million. Utilities is currently defending this suit.

OTHER MATTERS

1. Mateel Environmental Justice Foundation v. AmeriGas Propane, L.P. et al. On July 29, 1996, Mateel Environmental Justice Foundation ("Mateel") filed a complaint in the Superior Court of the State of California, County of San Francisco, alleging that the Operating Partnership, and several other major propane gas distributors, are in violation of Proposition 65, "The Safe Drinking Water and Toxic Enforcement Act of 1986" (commonly referred to as "Prop 65"). The Operating Partnership is a 98.99% owned subsidiary of the Partnership. The Complaint alleges that the Operating Partnership and its co-defendants are required to provide warnings that the use of liquid propane would result in exposure to chemicals known to cause cancer and birth defects, and that the burning of liquid propane in heaters and other appliances causes exposure to carbon monoxide, benzene, formaldehyde and acetaldehyde. The maximum penalty under Prop 65 is $2,500 per day, per person exposed. In addition to the maximum penalty, Mateel is seeking attorney's fees and costs, together with an Order mandating compliance with Prop 65. Management believes that the Operating Partnership has substantial defenses to this claim. The Operating Partnership has entered into settlement negotiations with Mateel and the California Attorney General's office. The amount of the proposed settlement is immaterial to the Partnership.

2. Commercial Row Cases, Judicial Council of California, Coordination Proceeding No. 3096. Beginning in June 1994, twenty-one complaints were filed against AmeriGas Propane, Inc., a Delaware corporation ("AGP"), and a predecessor of the Operating Partnership, in the Superior Court of California, arising from an explosion which occurred in Truckee, California on November 30, 1993. The explosion is alleged to have occurred as the result of propane gas which escaped from a fractured fitting in an underground supply line. The complaints sought relief for alleged personal injuries and/or property damage, and named as defendants the manufacturer and distributor of the fitting, in addition to AGP. The cases have been consolidated by the Judicial Council of California as the Commercial Row Cases, Judicial Council Coordination Proceeding No. 3096. All of the complaints requested damages in unspecified amounts; some of the complaints sought punitive damages as well as compensatory damages. A number of complaints were settled during 1996. During pretrial discovery, the remaining claimants have asserted demands which in the aggregate now exceed $18 million. The claims asserted in the complaints are fully insured, subject to a $500,000 self-insured retention, except for awards of punitive damages or that portion of a settlement attributable to punitive damages, which may not be covered by insurance. Trial currently is scheduled to begin on February 24, 1997.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the last fiscal quarter of the 1996 fiscal year.

UGI'S EXECUTIVE OFFICERS

Information regarding UGI's executive officers is included in Part III of this Report and is incorporated in Part I by reference.

PART II: SECURITIES AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Company's Common Stock is traded on the New York and Philadelphia Stock Exchanges. The following table sets forth the high and low sales prices for the Company's Common Stock on the New York Stock Exchange Composite Transactions tape as reported in The Wall Street Journal for each full quarterly period within the two most recent fiscal years:

1996 FISCAL YEAR	HIGH	LOW
4th Quarter	$24 7/8	$21 7/8
3rd Quarter	24 7/8	20
2nd Quarter	22 3/4	20 1/8
1st Quarter	21 7/8	19 3/4

1995 FISCAL YEAR	HIGH	LOW
4th Quarter	$21 3/4	$19 3/4
3rd Quarter	22 1/8	18 7/8
2nd Quarter	22	19
1st Quarter	20 7/8	18 1/4

DIVIDENDS

Quarterly dividends on UGI Common Stock were paid in the 1996 and 1995 fiscal years as follows:

1996 FISCAL YEAR	AMOUNT
4th Quarter	$.35 1/2
3rd Quarter	.35
2nd Quarter	.35
1st Quarter	.35

1995 FISCAL YEAR	AMOUNT
4th Quarter	$.35
3rd Quarter	.34 1/2
2nd Quarter	.34 1/2
1st Quarter	.34 1/2

HOLDERS

On December 1, 1996, UGI had 14,588 holders of record of Common Stock.

The information concerning restrictions on dividends required by Item 5 is incorporated in this Report by reference to Note 5 to the Company's Consolidated Financial Statements which appears on pages 30 through 32 of its 1996 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended September 30,			Nine Months Ended September 30,		Year Ended December 31,
	1996	1995(a)	1994(a)	1993	1992 (Unaudited)	1992
(Millions of dollars, except per share amounts)						
FOR THE PERIOD:						
Income statement data:						
Revenues	$ 1,557.6	$ 877.6	$ 762.2	$ 509.5	$ 486.8	$ 708.1
Income (loss) from:						
Continuing operations	$ 39.5	$ 7.9	$ 37.4	$ 12.6	$ 15.3	$ 31.5
Discontinued operations	-	-	7.6	-	1.7	2.2
Income before extraordinary loss and change in accounting	39.5	7.9	45.0	12.6	17.0	33.7
Extraordinary loss - debt restructuring	-	(13.2)	-	-	-	-
Change in accounting for postemployment benefits	-	(3.1)	-	-	-	-
Net income (loss)	$ 39.5	$ (8.4)	$ 45.0	$ 12.6	$ 17.0	$ 33.7
Per common share data:						
Earnings from continuing operations	$ 1.19	$ .24	$ 1.16	$ .41	$ .57	$ 1.14
Earnings (loss) from discontinued operations	-	-	.23	-	.06	.08
Earnings before extraordinary loss and change in accounting	1.19	.24	1.39	.41	.63	1.22
Extraordinary loss - debt restructuring	-	(.40)	-	-	-	-
Change in accounting for postemployment benefits	-	(.10)	-	-	-	-
Net earnings (loss)	$ 1.19	$ (.26)	$ 1.39	$ .41	$ .63	$ 1.22
Cash dividends declared	$ 1.41	$ 1.39	$ 1.36	$ .995	$ .96	$ 1.285
AT PERIOD END:						
Balance sheet data:						
Total assets	$ 2,144.9	$ 2,164.0	$ 1,182.2	$ 1,211.4	$ 1,076.3	$ 1,103.5
Capitalization:						
Debt:						
Bank loans - Propane	$ 15.0	$ -	$ -	$ -	$ -	$ -
Bank loans - Utilities	50.5	42.0	17.0	-	-	36.3
Long-term debt (including current maturities):						
Propane	692.5	658.5	210.3	210.2	211.0	210.8
Utilities	174.8	206.3	175.6	200.4	196.2	153.7
Other	9.0	9.3	9.6	9.9	-	-
Total debt	941.8	916.1	412.5	420.5	407.2	400.8
Minority interest in AmeriGas Partners	284.4	318.9	-	-	-	-
UGI Utilities preferred stock subject to mandatory redemption	35.2	35.2	35.2	33.2	35.2	34.2
Common stockholders' equity	377.6	380.5	424.3	414.5	375.5	389.9
Total capitalization	$ 1,639.0	$ 1,650.7	$ 872.0	$ 868.2	$ 817.9	$ 824.9
Ratio of capitalization:						
Total debt	57.5%	55.5%	47.3%	48.4%	49.8%	48.6%
Minority interest	17.4	19.3	-	-	-	-
UGI Utilities preferred stock	2.1	2.1	4.0	3.8	4.3	4.1
Common stockholders' equity	23.0	23.1	48.7	47.8	45.9	47.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) On April 19, 1995, a wholly owned subsidiary of AmeriGas acquired by merger the approximately 65% of Petrolane common shares not already owned by UGI or AmeriGas and combined the propane distribution businesses of Petrolane and the Company. The consolidated results of the Company include those of Petrolane for periods subsequent to April 19, 1995. Prior to April 19, 1995, the Company's investment in Petrolane (commencing with its July 15, 1993 acquisition of a significant equity investment in Petrolane) was accounted for by the equity method. On a pro forma basis as if the acquisition of the 65% of Petrolane had occurred at the beginning of fiscal 1994, revenues would have been $1,244.5 and $1,344.2, and income from continuing operations would have been $20.5 and $38.8 during the years ended September 30, 1995 and 1994, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 10 through 18 of UGI's 1996 Annual Report to Shareholders, is incorporated in this Report by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and Financial Statement Schedules referred to in the Index contained on pages F-2 and F-3 of this Report are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III: UGI MANAGEMENT AND SECURITY HOLDERS

ITEMS 10 THROUGH 12.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11 and 12 is incorporated in this Report by reference to the following portions of UGI's Proxy Statement, which will be filed with the Securities and Exchange Commission by January 27, 1997:

INFORMATION	CAPTIONS OF PROXY STATEMENT INCORPORATED BY REFERENCE
Item 10. Directors and Executive Officers of Registrant.	Election of Directors - Nominees
Item 11. Executive Compensation.	Compensation of Executive Officers Compensation of Directors
Item 12. Security Ownership of Certain Beneficial Owners and Management.	Securities Ownership of Management Security Ownership of Certain Beneficial Owners

The information concerning the Company's executive officers required by Item 10 is set forth below.

EXECUTIVE OFFICERS

NAME	AGE	POSITION
Lon R. Greenberg	46	Chairman, Director, President and Chief Executive Officer
Charles L. Ladner	58	Senior Vice President - Finance and Chief Financial Officer
Brendan P. Bovaird	48	Vice President and General Counsel
Michael J. Cuzzolina	51	Vice President - Accounting and Financial Control
Bradley C. Hall	43	Vice President - New Business Development
Richard L. Bunn	60	President and Chief Executive Officer, UGI Utilities, Inc.

All officers are elected for a one-year term at the organizational meetings of the respective Boards of Directors held each year.

There are no family relationships between any of the officers or between any of the officers and any of the directors.

The following is a summary of the business experience of the executive officers listed above during at least the last five years. For purposes of the summary of business experience set forth below, references to "the Company," "UGI" and "the Board" prior to February 19, 1992 refer to Utilities (formerly, UGI Corporation) or the Board of Directors of Utilities, respectively.

Lon R. Greenberg

Mr. Greenberg was elected Chairman of UGI effective August 1, 1996, having been elected Chief Executive Officer effective August 1, 1995. He was elected Director and President of UGI and a Director of UGI Utilities in July 1994. Mr. Greenberg was Senior Vice President - Legal and Corporate Development (1989 to 1994), and also served as Vice President - Legal and Corporate Development (1987 to 1989). Previously, he was Vice President - Legal (1984 to 1987), General Counsel (1983 to 1994) and Secretary (1982 to 1988). He joined the Company in 1980 as Corporate Development Counsel. Mr. Greenberg is also a director on the Mellon PSFS Advisory Board.

Charles L. Ladner

Mr. Ladner is Senior Vice President-Finance (since 1978). He joined the Company in August 1973 as Vice President-Finance.

Brendan P. Bovaird

Mr. Bovaird is Vice President and General Counsel of UGI (since April 1995). He is also Vice President and General Counsel of UGI Utilities, Inc., and AmeriGas, Inc. (since April 1995). Mr. Bovaird previously served as Division Counsel and Member of the Executive and Operations Committees of Wyeth-Ayerst International Inc. (1992 to 1995) and Senior Vice President, General Counsel and Secretary of Orion Pictures Corporation (1990 to 1991). Mr. Bovaird also engaged in private practice from 1991 to 1992.

Michael J. Cuzzolina

Mr. Cuzzolina is Vice President-Accounting and Financial Control of the Company (since 1984) and Treasurer of AmeriGas Propane, Inc. (since 1995). He joined the Company in 1974 and has previously served as Treasurer and Assistant Controller of the Company and as Vice President-Finance of AmeriGas.

Bradley C. Hall

Mr. Hall was elected Vice President-New Business Development on October 25, 1994, having been Vice President-Marketing and Rates, UGI Utilities, Inc. Gas Division. He joined the Company in 1982 and has held various positions in the Gas Division.

Richard L. Bunn

Mr. Bunn is President and Chief Executive Officer of UGI Utilities, Inc., (since May 1992). He previously served as Senior Vice President-Utilities Division of UGI (1987 to May 1992) and Senior Vice President-Energy of UGI (1978 to 1987). Mr. Bunn began his career with UGI as an engineer in the Electric Utility Division (1958).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV: ADDITIONAL EXHIBITS, SCHEDULES AND REPORTS

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

(1), (2) The financial statements and financial statement schedules incorporated by reference or included in this Report are listed in the accompanying Index to Financial Statements and Financial Statement Schedules set forth on pages F-2 through F-3 of this Report, which is incorporated herein by reference.

(3) LIST OF EXHIBITS:

The exhibits filed as part of this Report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

INCORPORATION BY REFERENCE				
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
3.1	(Second) Amended and Restated Articles of Incorporation of the Company	UGI	Amendment No. 1 on Form 8 to Form 8-B (4/10/92)	3.(3)(a)
3.2	Bylaws of UGI as in effect since October 31, 1995.	UGI	Form 10-K (9/30/95)	3.2
4	Instruments defining the rights of security holders, including indentures. (The Company agrees to furnish to the Commission upon request a copy of any instrument defining the rights of holders of its long-term debt not required to be filed pursuant to the description of Exhibit 4 contained in Item 601 of Regulation S-K)			
4.1	Rights Agreement, as amended as of April 17, 1996, between the Company and Mellon Bank, N.A., successor to Mellon Bank (East) N.A., as Rights Agent, and Assumption Agreement dated April 7, 1992	UGI	Form 8-K (4/17/96)	4.1
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI's (Second) Amended and Restated Articles of Incorporation and Bylaws referred to in 3.1 and 3.2 above.			
4.4	Utilities' Articles of Incorporation	Utilities	Form 8-K (9/22/94)	4(a)

INCORPORATION BY REFERENCE				
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
4.5	First Mortgage Notes Agreement dated as of April 12, 1995 among The Prudential Insurance Company of America, Metropolitan Life Insurance Company, and certain other institutional investors and AmeriGas Propane, L.P., New AmeriGas Propane, Inc. and Petrolane Incorporated	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.8
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC paragraph 61,060 (1993), order on rehearing, 64 FERC paragraph 61,365 (1993)	UGI	Form 10-K (9/30/95)	10.5
10.2	Service Agreement (Rate FTS) dated June 1, 1987 between Utilities and Columbia, as modified by Supplement No. 1 dated October 1, 1988; Supplement No. 2 dated November 1, 1989; Supplement No. 3 dated November 1, 1990; Supplement No. 4 dated November 1, 1990; and Supplement No. 5 dated January 1, 1991, as further modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC paragraph 61,060 (1993), order on rehearing, 64 FERC paragraph 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)o.

INCORPORATION BY REFERENCE				
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.3	Transportation Service Agreement (Rate FTS-1) dated November 1, 1989 between Utilities and Columbia Gulf Transmission Company, as modified pursuant to the orders of the Federal Energy Regulatory Commission in Docket No. RP93-6-000 reported at Columbia Gulf Transmission Co., 64 FERC paragraph 61,060 (1993), order on rehearing, 64 FERC paragraph 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)p.
10.4	Amended and Restated Sublease Agreement dated April 1, 1988 between Southwest Salt Co. and AP Propane, Inc. (the "Southwest Salt Co. Agreement")	UGI	Form 10-K (9/30/94)	10.35
10.5	Letter dated September 26, 1994 pursuant to Article 1, Section 1.2 of the Southwest Salt Co. Agreement re option to renew for period of June 1, 1995 to May 31, 2000	UGI	Form 10-K (9/30/94)	10.36
10.6**	UGI Corporation 1992 Directors' Stock Plan	UGI	Form 10-Q (6/30/92)	(10)ff
10.7**	UGI Corporation Directors Deferred Compensation Plan dated August 26, 1993	UGI	Form 10-K (9/30/94)	10.39

	INCORPORATION BY REFERENCE			
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.8**	UGI Corporation Retirement Plan for Outside Directors dated October 1, 1993	UGI	Form 10-K (9/30/94)	10.40
10.9**	UGI Corporation 1992 Stock Option and Dividend Equivalent Plan, as amended May 19, 1992	UGI	Form 10-Q (6/30/92)	(10)ee
10.10**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.11**	Amended and Restated Senior Executive Retirement Plan for Certain Employees of UGI Corporation and its Subsidiaries and Affiliates, effective October 27, 1992	UGI	Form 10-K (9/30/94)	10.43
10.12**	UGI Corporation Senior Executive Severance Pay Plan dated April 30, 1993	UGI	Form 10/K (9/30/94)	10.44
10.13**	Change of Control Agreement between UGI Corporation and Lon R. Greenberg	UGI	Form 10-Q (6/30/96)	10.1
10.14**	Form of Change of Control between UGI Corporation and each of Messrs. Bunn and Ladner	UGI	Form 10-Q (6/30/96)	10.2
10.15**	Form of Change of Control Agreement between UGI Corporation and each of Messrs. Bovaird, Cuzzolina and Hall	UGI	Form 10-Q (6/30/96)	10.3
10.16**	Agreement with Robert C. Mauch dated July 25, 1996	AmeriGas Partners	Form 10-K (9/30/96)	10.22

INCORPORATION BY REFERENCE				
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.17	Credit Agreement dated as of April 12, 1995 among AmeriGas Propane, L.P., AmeriGas Propane, Inc., Petrolane Incorporated, Bank of America National Trust and Savings Association, as Agent and certain banks	AmeriGas Partners, L.P.	Registration Statement on Form S-4 (No. 33-92734)	10.1
10.18	First Amendment dated as of July 31, 1995 to Credit Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/96)	10.2
10.19	Second Amendment dated as of October 28, 1996 to Credit Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/96)	10.3
10.20	Intercreditor and Agency Agreement dated as of April 19, 1995 among AmeriGas Propane, Inc., Petrolane Incorporated, AmeriGas Propane, L.P., Bank of America National Trust and Savings Association ("Bank of America") as Agent, Mellon Bank, N.A. as Cash Collateral Sub-Agent, Bank of America as Collateral Agent and certain creditors of AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.2
10.21	General Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association and Mellon Bank, N.A.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.3
10.22	Subsidiary Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association as Collateral Agent and Mellon Bank, N.A. as Cash Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.4

INCORPORATION BY REFERENCE				
EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.23	Restricted Subsidiary Guarantee dated as of April 19, 1995 by AmeriGas Propane L.P. for the benefit of Bank of America National Trust and Savings Association, as Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.5
10.24	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.6
10.25	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.7
10.26	Credit Agreement dated October 28, 1996 between AmeriGas Propane, Inc. and AmeriGas Partners, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/96)	10.19
*11	Statement re: Computation of Per Share Earnings			
*13	Pages 10 through 39 of 1996 Annual Report to Shareholders			
*21	Subsidiaries of the Registrant			
*23	Consent of Coopers & Lybrand L.L.P.			
*27	Financial Data Schedule			
*99	Cautionary Statements affecting Forward-looking Information			

* Filed herewith.

** As required by Item 14(a)(3), this exhibit is identified as a compensatory plan or arrangement.

(b) Reports on Form 8-K:

During the last quarter of the 1996 fiscal year, the Company filed no Current Reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UGI CORPORATION

Date: December 10, 1996

By: Charles L. Ladner

Charles L. Ladner
Senior Vice President - Finance
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 10, 1996, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE	TITLE
Lon R. Greenberg - --------------------------- Lon R. Greenberg	Chairman, President and Chief Executive Officer (Principal Executive Officer) and Director
Charles L. Ladner - ----------------------------- Charles L. Ladner	Senior Vice President - Finance and Chief Financial Officer (Principal Financial Officer)
Michael J. Cuzzolina - ---------------------------- Michael J. Cuzzolina	Vice President - Accounting and Financial Control (Principal Accounting Officer)
Stephen D. Ban - ------------------------------ Stephen D. Ban	Director
Robert C. Forney - ----------------------------- Robert C. Forney	Director

SIGNATURE	TITLE
Richard C. Gozon - ---------------------------- Richard C. Gozon	Director
Cyrus H. Holley - ------------------------------ Cyrus H. Holley	Director
Anne Pol - ----------------------------- Anne Pol	Director
Quentin I. Smith, Jr. - ----------------------------- Quentin I. Smith, Jr.	Director
James W. Stratton - ---------------------------- James W. Stratton	Director
David I. J. Wang - ------------------------------ David I. J. Wang	Director

UGI CORPORATION AND SUBSIDIARIES

FINANCIAL INFORMATION

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

YEAR ENDED SEPTEMBER 30, 1996

UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements and supplementary data of UGI Corporation and subsidiaries, together with the report thereon of Coopers & Lybrand L.L.P. dated November 22, 1996, listed in the following index, are included in UGI's 1996 Annual Report to Shareholders and are incorporated in this Form 10-K Annual Report by reference. With the exception of the pages listed in this index and information incorporated in Items 1, 2, 5, 7 and 8, the 1996 Annual Report to Shareholders is not to be deemed filed as part of this Report.

UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES (CONTINUED)

Annual Reports on Form 10-K/A

Annual Reports on Form 10-K/A for the UGI Utilities, Inc. and AmeriGas Propane, Inc. savings plans will be filed by amendment within the time period specified by Rule 15d-21(b).

All other financial statement schedules are omitted because the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required is included elsewhere in the respective financial statements or notes thereto contained or incorporated by reference herein.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors
and Stockholders
UGI Corporation
Valley Forge, Pennsylvania

Our report on the consolidated financial statements of UGI Corporation and subsidiaries, which includes an explanatory paragraph regarding the Company's change in its method of accounting for postemployment benefits in 1995, has been incorporated by reference in this Form 10-K from page 39 of the 1996 Annual Report to Shareholders of UGI Corporation and subsidiaries. In connection with our audits of such financial statements, we have also audited the financial statement schedules listed in the index on pages F-2 and F-3 inclusive, of this Form 10-K.

In our opinion, the financial statement schedules (pages S-1 to S-5, inclusive) referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
November 22, 1996

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

BALANCE SHEETS
(Millions of dollars)

	September 30, 1996	September 30, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 51.4	$ 19.1
Short-term investments	23.1	2.0
Accounts receivable	0.4	0.4
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	0.2	0.3
Total current assets	75.3	22.0
Investments in subsidiaries	326.5	383.2
Other assets	1.0	2.3
Total assets	$ 402.8	$ 407.5
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	$ 12.2	$ 10.6
Accrued liabilities	11.7	12.6
Total current liabilities	23.9	23.2
Noncurrent liabilities	1.3	3.8
Common stockholders' equity:		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 and 32,921,830 shares, respectively)	392.0	386.1
Accumulated deficit	(12.9)	(5.5)
	379.1	380.6
Less treasury stock, at cost	1.5	0.1
Total common stockholders' equity	377.6	380.5
Total liabilities and common stockholders' equity	$ 402.8	$ 407.5

UGI CORPORATION AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF INCOME

(Millions of dollars, except per share amounts)

	Year Ended September 30, 1996	1995	1994
Revenues	$ -	$ -	$ -
Costs and expenses:			
Operating and administrative expenses	10.1	16.4	15.9
Petrolane management fee income	-	(6.8)	(11.7)
Miscellaneous income, net	(13.4)	(16.7)	(14.7)
	(3.3)	(7.1)	(10.5)
Operating income	3.3	7.1	10.5
Interest income	0.1	0.2	-
Income before income taxes	3.4	7.3	10.5
Income taxes	1.4	3.2	4.4
Income before equity in income of unconsolidated subsidiaries and equity investees	2.0	4.1	6.1
Equity in continuing operations of unconsolidated subsidiaries	37.5	3.7	31.6
Equity in Petrolane	-	0.1	(0.3)
Income from continuing operations	39.5	7.9	37.4
Equity in discontinued operations of unconsolidated subsidiaries	-	-	7.6
Income before extraordinary loss and change in accounting for postemployment benefits	39.5	7.9	45.0
Extraordinary loss - debt restructuring - subsidiaries	-	(13.2)	-
Change in accounting for postemployment benefits - subsidiaries	-	(3.1)	-
Net income (loss)	$ 39.5	$ (8.4)	$ 45.0
Earnings per common share:			
Continuing operations	$ 1.19	$ .24	$ 1.16
Discontinued operations	-	-	.23
Earnings before extraordinary loss and change in accounting for postemployment benefits	1.19	.24	1.39
Extraordinary loss - debt restructuring - subsidiaries	-	(.40)	-
Change in accounting for postemployment benefits - subsidiaries	-	(.10)	-
Net earnings (loss)	$ 1.19	$ (.26)	$ 1.39

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	1996	1995	1994
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	$ 96.6	$ 25.0	$ 46.4
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for property, plant and equipment	-	(0.2)	-
Net repayments from unconsolidated subsidiaries	-	0.5	2.5
Investments in unconsolidated subsidiaries	(1.1)	(0.6)	(36.0)
Other	(21.1)	(2.0)	(6.1)
Net cash provided (used) by investing activities	(22.2)	(2.3)	(39.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(46.4)	(45.2)	(42.8)
Issuance of Common Stock	11.3	10.1	9.5
Purchase of Common Stock	(7.1)	-	-
Net cash used by financing activities	(42.2)	(35.1)	(33.3)
Cash and cash equivalents increase (decrease)	$ 32.2	$ (12.4)	$ (26.5)
Cash and cash equivalents:			
End of period	$ 51.3	$ 19.1	$ 31.5
Beginning of period	19.1	31.5	58.0
Increase (decrease)	$ 32.2	$ (12.4)	$ (26.5)

(a) Includes dividends received from unconsolidated subsidiaries of $95.2, $22.1 and $37.3, respectively, for the years ended September 30, 1996, 1995 and 1994.

Supplemental disclosure of non-cash investing activities:
During the year ended September 30, 1995, UGI Corporation contributed a $10 noninterest bearing demand note to its wholly owned subsidiary, AmeriGas, Inc. During the year ended September 30, 1996, the note was contributed to AmeriGas Propane, Inc., a subsidiary of AmeriGas, Inc.

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Millions of dollars)

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year
YEAR ENDED SEPTEMBER 30, 1996				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	$ 7.3	$ 10.5	$ (7.2)(1)	$ 10.6
Allowance for amortization of deferred financing costs - Propane	$ 0.7	$ 1.5	$ -	$ 2.2
Allowance for amortization of other deferred costs - Propane	$ 1.8	$ 1.0	$ -	$ 2.8
Other reserves:				
Self-insured property and casualty liability	$ 48.5	$ 14.0	$ (14.8)(2)	$ 47.7
Insured property and casualty liability	$ 11.7	$ 6.8	$ 0.5 (4)	$ 19.0
Environmental	$ 18.4	$ (5.9)	$ (0.6)(2)	$ 11.9
Other	$ 7.7	$ (1.2)	$ (2.3)(2)	$ 4.2
YEAR ENDED SEPTEMBER 30, 1995				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	$ 4.7	$ 5.4	$ (7.3)(1) 4.5 (3)	$ 7.3
Allowance for amortization of deferred financing costs - Propane	$ -	$ 0.7	$ -	$ 0.7
Allowance for amortization of other deferred costs - Propane	$ 6.3	$ 1.6	$ 0.4 (3) (6.5)(4)	$ 1.8
Other reserves:				
Self-insured property and casualty liability	$ 13.6	$ 11.3	$ (9.6)(2) 33.0 (3) 0.2 (4)	$ 48.5
Insured property and casualty liability	$ -	$ 14.9	$ (2.1)(2) (1.1)(4)	$ 11.7
Environmental	$ 0.5	$ -	$ 21.4 (3) (3.4)(4) (0.1)(2)	$ 18.4
Other	$ -	$ 0.2	$ 10.9 (3) (0.5)(2) (2.9)(4)	$ 7.7

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (continued)
(Millions of dollars)

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year
YEAR ENDED SEPTEMBER 30, 1994				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	$ 3.7	$ 5.9	$ (4.9)(1)	$ 4.7
Allowance for amortization of other deferred costs - Propane	$ 5.9	$ 2.0	$ (1.6)(4)	$ 6.3
Other reserves:				
Self-insured property and casualty liability	$ 9.1	$ 9.7	$ (5.2)(2)	$ 13.6
Environmental	$ 0.5	$ -	$ -	$ 0.5

(1)Uncollectible accounts written off, net of recoveries.
(2)Payments.
(3)Represents amounts for Petrolane Incorporated (Petrolane) as a result of the purchase on April 19, 1995 of the 65% of the common stock of Petrolane not already owned by UGI or its subsidiary AmeriGas, Inc.
(4)Other adjustments.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
11	Statement re: Computation of Per Share Earnings
13	Pages 10 to 39 of 1996 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Consent of Coopers & Lybrand L.L.P.
27	Financial Data Schedule
99	Cautionary Statements affecting Forward-looking Information

UGI CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(Millions, except per share amounts)

	Year Ended September 30, 1996	1995	1994
Primary earnings per share:			
Actual average common shares outstanding	33.0	32.7	32.2
Incremental shares issuable upon exercise of stock options outstanding	0.1	-	0.1
Total average common and common equivalent shares outstanding	33.1	32.7	32.3
Earnings applicable to common and common equivalent shares:			
Continuing operations	$ 39.5	$ 7.9	$ 37.4
Discontinued operations	-	-	7.6
Earnings before extraordinary loss and accounting change	39.5	7.9	45.0
Extraordinary loss - debt restructuring	-	(13.2)	-
Change in accounting for postemployment benefits	-	(3.1)	-
Net earnings (loss)	$ 39.5	$ (8.4)	$ 45.0
Primary earnings per common and common equivalent share:			
Continuing operations	$ 1.19	$ .24	$ 1.16
Discontinued operations	-	-	.23
Earnings before extraordinary loss and accounting change	1.19	.24	1.39
Extraordinary loss - debt restructuring	-	(.40)	-
Change in accounting for postemployment benefits	-	(.10)	-
Net earnings (loss)	$ 1.19	$ (.26)	$ 1.39

UGI CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(Millions, except per share amounts)

	Year Ended September 30, 1996	1995	1994
Fully diluted earnings per share:			
Actual average common shares outstanding	33.1	32.7	32.2
Incremental shares issuable upon exercise of stock options outstanding	0.1	-	0.1
Total shares for fully diluted computation	33.2	32.7	32.3
Earnings applicable to common and common equivalent shares:			
Continuing operations	$ 39.5	$ 7.9	$ 37.4
Discontinued operations	-	-	7.6
Earnings before extraordinary loss and accounting change	39.5	7.9	45.0
Extraordinary loss - debt restructuring	-	(13.2)	-
Change in accounting for postemployment benefits	-	(3.1)	-
Net earnings (loss)	$ 39.5	$ (8.4)	$ 45.0
Fully diluted earnings per common share:			
Continuing operations	$ 1.19	$ .24	$ 1.16
Discontinued operations	-	-	.23
Earnings before extraordinary loss and accounting change	1.19	.24	1.39
Extraordinary loss - debt restructuring	-	(.40)	-
Change in accounting for postemployment benefits	-	(.10)	-
Net earnings (loss)	$ 1.19	$ (.26)	$ 1.39

BUSINESS OVERVIEW

PROPANE

The Company's propane business is conducted primarily through AmeriGas Partners, L.P. and its operating subsidiary, AmeriGas Propane, L.P. (collectively referred to herein as "the Partnership"). The Operating Partnership, in which the Company holds a 58.7% equity interest, is the largest retail propane marketer in the U.S. It serves residential, commercial, industrial, motor fuel and agricultural customers from locations in 44 states, including Alaska and Hawaii.

The Operating Partnership competes in the retail propane distribution business with other large national and regional propane marketers and thousands of small independent operators. It also competes against providers of other sources of energy such as natural gas, fuel oil and electricity.

UTILITIES

The Company's utility business is conducted through UGI Utilities, Inc. (UGI Utilities) which operates a natural gas distribution utility in parts of eastern and southeastern Pennsylvania and an electric utility in northeastern Pennsylvania (collectively, "Utilities").

The rates Utilities can charge customers are subject to regulation by the Pennsylvania Public Utility Commission (PUC). In addition, with respect to activities involving the interstate movement of natural gas, the wheeling of electricity, transactions with nonutility generators of electricity and other matters, Gas Utility and Electric Utility are also subject to regulation by the Federal Energy Regulatory Commission.

Gas Utility sells gas to residential, commercial and industrial (collectively, "core market") customers. It also provides firm transportation service to large commercial and industrial customers. Under transportation service, Gas Utility bills for the transportation of the gas but not for the gas itself. Gas Utility also sells and transports gas under interruptible rates to customers who have alternate fuel capability. Interruptible rates are competitively priced with respect to the prices of alternative fuels, principally oil. Gas Utility's core market tariffs as well as the tariffs of Electric Utility contain purchased gas cost (PGC) and energy cost (EC) rates which provide for dollar-for-dollar recovery of prudently incurred gas costs and costs to purchase or generate electricity. Although changes in these rates affect revenues, they do not affect total margin because they are designed to recover actual costs.

Federal and state regulators of the electric utility industry have recently undertaken several actions to increase competition within the industry. Certain states, including Pennsylvania, are also considering whether natural gas transportation service options should be extended to residential and small commercial accounts. Utilities does not expect that these actions will have a material adverse effect on its financial condition and will continue to monitor proceedings in these areas.

ENERGY MARKETING

UGI also owns an energy marketing business which is conducted through UGI Enterprises, Inc. and its subsidiary, UGI Energy Services, Inc. (UGI Energy Services). UGI Energy Services sells and markets natural gas under the tradename of GASMARK directly to commercial and industrial customers and also manages its delivery. GASMARK purchases natural gas for many of Gas Utility's commercial and industrial customers as well as customers of other gas utilities in the Mid-Atlantic and Northeast regions. Enterprises is also engaged in a joint venture project in Romania and is pursuing other joint venture opportunities for providing energy and related services in developing markets outside of the U.S.

RESULTS OF OPERATIONS

All participants in the retail propane distribution business are affected by a number of common factors. The business is highly competitive with numerous large national and regional marketers and thousands of small independent marketers. Propane competes with other sources of energy such as natural gas, fuel oil and electricity. In addition, weather has a significant impact on demand for propane and profitability principally because many customers use propane for heating purposes. Geographic variations in weather can significantly affect retail volumes and profitability primarily because of regional differences in weather-sensitive volumes and unit margins. Regional demand for propane can also be affected by economic conditions, particularly in commercial and industrial markets.

The retail propane business is sensitive to changes in wholesale propane prices. As a commodity, propane is subject to rapid price changes over short periods of time. It is not always possible to pass on to customers rapid increases in the wholesale cost of propane due to a number of factors including competitive conditions in markets served by the Partnership. If increased product costs are not passed on, margins will decline. The Partnership from time to time enters into transactions to reduce the effects of product cost volatility. Because the retail propane industry is relatively mature, low growth in existing markets is expected for the foreseeable future.

Gas Utility results, and to a lesser extent Electric Utility results, are also influenced by weather and by economic conditions in the regions in which they operate. However, Gas Utility has sizable commercial and industrial throughput which mitigates the effects of weather extremes. Much of this nonresidential throughput is for customers with alternate fuel capability, principally oil, and margins are affected by differences between the cost of gas and the cost of the alternate fuels.

GASMARK's results are affected by the volumes of gas sold and the difference between its selling prices and the costs at which it can procure and deliver the supply requirements of its customers. Volumes can be affected by weather and economic conditions and, with respect to customers having alternate fuel capabilities, the prices of alternate fuels.

The following analysis of the results of operations includes the consolidated results of the Company and each of its principal business segments. Comparisons of the results of the Company's consolidated propane operations for 1996, 1995 and 1994 are complicated by the April 19, 1995 acquisition of the 65% of Petrolane Incorporated (Petrolane) not already owned by the Company (the "Petrolane Merger") and the combining of its propane business with the Company's then-existing consolidated propane business (the "Partnership Formation"). In order to permit more meaningful analysis, the discussion of consolidated propane is presented on a pro forma basis as if the effects of the Petrolane Merger and the Partnership Formation had occurred as of the beginning of 1994.

1996 COMPARED WITH 1995

CONSOLIDATED RESULTS

Year ended September 30,	1996	1995	Increase	
(Millions of dollars, except per share)				
Revenues	$1,557.6	$877.6	$680.0	77.5%
Total margin	$ 652.4	$426.1	$226.3	53.1%
Operating income	$ 159.7	$ 78.3	$ 81.4	104.0%
Income from continuing operations	$ 39.5	$ 7.9	$ 31.6	400.0%
Net income (loss)	$ 39.5	$ (8.4)	$ 47.9	N.M.
Net income (loss) per share	$ 1.19	$ (.26)	$ 1.45	N.M.

N.M.-Not Meaningful.

The Company's results in 1996 reflect the full-year consolidation of the Partnership, colder heating-season weather, and the full-year impact of Gas Utility's 1995 base rate increase. Although the combined operating income of the Gas and Electric utilities represented approximately 50% of 1996 consolidated operating income, Utilities provided more than 90% of the Company's consolidated net income due to the Partnership's significant minority interest, higher interest charges and higher effective income tax rate. Results in 1995 include after-tax charges of $24.9 million associated with the formation of AmeriGas Partners (see Note 2 to Consolidated Financial Statements) and $3.1 million from a change in accounting for postemployment benefits (see Note 7 to Consolidated Financial Statements).

CONSOLIDATED PROPANE

Year ended September 30,	1996	1995	Increase	
(Millions of dollars)				
Actual:				
Retail gallons sold--millions	855.4	468.6	386.8	82.5%
Revenues	$1,013.2	$511.7	$501.5	98.0%
Total margin	$ 443.5	$250.7	$192.8	76.9%
Operating income	$ 80.8	$ 21.8	$ 59.0	270.6%
EBITDA (1)	$ 144.9	$ 62.6	$ 82.3	131.5%
Pro Forma:				
Retail gallons sold--millions	855.4	788.0	67.4	8.6%
Degree days--% colder (warmer) than normal	1.4	(12.1)	-	-
Revenues	$1,013.2	$878.6	$134.6	15.3%
Total margin	$ 443.5	$419.6	$ 23.9	5.7%
Operating income	$ 80.8	$ 73.7	$ 7.1	9.6%
EBITDA (1)	$ 144.9	$138.0	$ 6.9	5.0%

(1) EBITDA (earnings before interest expense, income taxes, depreciation and amortization) should not be considered as an alternative to operating income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations).

PRO FORMA PROPANE. Retail volumes of propane sold increased 67.4 million gallons in 1996 reflecting the effects of colder weather, acquisitions and volume growth. Regional temperature differences in 1996 were significant with the western U.S. experiencing substantially warmer than normal temperatures and lower retail sales, and the eastern and midwestern U.S. experiencing colder than normal temperatures and higher retail sales. Wholesale volumes of propane sold were significantly higher reflecting an increase in sales of low-margin excess storage inventories.

Total revenues increased during 1996 reflecting the increase in propane sales as well as higher average retail propane selling prices. Total cost of sales increased $110.7 million as a result of the higher volumes of propane sold and higher average propane product costs. The Partnership's propane product cost averaged approximately five cents a gallon higher in 1996 than in pro forma 1995. The spot price of propane at Mont Belvieu, Texas, a major storage and distribution hub, increased dramatically in August and September 1996, rising to 50.5 cents per gallon on September 30, 1996 compared to 31.63 cents per gallon a year earlier. The general trend of propane product cost increases has continued through November.

Total propane margin was higher in 1996 as a result of the greater volumes of propane sold. Average retail unit margins in 1996 were slightly lower than in pro forma 1995, notwithstanding an increase in average retail selling price, reflecting the impact of higher average propane product costs which were not completely passed through to customers.

The increases in 1996 operating income and EBITDA reflect principally the increase in total propane margin partially offset by higher operating and administrative expenses. Operating expenses in 1996 are net of $4.4 million from a refund of insurance premium deposits made in prior years and $3.3 million from reductions to reserves for environmental matters recorded in the quarter ended March 31. Operating expenses in pro forma 1995 include $4.3 million in accruals for management reorganization activities. Operating expenses of the Partnership, exclusive of these items, increased $27.8 million reflecting higher employee compensation expenses associated with the Partnership's new management structure; higher vehicle and distribution expenses due in part to the higher retail volumes and severe eastern U.S. winter weather; higher expenses associated with sales and marketing programs; increased customer equipment repairs and maintenance expenses; and incremental costs associated with acquisitions and new district locations. The Partnership instituted cost reduction programs in mid-1996, which are continuing, in order to reduce the level of operating and administrative costs.

UTILITIES

Year ended September 30,	1996	1995	Increase (Decrease)	
(Millions of dollars)				
GAS UTILITY:				
Natural gas system throughput--bcf	85.4	82.4	3.0	3.6%
Degree days--% colder (warmer) than normal	4.2	(5.4)	-	-
Revenues	$391.0	$291.3	$ 99.7	34.2%
Total margin	$169.7	$140.9	$ 28.8	20.4%
Operating income	$ 72.9	$ 51.9	$ 21.0	40.5%
ELECTRIC UTILITY:				
Electric sales--gwh	884.7	860.9	23.8	2.8%
Degree days--% colder (warmer) than normal	1.2	(16.3)	-	-
Revenues	$ 69.5	$ 66.1	$ 3.4	5.1%
Total margin	$ 33.0	$ 32.1	$ .9	2.8%
Operating income	$ 8.6	$ 9.1	$ (.5)	(5.5)%

bcf-billions of cubic feet. gwh-millions of kilowatt hours. Total margin represents revenues less cost of sales and revenue-related taxes.

GAS UTILITY. Weather in Gas Utility's service territory in 1996 was colder than normal and also colder than in 1995. The increase in total system throughput includes a 5.4 bcf increase in sales to core market customers and a .7 bcf increase in throughput to interruptible customers. Partially offsetting these increases was a decrease in firm delivery service volumes as a result of customer switching to interruptible delivery service.

The increase in Gas Utility total revenues reflects higher sales to core market customers, greater off-system sales, higher base rate revenues resulting from Gas Utility's $19.5 million annual base rate increase effective August 31, 1995, and lower refunds of producer settlement charges. Cost of gas sold was $206.3 million during 1996, an increase of $67.7 million from 1995, reflecting principally the greater sales to core market customers, higher off-system sales, and lower refunds of producer settlement charges.

The increase in Gas Utility total margin in 1996 reflects a $34.5 million increase in total margin from core market customers as a result of the colder weather and higher base rates. However, partially offsetting the increase in core market margin was a decrease in total margin from interruptible customers, principally as a result of higher 1996 gas costs, and a decrease in total margin from firm delivery service customers due in large part to the lower volumes.

Gas Utility operating income in 1996 benefitted from the increase in total margin. However, the benefit was partially offset by higher operating and administrative expenses and higher charges for depreciation.

ELECTRIC UTILITY. Electric Utility sales increased during 1996 principally from colder heating-season weather. The increase in Electric Utility revenues reflects the impact of the higher sales, a higher EC rate, and an increase in base rates effective July 19, 1996. Electric Utility cost of sales was $33.4 million, an increase of $2.3 million from the prior year. The increase in the cost of sales resulted from higher sales and a higher average EC rate.

Electric Utility total margin increased as a result of the increased sales and higher base rates effective in July. However, operating income declined as the increase in Electric Utility total margin was more than offset by higher distribution system maintenance expenses, general and administrative expenses, and depreciation.

ENERGY MARKETING

Year ended September 30,	1996	1995	Increase	
(Millions of dollars)				
Total margin	$6.2	$2.4	$3.8	158.3%
Operating income	$4.4	$1.8	$2.6	144.4%

ENERGY MARKETING. Total margin and operating income from energy marketing activities were significantly higher in 1996 reflecting higher billed volumes from an increase in sales outside the Gas Utility service territory. Unit margins also were significantly higher in 1996 due to favorable gas supply purchases.

1995 COMPARED WITH 1994

CONSOLIDATED RESULTS

Year ended September 30,	1995	1994	Increase (Decrease)	
(Millions of dollars, except per share)				
Revenues	$877.6	$762.2	$ 115.4	15.1%
Total margin	$426.1	$364.0	$ 62.1	17.1%
Operating income	$ 78.3	$116.4	$ (38.1)	(32.7)%
Income from continuing operations	$ 7.9	$ 37.4	$ (29.5)	(78.9)%
Net income (loss)	$ (8.4)	$ 45.0	$ (53.4)	N.M.
Net income (loss) per share	$ (.26)	$ 1.39	$ (1.65)	N.M.

The Company's results in 1995 reflect the impact of $24.9 million in transaction costs related to the Partnership Formation, a higher seasonal propane loss subsequent to April 19 resulting principally from the consolidation of the operations of Petrolane, and the impact of significantly warmer heating-season weather in the Company's utility and propane operating territories. In addition, 1995 net loss includes a charge of $3.1 million from a change in accounting for postemployment benefits while 1994 net income includes $7.6 million of income from discontinued operations (see Note 16 to Consolidated Financial Statements).

CONSOLIDATED PROPANE

Year ended September 30,	1995	1994	Increase (Decrease)	
(Millions of dollars)				
ACTUAL:				
Retail gallons sold--millions	468.6	332.4	136.2	41.0%
Revenues	$511.7	$367.1	$144.6	39.4%
Total margin	$250.7	$190.3	$ 60.4	31.7%
Operating income	$ 21.8	$ 55.0	$(33.2)	(60.4)%
EBITDA	$ 62.6	$ 78.1	$(15.5)	(19.8)%
PRO FORMA:				
Retail gallons sold--millions	788.0	829.3	(41.3)	(5.0)%
Degree days--% colder (warmer) than normal	(12.1)	(3.3)	-	-
Revenues	$878.6	$949.1	$(70.5)	(7.4)%
Total margin	$419.6	$461.0	$(41.4)	(9.0)%
Operating income	$ 73.7	$129.8	$(56.1)	(43.2)%
EBITDA	$138.0	$192.2	$(54.2)	(28.2)%

PRO FORMA PROPANE. Retail volumes of propane sold in 1995 were lower principally due to warmer weather and, to a lesser extent, modest customer losses. The lower volumes, combined with lower average retail selling prices and lower wholesale sales, were the principal reasons for the decrease in total propane revenues. The 1995 average retail selling price in the Partnership's residential market, which market represented approximately 40% of total retail gallons and more than half of total retail margin in 1995, was more than two cents a gallon lower than in 1994. The decrease reflects to a large extent the impact of aggressive sales and marketing programs initiated mid-year to improve customer retention rates and to attract new customers.

Total propane margin was lower in 1995 reflecting lower retail sales, a decrease in average retail selling prices, and slightly higher average product costs.

Operating income and EBITDA declined in 1995 reflecting the decrease in total margin and higher operating expenses including $4.3 million of accrued expenses relating to management organizational changes, higher expenses associated with sales and marketing programs, and higher employee compensation expenses.

UTILITIES

Year ended September 30,	1995	1994	Increase (Decrease)	
(Millions of dollars)				
GAS UTILITY:				
Natural gas system throughput--bcf	82.4	83.5	(1.1)	(1.3)%
Degree days--% colder (warmer) than normal	(5.4)	11.4	-	-
Revenues	$291.3	$331.4	$(40.1)	(12.1)%
Total margin	$140.9	$141.7	$ (.8)	(.6)%
Operating income	$ 51.9	$ 54.6	$ (2.7)	(4.9)%
ELECTRIC UTILITY:				
Electric sales--gwh	860.9	873.7	(12.8)	(1.5)%
Degree days--% colder (warmer) than normal	(16.3)	1.9	-	-
Revenues	$ 66.1	$ 63.7	$ 2.4	3.8%
Total margin	$ 32.1	$ 31.0	$ 1.1	3.5%
Operating income	$ 9.1	$ 8.5	$ .6	7.1%

GAS UTILITY. Results in 1995 were impacted by warmer heating-season weather which reduced sales to core market customers. Although the warmer weather reduced core market sales, it resulted in fewer interruptions of service to interruptible customers. During 1994, severely cold January and February weather resulted in significant interruptions of service to these customers. Such interruptions were necessary to meet the higher demand for gas from firm customers.

The decrease in 1995 Gas Utility revenues includes a $42.1 million decrease in revenues from core market customers reflecting lower volumes sold, lower PGC rates and the full-year pass-through of producer settlement refunds partially offset by the one-month effect of Gas Utility's $19.5 million annual base rate settlement. Cost of gas sold was $138.6 million in 1995 compared with $175.8 million in 1994 reflecting the recovery of lower purchased gas costs through PGC rates and lower volumes of gas sold to core market customers.

The decrease in 1995 total margin reflects a $5.3 million decrease in total margin from core market customers, a $2.1 million decrease in total margin from firm delivery service customers, and the fact that 1994 margin includes $1.4 million of income resulting from the PUC's June 2, 1994 decision on the sharing of producer settlement refunds (see Note 4 to Consolidated Financial Statements). Offsetting these decreases was an $8.1 million increase in interruptible margin reflecting higher interruptible volumes and higher average margins resulting from a greater difference between gas and oil prices despite relatively stable oil prices.

Gas Utility operating income declined as a result of the lower total margin, higher charges for depreciation, higher customer service and information expenses, and costs associated with Gas Utility's base rate filing.

ELECTRIC UTILITY. Sales in 1995 decreased principally as a result of the warmer winter's effect on heating-related sales. The decrease was partially offset by greater sales during the cooling season resulting from record-setting temperatures in July and August 1995. Notwithstanding the lower 1995 sales, Electric Utility revenues increased as a result of a higher average 1995 EC rate and slightly higher base rate revenues from the full-year effect of the July 1994 $1.3 million annual base rate increase. Cost of sales increased $1.3 million, despite the lower sales, as a result of the greater average EC rate. Electric Utility total margin increased $1.1 million in 1995 due to the full-year effect of the July 1994 base rate increase. However, the increase in total margin was partially offset by higher charges for depreciation and greater system distribution expenses.

ENERGY MARKETING

Year ended September 30,	1995	1994	Increase	
(Millions of dollars)				
Total margin	$2.4	$1.0	$1.4	140.0%
Operating income	$1.8	$ .8	$1.0	125.0%

ENERGY MARKETING. Total margin from energy marketing activities in 1995 was higher than in 1994 due to higher unit margins and higher billed sales. The increase in unit margins reflects in large part lower natural gas costs.

FINANCIAL CONDITION AND LIQUIDITY

CAPITALIZATION AND LIQUIDITY

AMERIGAS PARTNERS. AmeriGas Partners' debt outstanding at September 30, 1996 totaled $707.5 million compared to $657.7 million at September 30, 1995. The increase is principally a result of $52 million in combined borrowings under the Operating Partnership's Bank Credit Facilities. The Bank Credit Facilities consist of a Revolving Credit Facility, an Acquisition Facility and a Special Purpose Facility, each governed by the Bank Credit Agreement. The Operating Partnership's obligations under these facilities are collateralized by substantially all of its assets.

The Operating Partnership's revolving credit facilities which include the Revolving Credit Facility, the General Partner Credit Facility, and a portion of the Special Purpose Facility as described below, provide for borrowings of up to $105 million to fund working capital, capital expenditures, and interest and distribution payments. The Revolving Credit Facility provides for borrowings of up to $70 million including a $35 million sublimit for letters of credit. Borrowings under this facility totaled $15 million at September 30, 1996. The Revolving Credit Facility expires April 12, 1998, but may be extended, upon timely notice, for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder.

The General Partner Credit Facility, which became effective October 28, 1996, provides for borrowings of up to $20 million. This agreement is coterminous with the Operating Partnership's Revolving Credit Facility. Borrowings under the General Partner Credit Facility will be unsecured and subordinated in right of payment to all of the Partnership's existing senior debt. UGI has agreed to contribute on an as needed basis through its subsidiaries up to $20 million to the General Partner to fund such borrowings.

The Special Purpose Facility is a $30 million nonrevolving line of credit which can be used for the payment of certain liabilities of Petrolane assumed by the Operating Partnership that relate to potential liabilities for tax, insurance and environmental matters. The Special Purpose Facility expires April 12, 2000 at which time all amounts then outstanding will become immediately due and payable. Effective October 28, 1996, the Bank Credit Agreement was amended to include a revolving $15 million sublimit under the Special Purpose Facility which can be used to fund working capital, capital expenditures, and interest and distribution payments. This sublimit is scheduled to expire April 12, 1998. As of September 30, 1996, there were $7 million in special purpose borrowings outstanding under the Special Purpose Facility.

The Acquisition Facility provides the Operating Partnership with the ability to borrow up to $75 million to finance propane business acquisitions. The Acquisition Facility operates as a revolving facility through October 12, 1997 at which time any amounts then outstanding will convert to a quarterly amortizing 4 1/2-year term loan. The Partnership expects to refinance such loans on a long-term basis. As of September 30, 1996, there were $30 million in loans outstanding under the Acquisition Facility.

The ability of the Partnership to issue debt under the above facilities is subject to provisions in the Partnership's loan agreements which require, among other things, minimum debt-to-capital and interest coverage ratios. Based upon such ratios calculated as of September 30, 1996, the Operating Partnership could borrow the maximum amount available under its Revolving Credit, Special Purpose and General Partner revolving credit facilities.

The Partnership has succeeded to certain lease guarantees and scheduled claim obligations relating to certain of Petrolane's former businesses and has also succeeded to Petrolane's agreements with third parties for payment indemnification relating to such obligations. At September 30, 1996, the lease guarantee obligations totaled approximately $91 million and scheduled claims of at least $68 million were pending. To date, the Partnership has not paid any amounts under these lease guarantee and scheduled claim obligations (see Note 12 to Consolidated Financial Statements).

UGI UTILITIES. UGI Utilities' debt outstanding at September 30, 1996 totaled $227.2 million compared to $250.2 million at September 30, 1995. The decrease principally reflects the redemption of $45.9 million face value of 9% First Mortgage Bonds from the proceeds of UGI Utilities' September 1995 issuance of $22 million of twenty-year notes and $26 million of seven-year notes. During 1996, UGI Utilities issued $20 million of 6.62% notes due May 15, 2005 the proceeds of which were used to reduce UGI Utilities' bank loans. UGI Utilities has a shelf registration for the issuance from time to time of up to $75 million of debt securities, none of which has been issued. UGI Utilities has revolving credit agreements providing for borrowings of up to $67 million under committed lines through June 30, 1999. At September 30, 1996, borrowings under its revolving credit agreements totaled $50.5 million.

DIVIDENDS AND DISTRIBUTIONS

In April 1996, 1995 and 1994, UGI increased the annual dividend rate on its Common Stock to $1.42, $1.40 and $1.38, respectively. As a holding company, the ability of UGI to declare and pay cash dividends is substantially dependent upon its cash balances and the receipt of cash dividends from its wholly owned operating subsidiaries, principally UGI Utilities and AmeriGas. AmeriGas's ability to pay dividends is dependent on distributions from the Partnership. During 1996, UGI Utilities and AmeriGas paid cash dividends of $32.9 million and $61.9 million, respectively, to UGI.

The Company has a 58.7% effective interest in the Partnership comprising 4.3 million Common Units, 19.8 million Subordinated Units and a 2% general partner interest. The remaining 41.3% effective interest, comprising 17.6 million Common Units, is publicly held. The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in an amount equal to its Available Cash (as defined in the Amended and Restated Agreement of Limited Partnership) for such quarter, subject to limitations under its loan agreements. (For a description of Available Cash and the priority of its distribution to unitholders, see Note 2 to Consolidated Financial Statements). During 1996, the Partnership paid the full Minimum Quarterly Distribution (MQD) of $.55 on all limited partner units outstanding. The amount of Available Cash needed to distribute the MQD on all such units as well as the 2% general partner interest during 1996 was approximately $93.7 million ($48.3 million for the Common Units; $43.5 million for the Subordinated Units; and $1.9 million for the general partner interests). A reasonable proxy for the amount of distributable cash actually generated by the Partnership during 1996, determined by subtracting maintenance capital expenditures of $9.3 million from the Partnership's earnings before depreciation and amortization, was approximately $63 million. Although distributions in 1996 were in excess of cash generated by the Partnership, the Partnership had cash and short-term investment balances of $48.6 million at the beginning of the year. Due to the seasonality of its operating cash flows and working capital needs, during 1996 the Partnership was required on a short-term basis to use the Revolving Credit Facility to fund a portion of such distribution payments. Although the level of distributable cash generated in 1996 is more than sufficient to pay the full MQD on all Common Units, the ability of the Partnership to continue to pay the full MQD on its Subordinated Units will depend upon a number of factors including a significant improvement in the level of Partnership earnings, the cash needs of the Partnership's operations (including cash needed for maintenance and growth capital), and the Partnership's ability to finance externally such cash needs. The Partnership's management expects the Partnership's earnings to improve as a result of a number of factors including a continued focus on reducing operating expenses, volume increases through acquisitions and internal growth, increased monitoring of pricing, improved propane product cost management, and improved customer retention as a result of an emphasis on customer service. Such earnings improvement, however, is subject to a number of factors beyond the control of the Partnership including weather, competitive conditions in the markets served by the Partnership, and the cost of propane, among others.

As further described in Note 2 to Consolidated Financial Statements, the Subordinated Units' period of subordination will generally extend until the first day of any quarter beginning on or after April 1, 2000 in respect of which certain cash performance and distribution measurements are attained. In addition, if the Partnership attains certain cash performance and distribution measurements, 4.9 million Subordinated Units may convert to Common Units on or after March 31, 1998 and an additional 4.9 million Subordinated Units may convert on or after March 31, 1999. Based upon such cash performance measurements to date, it appears unlikely that the cash performance measurements required for early conversion will be attained by March 31, 1998.

CAPITAL EXPENDITURES

The following table presents capital expenditures, including capital leases, by business segment for 1996, 1995 and 1994, as well as expected amounts for fiscal 1997. The Company expects to finance 1997 capital expenditures through internally generated cash and borrowings under UGI Utilities' and the Partnership's credit facilities. The table excludes amounts relating to acquisitions.

Year ended September 30,	1997	1996	1995	1994
(Millions of dollars)	(estimate)			
Consolidated propane	$27.1	$22.9	$17.2	$10.9
Gas Utility	36.0	34.6	45.3	33.1
Electric Utility	5.1	5.0	6.0	6.0
Other (including corporate)	.7	.2	.3	.1
	$68.9	$62.7	$68.8	$50.1

CASH FLOWS

The Company's consolidated cash and cash equivalents totaled $74.0 million at September 30, 1996 compared with $121.7 million at September 30, 1995. Included in these amounts are cash and cash equivalents at UGI of $51.4 million and $19.2 million, respectively. At September 30, 1996 and 1995, UGI also had short-term investments of $23.1 million and $2.0 million, respectively.

OPERATING ACTIVITIES. Consolidated cash flow from operating activities was $111.2 million in 1996 compared with $76.8 million in 1995. Cash flows from operating activities before changes in operating working capital were $138.3 million in 1996 compared with $66.9 million in 1995. During 1996, the Company's major operating subsidiaries UGI Utilities and AmeriGas Partners provided $71.7 million and $68.4 million, respectively, of operating cash flow before changes in working capital. The significant increase in 1996 consolidated operating cash flow before changes in working capital reflects the full-period consolidation of the operations of Petrolane subsequent to the Partnership Formation and improved consolidated propane and Gas Utility results. Changes in operating working capital in 1996 reflect a net use of cash of $27.1 million principally from an increase in accounts receivable, an increase in inventories, and undercollections of purchased gas costs partially offset by an increase in accounts payable. In 1995, changes in operating working capital provided $9.9 million in operating cash flows.

INVESTING ACTIVITIES. Expenditures for property, plant and equipment totaled $62.7 million in 1996 compared with $68.8 million in 1995. The decrease in capital expenditures reflects an $11.7 million decrease in UGI Utilities' capital expenditures, principally Gas Utility, and an increase in consolidated propane capital expenditures due to the full-year consolidation of the operations of Petrolane. During 1996, the Company paid an aggregate $28.0 million for propane business acquisitions which were financed through the issuance of Partnership debt.

FINANCING ACTIVITIES. During 1996, the Company paid cash dividends of $46.4 million compared with $45.2 million in the prior year. In addition, the Partnership paid distributions of $38.7 million to public unitholders (and $55.0 million to the General Partner) representing the MQD on all Partnership units. Net borrowings during 1996 under UGI Utilities' and the Operating Partnership's working capital facilities were $8.5 million and $15.0 million, respectively. During 1996, in addition to scheduled maturities of long-term debt, UGI Utilities redeemed $45.9 million face value of its 9% First Mortgage Bonds at a redemption price of 104% of the principal amount outstanding and issued $20 million of notes under its Medium-Term Note program. During 1996, the Partnership borrowed an aggregate $37 million under its Acquisition and Special Purpose facilities. Pursuant to its continuing stock buy-back program, UGI repurchased $7.1 million of its Common Stock.

UTILITY BASE RATES

During the three-year period ended September 30, 1996, the following increases in Gas and Electric utilities' base rates became effective:

Division	Effective Date	Increase in Annual Revenues Requested	Increase in Annual Revenues Granted
(Millions of dollars)			
Electric Utility	July 19, 1996	$ 6.2	$ 3.1
Gas Utility	August 31, 1995	41.3	19.5
Electric Utility	July 27, 1994	4.2	1.3

MANUFACTURED GAS PLANTS

The gas distribution business has been one of UGI Utilities' principal lines of business since its inception in 1882. Prior to the construction of major natural gas pipelines in the 1950s, gas for lighting and heating was produced at manufactured gas plants (MGPs) from processes involving coal, coke or oil. Some constituents of coal tars produced from the manufactured gas process are today considered hazardous substances under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund Law) and may be located at those sites.

One of the ways UGI Utilities initially expanded its business in its early years was by entering into agreements with other gas companies to operate their businesses. After 1888, the principal means by which UGI Utilities expanded its gas business was to acquire all or a portion of the stock of companies engaged in this business. UGI Utilities also provided management and administrative services to some of these companies. UGI Utilities grew rapidly to become one of the largest public utility holding companies in the U.S. Pursuant to the Public Utility Holding Company Act of 1935, UGI Utilities divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

The Company has been notified of several sites outside Pennsylvania where MGPs were operated by UGI Utilities or owned or operated by its former subsidiaries and environmental agencies or private parties are investigating the extent of environmental contamination and the necessity of environmental remediation. If UGI Utilities were found liable as a "responsible party" as defined in the Superfund Law (or comparable state statutes) with respect to any of these sites, it would have joint and several liability with other responsible parties for the full amount of the cleanup costs. A "responsible party" under that statute includes the current owner of the affected property and each owner or operator of a facility during the time when hazardous substances were released on the property.

Management believes that UGI Utilities should not have significant liability in those instances in which a former subsidiary operated a MGP because UGI Utilities generally is not legally liable for the obligations of its subsidiaries. Under certain circumstances, however, courts have found parent companies liable for environmental damage caused by subsidiary companies when the parent company exercised substantial control over the subsidiary. There could be, therefore, significant future costs of an uncertain amount associated with environmental damage caused by MGPs that UGI Utilities owned or directly operated, or that were owned or operated by former subsidiaries of UGI Utilities if a court were to conclude that UGI Utilities exercised substantial control over such subsidiaries.

The Company's policy is to accrue environmental investigation and cleanup costs when it is probable that a liability exists and the amount or range of amounts is reasonably estimable. Management believes, after consultation with counsel, that future costs of investigation and remediation, if any, will not have a material adverse effect on the Company's financial position but could be material to operating results and cash flows depending on the nature and timing of future developments and the amounts of future operating results and cash flows. The Company intends to pursue recovery of these costs through all appropriate means, including regulatory relief, although such recovery cannot be assured. For a more detailed discussion of environmental matters related to MGP sites, see Note 12 to Consolidated Financial Statements.

ACCOUNTING PRINCIPLES NOT YET ADOPTED

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options, and other equity instruments to employees based upon fair value or, alternatively, permits them to continue to apply the existing accounting rules contained in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Companies choosing not to adopt the expense recognition provisions of SFAS 123 are required to disclose pro forma net income and earnings per share data as if such provisions had been applied. The Company will adopt SFAS 123 in fiscal 1997 and will continue to account for stock-based compensation in accordance with APB No. 25. As a result, the adoption of SFAS 123 will not have an impact on the Company's financial position or results of operations.

IMPACT OF INFLATION

Inflation impacts the Company's propane operations in the prices it pays for operating and administrative services and, to some extent, propane gas. Competitive pressures in recent years have limited the Company's ability to recover fully propane product cost increases.

Inflation also impacts the Company's gas and electric utility operations primarily in the prices they pay for labor, materials and services. Because Gas and Electric utilities' base rates can be adjusted only through general rate filings with the PUC, increased costs, absent timely rate relief, can have a significant impact on the utilities' results. Under current tariffs, Gas and Electric utilities are permitted, after annual PUC review, to recover certain costs of purchased gas, fuel and power which comprise a substantial portion of Gas and Electric utilities' costs and expenses.

The Company attempts to limit the effects of inflation on its results of operations through cost control efforts, productivity improvements and, with respect to Gas and Electric utilities, timely rate relief.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, certain of the matters discussed in this Report are forward-looking statements that are subject to risks and uncertainties. The factors that could cause actual results to differ materially include those discussed herein as well as those listed in Exhibit 99 to the Company's Annual Report on Form 10-K for the year ended September 30, 1996. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. The Company undertakes no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of this Report.

INDEX TO FINANCIAL INFORMATION
UGI CORPORATION AND SUBSIDIARIES

SEGMENT INFORMATION
(Millions of dollars)
UGI CORPORATION AND SUBSIDIARIES

		Year Ended September 30, 1996	1995	1994
REVENUES	Propane	$1,013.2	$ 511.7	$ 367.1
	Gas utility	391.0	291.3	331.4
	Electric utility	69.5	66.1	63.7
	Energy marketing (a)	83.9	8.5	-
	Total consolidated operations	$1,557.6	$ 877.6	$ 762.2
	Petrolane (b)	-	372.1	589.7
OPERATING INCOME (LOSS)	Propane	$ 80.8	$ 21.8	$ 55.0
	Gas utility	72.9	51.9	54.6
	Electric utility	8.6	9.1	8.5
	Energy marketing	4.4	1.8	.8
	Petrolane management fee	-	6.8	11.7
	Corporate general and other	(7.0)	(13.1)	(14.2)
	Total consolidated operations	$ 159.7	$ 78.3	$ 116.4
	Petrolane (b)	-	41.5	56.9
IDENTIFIABLE ASSETS	Propane	$1,400.2	$1,457.8	$ 547.7
	Gas utility	561.1	553.7	482.1
	Electric utility	83.9	86.6	77.6
	Energy marketing	13.5	6.2	.3
	Corporate general and other	86.2	59.7	74.5
	Total consolidated operations	$2,144.9	$2,164.0	$1,182.2
	Petrolane (b)	-	-	914.2
DEPRECIATION AND AMORTIZATION	Propane--depreciation	$ 38.3	$ 23.8	$ 13.7
	Propane--amortization	25.8	17.0	9.4
	Gas utility	17.6	16.1	15.1
	Electric utility	4.0	3.7	3.4
	Corporate general and other	.3	.3	.2
	Total consolidated operations	$ 86.0	$ 60.9	$ 41.8
	Petrolane--depreciation (b)	-	13.1	21.0
	Petrolane--amortization (b)	-	14.3	25.0
CAPITAL EXPENDITURES	Propane	$ 22.9	$ 17.2	$ 10.9
	Gas utility	34.6	45.3	33.1
	Electric utility	5.0	6.0	6.0
	Corporate general and other	.2	.3	.1
	Total consolidated operations	$ 62.7	$ 68.8	$ 50.1
	Petrolane (b)	-	7.3	25.1

(a) Subsequent to July 31, 1995, the Company's energy marketing business records separately the revenues and related cost of sales associated with its billed volumes. Prior to August 1, 1995, net margin from the Company's energy marketing business was reflected as a component of miscellaneous income.

(b) Includes 100% of amounts for Petrolane through April 19, 1995. The results of operations of Petrolane are reflected in the consolidated financial statements of the Company on the equity method of accounting through April 19, 1995.

CONSOLIDATED STATEMENTS OF INCOME
(Millions of dollars, except per share amounts)
UGI CORPORATION AND SUBSIDIARIES

		Year Ended September 30, 1996	1995	1994
REVENUES (note 1)	Propane	$1,013.2	$511.7	$367.1
	Utilities	460.5	357.4	395.1
	Energy marketing	83.9	8.5	-
		1,557.6	877.6	762.2
COSTS AND EXPENSES	Propane cost of sales	569.7	261.0	176.8
	Utilities--gas, fuel and purchased power (note 1)	239.7	169.7	205.6
	Energy marketing cost of sales	77.7	8.0	-
	Operating and administrative expenses	437.5	331.6	264.0
	Depreciation and amortization (note 1)	86.0	60.9	41.8
	Petrolane fee income (note 3)	-	(20.5)	(33.3)
	Miscellaneous income, net (note 14)	(12.7)	(11.4)	(9.1)
		1,397.9	799.3	645.8
	OPERATING INCOME	159.7	78.3	116.4
	Interest charges, net	(79.5)	(59.3)	(43.3)
	Minority interest in AmeriGas Partners (notes 1 and 2)	(4.3)	19.7	-
	INCOME BEFORE INCOME TAXES, SUBSIDIARY PREFERRED STOCK DIVIDENDS AND EQUITY IN PETROLANE	75.9	38.7	73.1
	Income taxes (notes 1, 2 and 6)	(33.6)	(22.7)	(33.4)
	Dividends on UGI Utilities Series Preferred Stock	(2.8)	(2.8)	(1.3)
	Equity in Petrolane (notes 1, 2 and 3)	-	(5.3)	(1.0)
	INCOME FROM CONTINUING OPERATIONS	39.5	7.9	37.4
	Income from discontinued operations (note 16)	-	-	7.6
	INCOME BEFORE EXTRAORDINARY LOSS AND ACCOUNTING CHANGE	39.5	7.9	45.0
	Extraordinary loss--propane debt restructuring (note 2)	-	(13.2)	-
	Change in accounting for postemployment benefits (note 7)	-	(3.1)	-
	NET INCOME (LOSS)	$ 39.5	$ (8.4)	$ 45.0
EARNINGS (LOSS) PER COMMON SHARE	Continuing operations	$ 1.19	$ .24	$ 1.16
	Discontinued operations	-	-	.23
	Earnings before extraordinary loss and accounting change	1.19	.24	1.39
	Extraordinary loss--propane debt restructuring	-	(.40)	-
	Change in accounting for postemployment benefits	-	(.10)	-
	Net earnings (loss)	$ 1.19	$ (.26)	$ 1.39

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS
(Millions of dollars)
UGI CORPORATION AND SUBSIDIARIES

ASSETS		September 30, 1996	1995
CURRENT ASSETS	Cash and cash equivalents (note 1)	$ 74.0	$ 121.7
	Short-term investments, at cost which approximates market value	23.1	11.0
	Accounts receivable (less allowances for doubtful accounts of $10.6 and $7.3, respectively)	113.3	85.9
	Accrued utility revenues (note 1)	8.6	7.9
	Inventories (notes 1 and 8)	113.2	102.2
	Deferred income taxes (notes 1 and 6)	17.4	22.1
	Insurance indemnification receivable	19.0	-
	Prepaid expenses and other current assets	13.0	16.5
	Total current assets	381.6	367.3
PROPERTY, PLANT AND EQUIPMENT (notes 1 and 5)	Propane	602.0	566.3
	Utilities	729.9	697.6
	Other	10.9	10.8
		1,342.8	1,274.7
	Less accumulated depreciation and amortization	368.2	320.0
	Net property, plant and equipment	974.6	954.7
OTHER ASSETS	Intangible assets (less accumulated amortization of $94.9 and $74.3, respectively) (note 1)	692.5	740.7
	Regulatory income tax asset (notes 1 and 6)	42.9	36.9
	Other assets (note 1)	53.3	64.4
	Total assets	$2,144.9	$2,164.0

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		September 30, 1996	1995
CURRENT LIABILITIES	Current maturities of long-term debt--Propane (note 5)	$ 5.2	$ 5.4
	Current maturities of long-term debt--Utilities (note 5)	25.5	53.2
	Current maturities of long-term debt--other (note 5)	.4	.3
	Bank loans--Propane (note 5)	15.0	-
	Bank loans--Utilities (note 5)	50.5	42.0
	Accounts payable	94.7	69.1
	Employee compensation and benefits accrued	32.4	29.1
	Dividends and interest accrued	44.8	44.5
	Income taxes accrued	14.4	13.1
	Insured property and casualty liability	19.0	-
	Refunds and deposits	17.7	16.3
	Other accrued liabilities	49.6	56.3
	Total current liabilities	369.2	329.3
DEBT AND OTHER LIABILITIES	Long-term debt--Propane (note 5)	687.3	653.1
	Long-term debt--Utilities (note 5)	149.3	153.1
	Long-term debt--other (note 5)	8.6	9.0
	Deferred income taxes (notes 1 and 6)	148.6	169.5
	Deferred investment tax credits (notes 1 and 6)	10.8	11.2
	Other noncurrent liabilities	73.9	104.2
	Commitments and contingencies (note 12)		
MINORITY INTEREST	Minority interest in AmeriGas Partners (notes 1 and 2)	284.4	318.9
PREFERRED AND PREFERENCE STOCK	UGI Utilities Series Preferred Stock Subject to Mandatory Redemption, without par value (note 9)	35.2	35.2
	Preference Stock, without par value (note 10) (authorized--5,000,000 shares)	-	-
COMMON STOCKHOLDERS' EQUITY	Common Stock, without par value (notes 10 and 11) (authorized--100,000,000 shares; issued--33,198,731 and 32,921,830 shares, respectively)	391.9	386.1
	Accumulated deficit	(12.8)	(5.5)
		379.1	380.6
	Less treasury stock, at cost (note 11)	1.5	.1
	Total common stockholders' equity	377.6	380.5
	Total liabilities and stockholders' equity	$2,144.9	$2,164.0

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)
UGI CORPORATION AND SUBSIDIARIES

		Year Ended September 30, 1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES	Net income (loss)	$ 39.5	$ (8.4)	$ 45.0
	Reconcile to net cash provided by operating activities:			
	Depreciation and amortization	86.0	60.9	41.8
	Minority interest in AmeriGas Partners	4.3	(19.7)	-
	Deferred income taxes, net	12.0	5.1	(6.6)
	Extraordinary loss	-	13.2	-
	Change in accounting	-	3.1	-
	Equity in Petrolane	-	5.3	1.0
	Income from discontinued operations	-	-	(7.6)
	Other, net	(3.5)	7.4	4.7
		138.3	66.9	78.3
	Net change in:			
	Receivables and accrued utility revenues	(37.1)	7.1	(15.0)
	Inventories	(10.2)	(14.3)	(4.6)
	Deferred fuel adjustments	(10.7)	(.1)	4.6
	Pipeline transition recoveries (costs), net	1.0	1.9	(2.1)
	Producer settlement (payments) recoveries, net	.1	(9.5)	13.1
	Accounts payable	25.1	2.6	(4.0)
	Other current assets and liabilities	4.7	22.2	11.2
	Net cash provided by operating activities	111.2	76.8	81.5
CASH FLOWS FROM INVESTING ACTIVITIES	Expenditures for property, plant and equipment	(62.7)	(68.8)	(48.6)
	Acquisitions of businesses, net of cash acquired	(28.0)	(4.1)	(4.6)
	Short-term investments increase	(12.1)	(11.0)	-
	Investment in Petrolane	-	-	(59.2)
	Proceeds from sale of UTI	-	-	21.6
	Other, net	3.9	2.6	3.4
	Net cash used by investing activities	(98.9)	(81.3)	(87.4)
CASH FLOWS FROM FINANCING ACTIVITIES	Dividends on Common Stock	(46.4)	(45.2)	(42.8)
	Distributions on Partnership public Common Units	(38.7)	(7.9)	-
	Issuance of long-term debt	57.1	48.0	-
	Repayment of long-term debt	(59.7)	(20.0)	(26.8)
	Propane bank loans increase	15.0	-	-
	Utilities bank loans increase	8.5	25.0	17.0
	Issuance of UGI Utilities Series Preferred Stock	-	-	19.9
	Redemption of UGI Utilities Series Preferred Stock	-	-	(18.8)
	Issuances of Common Stock	11.3	10.1	9.5
	Repurchases of Common Stock	(7.1)	-	-
	Net cash provided (used) by financing activities	(60.0)	10.0	(42.0)
AMERIGAS PARTNERS FORMATION TRANSACTIONS	Acquisition of Petrolane Class B shares, net of $18.7 of cash acquired	-	(90.9)	-
	Issuance of AmeriGas Partners Common Units	-	349.7	-
	Issuance of long-term debt	-	208.5	-
	Repayment of long-term debt and related interest	-	(408.9)	-
	Other fees and expenses	-	(19.6)	-
	Net cash provided by AmeriGas Partners formation transactions	-	38.8	
	Cash and cash equivalents increase (decrease)	$(47.7)	$ 44.3	$ (47.9)
CASH AND CASH EQUIVALENTS	End of period	$ 74.0	$ 121.7	$ 77.4
	Beginning of period	121.7	77.4	125.3
	Increase (decrease)	$(47.7)	$ 44.3	$ (47.9)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Millions of dollars, except per share amounts)
UGI CORPORATION AND SUBSIDIARIES

		UGI Utilities Series Preferred Stock Subject to Mandatory Redemption	Common Stock	Retained Earnings (Accumulated Deficit)	Treasury Stock
YEAR ENDED SEPTEMBER 30, 1994	Balance September 30, 1993	$ 33.2	$366.5	$ 48.1	$ (.1)
	Net income			45.0	
	Cash dividends on Common Stock ($1.36 per share)			(43.8)	
	Common Stock issued (note 11):				
	Employee and director plans		.6		
	Dividend reinvestment plan		8.9		
	Issuance of UGI Utilities Series Preferred Stock	20.0		(.1)	
	Redemption of UGI Utilities Series Preferred Stock	(18.0)		(.8)	
YEAR ENDED SEPTEMBER 30, 1995	Balance September 30, 1994	35.2	376.0	48.4	(.1)
	Net loss			(8.4)	
	Cash dividends on Common Stock ($1.39 per share)			(45.5)	
	Common Stock issued (note 11):				
	Employee and director plans		.8		
	Dividend reinvestment plan		9.3		
YEAR ENDED SEPTEMBER 30, 1996	Balance September 30, 1995	35.2	386.1	(5.5)	(.1)
	Net income			39.5	
	Cash dividends on Common Stock ($1.41 per share)			(46.7)	
	Common Stock issued (note 11):				
	Employee and director plans		3.6	(.1)	3.1
	Dividend reinvestment plan		2.2		2.6
	Common Stock repurchased				(7.1)
	Balance September 30, 1996	$ 35.2	$391.9	$(12.8)	$(1.5)

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Millions of dollars, except per share amounts and where indicated otherwise)
UGI CORPORATION AND SUBSIDIARIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. UGI Corporation (UGI) is a holding company with two principal lines of business. UGI's utility business is conducted through a wholly owned subsidiary, UGI Utilities, Inc. (UGI Utilities), which owns and operates a natural gas distribution utility (Gas Utility) in parts of eastern and southeastern Pennsylvania and an electric utility (Electric Utility) in northeastern Pennsylvania (together referred to herein as "Utilities"). Commencing with the April 19, 1995 Partnership Formation described below, UGI conducts a national propane distribution business through AmeriGas Partners, L.P. (AmeriGas Partners) and its operating subsidiary, AmeriGas Propane, L.P. (the "Operating Partnership"), both of which are Delaware limited partnerships. The Operating Partnership is the largest retail propane distributor in the United States serving residential, commercial, industrial, motor fuel and agricultural customers from locations in 44 states, including Alaska and Hawaii. UGI also conducts an energy marketing business principally through its wholly owned subsidiary, UGI Energy Services, Inc. (UGI Energy Services).

At September 30, 1996, UGI, through wholly owned subsidiaries, held an effective 2% general partner interest and a 56.7% limited partnership interest in the Operating Partnership. This limited partner interest is evidenced by Common Units and Subordinated Units representing limited partner interests in AmeriGas Partners. The remaining 41.3% effective interest in the Operating Partnership comprises publicly held Common Units. AmeriGas Partners and the Operating Partnership are collectively referred to herein as the Partnership. Although operating income of the Partnership comprised approximately one-half of UGI's fiscal 1996 consolidated operating income, its impact on consolidated net income was considerably less due to the Partnership's significant minority interest, higher relative interest charges and a higher effective income tax rate.

Prior to the Partnership Formation, UGI's AmeriGas, Inc. subsidiary (AmeriGas) conducted a national propane distribution business principally through its wholly owned subsidiaries AmeriGas Propane, Inc. (AmeriGas Propane) and AmeriGas Propane-2, Inc. (AGP-2) and its equity investee Petrolane Incorporated (Petrolane). On April 19, 1995, a wholly owned subsidiary of AmeriGas acquired by merger (the "Petrolane Merger") the approximately 65% of Petrolane common shares outstanding not already owned by UGI or AmeriGas and combined the propane distribution businesses of Petrolane, AmeriGas Propane and AGP-2 (the "Partnership Formation") into the Operating Partnership, which was formed to acquire these propane businesses and assets. A wholly owned subsidiary of AmeriGas (the "General Partner") serves as the general partner of AmeriGas Partners and the Operating Partnership. The Company does not receive management fees or other compensation in connection with its management of the Partnership but is reimbursed at cost for all direct and indirect expenses incurred on behalf of the Partnership, including a portion of UGI employee compensation and overhead costs.

UGI is exempt from registration as a holding company and is not otherwise subject to regulation under the Public Utility Holding Company Act of 1935 except for acquisitions under Section 9 (a) (2). UGI is not subject to regulation by the Pennsylvania Public Utility Commission (PUC).

CONSOLIDATION PRINCIPLES. The consolidated financial statements include the accounts of UGI and its majority-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. The public unitholders' interest in AmeriGas Partners is reflected as minority interest in the consolidated statements of income and balance sheets. The Company's investment in Petrolane through April 19, 1995 was accounted for by the equity method under which the investment was recorded at cost and adjusted by the Company's share of Petrolane's undistributed income or loss. The Company's consolidated propane operations are hereinafter referred to as Propane.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

REGULATED UTILITY OPERATIONS. Gas Utility and Electric Utility are subject to regulation by the PUC. Gas Utility and Electric Utility account for their regulated operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), as amended and supplemented by subsequently issued standards. SFAS 71, as amended and supplemented, requires, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. The economic effects of regulation can result in regulated enterprises recording costs that have been or are expected to be allowed in the ratesetting process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses as those amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated enterprise for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). The Company continually monitors the regulatory and competitive environments in which it operates to determine that its regulatory assets are probable of recovery.

CONSOLIDATED STATEMENTS OF CASH FLOWS. Cash equivalents include all highly liquid investments with maturities of three months or less when purchased and are recorded at cost plus accrued interest which approximates market value.

Interest paid during 1996, 1995 and 1994 was $79.8 million, $39.4 million and $44.3 million, respectively. Income taxes paid during 1996, 1995 and 1994 were $20.3 million, $22.0 million and $33.1 million, respectively. On April 19, 1995, the Company acquired the approximately 65% of Petrolane common shares it did not already own for $109.6 million which was financed with the proceeds of a private placement of $110 million of First Mortgage Notes of the Operating Partnership. In conjunction with this acquisition, proportionate liabilities in the amount of $535.1 million were assumed.

REVENUE RECOGNITION. Revenues from the sale of propane are recognized principally as product is shipped or delivered to customers. Utilities' revenues are recorded for service provided to the end of each month but not yet billed. Rate increases or decreases are reflected in revenues from effective dates permitted by the PUC. Subsequent to July 31, 1995, the Company's energy marketing business is conducted by UGI Energy Services which records separately the revenues and related cost of sales associated with its billed volumes. Prior to August 1, 1995, net margin from energy marketing activities, which were conducted by a subsidiary of UGI Utilities, were reflected as miscellaneous income.

INVENTORIES. Inventories are stated at the lower of cost or market. Cost is determined principally on an average or first-in, first-out (FIFO) method except for appliances for which the specific identification method is used.

INCOME TAXES. AmeriGas Partners and the Operating Partnership are not directly subject to federal and state income taxes. Instead, their taxable income or loss is allocated to the individual partners, including the Company. The Operating Partnership does, however, have certain subsidiaries which operate in corporate form and are subject to federal and state income taxes.

Deferred income tax provisions of UGI Utilities resulting from the use of accelerated depreciation methods are recorded in the Consolidated Statements of Income based upon amounts recognized for ratemaking purposes. UGI Utilities also recognizes a deferred tax liability for tax benefits that are flowed through to ratepayers when temporary differences originate and establishes a corresponding regulatory asset (regulatory income tax asset) for the probable increase in future revenues that will result when the temporary differences reverse.

Investment tax credits related to UGI Utilities' plant additions have been deferred and are being amortized over the service lives of the related property. UGI Utilities reduces its deferred tax liability for the future tax benefits that will occur when the deferred investment tax credits, which are not taxable, are amortized, and also reduces the regulatory asset for the probable reduction in future revenues that will result when such deferred investment tax credits amortize.

EARNINGS (LOSS) PER COMMON SHARE. Primary earnings (loss) per common share are computed by dividing net income (loss) by the weighted average number of common and dilutive common equivalent shares outstanding during each period. Common equivalent shares included in the computations represent shares issuable upon assumed exercise of stock options. Shares used in the earnings (loss) per common share computations were 33,142,000, 32,710,000 and 32,274,000 for 1996, 1995 and 1994, respectively. Fully diluted earnings (loss) per share are not materially different from primary earnings (loss) per share and therefore are not presented.

PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION. Property, plant and equipment is stated at cost. Amounts assigned to property, plant and equipment of acquired businesses are based upon estimated fair value at date of acquisition. The original cost of UGI Utilities' retired plant, together with the net cost of removal, is charged to accumulated depreciation for financial accounting purposes. Removal costs of UGI Utilities' plant and equipment are deducted currently for income tax purposes. When plant and equipment other than UGI Utilities' plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in current operations.

Depreciation of Utilities' plant and equipment is computed using the straight-line method over the estimated average remaining lives of the various classes of depreciable property. Depreciation as a percentage of the related average depreciable base for 1996, 1995 and 1994 was 2.9%, 2.8% and 2.8%; and 3.6%, 3.4% and 3.4%, for Gas Utility and Electric Utility, respectively. Depreciation of Propane plant and equipment is computed using the straight-line method over estimated service lives ranging from two to 40 years. Depreciation expense during 1996, 1995 and 1994 was $59.4 million, $43.1 million and $31.9 million, respectively.

INTANGIBLE ASSETS. Intangible assets comprise the following at September 30:

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	1996	1995
Goodwill (less accumulated amortization of $64.1 million and $48.6 million, respectively)	$546.2	$586.2
Excess reorganization value (less accumulated amortization of $27.4 million and $18.9 million, respectively)	143.4	152.0
Other, principally noncompete agreements (less accumulated amortization of $3.4 million and $6.8 million, respectively)	2.9	2.5
Total intangible assets	$692.5	$740.7

Goodwill recognized as a result of business combinations accounted for as purchases (including goodwill resulting from the Petrolane Merger) is being amortized on a straight-line basis over 40 years. Excess reorganization value (which represents reorganization value in excess of amounts allocable to identifiable assets of Petrolane resulting from Petrolane's July 15, 1993 reorganization under Chapter 11 of the United States Bankruptcy Code) is being amortized on a straight-line basis over the 20-year period commencing July 15, 1993. Other intangible assets, consisting principally of covenants not to compete, are being amortized over the estimated periods of benefit which do not exceed ten years. Amortization expense of intangible assets during 1996, 1995 and 1994 was $24.6 million, $16.1 million and $8.3 million, respectively.

RECOVERABILITY OF LONG-LIVED ASSETS. The Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) in 1996. SFAS 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of.

The Company evaluates the impairment of long-lived assets to be held and used, including associated intangibles, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Under SFAS 121, such assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Under the Company's prior policy for determining the recoverability of long-lived assets, the aggregation of cash flows and the related test for impairment were performed on a business enterprise or acquisition-level basis. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. The test for impairment is performed by comparing estimated net future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amount. The adoption of SFAS 121 did not impact the Company's 1996 results of operations or financial condition.

OTHER ASSETS. Included in other assets at September 30, 1996 and 1995 are net deferred financing costs of $15.0 million and $16.3 million, respectively. These costs are being amortized, using the interest method, over the term of the related debt.

DEFERRED FUEL ADJUSTMENTS. Utilities' tariffs contain clauses which permit recovery of certain gas, fuel and purchased power costs in excess of the level of such costs included in base rates. The clauses provide for a periodic adjustment for any difference between the total amount collected under each clause and the recoverable costs incurred. Accordingly, Utilities defer the difference between amounts recognized in revenues and the applicable gas, fuel and purchased power costs incurred until subsequently billed or refunded to customers.

2. ACQUISITION OF 100% OF PETROLANE AND FORMATION OF AMERIGAS PARTNERS

On April 19, 1995, immediately after the Petrolane Merger, the Company combined the propane distribution businesses of Petrolane, AmeriGas Propane and AGP-2 into the Operating Partnership. On April 19, 1995 and May 17, 1995, as part of an initial public offering (IPO), AmeriGas Partners sold a total of 17,602,000 Common Units at a price to the public of $21.25 a unit. AmeriGas Partners' capital consists of 21,949,272 Common Units and 19,782,146 Subordinated Units representing limited partner interests, and a 1% general partner interest. The Company owns 4,347,272 Common Units, all 19,782,146 Subordinated Units, and an aggregate 2% general partner interest in the Partnership.

Under the terms of the Petrolane Merger approved by Petrolane's Class B Common Stock (Class B Stock) shareholders (other than UGI) on April 12, 1995, the 6,850,562 shares of Petrolane's Class B Stock not held by UGI were converted into the right to receive $16 per share in cash and all other rights associated with such shares expired. The Petrolane Merger consideration of approximately $109.6 million was financed with the proceeds of a private placement of $110 million of First Mortgage Notes of the Operating Partnership.

The net proceeds of approximately $307.0 million from the sale on April 19, 1995 of 15,452,000 Common Units and the net proceeds from the issuance of $100 million face value of AmeriGas Partners' Senior Notes, along with existing cash balances of AmeriGas Propane and Petrolane, were used to repay Petrolane's revolving credit loan, term loans and accrued interest and fees which were assumed by the Operating Partnership. In addition, certain senior indebtedness of Petrolane and AmeriGas Propane with a combined face value of $408 million was assumed by the Operating Partnership and immediately exchanged for First Mortgage Notes. As a result of this exchange, in April 1995 the Company recorded an extraordinary loss of $21.8 million pre-tax ($13.2 million after-tax). In addition, the Company expensed $5.9 million of net deferred tax benefits of AmeriGas Propane and $5.8 million of net deferred tax benefits of Petrolane (which amount is reflected in "Equity in Petrolane" in the 1995 Consolidated Statement of Income) representing the Company's share of such tax benefits no longer realizable by the Company as a result of the sale of Common Units to the public. The write-off of tax benefits reduced 1995 income from continuing operations by $11.7 million or $.36 per share.

The Partnership makes distributions to its partners with respect to each fiscal quarter of the Partnership in an aggregate amount equal to its Available Cash for such quarter. Available Cash generally means, with respect to any fiscal quarter of the Partnership, all cash on hand at the end of such quarter plus all additional cash on hand as of the date of determination resulting from borrowings subsequent to the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion for future cash requirements. These reserves may be retained for the proper conduct of the Partnership's business and for distributions during the next four quarters. In addition, reserves for the payment of debt principal and interest are required under the provisions of certain of the Partnership's debt agreements.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common and Subordinated unitholders, including such units held by the Company, and 2% to the General Partner, subject to the payment of incentive distributions in the event Available Cash exceeds the Minimum Quarterly Distribution (MQD) of $.55 on all units. To the extent there is sufficient Available Cash, the holders of Common Units have the right to receive the MQD, plus any arrearages, prior to the distribution of Available Cash to holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the Subordination Period (as defined below) and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter. The Partnership makes distributions of its Available Cash approximately 45 days after the end of each fiscal quarter.

The Subordination Period will generally extend until the first day of any quarter beginning on or after April 1, 2000 in respect of which (a) distributions of Available Cash from Operating Surplus (generally defined as

$40 million plus $42.9 million of cash on hand as of April 19, 1995 plus all operating cash receipts less all operating cash expenditures and cash reserves) equal or exceed the MQD on each of the outstanding Common and Subordinated units for each of the four consecutive four-quarter periods immediately preceding such date; (b) the Adjusted Operating Surplus (generally defined as Operating Surplus adjusted to exclude working capital borrowings, reductions in cash reserves and $40 million plus $42.9 million of cash on hand as of April 19, 1995 and to include increases in reserves to provide for distributions resulting from Operating Surplus generated during such period) generated during both (i) each of the two immediately preceding four-quarter periods and (ii) the immediately preceding sixteen-quarter period, equals or exceeds the MQD on each of the Common and Subordinated units outstanding during those periods; and (c) there are no arrearages on the Common Units.

Prior to the end of the Subordination Period but not prior to March 31, 1998, 4,945,537 Subordinated Units will convert into Common Units for any quarter ending on or after March 31, 1998, and an additional 4,945,537 Subordinated Units will convert into Common Units for any quarter ending on or after March 31, 1999, if (a) distributions of Available Cash from Operating Surplus on each of the outstanding Common and Subordinated units equal or exceed the MQD for each of the three consecutive four-quarter periods immediately preceding such date; (b) the Adjusted Operating Surplus generated during the immediately preceding twelve-quarter period equals or exceeds the MQD on all of the Common and Subordinated units outstanding during that period; (c) the General Partner makes a good faith determination that the Partnership will, with respect to the four-quarter period commencing with such date, generate Adjusted

Operating Surplus in an amount equal to or exceeding the MQD on all of the outstanding Common and Subordinated units; and (d) there are no arrearages on the Common Units.

The following unaudited pro forma condensed consolidated financial information of the Company for 1995 and 1994 was derived from the historical financial information of the Company and Petrolane and was prepared to reflect the effects of the Petrolane Merger (which merger is treated as a purchase acquisition by the Company in the form of a treasury stock acquisition by Petrolane) and the Partnership Formation as if these transactions had taken place at the beginning of the periods presented. The following unaudited pro forma condensed consolidated financial information does not purport to present the results of operations of the Company had the transactions described above actually been completed as of the beginning of the periods presented nor does it necessarily indicate results to be expected in the future.

	1995	1994
	(Unaudited)	
Revenues	$1,244.5	$1,344.2
Cost of sales	(636.7)	(693.7)
Depreciation and amortization	(84.4)	(81.1)
Other costs and expenses	(400.0)	(389.9)
Operating income	123.4	179.5
Interest expense	(80.3)	(78.2)
Minority interest in AmeriGas Partners	(.3)	(24.1)
Income taxes	(19.5)	(37.1)
Dividends on UGI Utilities Series Preferred Stock	(2.8)	(1.3)
Income from continuing operations	$ 20.5	$ 38.8
Earnings per share from continuing operations	$ .63	$ 1.20

Significant pro forma adjustments reflected in the data above include (a) the consolidation of the operations of Petrolane for periods prior to April 19, 1995 and the elimination of intercompany revenues and expenses; (b) a net reduction in amortization expense resulting from the longer-term (40-year) amortization of the excess purchase price over fair value of 65% of the net identifiable assets of Petrolane, compared with the amortization of 65% of Petrolane's excess reorganization value over 20 years; (c) an adjustment to interest expense resulting from the retirement of approximately $377 million of Petrolane term loans, the restructuring of Petrolane and AmeriGas Propane senior debt, and the issuance of an aggregate $210 million face value of notes of AmeriGas Partners and the Operating Partnership; (d) an adjustment to income taxes to reflect income taxes on the Company's share of the Partnership's taxable income; and (e) an adjustment to reflect the public unitholders' interest in the results of the Partnership as minority interest.

3. INVESTMENT IN PETROLANE

The following table includes summarized condensed consolidated financial information of Petrolane from September 24, 1993 through April 19, 1995:

	September 24, 1994 to April 19, 1995	Year Ended September 23, 1994
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS DATA		
Revenues	$ 372.1	$ 589.7
Cost of sales	(203.2)	(319.0)
Depreciation and amortization	(27.4)	(46.0)
Other costs and expenses	(100.0)	(167.8)
Operating income	41.5	56.9
Interest expense	(30.0)	(45.8)
Income taxes	(10.1)	(13.4)
Income (loss) before change in accounting	1.4	(2.3)
Change in accounting for postemployment benefits	(.9)	-
Net income (loss)	$ .5	$ (2.3)

Prior to the Partnership Formation, AmeriGas Propane and Petrolane were parties to a customer services agreement (Customer Services Agreement) pursuant to which AmeriGas Propane served customers of closed Petrolane districts and Petrolane served customers of closed AmeriGas Propane districts. These districts were closed in order to achieve cost reductions and operational efficiencies in overlapping geographical markets served by AmeriGas Propane and Petrolane. The Customer Services Agreement terminated on April 19, 1995. Fees billed by Petrolane to AmeriGas Propane under the Customer Services Agreement totaled $6.9 million and $9.1 million in 1995 and 1994, respectively, and are included in operating and administrative expenses. Fees billed to Petrolane totaled $5.3 million and $7.7 million in 1995 and 1994, respectively, and are included in Petrolane fee income.

Prior to the Partnership Formation, UGI provided Petrolane with certain financial, accounting, human resources, risk management, insurance, legal, corporate communications, investor relations, treasury and corporate development services. For such services, UGI received quarterly fees from Petrolane. During 1995 and 1994, UGI recorded management fee income of $6.8 million and $11.7 million, respectively, which amounts are included in Petrolane fee income.

Prior to the Partnership Formation, AmeriGas Management Company (AMC) and AmeriGas Transportation Management Company (ATMC), first-tier subsidiaries of UGI, provided general management, supervisory, administrative and transportation services to Petrolane, AmeriGas Propane and AGP-2. For such services, AMC and ATMC each received monthly fees from Petrolane in amounts which, together with fees received from AmeriGas Propane and AGP-2, effectively reimbursed AMC and ATMC for costs incurred to provide such services. During 1995 and 1994, the Company recorded fee income under these agreements of $8.4 million and $13.9 million, respectively, which amounts are included in Petrolane fee income.

4. UTILITY REGULATORY MATTERS

GAS UTILITY RATE CASE. On January 27, 1995, Gas Utility filed with the PUC for a $41.3 million increase in base rates to be effective March 28, 1995. In accordance with normal PUC practice, the effective date was suspended pending further investigation. On August 31, 1995, the PUC approved a settlement of this proceeding (Gas Utility Base Rate Settlement) authorizing a $19.5 million increase in annual revenues. The increase in base rates became effective on August 31, 1995. Under the terms of the Gas Utility Base Rate Settlement, Gas Utility agreed not to file for another base rate increase before January 25, 1997.

ELECTRIC UTILITY RATE CASES. On January 26, 1996, Electric Utility filed with the PUC for a $6.2 million increase in base rates. On July 18, 1996, the PUC approved a settlement of this proceeding authorizing a $3.1 million increase in annual revenues, effective July 19, 1996. Under the terms of the settlement, Electric Utility agreed not to file for another base rate increase before July 1, 1997. On November 1, 1993, Electric Utility filed with the PUC for a $4.2 million increase in base rates. On July 27, 1994, the PUC granted Electric Utility a $1.3 million increase in annual revenues effective on that date.

PRODUCER SETTLEMENT LIABILITIES. On April 21, 1994, Gas Utility received approximately $16.4 million in producer settlement refunds (including approximately $4.3 million in interest) from Columbia Gas Transmission Corporation (Columbia). On April 15, 1994, in anticipation of this refund, Gas Utility filed a tariff supplement with the PUC which proposed to refund $11.6 million of the Columbia refund to Gas Utility customers. This amount represented 90% of the noninterest portion of the Columbia refund, and approximately $1.8 million of similar refunds previously received by Gas Utility. Gas Utility proposed to retain, however, the entire interest component of the Columbia refund to reflect the carrying costs incurred by Gas Utility when it paid producer settlement liability charges prior to receiving recovery of such charges from its customers, and to recover legal costs associated with the recovery of the refunds. On June 2, 1994, the PUC directed Gas Utility to refund 90% of the principal and interest associated with the producer settlement refunds less approximately $.5 million for reimbursement of associated legal costs. In June 1994, Gas Utility recorded income of $2.3 million pre-tax ($1.3 million after-tax) representing the retained portion of the producer settlement refunds.

Gas Utility and the Pennsylvania Office of Consumer Advocate (OCA) subsequently filed complaints with the PUC challenging the June 2, 1994 decision. On February 27, 1995, the PUC issued a final Order reaffirming its June 2, 1994 decision, but permitted Gas Utility to retain $.8 million of the producer settlement refund for reimbursement of associated legal costs.

Gas Utility and the OCA appealed this decision to the Commonwealth Court of Pennsylvania (Commonwealth Court), which affirmed the February 27, 1995 PUC final Order in its entirety. Neither Gas Utility nor the OCA appealed the Commonwealth Court's decision.

REGULATORY ASSETS (LIABILITIES). The following regulatory assets (liabilities) are included in the accompanying balance sheets at September 30:

	1996	1995
Regulatory income tax asset	$42.9	$36.9
Pipeline transition costs (recoveries)	(.5)	.5
Other postretirement benefits	4.3	4.4
Refundable state taxes	(4.2)	(5.2)
Deferred fuel costs (recoveries)	1.1	(9.7)
Refundable producer settlement costs	(5.4)	(5.3)
Deferred environmental costs	.7	-
	$38.9	$21.6

5. DEBT

Long-term debt comprises the following at September 30:

	1996	1995
Propane:		
First Mortgage Notes:		
Series A, 9.34%-11.71%, due April 2000 through April 2009 (including unamortized premium of $16.0 and $17.0, respectively, calculated at an 8.91% effective rate)	$224.0	$225.0
Series B, 10.07%, due April 2001 through April 2005 (including unamortized premium of $13.1 and $14.6, respectively, calculated at an 8.74% effective rate)	213.1	214.6
Series C, 8.83%, due April 2003 through April 2010	110.0	110.0
AmeriGas Partners Senior Notes, 10.125%, due April 2007	100.0	100.0
Acquisition Facility	30.0	--
Special Purpose Facility	7.0	--
Other	8.4	8.9
Total Propane	692.5	658.5
Utilities:		
First Mortgage Bonds:		
7.85% Series due November 1996	8.4	8.6
9% Series due June 2019 (less unamortized discount of $.8)	--	22.0
9% Series B due June 2019 (less unamortized discount of $.8)	--	22.2

	8.4	52.8
Other long-term debt:		
7.37% Medium-Term Notes, due October 2015	22.0	22.0
6.73% Medium-Term Notes, due October 2002	26.0	26.0
6.62% Medium-Term Notes, due May 2005	20.0	--
6.50% Senior Notes, due August 2003 (less unamortized discount of $.2)	49.8	49.8
8.70% Notes, due March 1997 and 1998 in annual installments of $10.0	20.0	20.0
9.71% Notes, due through September 2000 in annual installments of $7.1	28.6	35.7
Total Utilities	174.8	206.3
Other:		
7.83% Senior Secured Notes, due through March 2008	9.0	9.3
Total long-term debt	876.3	874.1
Current maturities included in current liabilities:		
Propane	(5.2)	(5.4)
Utilities	(25.5)	(53.2)
Other	(.4)	(.3)
Long-term debt due after one year:		
Propane	687.3	653.1
Utilities	149.3	153.1
Other	8.6	9.0
Total long-term debt due after one year	$845.2	$815.2

Long-term debt maturities and mandatory sinking fund requirements during the fiscal years 1997 to 2001 follow:

	1997	1998	1999	2000	2001
Propane	$ 5.2	$11.8	$11.3	$27.6	$68.2
Utilities	25.5	17.1	7.1	7.1	-
Other	.4	.4	.4	.4	.5
Total	$31.1	$29.3	$18.8	$35.1	$68.7

PROPANE. The Operating Partnership's obligations under the First Mortgage Notes are collateralized by substantially all of the assets of the Operating Partnership. The General Partner and Petrolane are co-obligors of the First Mortgage Notes. The Operating Partnership may, at its option, and under certain circumstances following the disposition of assets be required to, offer to prepay the First Mortgage Notes, in whole or in part. Certain of these prepayments will be at a premium. The First Mortgage Note Agreement contains restrictive covenants applicable to the Operating Partnership, including (a) restrictions on the incurrence of additional indebtedness; (b) restrictions on the ratio of each of the Operating Partnership's and the General Partner's total debt to consolidated gross worth, as defined; and (c) restrictions on certain liens, guarantees, loans and advances, payments, mergers, consolidations, sales of assets and other transactions. Generally, as long as no default exists or would result, the Operating Partnership is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter.

The 10.125% Senior Notes of AmeriGas Partners contain covenants which restrict the ability of the Partnership to, among other things, incur additional indebtedness, incur liens, issue preferred interests, and effect mergers, consolidations and sales of assets. The Senior Notes are not redeemable prior to April 15, 2000. Thereafter, AmeriGas Partners has the option to redeem the Senior Notes, in whole or in part, at a premium. In addition, AmeriGas Partners may, under certain circumstances following the disposition of assets, be required to prepay the Senior Notes. Pursuant to the Indenture under which the Senior Notes were issued, AmeriGas Partners is generally permitted to make cash distributions in an amount equal to available cash, as defined, as of the end of the immediately preceding quarter, as long as no event of default exists or would exist upon making such distributions and if the Partnership's consolidated fixed charge coverage ratio, as defined, is at least 1.75-to-1. If such ratio is not met, cash distributions may be made in an aggregate amount not to exceed $24 million less the aggregate of all distributions made during the immediately preceding 16 fiscal quarters. At September 30, 1996, such ratio was 2.19-to-1.

The Operating Partnership has Bank Credit Facilities with a group of commercial banks. The Bank Credit Facilities consist of a Revolving Credit Facility, an Acquisition Facility and a Special Purpose Facility, each governed by the Bank Credit Agreement. The Operating Partnership's obligations under the Bank Credit Facilities are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of the Bank Credit Facilities.

The Revolving Credit Facility provides for borrowings of up to $70 million (including a $35 million sublimit for letters of credit). The Revolving Credit Facility expires April 12, 1998, but may be extended, upon timely notice, for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. The Revolving Credit Facility permits the Operating Partnership to borrow at the Base Rate, defined as the higher of the Federal Funds Rate plus .50% per annum or the agent bank's reference rate (6.59% and 8.25%, respectively, at September 30, 1996), or at prevailing one-, two-, three-, or six-month offshore interbank borrowing rates, plus a margin (.525% per annum as of September 30, 1996). The applicable margin on such offshore interbank borrowing rates, and the Revolving Credit Facility commitment fee rate (.275% per annum as of September 30, 1996), are dependent upon the Operating Partnership's ratio of funded debt to earnings before interest, income taxes, depreciation and amortization (EBITDA), each as defined in the Bank Credit Agreement. The Operating Partnership is also required to pay letter of credit fees on the undrawn amount of outstanding letters of credit equal to the applicable margin on offshore interbank borrowings under the Revolving Credit Facility and on the face amount of outstanding letters of credit equal to .2% per annum. At September 30, 1996, borrowings under the Revolving Credit Facility totaled $15 million and are classified as bank loans. There were no borrowings under the Revolving Credit Facility at September 30, 1995. The weighted-average interest rate on the Operating Partnership's bank loans outstanding as of September 30, 1996 was 6.00%. Issued outstanding letters of credit under the Revolving Credit Facility totaled $2.3 million and $16.3 million at September 30, 1996 and 1995, respectively.

The Acquisition Facility provides the Operating Partnership with the ability to borrow up to $75 million to finance propane business acquisitions. The Acquisition Facility operates as a revolving facility through October 12, 1997 at which time any amount then outstanding will convert to a quarterly amortizing 4 1/2-year term loan. The Special Purpose Facility is a $30 million nonrevolving line of credit which can be used for the payment of certain liabilities of Petrolane assumed by the Operating Partnership as a result of the Partnership Formation that relate to potential liabilities for tax, insurance and environmental matters. The Special Purpose Facility expires April 12, 2000 at which time all amounts then outstanding will become immediately due and payable. Effective October 28, 1996, the Bank Credit Agreement was amended to include a revolving $15 million sublimit under the Special Purpose Facility which can be used to fund working capital, capital expenditures, and interest and distribution payments. This sublimit is scheduled to expire April 12, 1998.

The Acquisition Facility and the Special Purpose Facility permit the Operating Partnership to borrow at the Base Rate or prevailing one-, two-, three-, or six-month offshore interbank borrowing rates, plus a margin (.65% as of September 30, 1996). The applicable margin on such offshore interbank borrowing rates, and the Acquisition Facility and Special Purpose Facility commitment fee rate (.35% per annum at September 30, 1996), are dependent upon the Operating Partnership's ratio of funded debt to EBITDA, as defined. The weighted-average interest rate on the Operating Partnership's Acquisition and Special Purpose loans outstanding as of September 30, 1996 was 6.34%.

The Bank Credit Facilities contain restrictive covenants which include

(a) restrictions on the incurrence of additional indebtedness; (b) restrictions on the ratio of each of the Operating Partnership's and the General Partner's total debt to consolidated gross worth, as defined; and (c) restrictions on certain liens, guarantees, loans and advances, payments, mergers, consolidations, sales of assets and other transactions. They also require that the Operating Partnership maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. At September 30, 1996, such ratio was 2.57-to-1. Generally, as long as no default exists or would result, the Operating Partnership is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter.

Effective October 28, 1996, the Operating Partnership also has a revolving credit agreement with the General Partner under which it may borrow up to $20 million to fund working capital, capital expenditures, and interest and distribution payments. This agreement is coterminous with the Operating Partnership's Revolving Credit Facility. Borrowings under the General Partner Facility will be unsecured and subordinated to all senior debt of the Partnership. Interest rates on borrowings and facility fees will be determined generally on the same basis as the Revolving Credit Facility's interest rates and fees. UGI has agreed to contribute on an as needed basis through its subsidiaries up to $20 million to the General Partner to fund such borrowings.

UTILITIES. On October 16, 1995, UGI Utilities voluntarily redeemed all of its outstanding 9% Series and 9% Series B First Mortgage Bonds at a redemption price of 104% of the principal amount plus accrued interest. The redemption was funded with the proceeds received from the issuance on September 29, 1995 of $22 million of UGI Utilities 7.37%

Medium-Term Notes and $26 million of UGI Utilities 6.73% Medium-Term Notes. The mortgage collateralizing UGI Utilities First Mortgage Bonds constitutes a first lien on UGI Utilities' plant.

At September 30, 1996, UGI Utilities had revolving credit agreements with five domestic banks providing for borrowings of up to $67 million under committed lines and an additional $35 million under uncommitted lines. Generally, the commitments expire June 30, 1999, but are renewable, upon timely notice, for additional one-year periods unless the banks elect not to renew. The agreements provide UGI Utilities with the option to borrow at various prevailing interest rates, including the prime rate. A commitment fee at an annual rate of 3/16 of 1% is payable quarterly on the unused available committed credit lines. At September 30, 1996 and 1995, borrowings under these agreements totaled $50.5 million and $42 million, respectively, and are classified as bank loans. The weighted-average interest rates on UGI Utilities' bank loans at September 30, 1996 and 1995, were 5.9% and 6.4%, respectively.

Certain of UGI Utilities' debt agreements contain limitations with respect to incurring additional debt, require the maintenance of consolidated tangible net worth of at least $125 million, and restrict the amount of payments for investments, redemptions of capital stock, prepayments of subordinated indebtedness and dividends.

6. INCOME TAXES

The provisions for income taxes consist of the following:

	1996	1995	1994
Current:			
Federal	$16.6	$14.0	$30.4
State	5.0	3.6	9.6
	21.6	17.6	40.0
Deferred	12.4	5.5	(6.2)
Investment credit amortization	(.4)	(.4)	(.4)
	$33.6	$22.7	$33.4

A reconciliation from the statutory federal tax rate to the effective tax rate is as follows:

	1996	1995	1994
Statutory federal tax rate	35.0%	35.0%	35.0%
Difference in tax rate due to:			
State income taxes, net of federal benefit	6.6	8.8	7.3
Nondeductible amortization of goodwill	6.5	9.7	3.4
Adjustment to Utilities deferred state income taxes	-	(11.0)	-
Adjustment to deferred tax benefits resulting from Partnership Formation	-	15.3	-
Other, net	(3.8)	.9	-
Effective tax rate	44.3%	58.7%	45.7%

Deferred tax liabilities (assets) comprise the following at September 30:

	1996	1995
Excess book basis over tax basis of property, plant and equipment	$154.6	$186.0
Regulatory income tax asset	17.8	15.3
Other	9.8	5.7
Gross deferred tax liabilities	182.2	207.0
Self-insured property and casualty liability	(8.2)	(11.6)
Employee-related benefits	(10.6)	(11.1)
Premium on long-term debt	(6.7)	(7.3)
Deferred investment tax credits	(4.5)	(4.6)
Deferred fuel refunds	-	(4.0)
Producer settlement liabilities	(2.2)	(2.2)
Other	(19.1)	(19.0)
Gross deferred tax assets	(51.3)	(59.8)
Deferred tax assets valuation allowance	.3	.2

Net deferred tax liabilities	$131.2	$147.4

In February 1996, the General Partner completed AmeriGas Partners' and the Operating Partnership's federal income tax returns for the Partnership's initial period of operation. As a part of this process, a final determination was made as to how to allocate the tax basis of certain of the assets contributed to the Partnership by the General Partner and Petrolane pursuant to the Partnership Formation. The completion of the allocation process resulted in reductions in the deferred income tax liabilities of the General Partner and Petrolane existing at the date of the Partnership Formation which had been recorded in connection with the Petrolane Merger and the Partnership Formation. As a result, the Company recorded a $37.0 million reduction in deferred income tax liabilities and a corresponding reduction in goodwill which adjustments are reflected in the accompanying Consolidated Balance Sheet at September 30, 1996.

During 1995, UGI Utilities recorded a regulatory income tax asset of $12.6 million related to $11.3 million of existing deferred state income taxes expected to be recovered in the future through the ratemaking process. Pursuant to the Gas Utility Base Rate Settlement, UGI Utilities recorded a regulatory liability of $5.3 million associated with a five-year flowback to ratepayers of approximately $4.8 million in previously recovered deferred state income taxes. The net effect of these adjustments increased 1995 income from continuing operations by $4.3 million or $.13 per share.

As of September 30, 1996 and 1995, UGI Utilities had recorded approximately $29.6 million and $26.2 million, respectively, of deferred tax liabilities pertaining to utility temporary differences, principally a result of accelerated tax depreciation, the tax benefits of which previously were or will be flowed through to ratepayers. These deferred tax liabilities have been reduced by deferred tax assets of $4.5 million and $4.6 million at September 30, 1996 and 1995, respectively, pertaining to utility deferred investment tax credits. As of September 30, 1996 and 1995, UGI Utilities had recorded a regulatory income tax asset related to these net deferred taxes of $42.9 million and $36.9 million, respectively, representing future revenues expected to be recovered through the ratemaking process. This regulatory income tax asset will be recognized in deferred tax expense as the corresponding temporary differences reverse and additional income taxes are incurred.

7. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Retirement Income Plan for Employees of UGI Utilities, Inc. (UGI Utilities Plan) is a noncontributory defined benefit pension plan covering substantially all employees of UGI and UGI Utilities. UGI Utilities Plan's benefits are generally based on years of service and employee compensation during the last years of employment.

The components of net pension income for the UGI Utilities Plan include the following:

	1996	1995	1994
Service cost--benefits earned during the period	$ 3.1	$ 2.4	$ 3.0
Interest cost on projected benefit obligation	10.2	10.0	9.4
Actual return on plan assets	(16.3)	(28.1)	(1.0)
Net amortization and deferral	2.5	15.3	(11.5)
Net pension income	$ (.5)	$ (.4)	$ (.1)

The following table sets forth UGI Utilities Plan's actuarial present value of benefit obligations and funded status at September 30:

	1996	1995
Projected benefit obligation:		
Vested benefits	$(106.9)	$(109.7)
Nonvested benefits	(5.9)	(5.9)
Accumulated benefit obligation	(112.8)	(115.6)
Effect of projected future salary levels	(21.4)	(22.3)
Projected benefit obligation	(134.2)	(137.9)
Plan assets at fair value	157.3	149.1
Excess of plan assets over projected benefit obligation	23.1	11.2
Unrecognized net (gain) loss	(9.6)	2.9
Unrecognized prior service cost	6.7	7.1
Unrecognized transition asset	(12.8)	(14.4)
Prepaid pension cost	$ 7.4	$ 6.8

The major actuarial assumptions used in determining UGI Utilities Plan's funded status as of September 30, 1996, 1995 and 1994, and net pension income for each of the years then ended, are as follows:

	1996	1995	1994
Funded status at September 30:			
Discount rate	8.0 %	7.5%	8.7%
Rate of increase in salary levels	4.75	4.5	5.0
Net pension income for the year:			
Discount rate	7.5	8.7	7.0
Rate of increase in salary levels	4.5	5.0	4.5
Expected return on plan assets	9.5	9.5	9.5

UGI Utilities Plan's assets at September 30, 1996 consist principally of equity and fixed income mutual funds and investment-grade corporate and U.S. Government obligations.

The Company also has unfunded nonqualified retirement benefit plans for certain key employees and directors. At September 30, 1996 and 1995, the projected benefit obligations of these nonqualified plans were not material. During 1996, 1995 and 1994, the Company recorded expense for these plans of $1.1 million, $1.2 million and $1.2 million, respectively.

During 1996, 1995 and 1994, substantially all employees of Propane participated in noncontributory defined contribution pension plans and 401(k) savings plans. Company contributions to the Propane pension plans represented a percentage of each covered employee's salary. Participants in the savings plans could contribute up to 6% of their compensation on a before-tax basis. The General Partner could, in its sole discretion, match a portion of employees' contributions to these savings plans. Effective October 1, 1996, the Propane pension plan was frozen and the plan's assets were merged into the savings plan. In addition, effective October 1, 1996, the provisions of the savings plan were changed to provide for, among other things, a dollar-for-dollar match on participants' contributions up to 5% of eligible compensation. UGI Utilities sponsors a 401(k) savings plan for eligible employees of UGI Utilities and UGI. Generally, participants in the UGI Utilities savings plan may contribute up to a combined 10% of their compensation on a before-tax and after-tax basis. The Company may, at its discretion, match a portion of participants' contributions to the UGI Utilities savings plan. The cost of benefits under the Propane pension plans and the Propane and UGI Utilities savings plans totaled $5.9 million, $5.2 million and $2.6 million in 1996, 1995 and 1994, respectively.

The Company provides postretirement health care benefits to certain retirees and a limited number of active employees meeting certain age and service requirements as of January 1, 1989 and also provides limited postretirement life insurance benefits to substantially all active and retired employees.

The components of net periodic postretirement benefit cost are as follows:

	1996	1995	1994
Service cost--benefits earned during the period	$ .1	$ .1	$ .1
Interest cost on accumulated postretirement benefit obligation	2.2	2.1	2.4
Net amortization and deferral	1.6	1.2	1.7
Net periodic postretirement benefit cost	3.9	3.4	4.2
Decrease (increase) in regulatory asset	.3	(1.0)	(2.2)
Net expense	$4.2	$ 2.4	$ 2.0

The following table sets forth the actuarial present value and funded status of the Company's postretirement health care and life insurance benefit plans at September 30:

	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	$(22.7)	$(21.7)
Fully eligible active participants	(5.0)	(5.1)
Other active participants	(1.6)	(1.5)
	(29.3)	(28.3)
Plan assets at fair value	1.9	-
Unrecognized net (gain) loss	(4.3)	(2.9)
Unrecognized prior service cost	2.2	-
Unrecognized transition obligation	23.1	24.6
Accrued postretirement benefit cost	$ (6.4)	$ (6.6)

The major actuarial assumptions used in determining the funded status of the Company's postretirement health care and life insurance benefit plans at September 30, 1996, 1995 and 1994, and net periodic postretirement benefit costs for the years then ended, are as follows:

	1996	1995	1994
Funded status at September 30:			
Discount rate	8.0%	7.5%	8.7%
Health care cost trend rate	6.5-5.5	7.0-5.5	10.0-5.5
Net periodic postretirement benefit cost for the year:			
Discount rate	7.5	8.7	7.0
Health care cost trend rate	7.0-5.5	10.0-5.5	12.0-5.5

The ultimate health care cost trend rate of 5.5% in the table above is assumed for all years after 2007. Increasing the health care cost trend rate one percent increases the September 30, 1996 and 1995 accumulated postretirement benefit obligations by $2.4 million and $2.1 million, respectively, and increases the net periodic postretirement benefit costs for 1996, 1995 and 1994 by $.2 million, $.1 million and $.2 million, respectively.

UGI Utilities has established an Employee Benefit Trust (VEBA) to pay retiree health care and life insurance benefits and to fund the UGI Utilities' postretirement benefit liability. At September 30, 1996, the VEBA balance totaled $1.9 million and was primarily invested in money market funds.

On June 22, 1993, the PUC entered an order permitting Gas Utility to record a regulatory asset for the difference between the costs incurred under SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) and costs incurred on a pay-as-you-go basis. Under the terms of the order, the regulatory asset resulting from the deferral of SFAS 106 costs was allowable for ratemaking purposes subject to prior review in a base rate proceeding. As part of the Gas Utility Base Rate Settlement, Gas Utility was permitted the recovery over 17.25 years of the approximately $4.0 million in deferred excess SFAS 106 costs, comprising principally deferred transition obligation amortization, for the period January 1, 1993 (the date Gas Utility adopted SFAS 106) through August 31, 1995. The Gas Utility Base Rate Settlement, however, reserved the right of any party to challenge the prospective recovery of these deferred excess SFAS 106 costs in future rate proceedings. Under the terms of Electric Utility's July 18, 1996 base rate order, Electric Utility was permitted the recovery of its deferred SFAS 106 transition obligation amortization.

In a proceeding involving an unaffiliated Pennsylvania utility, Pennsylvania Power & Light Company (PP&L), the Commonwealth Court reversed a PUC declaratory order outside a full base rate proceeding permitting PP&L to defer excess SFAS 106 costs pending its next base rate order. PP&L and the PUC appealed the Commonwealth Court decision to the Pennsylvania Supreme Court which, on March 12, 1996, declined to review the matter. The Company will continue to monitor administrative and judicial proceedings involving deferred excess SFAS 106 costs and recognizes that, based on applicable law, it is possible that in future base rate proceedings Utilities could prospectively be denied recovery of some or all of its deferred excess SFAS 106 costs.

Also as part of the Gas Utility Base Rate Settlement, Gas Utility was permitted to recover in its rates approximately $2.4 million in ongoing annual costs incurred under the provisions of SFAS 106. Gas Utility is required to defer the difference between the amount of SFAS 106 costs included in rates and the actuarially determined annual SFAS 106 costs for recovery or refund to ratepayers in future rate proceedings. The ultimate recovery of SFAS 106 costs in excess of pay-as-you-go costs was subject to the outcome of a legal challenge brought by the OCA against an unaffiliated Pennsylvania utility, Pennsylvania-American Water Company (PAWC). In Irwin Popowsky v. PA P.U.C. (1994), the Commonwealth Court rejected the claim of the OCA that principles of ratemaking prohibit the PUC from permitting PAWC to recover excess SFAS 106 costs. The OCA filed a petition for allowance of appeal with the Pennsylvania Supreme Court with respect to this decision and the Pennsylvania Supreme Court, on March 12, 1996, denied this petition.

Effective October 1, 1994, the Company adopted the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). SFAS 112 requires, among other things, the accrual of benefits provided to former or inactive employees (who are not retirees) and to their beneficiaries and covered dependents. Prior to the adoption of SFAS 112, the Company accounted for these postemployment benefits on a pay-as-you-go basis. The cumulative effect of SFAS 112 on the Company's results of operations for periods prior to October 1, 1994 of $4.7 million pre-tax ($2.8 million after-tax) has been reflected in the 1995 Consolidated Statement of Income as "Change in accounting for postemployment benefits." Petrolane adopted the provisions of SFAS 112 effective September 24, 1994. The Company's equity share of the cumulative effect of SFAS 112 on Petrolane's results of operations of $.3 million has also been included in the caption "Change in accounting for postemployment benefits." The effect of the change in accounting for postemployment benefits on results of operations for 1995 was not material.

8. INVENTORIES

Inventories comprise the following at September 30:

	1996	1995
Propane gas	$ 61.1	$ 54.4
Utility fuel and gases	26.0	19.0
Materials, supplies and other	18.4	21.1
Appliances for sale	7.7	7.7
	$113.2	$102.2

9. SERIES PREFERRED STOCK

The UGI Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 5,000,000 shares authorized for issuance. There were no shares of UGI Series Preferred Stock outstanding at September 30, 1996 or 1995.

UGI Utilities Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 2,000,000 shares authorized for issuance. The holders of shares of UGI Utilities Series Preferred Stock have the right to elect a majority of UGI Utilities' Board of Directors (without cumulative voting) if dividend payments on any series are in arrears in an amount equal to four quarterly dividends. This election right continues until the arrearage has been cured. Cash dividends have been paid at the specified annual rates on all outstanding UGI Utilities Series Preferred Stock.

UGI Utilities Series Preferred Stock subject to mandatory redemption comprises the following at September 30:

	1996	1995
$1.80 Series, stated at involuntary liquidation value of $23.50 per share, cumulative (issued and outstanding-- 7,963 and 8,583 shares, respectively)	$ .2	$ .2
$8.00 Series, stated at involuntary liquidation value of $100 per share, cumulative (issued and outstanding-- 150,000 shares)	15.0	15.0
$7.75 Series, stated at involuntary liquidation value of $100 per share, cumulative (issued and outstanding-- 200,000 shares)	20.0	20.0
Total UGI Utilities Series Preferred Stock subject to mandatory redemption	$35.2	$35.2

UGI Utilities is required to purchase shares of its $1.80 Series Preferred Stock tendered at a purchase price of $23.50 per share. After January 1, 1998, UGI Utilities may call any untendered $1.80 Series shares at a redemption price of $23.50 per share.

UGI Utilities is required to establish a sinking fund to redeem on April 1 in each year, commencing April 1, 1998, 30,000 shares of its $8.00 Series Preferred Stock at a price of $100 per share. The $8.00 Series is redeemable, in whole or in part, at the option of UGI Utilities at a price of $103.56 per share commencing April 2, 1997 decreasing by equal amounts on April 2 of each subsequent year through 2001.

UGI Utilities is required to establish a sinking fund to redeem on October 1 in each year, commencing October 1, 2004, 10,000 shares of its $7.75 Series Preferred Stock at a price of $100 per share. The $7.75 Series Preferred Stock is redeemable, in whole or in part, at the option of UGI Utilities on or after October 1, 2004, at a price of $100 per share. All outstanding shares of $7.75 Series Preferred Stock are subject to mandatory redemption on October 1, 2009 at a price of $100 per share.

10. PREFERENCE STOCK PURCHASE RIGHTS

Holders of UGI Common Stock own one-half of one right, as further described, for each outstanding share of Common Stock. As amended on April 17, 1996, each right entitles the holder to purchase one one-hundredth of a share of First Series Preference Stock, without par value, at an exercise price of $120 per one one-hundredth of a share, subject to adjustment or, under the circumstances summarized below, to purchase the common stock described in the following paragraph. The rights are exercisable only if a person or group, other than certain underwriters, acquires 20% or more of the Company's Common Stock (Acquiring Person) or announces or commences a tender offer for 30% or more of the Common Stock. The Company is entitled to redeem the rights at five cents per right at any time before the earlier of the expiration of the rights in April 2006 or, subject to the concurrence of a majority of continuing directors, ten days after a person or group has acquired 20% of the Common Stock and in certain circumstances thereafter.

If an Acquiring Person merges with the Company or engages in certain other transactions with the Company, or, if a person acquires 40% or more of the Common Stock, each holder of a right, other than the acquirer, is entitled to purchase, at the exercise price of the right, Common Stock having a market value of twice the exercise price of the right. In addition, after the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such, if the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation, or in which the Company is the surviving corporation, but in which its Common Shares are changed or exchanged, or if 50% or more of the Company's assets or earning power are sold or transferred, each holder of a right is entitled to purchase, at the exercise price of the right, common stock of the acquiring company having a market value of twice the exercise price of the right. The rights have no voting or dividend rights and, until exercisable, have no dilutive effect on the earnings of the Company.

11. COMMON STOCK AND INCENTIVE STOCK AWARD PLANS

Common Stock share activity for 1994, 1995, and 1996 follows:

	Issued	Treasury	Outstanding
Balance September 30, 1993	31,942,700	(4,566)	31,938,134
Issued:			
Employee and director plans	28,896	200	29,096
Dividend reinvestment plan	426,144	-	426,144

Balance September 30, 1994	32,397,740	(4,366)	32,393,374
Issued:			
Employee and director plans	41,918	-	41,918
Dividend reinvestment plan	482,172	-	482,172
Balance September 30, 1995	32,921,830	(4,366)	32,917,464
Issued:			
Employee and director plans	164,961	143,385	308,346
Dividend reinvestment plan	111,940	120,175	232,115
Reacquired	-	(321,700)	(321,700)
Balance September 30, 1996	33,198,731	(62,506)	33,136,225

Under the 1992 Stock Option and Dividend Equivalent Plan (1992 Plan), the Company may grant options to acquire shares of Common Stock to key executives. The number of shares of Common Stock which may be made the subject of options under the 1992 Plan may not exceed 1,500,000. Upon the completion of one year of service after the date of grant and on each anniversary of that date, the options are exercisable in proportion to the number of years expired after the date of grant within a specified five-year period. Options can be exercised no later than ten years from the date of grant. The exercise price for options granted under the 1992 Plan may be more or less than the fair market value of the Common Stock on the date of grant. The 1992 Plan will remain in effect until all stock subject to it has been purchased pursuant to the exercise of options or until the options expire. No options may be granted after January 1, 2002. At September 30, 1996, 589,041 shares under the 1992 Plan were available for future option grants. In addition, the 1992 Plan provides for the crediting of dividend equivalents to optionees' accounts during the specified five-year period. Actual payment of the dividend equivalents is determined based upon the total return realizable by the Company's shareholders relative to the performance of comparable companies during the specified five-year period.

Under the 1992 Directors' Stock Plan (Directors' Plan), an option to purchase 1,000 shares of Common Stock was granted to each of the Company's nonemployee Board Directors on each of their election or reelection dates during the years 1992 to 1996. The exercise price for options granted under the Directors' Plan is the fair market value of the Common Stock on the date of grant. Options expire no later than ten years from the date of grant and may, in certain circumstances, expire earlier. One-fifth of each Director's options are exercisable for each full year of service as a Director, whether before, at or after the date of grant. In addition, under certain circumstances, Common Stock may be paid to nonemployee Directors in lieu of increases in retainer fees during the five-year period ending December 31, 1996. The number of shares of Common Stock reserved and available for issuance under the Directors' Plan is 100,000. At September 30, 1996, 60,883 shares of Common Stock were available for future issuance under the Directors' Plan.

Under the 1992 Non-Qualified Stock Option Plan (1992 Non-Qualified Plan), the Company may grant options to acquire shares of Common Stock to key employees who do not participate in the 1992 Plan. The number of shares of Common Stock which may be made the subject of options under the 1992 Non-Qualified Plan may not exceed 500,000. The exercise price for options granted under the 1992 Non-Qualified Plan is the fair market value of the Common Stock on the date of grant. One-fifth of an optionee's options are exercisable for each full year of service completed after the date of grant. Options can be exercised no later than ten years from the date of grant. At September 30, 1996, 272,575 shares of Common Stock were available for future option grants under the 1992 Non-Qualified Plan.

Stock option transactions under all plans for 1994, 1995 and 1996 follow:

	Shares	Option price per share
Shares under option-- September 30, 1993	1,110,917	$18.625 to $25.00
Granted	72,292	19.00 to 23.50
Exercised	(4,600)	18.625 to 22.25
Forfeited	(6,075)	20.125
Shares under option-- September 30, 1994	1,172,534	18.625 to 25.00
Granted	62,667	20.00 to 21.125
Exercised	(16,200)	21.00 to 21.375
Forfeited	(8,000)	21.125
Shares under option-- September 30, 1995	1,211,001	18.625 to 25.00
Granted	31,000	20.125 to 22.375
Exercised	(274,700)	18.625 to 24.25
Forfeited	(90,000)	20.125
Shares under option-- September 30, 1996	877,301	18.625 to 25.00

At September 30, 1996, 1995 and 1994, options for 647,868, 677,980 and 448,608 shares, respectively, were exercisable.

12. COMMITMENTS AND CONTINGENCIES

The Company leases various buildings and transportation, data processing and office equipment under operating leases. Certain of the leases contain renewal and purchase options and also contain escalation clauses. The aggregate rental expense for such leases was $27.1 million, $21.9 million and $18.3 million during 1996, 1995 and 1994, respectively.

Minimum future payments under operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

	1997	1998	1999	2000	2001	After 2001
Propane	$19.6	$16.0	$13.2	$ 9.9	$7.3	$11.2
Utilities	4.6	3.5	2.8	2.4	2.0	3.6
	$24.2	$19.5	$16.0	$12.3	$9.3	$14.8

At September 30, 1996, the Partnership had entered into fixed price propane supply contracts totaling approximately $26.0 million which expire at various dates through March 1997.

Gas Utility has gas supply agreements with producers and marketers that expire at various dates through 1999 and has agreements for pipeline transportation and storage capacity that expire at various dates through 2015 and 2012, respectively. In addition, Gas Utility has short-term gas supply agreements which permit it to purchase certain of its gas supply needs at spot prices.

UGI Energy Services has entered into firm contracts to purchase natural gas to supply the contractual needs of certain of its customers. At September 30, 1996, the total amount of these firm purchase commitments, which expire at various dates through December 1997, was approximately $13.6 million.

In addition, UGI Energy Services has entered into contracts to purchase gas at spot prices to meet the needs of its small firm and interruptible customers.

The Partnership has succeeded to the lease guarantee obligations of Petrolane relating to Petrolane's divestiture of nonpropane operations prior to its 1989 acquisition by QFB Partners. These leases are currently estimated to aggregate approximately $91.0 million (subject to reduction in certain circumstances). The leases expire through 2010 and some of them are currently in default, as discussed below. Under certain circumstances such lease obligations may be reduced by the earnings of such divested operations. The Partnership has succeeded to the indemnity agreement of Petrolane by which Texas Eastern Corporation (Texas Eastern), a prior owner of Petrolane, agreed to indemnify Petrolane against any liabilities arising out of the conduct of businesses that do not relate to, and are not a part of, the propane business, including lease guarantees. The Consolidated Balance Sheets at September 30, 1996 and 1995 include current and noncurrent liabilities of $.9 million and $11.0 million; and $.7 million and $11.0 million, respectively, related to leases guaranteed by the Partnership and currently in default and equal corresponding current and noncurrent assets related to Texas Eastern's indemnification agreement with respect thereto. To date, Texas Eastern has directly satisfied its obligations without the Partnership's having to honor its guarantee.

In addition, the Partnership has succeeded to Petrolane's agreement to indemnify Shell Petroleum N.V. (Shell) for various scheduled claims that were pending against Tropigas de Puerto Rico (Tropigas). This indemnification agreement had been entered into by Petrolane in conjunction with Petrolane's sale of the international operations of Tropigas to Shell in 1989. The Partnership also succeeded to Petrolane's right to seek indemnity on these claims first from International Controls Corp., which sold Tropigas to Petrolane, and then from Texas Eastern. To date, neither the Partnership nor Petrolane has paid any sums under this indemnity, but several claims by Shell, including claims related to certain antitrust actions aggregating at least $68 million, remain pending.

The Company, along with other companies, has been named as a potentially responsible party in several administrative proceedings for the cleanup of various waste sites, including some Superfund sites. Also, certain private parties have filed, or threatened to file, suit against the Company to recover costs of investigation and, as appropriate, remediation of several waste sites. In addition, the Company has identified environmental contamination at several of its properties and has voluntarily undertaken investigation and, as appropriate, remediation of these sites in cooperation with appropriate environmental agencies or private parties.

At a manufactured gas plant site in Burlington, Vermont, the United States Environmental Protection Agency (EPA) has named 19 parties, including UGI Utilities, as potentially responsible parties for gas plant contamination that resulted from the operations of a former subsidiary of UGI Utilities. In May 1993, after receiving and reviewing extensive public comment, EPA withdrew a proposed plan of remediation that would have cost an estimated $50 million. EPA is now working with community groups and potentially responsible parties to develop a revised remediation plan. These groups continue to study the site and evaluate the effect of the contamination on the environment. UGI Utilities cannot estimate the cost associated with any revised plan, but it does not believe such cost will exceed the estimated cost of the originally proposed plan.

With respect to a manufactured gas plant site in Concord, New Hampshire, EnergyNorth Natural Gas, Inc. (EnergyNorth) has filed suit against UGI Utilities alone seeking UGI Utilities' allocable share of response costs associated with remediating gas plant related contaminants at that site. EnergyNorth alleges that to date it has spent $3.5 million to remediate part of the site and that it will be required to spend an unknown amount in the future to complete remediation.

At Burlington, Concord and other sites, management believes that UGI Utilities should not have significant liability in those instances in which a former subsidiary operated a manufactured gas plant because UGI Utilities generally is not legally liable for the obligations of its subsidiaries. Under certain circumstances, however, courts have found parent companies liable for environmental damage caused by subsidiary companies when the parent company exercised such substantial control over the subsidiary that the court concluded that the parent company either (i) itself operated the facility causing the environmental damage or (ii) otherwise so controlled the subsidiary that the subsidiary's separate corporate form should be disregarded. There could be, therefore, significant future costs of an uncertain amount associated with environmental damage caused by manufactured gas plants that UGI Utilities owned or directly operated, or that were owned or operated by former subsidiaries of UGI Utilities, if a court were to conclude that the level of control exercised by UGI Utilities over the subsidiary satisfies the standard described above. In many circumstances where UGI Utilities may be liable, expenditures may not be reasonably quantifiable because of a number of factors, including various costs associated with potential remedial alternatives, the unknown number of other potentially responsible parties involved and their ability to contribute to the costs of investigation and remediation, and changing environmental laws and regulations.

The Company's policy is to accrue environmental investigation and cleanup costs when it is probable that a liability exists and the amount or range of amounts is reasonably estimable. The Company intends to pursue recovery of any incurred costs through all appropriate means, including regulatory relief, although such recovery cannot be assured. Under the terms of the Gas Utility Base Rate Settlement, Gas Utility will be permitted to amortize as removal costs site-specific environmental investigation and remediation costs, net of related third-party payments, associated with Pennsylvania sites. Gas Utility will be permitted to include in rates, through future base rate proceedings, a five-year average of such prudently incurred removal costs.

In addition to these environmental matters, there are various other pending claims and legal actions arising out of the normal conduct of the Company's businesses. The final results of environmental and other matters cannot be predicted with certainty. However, it is reasonably possible that some of them could be resolved unfavorably to the Company. Management believes, after consultation with counsel, that damages or settlements, if any, recovered by the plaintiffs in such claims or actions will not have a material adverse effect on the Company's financial position but could be material to operating results or cash flows in future periods depending on the nature and timing of future developments with respect to these matters and the amounts of future operating results and cash flows.

13. FINANCIAL INSTRUMENTS

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, short-term investments, accounts receivable, accounts payable and bank loans approximate fair value because of the immediate or short-term maturity of these financial instruments. The estimated fair values and related carrying amounts of the Company's long-term debt and UGI Utilities Series Preferred Stock at September 30 are as follows:

	Carrying Amount	Estimated Fair Value
1996:		
Long-term debt:		
Propane	$692.5	$720.0
Utilities	174.8	174.0
Other	9.0	9.0
UGI Utilities Series Preferred Stock	35.2	37.0
1995:		
Long-term debt:		
Propane	$658.5	$701.0
Utilities	206.3	213.0

Other	9.3	10.0
UGI Utilities Series Preferred Stock	35.2	36.0

The estimated fair values of long-term debt included in the table above are based upon current market prices and discounted present value methods calculated using borrowing rates available for debt with similar credit ratings, terms and maturities. The estimated fair values of UGI Utilities Series Preferred Stock are based upon the fair values of redeemable preferred stock with similar credit ratings and redemption features.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of short-term investments and trade accounts receivable. The Company invests available cash in investment-grade commercial paper of industrial and other companies and in obligations of the U.S. Government. The risk associated with trade accounts receivable is limited due to the Company's large customer base and its dispersion across many different U.S. markets. At September 30, 1996 and 1995, the Company had no significant concentrations of credit risk.

The Partnership from time to time holds certain option contracts to manage price risk associated with a portion of its anticipated propane procurement during the heating season. The unrealized gains on such contracts at September 30, 1996 and 1995 were not material.

14. MISCELLANEOUS INCOME

Miscellaneous income comprises the following:

	1996	1995	1994
Interest income	$ 4.0	$ 5.2	$3.4
Gain on sale of fixed assets	1.9	.7	1.8
Gas brokerage income	-	1.4	.8
Finance charges	2.2	1.0	.8
Other	4.6	3.1	2.3
	$12.7	$11.4	$9.1

15. SEGMENT INFORMATION

Reference is made to the schedule on page 20 for information on revenues, operating income, identifiable assets, depreciation and amortization, and capital expenditures for the Company's business segments for 1996, 1995 and 1994.

16. DISCONTINUED OPERATIONS

On December 14, 1993, as part of an IPO of UTI Energy Corp. (UTI) Common Stock, UTI redeemed its preferred stock held by the Company for $14.1 million in cash, warrants to buy 162,000 shares of UTI Common Stock at the offering price of $8 a share, and a $3.5 million promissory note bearing interest at 5 3/4%. In addition, as part of the IPO, the Company sold all of its UTI Common Stock, including shares underlying warrants received in 1986, as well as 140,625 shares received from other UTI shareholders, for $5.1 million and received preferred stock dividends through the date of redemption of $2.3 million. UTI is the entity which owns and operates a significant portion of the Company's former oil field service businesses which were sold to UTI on December 31, 1986. Although the December 31, 1986 transaction was treated as a sale for legal and income tax purposes, it was not treated as a sale for financial accounting purposes because the Company had not realized substantial cash consideration and because the ultimate realization of the sales price was dependent upon the future operating results of the companies sold. As a result of the December 14, 1993 transaction described above, the Company recorded the sale of UTI for financial accounting purposes. The gain from the sale of $7.6 million, which is net of income taxes of $.2 million, has been classified as discontinued operations in the 1994 Consolidated Statement of Income.

17. QUARTERLY DATA (UNAUDITED)

The following quarterly information includes all adjustments (consisting only of normal recurring adjustments with the exception of those indicated below) which the Company considers necessary for a fair presentation of such information. Quarterly results fluctuate because of the seasonal nature of the Company's businesses.

	December 31,		March 31,		June 30,		September 30,	
	1995(a)	1994	1996(a)(b)	1995	1996(a)	1995(c)	1996(d)	1995(e)(f)
Revenues	$426.9	$194.9	$582.6	$258.8	$283.9	$205.6	$264.2	$218.3
Operating income (loss)	$ 62.7	$ 32.4	$111.7	$ 56.1	$ 3.8	$ 1.1	$(18.5)	$(11.3)
Income (loss) before extraordinary loss and accounting change	$ 18.2	$ 11.0	$ 37.6	$ 27.0	$ (3.7)	$(19.5)	$(12.6)	$(10.6)
Extraordinary loss--propane debt restructuring	-	-	-	-	-	(13.2)	-	-
Change in accounting for postemployment benefits	-	(3.1)	-	-	-	-	-	-
Net income (loss)	$ 18.2	$ 7.9	$ 37.6	$ 27.0	$ (3.7)	$(32.7)	$(12.6)	$(10.6)
Earnings (loss) per common share:								
Earnings (loss) before extraordinary loss and accounting change	$ .55	$ .34	$ 1.13	$ .83	$ (.11)	$ (.60)	$ (.38)	$ (.32)
Extraordinary loss--propane debt restructuring	-	-	-	-	-	(.40)	-	-
Change in accounting for postemployment benefits	-	(.10)	-	-	-	-	-	-
Net earnings (loss)	$ .55	$ .24	$ 1.13	$ .83	$ (.11)	$(1.00)	$ (.38)	$ (.32)

(a) Revenues (and related cost of sales) have been reclassified to reflect revenues from certain Gas Utility sales on a total, rather than net, basis.

(b) Includes reductions in operating expenses of $4.4 million from the refund of insurance premium deposits and $3.3 million from a reduction in accrued environmental costs which increased net income by $2.7 million or $.08 per share.

(c) Reflects the write-off of net deferred tax benefits of AmeriGas Propane and Petrolane representing the Company's share of such tax benefits no longer realizable as a result of the public unitholders' interest in the Partnership which increased loss before extraordinary loss and accounting change by $11.7 million or $.36 per share.

(d) Includes income from adjustments to incentive compensation accruals of $4.0 million which decreased net loss by $2.1 million or $.06 per share.

(e) Reflects effect of adjustments to Utilities' deferred income taxes which decreased loss before extraordinary loss and accounting change by $4.3 million or $.13 per share.

(f) Reflects accrual for expenses of Partnership management organizational changes of $4.3 million which increased net loss by $1.5 million or $.05 per share.

REPORT OF MANAGEMENT

The Company's consolidated financial statements and other financial information contained in this Annual Report are prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates.

The Company maintains a system of internal controls. Management believes the system provides reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of reliable financial information. There are limits in all systems of internal control, based on the recognition that the cost of the system should not exceed the benefits to be derived. We believe that the Company's internal control system is cost effective and provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period. The internal control system and compliance therewith are monitored by the Company's internal audit staff.

The Audit Committee of the Board of Directors is composed of four members, none of whom is an employee of the Company. This Committee is responsible for reviewing the adequacy of corporate financial reporting and accounting systems and controls, for overseeing the external and internal auditing functions and for recommending to the Board of Directors the independent accountants to conduct the annual audit of the Company's consolidated financial statements. The Committee maintains direct channels of communication between the Board of Directors and both the independent accountants and internal auditors.

The independent accountants, who are appointed by the Board of Directors and ratified by the shareholders, perform certain procedures, including an evaluation of internal controls to the extent required by generally accepted auditing standards, in order to express an opinion on the consolidated financial statements and to obtain reasonable assurance that such financial statements are free of material misstatement.

/s/ LON R. GREENBERG	/s/ CHARLES L. LADNER	/s/ MICHAEL J. CUZZOLINA
Lon R. Greenberg	Charles L. Ladner	Michael J. Cuzzolina
Chief Executive Officer	Chief Financial Officer	Chief Accounting Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
UGI Corporation
Valley Forge, Pennsylvania

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 1996 and 1995 and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended September 30, 1996, 1995 and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of AmeriGas Propane, Inc. and subsidiaries, as of September 30, 1996 and 1995 and for the year ended September 30, 1996 and the period from April 19, 1995 to September 30, 1995, which statements reflect total assets and revenues constituting 65 and 68 percent, and 65 and 31 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AmeriGas Propane, Inc. and subsidiaries for those periods, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UGI Corporation and subsidiaries as of September 30, 1996 and 1995 and the consolidated results of their operations and their cash flows for the years ended September 30, 1996, 1995 and 1994, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for postemployment benefits in 1995.

/s/ COOPERS & LYBRAND L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
November 22, 1996

Appendix to Exhibit 13 - Description of Graphic Material

Financial Review - page 10

Organizational Chart of UGI Corporation and subsidiaries representing UGI Corporation and its three wholly owned subsidiaries AmeriGas, Inc. (AmeriGas), UGI Enterprises, Inc. (Enterprises), and UGI Utilities, Inc. (which is comprised of Gas Utility and Electric Utility).

The chart also reflects AmeriGas's wholly owned subsidiary, AmeriGas Propane, Inc. (General Partner) and the General Partner's 58% ownership interest in AmeriGas Partners, L.P. (AmeriGas Partners) the remaining 42% of which is publicly owned. The General Partner serves as general partner for AmeriGas Partners.

AmeriGas Partners has a 99% limited partner interest in AmeriGas Propane, L.P. (Operating Partnership) and the General Partner holds a 1% general partner interest in the Operating Partnership.

Financial Review - page 11

Photograph

Photograph of Mr. Charles L. Ladner, Senior Vice President Finance, UGI Corporation, in front of the New York Stock Exchange, New York, New York.

Financial Review - page 15

Pie Chart of AmeriGas Partners capitalization reflecting the following proportions:

long-term debt - 59.9% of total capitalization;
partners' capital - 38.8% of total capitalization;
bank loans - 1.3% of total capitalization.

Financial Review - page 16

Pie Chart of UGI Utilities capitalization reflecting the following proportions:

long-term debt - 39.1% of total capitalization;
common equity - 41.9% of total capitalization;
bank loans - 11.2% of total capitalization;
preferred stock - 7.8% of total capitalization.

Financial Review - pge 16

Pie chart of sources of cash for UGI Corporation reflecting in millions:

cash provided by operations of $111.2;
cash provided by debt issued of $80.6;
cash provided by common stock issued of $11.3;
cash provided by other sources of $3.9.

Financial Review - page 16

Pie chart of uses of cash for UGI Corporation reflecting in millions:

cash used for dividends and distributions of $85.1;
cash used for capital expenditures of $62.7;
cash used for debt repayments of $59.7;
cash used for acquisitions of $28.0;
cash used for short-term investments of $12.1;
cash used for common stock repurchases of $7.1.

EXHIBIT 21

UGI CORPORATION SUBSIDIARIES		
SUBSIDIARY	STATE OF INCORPORATION	OWNERSHIP
AMERIGAS, INC.	PA	100%
FOUR FLAGS DRILLING COMPANY, INC.	PA	100%
AMERIGAS PROPANE, INC.(1)	PA	100%
AmeriGas Partners, L.P.	DE	(2)
AmeriGas Finance Corp.	DE	100%
AmeriGas Propane, L.P.	DE	(3)
AmeriGas Propane Parts & Service, Inc.	PA	100%
Northwest LPG Supply Ltd.	Canada	100%
Petrolane Offshore Limited	Bermuda	100%
Petrolane Incorporated	PA	100%
Atlantic Energy, Inc.	DE	50%
AmeriGas Technology Group, Inc.	PA	100%
Diamond Acquisition, Inc.	HI	100%
ASHTOLA PRODUCTION COMPANY	PA	100%
CRYOTEX, INCORPORATED	DE	100%
KEYSTONE OILFIELD SUPPLY CO.	PA	100%
UGI ETHANOL DEVELOPMENT CORPORATION	PA	100%
UGI ENTERPRISES, INC.	PA	100%
UGI ENERGY SERVICES, INC.	PA	100%
UGI BLACK SEA ENTERPRISES, INC.	PA	100%
UGI ENERGY SUPPLY, INC.	PA	100%
UGI INTERNATIONAL (CHINA), INC.	DE	100%
UGI INTERNATIONAL (ROMANIA), INC.	PA	100%

UGI PROPERTIES, INC.	PA	100%
UGI UTILITIES, INC.	PA	100%
UGI DEVELOPMENT COMPANY	PA	100%
UNITED VALLEY INSURANCE COMPANY	VT	100%

(1) General Partner of AmeriGas Partners, L.P. and AmeriGas Propane, L.P., Delaware limited partnerships.

(2) AmeriGas Propane, Inc. owns 100% of general partnership interest and 38.4% of limited partnership interest in AmeriGas Partners, L.P.; Petrolane Incorporated owns 18.6% of limited partnership interest in AmeriGas Partners, L.P.; and Diamond Acquisition, Inc. owns 0.3% of the limited partnership interest in AmeriGas Partners, L.P.

(3) AmeriGas Propane, Inc. owns 100% of general partnership interest in AmeriGas Propane, L.P.; AmeriGas Partners, L.P. owns 100% of limited partnership interest in AmeriGas Propane, L.P.

Exhibit (23)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of UGI Corporation on Form S-8 (File No. 33-47319), Form S-3 (File No. 33-78776) and Form S-8 (File No. 33-61722) of our reports dated November 22, 1996 on our audits of the consolidated financial statements and financial statement schedules of UGI Corporation and subsidiaries for the year ended September 30, 1996, which reports are included (or incorporated by reference) in UGI Corporation's Annual Report on Form 10-K for the year ended September 30, 1996.

COOPERS & LYBRAND L.L.P

2400 Eleven Penn Center
Philadelphia, Pennsylvania
December 26, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT OF UGI CORPORATION AND SUBSIDIARIES AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS INCLUDED IN UGI CORPORATION'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1996.

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UGI CORPORATION
1,000

YEAR
SEP-30-1996
OCT-01-1995
SEP-30-1996
74,000
23,100
132,500
10,600
113,200
381,600
1,342,800
368,200
2,144,900
369,200
845,200
35,200
0
391,900
(14,300)
2,144,900
1,557,600
1,557,600
887,100
887,100
0
0
79,500
75,900
33,600
39,500
0
0
0
39,500
1.19
1.19

EXHIBIT 99

FORWARD-LOOKING STATEMENTS

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, UGI Corporation ("UGI" or the "Company") is hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements of the Company made by or on behalf of the Company.

RISK FACTORS

The financial and operating performance of UGI Corporation is subject to risks and uncertainties, all of which are difficult to predict, and many of which are beyond the control of the Company's management. Forward-looking statements concerning the Company's performance may differ materially from actual results because of these risks and uncertainties. They include, but are not limited to:

1. Weather conditions;
2. price and availability of all energy products, including natural gas, propane and oil, and the capacity to transport to market areas;
3. governmental legislation and regulations;
4. local economic conditions;
5. labor relations;
6. environmental claims;
7. competition from the same and alternative energy sources;
8. operating hazards and other risks incidental to generating and distributing electricity and transporting, storing, and distributing natural gas and propane;
9. energy efficiency and technology trends;
10. distributions from subsidiaries;
11. interest rates; and
12. large customer defaults.