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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, 2002

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 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
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Common Stock, without par value	New York Stock Exchange, Inc. Philadelphia Stock Exchange, Inc.
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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 ☒ 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. ☐ | ☐ |

The aggregate market value of UGI Corporation Common Stock held by nonaffiliates of the registrant on November 29, 2002 was \$999,593,248.

At November 29, 2002 there were 27,723,257 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, 2002 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, 2003 are incorporated by reference into Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐ | |

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PART I: BUSINESS

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

UGI Corporation is a distributor and marketer of energy products and services. We have two primary business lines: we are a domestic and international distributor of propane, and we are also a provider of natural gas, electricity and related services through regulated distribution utilities as well as through unregulated electric generation, commodity marketing and heating and cooling installation and service businesses.

We conduct our domestic propane distribution business through AmeriGas Partners, L.P., ("AmeriGas Partners" or the "Partnership"), which is the nation's largest retail propane distributor. AmeriGas Partners conducts its business through its direct and indirect subsidiaries, AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP," and together with AmeriGas OLP, the "Operating Partnership"). Eagle OLP has a less-than-one percent minority limited partner. The Partnership's sole general partner is our subsidiary, AmeriGas Propane, Inc. ("AmeriGas Propane" or the "General Partner"). The common units of AmeriGas Partners represent limited partner interests in a Delaware limited partnership. Common Units trade on the New York Stock Exchange under the symbol "APU." We have a majority ownership interest in the Partnership; the remaining interest is publicly held. See Note 1 to the Company's Consolidated Financial Statements.

Our subsidiary UGI Utilities, Inc. ("UGI Utilities," or "Utilities") owns and operates a natural gas distribution utility ("Gas Utility") and an electric distribution utility ("Electric Utility") in eastern Pennsylvania. Utilities is the successor to a business founded in 1882. It serves approximately 286,000 natural gas customers and approximately 61,500 electric customers. In response to state deregulation legislation, effective October 1, 1999, Utilities' transferred its electric generation assets to a non-utility subsidiary, UGI Development Company ("UGID"). UGID contributed certain electric generation assets to a non-utility generation joint venture with a subsidiary of Allegheny Energy, Inc. in December 2000. Utilities' interests in electricity generating facilities, together with Electric Utility, are referred to herein as "Electric Operations."

UGI Enterprises, Inc. ("Enterprises") conducts domestic and international energy-related businesses through subsidiaries. UGI Energy Services, Inc. markets natural gas, oil and electricity in the Mid-Atlantic region under the trade name GASMARK(R). UGI HVAC Enterprises, Inc. operates a heating and cooling installation and service business in the Mid-Atlantic region. Enterprises conducts its international propane distribution business through wholly-owned subsidiaries and joint ventures. It owns FLAGA GmbH, the largest retail propane distributor in Austria and one of the largest suppliers in the Czech Republic and Slovakia. In March 2001, Enterprises acquired an approximate 20% interest in Elf Antargaz, S.A. ("Antargaz"), one of the largest distributors of propane in France. Enterprises also participates in a propane distribution joint venture in China. We expect Enterprises to continue to evaluate and develop new related and complementary business opportunities for us.

UGI was incorporated in Pennsylvania in 1991. UGI Corporation is not subject to regulation by the Pennsylvania Public Utility Commission ("PUC"). It is also exempt from registration as a holding company and not otherwise subject to the Public Utility Holding Company Act of 1935, except for Section 9(a)(2), which regulates the acquisition of voting securities of an electric or gas utility company. Our executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and our telephone number is (610) 337-1000. In this report, the terms "Company" and "UGI," as well as the terms "our," "we," and "its," are sometimes used as abbreviated references to UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries. Similarly, the terms "AmeriGas Partners" and the "Partnership" are sometimes used as abbreviated references to AmeriGas Partners, L.P. or, collectively, AmeriGas Partners, L.P. and its subsidiaries, including the Operating Partnership.

BUSINESS STRATEGY

In July 1999, following a comprehensive study, we announced our intention to refocus our strategic direction on growing our existing natural gas, electric and propane businesses while seeking additional related and complementary growth opportunities. We are employing our core competencies from our existing businesses, as well as using our national scope, extensive asset base and access to customers, to accelerate growth in related and complementary businesses, both domestic and international.

AMERIGAS PROPANE BUSINESS

Our domestic propane distribution business is conducted through AmeriGas Partners. Upon completion of the Columbia Propane acquisition described below, we became the largest retail propane distributor in the United States, based on retail volume. The Partnership operates from approximately 650 district locations in 46 states. AmeriGas Propane manages the Partnership. Although our consolidated financial statements include 100% of the Partnership's revenues, assets and liabilities, our net income reflects only our majority interest in the income or loss of the Partnership, due to the publicly-owned limited partner interest. See Note 1 to the Company's Consolidated Financial Statements.

On August 21, 2001, AmeriGas OLP acquired the propane distribution businesses of Columbia Energy Group. These businesses were conducted through Columbia Propane Corporation and its approximate 99% owned subsidiary, Columbia Propane, L.P. Prior to the acquisition, Columbia Propane, based in Richmond, Virginia, was the seventh largest retail propane marketer in the United States, selling approximately 308 million gallons annually from 186 locations in 29 states. Following the acquisition, Columbia Propane, L.P. changed its name to AmeriGas Eagle Propane, L.P. and Columbia Propane Corporation changed its name to AmeriGas Eagle Propane, Inc. Both entities do business under the trade name AmeriGas(R). During fiscal year 2002, the Partnership completed the integration of the Columbia district locations, which included consolidating 90 Columbia locations with AmeriGas districts. AmeriGas OLP and the General Partner own more than 99% of Eagle OLP and an unaffiliated third party retains the remaining interest. See Note 2 to the Company's Consolidated Financial Statements.

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, motor fuel and industrial users to whom natural gas is not readily available. 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.

PRODUCTS, SERVICES AND MARKETING

As of September 30, 2002, the Partnership distributed propane to approximately 1.2 million customers from approximately 650 district locations in 46 states. The Partnership also sells, installs and services propane appliances, including heating systems. In certain markets, the Partnership also installs and services 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. As part of its overall transportation and distribution infrastructure, the Partnership operates as an interstate carrier in 48 states throughout the United States. It is also licensed as a carrier in Canada.

The Partnership sells propane primarily to five markets: residential, commercial/industrial, motor fuel, agricultural and wholesale. Approximately 79% of the Partnership's fiscal year 2002 sales (based on gallons sold) were to retail accounts and approximately 21% were to wholesale customers. Sales to residential customers in fiscal 2002 represented approximately 41% of retail gallons sold; industrial/commercial customers 38%; motor fuel customers 13%; and agricultural customers 8%. Residential customers represented 52% of the Partnership's total propane margin. No single customer accounts for 5% or more of the Partnership's consolidated revenues.

In the residential market, which includes both conventional and manufactured housing, 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. The Partnership continues to expand its PPX(R) program. At September 30, 2002, PPX(R) was available at approximately 15,600 retail locations throughout the country. 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. As a motor fuel, propane is burned in internal combustion engines that power

over-the-road vehicles, forklifts and stationary engines. Agricultural uses include tobacco curing, chicken brooding and crop drying. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

The PPX Prefilled Propane Xchange program ("PPX(R)") enables consumers to exchange their empty 20-pound propane grill cylinders for filled cylinders at various retail locations such as home centers and grocery and convenience stores. During fiscal year 2002, the Partnership introduced PPX(R) Plus. PPX(R) Plus cylinders are equipped with a special overfill protection device ("OPD") required by the National Fire Protection Association ("NFPA"). Sales of our PPX(R) Plus grill cylinders to retailers are included in the commercial/industrial market.

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 2,400 to 3,000 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.

The Partnership also delivers propane to retail customers in portable cylinders with capacities of 4 to 24 gallons. Some of these deliveries are made to the customer's location, where empty cylinders are either picked up for replenishment or filled in place.

PROPANE SUPPLY AND STORAGE

The Partnership has over 200 domestic and international sources of supply, including the spot market. Supplies of propane from the Partnership's sources historically have been readily available. During the year ended September 30, 2002, over 90% of the Partnership's propane supply was purchased under supply agreements with terms of 1 to 3 years. Approximately 80% of the volume purchased under those agreements was from 10 suppliers, including Dynegy Midstream Services (approximately 21%); Enterprise Products Operating LP and its affiliate Canadian Enterprises Gas Products Ltd. (approximately 20%); and BP Products North America Inc. and its affiliate BP Marketing Inc. (approximately 15%). The availability of propane supply is dependent upon, among other things, the severity of winter weather and the price and availability of competing fuels such as natural gas and crude oil. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate supplies during fiscal year 2003. If supply from major sources were interrupted, however, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, margins could be affected. Aside from Dynegy, Enterprise Products and BP, no single supplier provided more than 10% of the Partnership's total propane supply in fiscal year 2002. In certain market areas, however, some 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 supply contracts are generally made under one- or two-year agreements subject to annual review. During fiscal year 2002, 90% of those contracts provided for pricing

based upon posted prices at the time of delivery or index formulas based on the the current prices established at major storage points such as Mont Belvieu, Texas, or Conway, Kansas. In addition, some agreements provided maximum and minimum seasonal purchase volume guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year as determined by the General Partner. 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, Pennsylvania, Virginia and several other states.

Because the Partnership's profitability is sensitive to changes in wholesale propane costs, the Partnership generally seeks to pass on increases in the cost of propane to customers. There is no assurance, however, that the Partnership will always be able to pass on product cost increases fully, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, or other unforeseen events. The General Partner has adopted supply acquisition and product price risk management practices to reduce the effect of price volatility on product costs. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments such as options and propane price swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

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

AVERAGE PROPANE SPOT MARKET PRICES

	Mont Belvieu	Conway
Oct-96	51.57	51.53
Dec-96	61.04	84.29
Feb-97	38.71	39.02
Apr-97	34.88	35.26
Jun-97	34.43	35.86
Aug-97	37.03	36.53
Oct-97	39.83	37.32
Dec-97	33.57	31.36
Feb-98	29.79	28.32
Apr-98	29.06	29.47
Jun-98	24.42	24.84
Aug-98	24.12	23.87
Oct-98	25.72	24.57
Dec-98	20.89	18.72
Feb-99	22.43	20.58
Apr-99	28.26	27.58
Jun-99	30.95	28.68
Aug-99	40.51	37.56
Oct-99	45.46	43.39
Dec-99	42.83	35.10
Feb-00	59.72	47.26
Apr-00	46.88	43.64
Jun-00	55.47	56.22
Aug-00	58.54	63.52
Oct-00	61.82	64.05
Dec-00	77.63	79.75
Feb-01	59.39	63.03
Apr-01	54.37	60.26
Jun-01	43.17	47.70
Aug-01	41.54	45.71
Oct-01	39.48	44.19
Dec-01	30.43	30.34
Feb-02	31.20	27.92
Apr-02	41.52	40.07
Jun-02	37.51	35.25
Aug-02	41.49	41.53

COMPETITION

Propane competes 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, service, 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. 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 retail propane industry is mature, with only modest growth in total demand for the product foreseen. Given this limited growth, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, the Partnership's ability to grow within the industry is dependent on its ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the PPX(R) program (through which consumers can exchange an empty propane grill cylinder for a filled one) and national accounts program (through which the Partnership encourages large, multi-location propane users to enter into a supply agreement with it rather than with many small suppliers), as well as the success of its sales and marketing programs designed to attract and retain customers. The failure of the Partnership to retain and grow its customer base would have an adverse effect on its results.

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. In recent years, some rural electric cooperatives and fuel oil distributors have expanded their businesses to include propane distribution and the Partnership competes with them as well. The ability to compete effectively depends on providing customer service, maintaining competitive retail prices and controlling operating expenses.

Based on the most recent annual survey by the American Petroleum Institute, the 2001 domestic retail market for propane (annual sales for other than chemical uses) was approximately 11.4 billion gallons and, based on LP-GAS magazine rankings, 2001 sales volume of the ten largest propane companies (including AmeriGas Partners) represented approximately 38% of

domestic retail sales. Management believes the Partnership's 2002 retail volume represents approximately 10% of the domestic retail market.

In the motor fuel market, propane competes with gasoline and diesel fuel. When gasoline prices are high relative to propane, propane competes effectively. Wholesale propane distribution is a highly competitive, low margin business. 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, 2002, the Partnership owned approximately 84% 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 owns a 600,000 barrel refrigerated, above-ground storage facility located on leased property in California, which could be used in connection with waterborne imports or exports of propane or butane. The California facility, which the Partnership operates, is currently leased to several refiners for the storage of butane. In Virginia, the Partnership has a 50% indirect equity interest in a 476,000 barrel refrigerated, above-ground import terminal.

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. As of September 30, 2002, the Partnership operated a transportation fleet with the following assets:

QUANTITY & EQUIPMENT TYPE	% OWNED	% LEASED
478 Trailers	70	30
162 Tractors	42	58
160 Railroad tank cars	0	100
3,192 Bobtail trucks	32	68
555 Rack trucks	33	67
2,505 Service and delivery trucks	34	66

Other assets owned at September 30, 2002 included approximately 1.3 million stationary storage tanks with typical capacities of 100 to 1,000 gallons and approximately 1.8 million portable propane cylinders with typical capacities of 4 to 100 gallons. The Partnership also owned approximately 8,800 large volume tanks which are used for its own storage requirements. AmeriGas OLP has debt secured by liens and mortgages on its real and personal property. AmeriGas OLP owns approximately 67% of the Partnership's property, plant and equipment.

TRADE NAMES, TRADE AND SERVICE MARKS

The Partnership markets propane principally under the "AmeriGas(R)," "America's Propane Company(R)" and "PPX Prefilled Propane Xchange(R)" trade names and related service marks. UGI owns, directly or indirectly, all the right, title and interest in the "AmeriGas" and related trade and service marks. The General Partner owns all right, title and interest in the "America's Propane Company" and "PPX Prefilled Propane Xchange" trade names and related service marks. The Partnership has an exclusive (except for use by UGI, AmeriGas, Inc. and the General Partner), royalty-free license to use these names and trade and service marks. UGI and the General Partner each have the option to terminate its respective license agreement (on 12 months prior notice in the case of UGI), 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, the General Partner has the option to terminate its license agreement upon payment of a fee equal to the fair market value of the licensed trade names. UGI has a similar termination option, however, UGI must provide 12 months prior notice in addition to paying the fee.

SEASONALITY

Because many customers use propane for heating purposes, the Partnership's retail sales volume is seasonal, with approximately 57% of the Partnership's fiscal year 2002 retail sales volume and approximately 78% of its earnings before interest expense, income taxes, depreciation and amortization occurring during the five-month peak heating season from November through March. As a result of this seasonality, sales are concentrated in the Partnership's first and second fiscal quarters (October 1 through March 31). 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 conservation efforts and general economic conditions. For historical information on national weather statistics, 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" or, the "Superfund Law"), 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 imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment without regard to fault or the legality of the original conduct. 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 Notes 1 and 13 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. With respect to general operations, NFPA 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. Effective April 1, 2002, NFPA Pamphlet No. 58 requires portable propane cylinders to be equipped with OPD. Although NFPA 58 has not yet been adopted in all states, the Partnership complies with the OPD requirements throughout the United States. The Partnership maintains various permits under environmental laws that are necessary to operate certain 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 ("DOT"). The Natural Gas Safety Act of 1968 required the 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 gas 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.

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, 2002, the General Partner had approximately 6,300 employees, including approximately 300 temporary and part-time employees, working on behalf of the Partnership. UGI also performs certain financial and administrative services for the General Partner on behalf of the Partnership and is reimbursed by the Partnership for its direct and indirect costs and expenses.

UTILITY AND ELECTRIC OPERATIONS

Our utility business is conducted by UGI Utilities, Inc., a wholly owned subsidiary. Utilities operates its business through two divisions, the gas division ("Gas Utility") and the electric division ("Electric Utility"). Utilities also owns interests in electricity generating facilities in Pennsylvania, which, together with Electric Utility, are referred to herein as "Electric Operations." All of these businesses are described below.

GAS UTILITY

NATURAL GAS CHOICE AND COMPETITION ACT

On June 22, 1999, Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act") was signed into law. The purpose of the Gas Competition Act was to provide all natural gas consumers in Pennsylvania with the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local distribution companies ("LDCs") like Gas Utility may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to price regulation by the PUC.

Generally, Pennsylvania LDCs will serve as the supplier of last resort for all residential and small commercial and industrial customers unless the PUC approves another supplier of last resort. The Gas Competition Act requires energy marketers seeking to serve customers of LDCs to accept assignment of a portion of the LDC's interstate pipeline capacity and storage contracts at contract rates, thus avoiding the creation of stranded costs.

On October 1, 1999, Gas Utility filed its restructuring plan with the PUC pursuant to the Gas Competition Act. On June 29, 2000, the PUC entered its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan substantially as filed. Gas Utility designed its restructuring plan to ensure reliability of gas supply deliveries to Gas Utility on behalf of residential and small commercial and industrial customers. In addition, the plan changed Gas Utility's base rates for firm customers. It also changed the calculation of purchased gas cost rates. See "Utility Regulation and Rates."

Since October 1, 2000, all of Gas Utility's customers have had the option to purchase their gas supplies from an alternative gas supplier. Large commercial and industrial customers of Gas Utility have been able to purchase their gas from other suppliers since 1982. During fiscal year 2002, two third-party suppliers qualified to serve residential or small commercial and industrial customers in Gas Utility's service territory. Together, they are serving approximately 2,400 customers. Management believes none of the Gas Competition Act, the Gas Restructuring Order, or commodity sales to core-market customers by third party suppliers will have a material adverse impact on the Company's financial condition or results of operations.

SERVICE AREA; REVENUE ANALYSIS

Gas Utility distributes natural gas to approximately 286,000 customers in portions of 14 eastern and southeastern Pennsylvania counties through its distribution system of approximately 4,700 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 specialty metals, aluminum and glass.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility's distribution system) for the 2002 fiscal year was approximately 70.5 billion cubic feet ("bcf"). System sales of gas accounted for approximately 41% of system throughput, while gas transported for residential, commercial and industrial customers (who bought their gas from others) accounted for approximately 59% of system throughput. Based on industry data for 2000, residential customers account for approximately 31% of total system throughput by LDCs in the United States. By contrast, for the 2002 fiscal year, Gas Utility's residential customers represented 24% 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, and storage and transportation service contracts. 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 and Transcontinental Gas Pipeline Corporation.

GAS SUPPLY CONTRACTS

During fiscal year 2002, Gas Utility purchased approximately 28 bcf of natural gas for sale to customers. Approximately 90% of the volumes purchased were supplied under agreements with six major suppliers. The remaining 10% of gas purchased was supplied by over 30 producers and marketers. Gas supply contracts are generally no longer than one year.

In fiscal year 2002, as a result of changing market conditions following the bankruptcy of Enron Corp., a number of suppliers that Utilities formerly did business with exited the wholesale trading market. This development did not significantly impact Utilities' ability to secure gas supplies.

SEASONAL VARIATION

Because many of its customers use gas for heating purposes, Gas Utility's sales are seasonal. Approximately 57% of fiscal year 2002 throughput and approximately 68% of earnings before interest expense, income taxes, depreciation and amortization occurred during the winter season from November through March.

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 are seeking new load, primarily in the new construction market. Fuel oil dealers compete for customers in all categories, including 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 gas distribution services. Under the Gas Competition Act, retail customers may purchase their natural gas from a supplier other than Gas Utility. Commercial and industrial customers in Gas Utility's service territory have been able to do this since 1982. As of October 2002, two marketers have qualified to serve residential and small commercial and industrial customers. Together they serve approximately 2,400 customers. Gas Utility provides transportation services for residential and small commercial and industrial customers who purchase natural gas from others.

Many of Gas Utility's commercial and industrial customers have the ability to switch to an alternate fuel at any time and, therefore, are served on an interruptible basis under rates which are competitively priced with respect to their alternate fuel. Gas Utility's profitability from these customers, therefore, is affected by the difference, or "spread," between the customers' delivered cost of gas and the customers' delivered alternate fuel cost. See "Utility Regulation and Rates - Gas Utility Rates." Commercial and industrial customers representing 17% of total system throughput have locations which afford them the option, although none has exercised it, of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility. The majority of customers in this group are served under transportation contracts having three- to twenty-year terms. Included in these two groups are Utilities' ten largest customers in terms of annual volume. All of these customers have contracts with Utilities, eight of which extend into fiscal year 2004. No single customer represents, or is anticipated to represent, more than 5% of the total revenues of Gas Utility.

OUTLOOK FOR GAS SERVICE AND SUPPLY

Gas Utility anticipates having adequate pipeline capacity and sources of supply available to it to meet the full requirements of all firm customers on its system through fiscal year 2003. Supply mix is diversified, market priced, and delivered pursuant to a number of long- and short-term firm transportation and storage arrangements, including transportation contracts held by some of Utilities' larger customers.

During fiscal year 2002, Gas Utility supplied transportation service to two major cogeneration installations and three electric generation facilities. 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 approximately 9,200 residential heating customers during fiscal year 2002, which represented a record annual increase. Of those new customers, new home construction accounted for over 7,100 heating customers. Customers converting from other energy sources, primarily oil and electric, and existing non-heating gas customers who have added gas heating systems to replace other energy sources, accounted for the balance of the additions. The number of new commercial and industrial customers was over 1,100.

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

Gas Utility's objective in negotiations with interstate pipeline and natural gas suppliers, and in litigation before regulatory agencies, is to assure availability of supply, transportation and storage alternatives to serve market requirements at the lowest cost possible, taking into account the need for security of supply. Consistent with that objective, Gas Utility negotiates the terms of firm transportation capacity on all pipelines serving Gas Utility, arranges for appropriate storage and peak-shaving resources, negotiates with producers for competitively priced gas purchases and aggressively participates in regulatory proceedings related to transportation rights and costs of service.

ELECTRIC OPERATIONS

ELECTRICITY GENERATION CUSTOMER CHOICE AND COMPETITION ACT

On January 1, 1997, Pennsylvania's Electricity Generation Customer Choice and Competition Act ("ECC Act") became effective. The ECC Act permits all Pennsylvania retail electric customers to choose their electric generation supplier. Pursuant to the Act, all electric utilities were required to file restructuring plans with the PUC which, among other things, included unbundled prices for electric generation, transmission and distribution and a competitive transition charge (CTC) for the recovery of "stranded costs" which would be paid by all customers receiving distribution service. Stranded costs generally are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Under the ECC Act, Electric Utility generally may not increase prices for electric generation as long as stranded costs are being recovered through the CTC. In accordance with the restructuring proceedings discussed below, Utilities collected a CTC from commercial and industrial customers until September 2002 and expects to collect from all other distribution customers until May 2003. Under the ECC Act,

Electric Utility is obligated to provide energy at the capped rates to customers who do not choose alternate suppliers. Electric Utility will continue to be the only regulated electric utility having the right, granted by the PUC or by law, to distribute electric energy in its service territory.

On June 19, 1998, the PUC entered its Opinion and Order (the "Restructuring Order") in Electric Utility's restructuring proceeding under the ECC Act. The Electric Restructuring Order authorized Electric Utility to recover from its customers approximately \$32.5 million in stranded costs (on a full revenue requirements basis, which includes all income and gross receipts taxes) over a four-year period which commenced January 1, 1999 through a CTC, together with carrying charges on unrecovered balances of 7.94%.

The PUC approved a settlement establishing rules for Electric Utility Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively, the "POLR Settlement") under which Electric Utility terminated stranded cost recovery through its CTC from commercial and industrial ("C&I") customers on July 31, 2002, and from residential customers on October 31, 2002, and is no longer subject to the statutory rate caps as of August 1, 2002 for C&I customers and as of November 1, 2002 for residential customers. Charges for generation service will (1) initially be set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times up to certain specified caps through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges.

SERVICE AREA; SALES ANALYSIS

Electric Utility supplies electric service to approximately 61,500 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 fiscal year 2002, about 52% of sales volume came from residential customers, 36% from commercial customers and 12% from industrial customers. Electricity transported for customers who purchased their power from others pursuant to the ECC Act represented approximately 1% of fiscal year 2002 sales volume.

SOURCES OF SUPPLY

Effective October 1, 1999, Utilities transferred its electric generation assets to its non-utility subsidiary, UGI Development Company ("UGID"). These generation assets consisted

principally of Utilities' Hunlock generating station ("Hunlock Station"), located near Kingston, Pennsylvania and its 1.11% interest in the Conemaugh generating station ("Conemaugh Station"), located near Johnstown, Pennsylvania. Effective December 8, 2000, UGID entered into a partnership ("Energy Ventures") with a subsidiary of Allegheny Energy, Inc. for the purpose of owning and operating electric generation facilities. UGID contributed Hunlock Station, coal inventory and \$6 million to the partnership and Allegheny contributed a 44 megawatt gas combustion electric generator. UGID has the right to purchase half the output of Energy Ventures' generation at cost. During fiscal year 2002, Electric Utility purchased approximately 28% of its energy requirements from UGID. Effective October 1, 2002, Electric Utility has generation supply contracts in place for substantially all of its expected on-peak energy requirements through fiscal year 2004. UGID plans to market the electric generation it controls to third parties.

Electric Utility distributes both electricity that it purchases from others (including UGID) and electricity that customers purchase from other suppliers. At September 30, 2002, alternate suppliers served customers representing less than 1% of system load. Electric Utility expects to continue to provide energy to the great majority of its distribution customers for the foreseeable future.

ENVIRONMENTAL FACTORS

Energy Ventures' 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, UGID 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. Both the Conemaugh Station and the Hunlock Station are in material compliance with these emission standards.

SEASONALITY

Sales and distribution of electricity for residential heating purposes accounted for approximately 19% of the total sales of Electric Utility during fiscal year 2002. Electricity competes with natural gas, oil, propane and other heating fuels in this use. Approximately 51% of volume occurred during the six coldest months of fiscal year 2002 (November through April), demonstrating modest seasonality favoring winter due to the use of electricity for residential heating purposes.

UTILITY REGULATION AND RATES

PENNSYLVANIA PUBLIC UTILITY COMMISSION JURISDICTION

Utilities' gas and electric utility operations, which exclude electric generation, are subject to regulation by the PUC as to rates, terms and conditions of service, accounting matters, issuance of securities, contracts and other arrangements with affiliated entities, and various other matters. As noted earlier, effective October 1, 1999, Utilities contributed its electric generation assets to UGID. UGID has FERC authority to sell power at market-based rates. Generally, UGID is not subject to regulation by the PUC.

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. FERC has also asserted jurisdiction over the transmission component of electric retail choice transactions. In compliance with these orders, the PJM Interconnection, LLC ("PJM"), of which Utilities is a member, has filed an open access transmission tariff with the FERC establishing transmission rates and procedures for transmission within the PJM control area. Under the PJM tariff and associated agreements, Electric Utility is entitled to receive certain revenues when its transmission facilities are used by third parties.

GAS UTILITY RATES

The Gas Restructuring Order included an increase in firm, core-market base rates, effective October 1, 2000. The increase, calculated in accordance with the Gas Competition Act, was designed to generate approximately \$16.7 million in additional annual revenues. The Order also provided that Gas Utility reduce its purchased gas cost rates by an annualized amount of \$16.7 million for the first 14 months following the base rate increase.

Effective December 1, 2001, Gas Utility was required to reduce its purchased gas cost rates to core market customers by an amount equal to the margin it receives from customers served under interruptible rates to the extent they use capacity contracted for by Gas Utility for core-market customers. As a result of these changes in its regulated rates, since December 1, 2001, Gas Utility's operating results have been more sensitive to heating season weather and less sensitive to the market prices of alternative fuel than in the past.

BASE RATES

As stated above, Gas Utility's current base rates went into effect October 1, 2000 pursuant to The Gas Restructuring Order. See Note 4 to the Company's Consolidated Financial Statements.

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. PGC rates may also be adjusted quarterly, or monthly, to reflect purchased gas costs. Each proposed annual 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 separate rates. In addition, residential customers maintaining a high load factor may qualify for the PGC (2) rate. As described above, the Gas Restructuring Order provided for ongoing adjustments to Gas Utilities' PGC rates, commencing December 1, 2001, to reflect margins, if any, from interruptible rate customers who do not obtain their own pipeline capacity.

ELECTRIC UTILITY RATES

Electric Utility's rates for electric generation are frozen through approximately July 2003 for commercial and industrial customers and approximately May 2004 for residential customers. After these dates and through December 2004, Electric Utility can increase generation rates by up to 5% of the total rate for distribution, transmission and generation. See "Electricity Generation Customer Choice and Competition Act." The ECC Act obligates Electric Utility to act as "provider of last resort" to customers who do not choose alternate generation suppliers.

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.

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 transmission of electricity, transactions with non-utility generators of electricity, like UGID, 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-Manufactured Gas Plants." 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 - Electric Operations - Environmental Factors."

EMPLOYEES

At September 30, 2002, Utilities and its subsidiaries had approximately 1,100 employees.

UGI ENTERPRISES, INC.

UGI Enterprises, Inc. is a wholly owned subsidiary of UGI that was formed in 1994. Through its subsidiaries, Enterprises develops energy-related businesses for us in the United States and abroad as described below.

DOMESTIC BUSINESSES

NATURAL GAS AND ELECTRICITY MARKETING

UGI Energy Services, Inc. ("Energy Services"), conducts a non-utility energy marketing business under the trade names GASMARK(R) and POWERMARK(R) ("GASMARK"). GASMARK(R) sells natural gas directly to approximately 3,600 commercial and industrial customers in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Ohio and the District of Columbia through the transportation systems of 20 utility systems. Energy Services also sells fuel oil and has the ability to sell electricity to commercial and industrial customers in Pennsylvania. During fiscal year 2001, GASMARK(R) significantly increased its size by acquiring the gas marketing operations of PG Energy, a unit of Southern Union Corp., and Conectiv Energy. These acquisitions added approximately 900 customers to GASMARK(R)'s customer base and increased its natural gas sales volume over 50%.

The gas marketing business is a high revenue, low margin business. A majority of GASMARK's commodity sales are made under fixed price agreements. We manage supply cost volatility related to these agreements by entering into exchange-traded natural gas futures contracts and fixed-price supply arrangements. Exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. GASMARK also bears the risk for balancing and delivering natural gas to its customers under various pipelines and LDC tariffs. Failure to meet these guidelines can result in additional expense in the form of penalties, which can be substantial in relation to GASMARK's results of operations.

Credit is another risk factor in the commodity marketing business. GASMARK bears the risks of customer defaults and supplier non-performance on commodity and pipeline capacity contracts. GASMARK seeks to mitigate risk of supplier defaults by diversifying its supply and pipeline transportation purchases across a number of suppliers. GASMARK also requires credit support from customers in higher-risk transactions. This credit support can take the form of prepayments, bonds and letters of credit. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk Disclosures."

In fiscal year 2002, Energy Services acquired a liquefied natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania and propane storage and propane-air mixing stations in Bethlehem, Reading and Steelton, Pennsylvania. These plants were formerly owned by Utilities. Utilities has a call on a majority of the winter capacity of these facilities through

March 2004 at a PUC-approved formula price. Energy Services is able to make opportunistic off-peak sales of LNG from these facilities at market prices.

HVAC SERVICE

UGI HVAC Enterprises, Inc. ("HVAC") was acquired by Enterprises in September 2000. Together with its subsidiary, McHugh Service Company, HVAC conducts a heating, ventilation and air-conditioning service business serving portions of Utilities' gas service area and adjacent market areas, including the City of Philadelphia and portions of northern Delaware. It serves more than 70,000 customers in residential, commercial and new construction markets. During fiscal year 2002, HVAC generated approximately \$36 million in revenues and employed over 300 people.

RETAIL HEARTH PRODUCTS

Enterprises opened its first Hearth USA(TM) retail store in September 1999. The store was the nation's first large-scale retailer of hearth, grill and spa products together with installation services. In September 2001, after evaluating prospects for Hearth USA(TM) in light of the weak retail environment and the amount of capital required to expand beyond the pilot phrase, we committed to close the two Hearth USA(TM) stores and cease all operations by the end of October 2001. See Note 16 to the Company's Consolidated Financial Statements.

INTERNATIONAL BUSINESSES

FLAGA GMBH

In September 1999, subsidiaries of Enterprises acquired all of the stock of Flaga GmbH, a privately-held company founded in 1947. FLAGA distributes propane, butane and propane/butane mix ("LPG") in Austria, the Czech Republic and Slovakia for residential, commercial, industrial and autogas applications. During fiscal year 2002, FLAGA distributed approximately 36 million gallons of LPG. FLAGA operates from 6 distribution locations in Austria, 1 in the Czech Republic and 2 in Slovakia. In addition, FLAGA has 7 sales offices in the Czech Republic. As of September 30, 2002, FLAGA had a total of 350 employees of which 165 were located in Austria, 152 in the Czech Republic and 33 in Slovakia.

FLAGA has the largest propane distribution market position in Austria with an estimated 35% market share, serving residential, commercial and industrial customers. The retail propane industry in Austria is mature, with only modest growth in propane demand foreseen. Historically, residential customers generally commit to prepaid long-term tank rental agreements. Competition for new customer installations is based on the terms and conditions of tank leases as well as on product prices. Much of FLAGA's Austrian cylinder business is conducted through approximately 600 neighborhood resellers with whom FLAGA has long business relationships. FLAGA competes with other propane marketers and with other sources of energy, principally natural gas and wood.

The Czech market for LPG, which currently represents about 32% of FLAGA's total volume, is growing approximately 4% to 6% per year. FLAGA entered the Czech market in 1994 when it purchased a portion of the formerly state-run LPG company from the Czech government as part of its privatization plan. FLAGA's main facility in the Czech Republic is its bulk storage and cylinder filling and repair plant in Hustopece, located in the southeast quadrant of the Czech Republic. FLAGA estimates its market share in the Czech Republic at approximately 15%, ranking it third in the country.

The Slovak market for LPG has been growing significantly in the area of autogas sales volume in the last two years. FLAGA estimates that its share of the LPG market in Slovakia ranks it third in the country.

CHINAGAS PARTNERS

During 1998, Enterprises formed ChinaGas Partners, L.P. ("ChinaGas") with affiliates of Energy Transportation Group, Inc. to develop, build and operate LPG projects in the People's Republic of China. On October 28, 1998, ChinaGas and its wholly owned subsidiary together acquired 50% of the shares of an existing Chinese company known as the Nantong Huayang LPG Port Co., Ltd. ("Port Company") which operated an integrated LPG business, including an import terminal and distribution business, serving the provinces along the lower and middle reaches of the Yangtze River. By acquiring local distributors and integrating them with existing operations we are adding retail sales to the Port Company's operations. The other shareholders in the Port Company are China National Chemical Supply & Sales Corporation and two of its affiliates. Our effective ownership interest in the Port Company is 25%. On August 1, 2002, shareholders of the Port Company agreed to split the company into two separate companies, subject to government approval: a terminal company owned completely by China National Chemical Supply & Sales Corporation and a retail distribution company owned by ChinaGas. Upon receipt of government approval, Enterprises' ownership interest in the distribution business will be 50%.

ANTARGAZ

In March 2001, UGI France, Inc., together with Paribas Affaires Industrielles ("PAI") and Medit Mediterranea GPL, S.r.l. ("Medit"), acquired the stock and certain related assets of Antargaz, one of the largest distributors of LPG in France. We acquired an approximate 20% interest, PAI an approximate 68% interest, Medit an approximate 10% interest and certain members of Antargaz management, the remaining interest. PAI is a leading private equity fund manager in Europe with strong management and financial skills and Medit is a supplier of logistics services to the LPG industry in Europe, primarily Italy. During fiscal year 2002, Antargaz sold approximately 358 million gallons of LPG. Due, in part, to our membership on the Board of Directors of Antargaz, we believe we have significant influence over the company's operating and financial policies.

Antargaz has an approximate 25% market share in France. The French LPG market is characterized by modest growth, about 1% per year, and stable market conditions. Antargaz

serves nearly one million customers using a logistical system that includes ten major import/storage facilities, 30 bulk storage depots and 16 cylinder filling plants. Antargaz's customer base consists of residential, commercial, agricultural and motor fuel accounts which use LPG for space heating, cooking, water heating, process heat and transportation.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's business segments for the 2002, 2001 and 2000 fiscal years appears in Note 21 to the Consolidated Financial Statements contained in our 2002 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 2002, UGI and its subsidiaries had approximately 8,200 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

In the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the business of some gas companies under agreement. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, by 1953, UGI Utilities had divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because UGI Utilities is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating two claims against it relating to out-of-state sites.

Fishbein Family Partnership v. PPG Industries, Inc., et al. In July 1993, Public Service Electric and Gas Company ("PSE&G") joined Utilities as a third-party defendant in a civil action in the United States District Court for 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 case principally involved claims by the Fishbein Family Partnership against PPG Industries, Inc. for damages associated with chemical contamination unrelated to gas plant operations. In November 2001, the parties agreed voluntarily to dismiss all claims by and against PSE&G without prejudice. All claims against Utilities have been dismissed, although they could be re-instituted in the future.

Consolidated Edison Company of New York v. UGI Utilities, Inc. On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities, Inc. in the United States District Court for the Southern District of New York, seeking contribution from Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former manufactured gas plant sites in eleven

communities in Westchester County, New York. The complaint alleges that Utilities "owned and operated" the plants prior to 1904. The complaint also seeks a declaration that Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd has stated that the cost of remediation at two of the sites, Tarrytown and White Plains, could exceed \$20 million and \$10 million respectively. ConEd has not provided specific estimates of costs at the remainder of the sites and Utilities has no other information on which to base estimates. Utilities continues to investigate its involvement at these sites and is defending the claim.

EnergyNorth Natural Gas, Inc. v. UGI Utilities, Inc. By letter dated October 26, 2000, EnergyNorth Natural Gas, Inc. ("EnergyNorth") notified Utilities that it had filed suit in the United States District Court for the District of New Hampshire, seeking contribution from Utilities for response and remediation costs associated with contamination on the site of a former MGP allegedly operated by former subsidiaries of Utilities. EnergyNorth has not stated the amount of the costs and has provided no information on which Utilities could make an estimate. Utilities is actively defending the suit.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary operated a MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities, if a court were to conclude that the subsidiary's separate corporate form should be disregarded.

RELATED MATTER

UGI Utilities, Inc. v. Insurance Co. of North America, et. al. On February 11, 1999, UGI Utilities, Inc. filed suit in the Court of Common Pleas of Montgomery County, Pennsylvania against more than fifty insurance companies, including Associated Electric and Gas Insurance Services, Ltd. (AEGIS). The complaint alleges that the defendants breached contracts of insurance by failing to indemnify Utilities for certain environmental costs. To date, Utilities has recovered a significant portion of its claims through settlements with most of the defendants, including AEGIS. The court has not yet set a date for trial of the claims against the remaining defendants.

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 fiscal year 2002.

EXECUTIVE OFFICERS

Information regarding our 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

Our Common Stock is traded on the New York and Philadelphia stock exchanges under the symbol "UGI." The following table sets forth the high and low sales prices for the 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:

2002 FISCAL YEAR	HIGH	LOW
4th Quarter	\$36.760	\$25.670
3rd Quarter	33.210	29.400
2nd Quarter	31.490	27.090
1st Quarter	31.530	26.690
2001 FISCAL YEAR	HIGH	LOW
4th Quarter	\$29.480	\$25.120
3rd Quarter	27.900	24.200
2nd Quarter	25.375	22.500
1st Quarter	26.312	21.375

DIVIDENDS

Quarterly dividends on our Common Stock were paid in the 2002 and 2001 fiscal years as follows:

2002 FISCAL YEAR	AMOUNT
4th Quarter	\$0.4125
3rd Quarter	0.4000
2nd Quarter	0.4000
1st Quarter	0.4000
2001 FISCAL YEAR	AMOUNT
4th Quarter	\$0.4000
3rd Quarter	0.3875
2nd Quarter	0.3875
1st Quarter	0.3875

HOLDERS

On December 13, 2002, UGI had 10,054 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA (a)

	Year Ended September 30,				
	2002	2001	2000	1999	1998
(Millions of dollars, except per share amounts)					
FOR THE PERIOD:					
INCOME STATEMENT DATA:					
Revenues	\$ 2,213.7	\$ 2,468.1	\$ 1,761.7	\$ 1,383.6	\$ 1,439.7
Income before accounting changes	\$ 75.5	\$ 52.0	\$ 44.7	\$ 55.7	\$ 40.3
Cumulative effect of accounting changes (b)	-	4.5	-	-	-
Net income (c)	\$ 75.5	\$ 56.5	\$ 44.7	\$ 55.7	\$ 40.3
Earnings per common share - basic					
Income before accounting changes	\$ 2.74	\$ 1.91	\$ 1.64	\$ 1.74	\$ 1.22
Cumulative effect of accounting changes, net	-	0.17	-	-	-
Net income - basic	\$ 2.74	\$ 2.08	\$ 1.64	\$ 1.74	\$ 1.22
Earnings per common share - diluted					
Income before accounting changes	\$ 2.70	\$ 1.90	\$ 1.64	\$ 1.74	\$ 1.22
Cumulative effect of accounting changes, net	-	0.16	-	-	-
Net income - diluted (c) (d)	\$ 2.70	\$ 2.06	\$ 1.64	\$ 1.74	\$ 1.22
Cash dividends declared per common share	\$ 1.625	\$ 1.575	\$ 1.525	\$ 1.47	\$ 1.45
AT PERIOD END:					
BALANCE SHEET DATA:					
Total assets	\$ 2,614.4	\$ 2,550.2	\$ 2,275.8	\$ 2,140.5	\$ 2,074.6
Capitalization:					
Debt:					
Bank loans - AmeriGas Propane	\$ 10.0	\$ -	\$ 30.0	\$ 22.0	\$ 10.0
Bank loans - UGI Utilities	37.2	57.8	100.4	87.4	68.4
Bank loans - other	8.6	10.0	4.3	11.6	-
Long-term debt (including current maturities):					
AmeriGas Propane	945.8	1,005.9	857.2	744.7	709.0
UGI Utilities	248.4	208.4	172.9	180.0	187.2
Other	81.5	80.9	85.5	91.6	8.2
Total debt	1,331.5	1,363.0	1,250.3	1,137.3	982.8
Minority interests in AmeriGas Partners	276.0	246.2	177.1	209.9	236.5
UGI Utilities preferred stock subject to mandatory redemption	20.0	20.0	20.0	20.0	20.0
Common stockholders' equity	317.3	255.6	247.2	249.2	367.1
Total capitalization	\$ 1,944.8	\$ 1,884.8	\$ 1,694.6	\$ 1,616.4	\$ 1,606.4
RATIO OF CAPITALIZATION:					
Total debt	68.5%	72.3%	73.8%	70.4%	61.2%
Minority interest	14.2%	13.1%	10.5%	13.0%	14.7%
UGI Utilities preferred stock	1.0%	1.1%	1.2%	1.2%	1.2%
Common stockholders' equity	16.3%	13.5%	14.5%	15.4%	22.9%
	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Arthur Andersen LLP audited our consolidated financial statements for 2001, 2000, 1999 and 1998. See Item 15 - Notice Regarding Arthur Andersen LLP.

(b) Includes cumulative effect of accounting changes associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs and (2) the Company's adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (see Notes 1 and 3 to Consolidated Financial Statements).

(c) Pro forma net income and diluted earnings per share after applying retroactively the Partnership's changes in accounting for tank installation costs and tank fee revenue are as follows: 2000-\$44.6 and \$1.64; 1999-\$55.9 and \$1.75; 1998-\$39.7 and \$1.20, respectively.

(d) SFAS No. 142, "Goodwill and Other Intangible Assets," was adopted effective October 1, 2001. Net income and net income per diluted share adjusted to reflect the impact of SFAS No. 142 as if it had been adopted at the beginning of the periods presented are as follows: 2001-\$70.5 and \$2.58; 2000-\$59.4 and \$2.18; 1999-\$68.9 and \$2.15; 1998-\$53.9 and \$1.63, 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 13 through 25 of UGI's 2002 Annual Report to Shareholders, is incorporated in this report by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

"Quantitative and Qualitative Disclosures About Market Risk" are contained in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk Disclosures" on pages 22 and 23 of the UGI 2002 Annual Report to Shareholders and are 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 in this Report by reference.

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

During fiscal year 2002, UGI engaged a new independent auditor, PricewaterhouseCoopers LLP. The information required by Item 9 is incorporated in this Report by reference to UGI's Current Report on Form 8-K dated May 21, 2002.

PART III: UGI MANAGEMENT AND SECURITY HOLDERS

ITEMS 10 THROUGH 13.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12 and 13 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 28, 2003:

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 Directors	Compensation of Executive Officers Compensation of Directors
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Securities Ownership of Certain Beneficial Owners Securities Ownership of Management

EQUITY COMPENSATION PLANS

The following table sets forth information as of the end of the Company's 2002 fiscal year with respect to compensation plans under which equity securities of the Company are authorized for issuance.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)		WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C)
Equity compensation plans approved by security holders	1,662,290	(1)	\$ 23.57	491,836
	512,650	(2)	\$ 0	34,810 (3)
Equity compensation plans not approved by security holders	224,220	(4)	\$ 24.96	463,000
	2,800	(5)	\$ 0	0
Total	2,401,960		\$ 23.74	989,646
	=====		=====	=====

- (1) These plans include the 1992 and 1997 Stock Option and Dividend Equivalent Plans; the 1992 Directors' Stock Plan; the 2000 Directors' Stock Option Plan; and the 2000 Stock Incentive Plan.
- (2) Includes units under the 1997 Directors' Equity Plan and phantom shares of performance-contingent restricted stock under the 2000 Stock Incentive Plan.
- (3) Units under the 1997 Directors' Equity Plan.
- (4) Includes the 1992 and 2002 Non-Qualified Stock Option Plans.
- (5) Individual one-time bonus awards of phantom restricted stock.

Item 13. Certain Relationships and Related Transactions. Indebtedness of Management	Compensation of Executive Officers - Stock Ownership Policy and Indebtedness of Management
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The information concerning the Company's executive officers required by Item 10 is set forth below.

EXECUTIVE OFFICERS

NAME ----	AGE ---	POSITION -----
Lon R. Greenberg	52	Chairman, Director, President and Chief Executive Officer
Eugene V.N. Bissell	49	President and Chief Executive Officer, AmeriGas Propane, Inc.
Robert J. Chaney	60	President and Chief Executive Officer, UGI Utilities, Inc.
Brendan P. Bovaird	54	Vice President and General Counsel
Bradley C. Hall	49	Vice President - New Business Development
Anthony J. Mendicino	54	Senior Vice President - Finance and Chief Financial Officer

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.

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. He was elected a Director of AmeriGas Propane, Inc. in 1994 and has been Chairman since 1996. He also served as President and Chief Executive Officer of AmeriGas Propane (1996 to 2000). 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.

Eugene V.N. Bissell

Mr. Bissell is President and Chief Executive Officer of AmeriGas Propane, Inc. (since July 2000), having served as Senior Vice President - Sales and Marketing (1999 to 2000) and Vice President - Sales and Operations (1995 to 1999). Previously, he was Vice President - Distributors and Fabrication, BOC Gases (industrial gases) (1995), having been Vice President - National Sales (1993 to 1995) and Regional Vice President Southern Region for Distributor and Cylinder Gases Division, BOC Gases (1989 to 1993). From 1981 to 1987, Mr. Bissell held various positions with the Company and its subsidiaries, including Director, Corporate Development. Mr. Bissell is currently Chairman and a member of the Board of Directors of the National Propane Gas Association, the national trade association of the propane industry.

Robert J. Chaney

Mr. Chaney is President and Chief Executive Officer of UGI Utilities, Inc., (since March 1999). He previously served as Executive Vice President (1998 to 1999), Vice President and General Manager - Gas Utility Division (1991 to 1998) and Vice President - Rates and Energy Utilization - Gas Utility Division (1981 to 1991) of UGI Utilities, Inc..

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 Propane, 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).

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 also serves as President of UGI Enterprises, Inc. (since 1994). He joined the Company in 1982 and held various positions in UGI Utilities, Inc.

Anthony J. Mendicino

Mr. Mendicino was promoted to Senior Vice President - Finance and Chief Financial Officer effective December 2002. He previously served as Vice President - Finance and Chief Financial Officer (September 1998 to December 2002). Mr. Mendicino served as President and Chief Operating Officer (July 1997 to June 1998) and as Senior Vice President (January 1997 to June 1997) of Eastwind Group, Inc., a holding company formed to acquire and consolidate middle-market manufacturing businesses. Mr. Mendicino was Senior Vice President and Chief Financial Officer and a director (1987 to 1996) of UTI Energy Corp., a diversified oil field

service company. From 1981 to 1987 Mr. Mendicino held various positions with UGI, including Treasurer from 1984 to 1987.

ITEM 14. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 20, 2002 was carried out by the Company under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures have been designed and are being operated in a manner that provides reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Subsequent to the date of the most recent evaluation of the Company's internal controls, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV: ADDITIONAL EXHIBITS, SCHEDULES AND REPORTS

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

(1) and (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.

NOTICE REGARDING ARTHUR ANDERSEN LLP

Arthur Andersen LLP audited our consolidated financial statements for the three years in the period ended September 30, 2001 and issued a report thereon dated November 16, 2001. Arthur Andersen LLP has not reissued

their report or consented to the incorporation by reference of such report into the Company's prospectuses for the offer and sale of common stock. On June 15, 2002, Arthur Andersen LLP was convicted of obstruction of justice by a federal jury in Houston, Texas in connection with Arthur Andersen LLP's work for Enron Corp. On September 15, 2002, a federal judge upheld this conviction. Arthur Andersen LLP ceased its audit practice before the SEC on August 31, 2002. Effective May 21, 2002, we terminated the engagement of Arthur Andersen LLP as our independent accountants and engaged PricewaterhouseCoopers LLP to serve as our independent accountants for the fiscal year ending September 30, 2002. Because of the circumstances currently affecting Arthur Andersen LLP, as a practical matter it may not be able to satisfy any claims arising from the provision of auditing services to us, including claims available to security holders under federal and state securities laws.

(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 September 24, 2002			
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 long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K)			
4.1	Rights Agreement, as amended as of August 18, 2000, 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	Registration Statement No. 333-49080	4.3

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
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	Note 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
4.5	First Amendment dated as of September 12, 1997 to Note Agreement dated as of April 12, 1995 ("1995 Note Agreement")	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	4.5
4.6	Second Amendment dated as of September 15, 1998 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/98)	4.6
4.7	Third Amendment dated as of March 23, 1999 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (3/31/99)	10.2
4.8	Fourth Amendment dated as of March 16, 2000 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (6/30/00)	10.2
4.9	Fifth Amendment dated as of August 1, 2001 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	4.8
4.9(a)	Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P.	AmeriGas Partners, L.P.	Form 8-K (9/30/00)	1
4.10	Amended and Restated Agreement of Limited Partnership of AmeriGas Eagle Propane, L.P. dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	3.8
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

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
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.
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 July 8, 1998 pursuant to Article 1, Section 1.2 of the Southwest Salt Co. Agreement re: option to renew for period of June 1, 2000 to May 31, 2005 and related extension notice	UGI	Form 10-K (9/30/99)	10.5
10.6**	UGI Corporation Directors Deferred Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.6
10.7**	UGI Corporation 1992 Stock Option and Dividend Equivalent Plan, as amended May 19, 1992	UGI	Form 10-Q (6/30/92)	(10)ee
10.8**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.9**	UGI Corporation Directors' Equity Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.9
10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan	UGI	Form 10-Q (3/31/97)	10.2

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
10.11**	UGI Corporation 1992 Directors' Stock Plan	UGI	Form 10-Q (6/30/92)	(10)ff
10.12**	UGI Corporation Senior Executive Employee Severance Pay Plan effective January 1, 1997	UGI	Form 10-K (9/30/97)	10.12
10.13**	UGI Corporation 2000 Directors' Stock Option Plan	UGI	Form 10-K (9/30/99)	10.13
10.14**	UGI Corporation 2000 Stock Incentive Plan	UGI	Form 10-Q (6/30/00)	10.1
10.15**	1997 Stock Purchase Loan Plan	UGI	Form 10-K (9/30/97)	10.16
10.16**	UGI Corporation Supplemental Executive Retirement Plan Amended and Restated effective October 1, 1996	UGI	Form 10-Q (6/30/98)	10
10.17**	[Intentionally omitted]			
10.18	Second Amended and Restated Credit Agreement dated as of August 21, 2002 among AmeriGas Propane, L.P., AmeriGas Propane, Inc., Petrolane Incorporated, Bank of America, N.A., as Agent, Issuing Bank and Swing Line Bank, and certain banks.	AmeriGas Partners, L.P.	Form 10-K (9/30/02)	10.1
10.19	Power Sales Agreement between UGI Utilities, Inc. and UGI Development Company dated as of November 30, 2001	Utilities	Form 10-K (9/30/01)	10.23
10.20	[Intentionally omitted]			
10.21	[Intentionally omitted]			
10.22	[Intentionally omitted]			
10.23	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
10.23(a)	First Amendment dated as of July 31, 2001 to Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.8
10.24	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

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
10.24(a)	First Amendment dated as of July 31, 2001 to General Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.10
10.25	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
10.25(a)	First Amendment dated as of July 31, 2001 to Subsidiary Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.12
10.26	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
10.27	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
10.28	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
10.29	Stock Purchase Agreement dated May 27, 1989, as amended and restated July 31, 1989, between Texas Eastern Corporation and QFB Partners	Petrolane Incorporated/ AmeriGas, Inc.	Registration Statement No. 33-69450	10.16(a)
10.30	Pledge Agreement dated September 1999 between Eastfield International Holdings, Inc. and Reiffeisen Zentralbank Österreich Aktiengesellschaft ("RZB")	UGI	Form 10-K (9/30/99)	10.28
10.31	Pledge Agreement dated September 1999 between EuroGas Holdings, Inc. and RZB	UGI	Form 10-K (9/30/99)	10.29
10.32	Form of Guarantee Agreement dated September 1999 between UGI Corporation and RZB relating to loan amount of EURO 74 million	UGI	Form 10-K (9/30/99)	10.30
10.33	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 14.9 million	UGI	Form 10-K (9/30/00)	10.33

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
10.34	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 9 million	UGI	Form 10-K (9/30/00)	10.34
10.34(a)	Amendments dated October 11, 2001 to September 1999 Guarantee Agreements between UGI Corporation and RZB	UGI	Form 10-K (9/30/02)	10.34(a)
10.35**	Description of Change of Control arrangements for Messrs. Greenberg, Bovaird and Mendicino	UGI	Form 10-K (9/30/99)	10.33
10.36**	Description of Change of Control arrangement for Mr. Chaney	UGI	Form 10-K (9/30/99)	10.34
10.37**	Description of Change of Control arrangement for Mr. Bissell	AmeriGas Partners, L.P.	Form 10-K (9/30/99)	10.31
*10.38**	2002 Non-Qualified Stock Option Plan			
10.39**	1992 Non-Qualified Stock Option Plan, as amended	UGI	Form 10-K (9/30/00)	10.39
10.40	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1998 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.40
10.41	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1999 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.41
10.42	Purchase Agreement dated January 30, 2001 and Amended and Restated on August 7, 2001 by and among Columbia Energy Group, Columbia Propane Corporation, Columbia Propane, L.P., CP Holdings, Inc., AmeriGas Propane, L.P., AmeriGas Partners, L.P., and AmeriGas Propane, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/8/01)	10.1
10.43	Partnership Agreement of Hunlock Creek Energy Ventures dated December 8, 2001 by and between UGI Hunlock Development Company and Allegheny Energy Supply Hunlock Creek LLC	Utilities	Form 10-K (9/30/01)	10.24

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
10.44	Agreement by Petrolane Incorporated and certain of its subsidiaries party thereto ("Subsidiaries") for the Sale of the Subsidiaries' Inventory and Assets to the Goodyear Tire & Rubber Company and D.C.H., Inc., as Purchaser, dated as of December 18, 1985	Petrolane Incorporated	Form 10-K (9/23/94)	10.13
10.45	Purchase Agreement by and among Columbia Propane, L.P., CP Holdings, Inc., Columbia Propane Corporation, National Propane Partners, L.P., National Propane Corporation, National Propane SPG, Inc., and Triarc Companies, Inc. dated as of April 5, 1999	National Propane Partners, L.P.	Form 8-K (4/19/99)	10.5
10.46	Capital Contribution Agreement dated as of August 21, 2001 by and between Columbia Propane, L.P. and AmeriGas Propane, L.P. acknowledged and agreed to by CP Holdings, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/21/01)	10.2
10.47	Promissory Note by National Propane L.P., a Delaware limited partnership in favor of Columbia Propane Corporation dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.39
10.48	Loan Agreement dated July 19, 1999, between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.40
10.49	First Amendment dated August 21, 2001 to Loan Agreement dated July 19, 1999 between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.41
10.50	Columbia Energy Group Payment Guaranty dated April 5, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.42
10.51	Keep Well Agreement by and between AmeriGas Propane, L.P. and Columbia Propane Corporation dated August 21, 2001	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.46
10.52	Management Services Agreement effective as of August 21, 2001 between AmeriGas Propane, Inc. and AmeriGas Eagle Holdings, Inc., the general partner of AmeriGas Eagle Propane, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.47
10.53	Storage Transportation Service Agreement (Rate Schedule SST) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.25

INCORPORATION BY REFERENCE

EXHIBIT NO. -----	EXHIBIT -----	REGISTRANT -----	FILING -----	EXHIBIT -----
10.54	No-Notice Transportation Service Agreement (Rate Schedule NTS) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.26
10.55	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.27
10.56	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.28
10.57	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.29
10.58	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.30
10.59	Firm Transportation Service Agreement (Rate Schedule FT) between Utilities and Transcontinental Gas Pipe Line dated October 1, 1996, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.31
*13	Pages 13 through 51 of the 2002 Annual Report to Shareholders			
18	Letter of Arthur Andersen LLP regarding change in accounting principles	AmeriGas Partners, L.P.	Form 10-Q (12/31/00)	18
*21	Subsidiaries of the Registrant			
*23	Consent of PricewaterhouseCoopers LLP			
*99	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2002.			

* 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:

The Company filed the following Current Reports on Form 8-K during the fourth quarter of fiscal year 2002:

Date ----	Item Number(s) -----	Content -----
08/14/02	9	Regulation FD - Officers' Sworn Statements Pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934

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 17, 2002

By: Anthony J. Mendicino

Anthony J. Mendicino
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 17, 2002, 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
Anthony J. Mendicino - - - - - Anthony J. Mendicino	Senior Vice President - Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Stephen D. Ban - - - - - Stephen D. Ban	Director
Thomas F. Donovan - - - - - Thomas F. Donovan	Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 17, 2002, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE - - - - -	TITLE - - - - -
Richard C. Gozon - - - - - Richard C. Gozon	Director
Ernest E. Jones - - - - - Ernest E. Jones	Director
Anne Pol - - - - - Anne Pol	Director
Marvin O. Schlanger - - - - - Marvin O. Schlanger	Director
James W. Stratton - - - - - James W. Stratton	Director

CERTIFICATIONS

I, Lon R. Greenberg, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Lon R. Greenberg

Lon R. Greenberg
Chairman, President and
Chief Executive Officer of
UGI Corporation

I, Anthony J. Mendicino, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Anthony J. Mendicino

Anthony J. Mendicino
Senior Vice President - Finance
and Chief Financial Officer of
UGI Corporation

UGI CORPORATION AND SUBSIDIARIES

FINANCIAL INFORMATION

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

YEAR ENDED SEPTEMBER 30, 2002

F-1

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 PricewaterhouseCoopers LLP dated November 15, 2002 (except for Note 18 as to which the date is December 16, 2002) and Arthur Andersen LLP dated November 16, 2001, listed in the following index, are included in UGI's 2002 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 2002 Annual Report to Shareholders is not to be deemed filed as part of this Report.

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Reports of Independent Accountants:		
On Consolidated Financial Statements	Exhibit 13	26
On Financial Statement Schedules	F-4 to F-5	
Financial Statements:		
Consolidated Balance Sheets, September 30, 2002 and 2001	Exhibit 13	28 to 29
For the years ended September 30, 2002, 2001 and 2000:		
Consolidated Statements of Income	Exhibit 13	27
Consolidated Statements of Cash Flows	Exhibit 13	30
Consolidated Statements of Stockholders' Equity	Exhibit 13	31

UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES (CONTINUED)

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Notes to Consolidated Financial Statements	Exhibit 13	32 to 51
Supplementary Data (unaudited):		
Quarterly Data for the years ended September 30, 2002 and 2001	Exhibit 13	50
Financial Statement Schedules:		
For the years ended September 30, 2002, 2001 and 2000:		
I - Condensed Financial Information of Registrant (Parent Company)	S-1 to S-3	
II - Valuation and Qualifying Accounts	S-4 to S-5	

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).

We have omitted all other financial statement schedules because the required information is either (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) the information required is included elsewhere in the financial statements or related notes.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
UGI Corporation:

In our opinion, the consolidated financial statements, as of and for the year ended September 30, 2002, listed in the index appearing under Item 15a(1) and (2) present fairly, in all material respects, the financial position of UGI Corporation and its subsidiaries at September 30, 2002, and the results of their operations and their cash flows for the year ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed, as of and for the year ended September 30, 2002, in the index appearing under Item 15a(1) and (2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The consolidated financial statements of UGI Corporation and its subsidiaries as of September 30, 2001, and for each of the two years in the period ended September 30, 2001, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated November 16, 2001.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, in fiscal 2002.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 15, 2002, except for Note 18 as to which the date is December 16, 2002

THIS REPORT IS A COPY OF THE PREVIOUSLY ISSUED ACCOUNTANT'S REPORT OF ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of UGI Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in UGI Corporation's annual report to shareholders for the year ended September 30, 2001, incorporated by reference in this Form 10-K, and have issued our report thereon dated November 16, 2001. Our report on the financial statements includes an explanatory paragraph with respect to the changes in the method of accounting for tank installation costs and nonrefundable tank fees and the adoption of SFAS No. 133 as discussed in Notes 1 and 3 to the financial statements. Our audits were made for the purpose of forming an opinion on those basic consolidated financial statements taken as a whole. The schedules listed in the Index on pages F-2 and F-3 are the responsibility of UGI Corporation's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
November 16, 2001

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

BALANCE SHEETS
(Millions of dollars)

	September 30, 2002	2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 0.2	\$ 0.6
Accounts and notes receivable	2.2	14.4
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	0.3	0.4
	-----	-----
Total current assets	2.9	15.6
Investments in subsidiaries	388.4	300.8
Other assets	4.5	2.6
	-----	-----
Total assets	\$ 395.8	\$ 319.0
	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	\$ 10.2	\$ 10.3
Accrued liabilities	3.8	1.2
	-----	-----
Total current liabilities	14.0	11.5
Noncurrent liabilities	64.0	51.4
Commitments and contingencies		
Common stockholders' equity:		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 shares)	396.6	395.0
Retained earnings	39.7	9.0
Accumulated other comprehensive income (loss)	6.6	(13.5)
	-----	-----
Less treasury stock, at cost	442.9 (125.1)	390.5 (134.4)
	-----	-----
Total common stockholders' equity	317.8	256.1
	-----	-----
Total liabilities and common stockholders' equity	\$ 395.8	\$ 319.0
	=====	=====

Commitments and Contingencies:

In addition to the guarantees of FLAGA debt described in Note 5 to Consolidated Financial Statements, UGI Corporation has agreed to indemnify the issuer of \$25.7 of surety bonds issued on behalf of certain UGI subsidiaries. UGI Corporation is also authorized to guarantee up to \$100 of supplier obligations of UGI Energy Services, Inc., of which \$26.9 of such obligations were outstanding as of September 30, 2002.

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,		
	2002	2001	2000
Revenues	\$ -	\$ -	\$ -
Costs and expenses:			
Operating and administrative expenses	13.6	10.8	8.1
Other income, net	(12.4)	(9.7)	(8.4)
	1.2	1.1	(0.3)
Operating income (loss)	(1.2)	(1.1)	0.3
Interest expense on intercompany debt	(1.3)	(2.4)	(2.0)
Loss before income taxes	(2.5)	(3.5)	(1.7)
Income tax benefit	(0.9)	(0.7)	(1.1)
Loss before equity in income of unconsolidated subsidiaries	(1.6)	(2.8)	(0.6)
Equity in income before accounting changes of unconsolidated subsidiaries	77.1	54.8	45.3
Income before equity in accounting changes of unconsolidated subsidiaries	75.5	52.0	44.7
Equity in accounting changes of unconsolidated subsidiaries	-	4.5	-
Net income	\$ 75.5	\$ 56.5	\$ 44.7
Earnings per common share:			
Basic:			
Income before accounting changes	\$ 2.74	\$ 1.91	\$ 1.64
Cumulative effect of accounting changes, net	-	0.17	-
Net income	\$ 2.74	\$ 2.08	\$ 1.64
Diluted:			
Income before accounting changes	\$ 2.70	\$ 1.90	\$ 1.64
Cumulative effect of accounting changes, net	-	0.16	-
Net income	\$ 2.70	\$ 2.06	\$ 1.64
Average common shares outstanding (millions):			
Basic	27.550	27.163	27.219
Diluted	27.938	27.373	27.255

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

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2002	2001	2000
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	\$ 113.9	\$ 108.3	\$ 95.5
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in unconsolidated subsidiaries	(101.5)	(49.2)	(95.8)
Net repayments (advances) to unconsolidated subsidiary	13.0	(13.0)	-
Net cash used by investing activities	(88.5)	(62.2)	(95.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(44.8)	(53.2)	(41.2)
Issuance of intercompany long-term debt	8.0	-	47.5
Issuance of Common Stock	11.0	7.6	3.8
Repurchases of Common Stock	-	(1.0)	(9.1)
Net cash used by financing activities	(25.8)	(46.6)	1.0
Cash and cash equivalents increase (decrease)	\$ (0.4)	\$ (0.5)	\$ 0.7
Cash and cash equivalents:			
End of period	\$ 0.2	\$ 0.6	\$ 1.1
Beginning of period	0.6	1.1	0.4
Increase (decrease)	\$ (0.4)	\$ (0.5)	\$ 0.7

(a) Includes dividends received from unconsolidated subsidiaries of \$111.7, \$110.4 and \$96.2, respectively, for the years ended September 30, 2002, 2001 and 2000.

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, 2002				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 15.6 =====	\$ 14.2	\$ (18.0)(1)	\$ 11.8 =====
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 10.9 =====	\$ 2.7	\$ -	\$ 13.6 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 1.1 =====	\$ -	\$ (1.1)(2)	\$ - =====
Other reserves:				
Self-insured property and casualty liability	\$ 37.4 =====	\$ 19.0	\$ (15.6)(3)	\$ 42.7 =====
Insured property and casualty liability	\$ 1.5 =====	\$ -	1.9 (2) 2.0 (2)	\$ 3.5 =====
Environmental, litigation and other	\$ 11.7 =====	\$ 3.7	\$ (2.6)(3)	\$ 13.9 =====
			1.1 (2)	
YEAR ENDED SEPTEMBER 30, 2001				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 9.3 =====	\$ 18.3	\$ (11.7)(1)	\$ 15.6 =====
			(0.3)(2)	
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 8.8 =====	\$ 2.1	\$ -	\$ 10.9 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 1.0 =====	\$ 0.1	\$ -	\$ 1.1 =====
Other reserves:				
Self-insured property and casualty liability	\$ 36.3 =====	\$ 15.8	\$ (15.2)(3)	\$ 37.4 =====
Insured property and casualty liability	\$ 2.1 =====	\$ (0.6)	0.5 (2) -	\$ 1.5 =====
Environmental, litigation and other	\$ 12.0 =====	\$ 1.9	\$ (2.6)(3)	\$ 11.7 =====
			0.4 (2)	

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

YEAR ENDED SEPTEMBER 30, 2000
Reserves deducted from assets in
the consolidated balance sheet:

Allowance for doubtful accounts	\$ 8.0 =====	\$ 10.0	\$ (8.9)(1)	\$ 9.3 =====
			0.2 (2)	
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 7.1 =====	\$ 1.7	\$ -	\$ 8.8 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 2.1 =====	\$ 0.4	\$ (1.5)(2)	\$ 1.0 =====
Other reserves:				
Self-insured property and casualty liability	\$ 37.5 =====	\$ 13.4	\$ (14.7)(3)	\$ 36.3 =====
			0.1 (2)	
Insured property and casualty liability	\$ 5.1 =====	\$ (3.0)		\$ 2.1 =====
Environmental, litigation and other	\$ 13.7 =====	0.7	\$ (2.4)(3)	\$ 12.0 =====

(1) Uncollectible accounts written off, net of recoveries.

(2) Other adjustments.

(3) Payments, net.

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
3.2	Bylaws of UGI as in effect since September 24, 2002.
10.38	2002 Non-Qualified Stock Option Plan
13	Pages 13 to 51 of the 2002 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Consent of PricewaterhouseCoopers LLP
99	Certification by the Chief Executive Officer and Chief Financial Officer

BYLAWS
OF
UGI CORPORATION
(A PENNSYLVANIA REGISTERED CORPORATION)

ARTICLE I

OFFICES AND FISCAL YEAR

SECTION 1.01. REGISTERED OFFICE. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at 460 North Gulph Road, King of Prussia, Montgomery County, Pennsylvania 19406, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the board of directors and a record of such change is filed with the Department of State in the manner provided by law.

SECTION 1.02. OTHER OFFICES. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

SECTION 1.03. FISCAL YEAR. The fiscal year of the corporation shall begin on the first day of October in each year.

ARTICLE II

NOTICE-WAIVERS-MEETINGS GENERALLY

SECTION 2.01. MANNER OF GIVING NOTICE.

(a) General Rule. Any notice required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, shall be given to the person either personally or by sending a copy thereof:

(1) By first class or express mail, postage prepaid, or courier service, charges prepaid, to his or her postal address appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notice pursuant to this clause (1) shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(2) By facsimile transmission, e-mail or other electronic communication to his or her facsimile number or address for e-mail or other electronic communications supplied by him or her to the corporation for the purpose of notice. Notice pursuant to this clause (2) shall be deemed to have been given to the person entitled thereto when sent.

(b) Bulk Mail. If the corporation has more than 30 shareholders, notice of any regular or special meeting of the shareholders, or any other notice required by the Business Corporation Law or by the articles or these bylaws to be given to all shareholders or to all holders of a class or series of shares, may be given by any class of postpaid mail if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

(c) Adjourned Shareholder Meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

SECTION 2.02. NOTICE OF MEETINGS OF BOARD OF DIRECTORS. Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, facsimile transmission, e-mail or other electronic communication) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

SECTION 2.03. NOTICE OF MEETINGS OF SHAREHOLDERS.

(a) General Rule. Except as otherwise provided in Section 2.01(b) or in the articles, written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting (and, in case of a meeting called to consider a merger, consolidation, share exchange or division, to each shareholder of record not entitled to vote at the meeting) called to consider a fundamental change under 15 Pa.C.S. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

(c) Notice of Action by Shareholders on Fundamental Change. In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given, together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of Action by Shareholders Giving Rise to Dissenters' Rights. In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters'

rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder, to the extent entitled thereto under the Business Corporation Law, shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters' rights); and

(2) a copy of Subchapter 15D.

SECTION 2.04. WAIVER OF NOTICE.

(a) Written Waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

SECTION 2.05. MODIFICATION OF PROPOSAL CONTAINED IN NOTICE. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

SECTION 2.06. EXCEPTION TO REQUIREMENT OF NOTICE.

(a) General Rule. Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders Without Forwarding Addresses. Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

SECTION 2.07. USE OF CONFERENCE TELEPHONE AND OTHER TECHNOLOGY. Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or other electronic technology by means of which all persons participating in the meeting

can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

SHAREHOLDERS

SECTION 3.01. PLACE OF MEETING. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of a meeting. If a meeting of shareholders is held by means of the Internet or other electronic technology pursuant to which the shareholders have an opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the shareholders and pose questions to the directors, the meeting need not be held at a particular geographic location.

SECTION 3.02. ANNUAL MEETING. The board of directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the first Tuesday in March in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 o'clock A.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

SECTION 3.03. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by the chief executive officer or by resolution of the board of directors, who may fix the date, time and place of the meeting. If the chief executive officer or the board does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 days after the date of the receipt of the request from the chief executive officer or adoption of the resolution of the board calling the special meeting.

SECTION 3.04. QUORUM AND ADJOURNMENT.

(a) General Rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a

quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting. Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum. Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

(f) Effect of Proxy on Quorum. - If a proxy casts a vote on behalf of a shareholder on any issue other than a procedural motion considered at a meeting of shareholders, the shareholder shall be deemed to be present during the entire meeting for purposes of determining whether a quorum is present for consideration of any other issue.

SECTION 3.05. ACTION BY SHAREHOLDERS. Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class. Except when acting by unanimous consent to remove a director or directors, the shareholders of the corporation may act only at a duly organized meeting.

SECTION 3.06. CONDUCT OF SHAREHOLDERS MEETING.. At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as the presiding officer of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary of the meeting. Except as otherwise provided by prior action of the board of directors, the presiding officer of the meeting shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting.

SECTION 3.07. VOTING RIGHTS OF SHAREHOLDERS. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

SECTION 3.08. VOTING AND OTHER ACTION BY PROXY.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Execution and Filing. Every proxy shall be executed or authenticated by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with or transmitted to the secretary of the corporation or its designated agent. A shareholder or his or her duly authorized attorney-in fact may execute or authenticate a writing or transmit an electronic message authorizing another person to act for such shareholder by proxy. A telegram, telex, cablegram, datagram, email, Internet communication or other means of electronic transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed or authenticated for purposes of this subsection; and

(2) shall be so treated if it sets forth or utilizes a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation or its designated agent in writing or by electronic transmission. An unrevoked proxy shall not be valid after three years from the date of its execution, authentication or transmission unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation or its designated agent.

(d) Expenses. The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

SECTION 3.09. VOTING BY FIDUCIARIES AND PLEDGEEES. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

SECTION 3.10. VOTING BY JOINT HOLDERS OF SHARES.

(a) General Rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception. If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

SECTION 3.11. VOTING BY CORPORATIONS.

(a) Voting by Corporate Shareholders. Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

SECTION 3.12. DETERMINATION OF SHAREHOLDERS OF RECORD.

(a) Fixing Record Date. The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When a Record Date is Not Fixed. If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee. The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

SECTION 3.13. VOTING LISTS.

(a) General Rule. The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that, if the corporation has 5,000 or more shareholders, in lieu of the making of the list the corporation may make the information therein available at the meeting by any other means.

(b) Effect of List. Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

SECTION 3.14. JUDGES OF ELECTION.

(a) Appointment. In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies. In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the

authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report. On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

SECTION 3.15. MINORS AS SECURITY HOLDERS. The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

SECTION 3.16 USE OF CONFERENCE TELEPHONE OR OTHER TECHNOLOGY. The presence or participation, including voting and taking other action, at a meeting of shareholders, or the expression of consent or dissent to corporate action, by a shareholder by conference telephone or other electronic means, including the Internet, shall constitute the presence of, or vote or action by, or consent or dissent of the shareholder for purposes of the Business Corporation Law, the articles and these bylaws.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 4.01. POWERS; PERSONAL LIABILITY.

(a) General Rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Personal Liability of Directors.

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless:

(i) the director has breached or failed to perform the duties of his or her office under Subchapter 17B of the Business Corporation Law or any successor provision; and

(ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, state or federal law.

(The provisions of this subsection (b) were first adopted by the shareholders of the corporation on December 20, 1991.)

(c) Notation of Dissent. A director of the corporation who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

SECTION 4.02. QUALIFICATIONS AND SELECTION OF DIRECTORS.

(a) Qualifications. Each director of the corporation shall be a natural person of full age, provided that no person of age 70 years or more shall be eligible for election as a director. Directors need not be residents of the Commonwealth of Pennsylvania or shareholders of the corporation.

(b) Notice of Certain Nominations Required. Nominations for election of directors may be made by any shareholder entitled to vote for the election of directors if written notice (the "Notice") of the shareholder's intent to nominate a director at the meeting is given by the shareholder and received by the secretary of the corporation in the manner and within the time specified in this section. The initial Notice shall be delivered to the secretary of the corporation not less than 45 days prior to the anniversary of the mailing date of the corporation's proxy statement for its previous meeting of the shareholders called for the election of directors. In lieu of delivery to the secretary, the Notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. The requirements of this subsection shall not apply to a nomination for directors made to the shareholders by the board of directors.

(c) Contents of Notice. The Notice shall be in writing and shall contain or be accompanied by:

(1) the name and residence address of the nominating shareholder;

(2) a representation that the shareholder is a holder of record of voting stock of the corporation and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Notice;

(3) such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the rules and regulations

established by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (or pursuant to any successor act or regulation) had proxies been solicited with respect to such nominee by the management or board of directors of the corporation;

(4) a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and

(5) the consent of each nominee to serve as a director of the corporation if so elected.

(d) Determination of Compliance. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this section and, in such event, the nomination shall be disregarded. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

(e) Election of Directors. In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for the election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

SECTION 4.03. NUMBER AND TERM OF OFFICE.

(a) Number. The board of directors shall consist of such number of directors, as may be determined from time to time by resolution of the board of directors.

(b) Term of Office. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation. Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

SECTION 4.04. VACANCIES.

(a) General Rule. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next selection of the class for which such director has been chosen, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors. When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall

have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

SECTION 4.05. REMOVAL OF DIRECTORS.

(a) Removal by the Shareholders. The entire board of directors, or any class of the board, or any individual director may be removed from office by vote of the shareholders entitled to vote thereon only for cause. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting. The repeal of a provision of the articles or bylaws prohibiting, or the addition of a provision to the articles or bylaws permitting, the removal by the shareholders of the board, a class of the board or a director without assigning any cause shall not apply to any incumbent director during the balance of the term for which the director was selected.

(b) Removal by the Board. The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

SECTION 4.06. PLACE OF MEETINGS. Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

SECTION 4.07. ORGANIZATION OF MEETINGS. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

SECTION 4.08. REGULAR MEETINGS. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

SECTION 4.09. SPECIAL MEETINGS. Special meetings of the board of directors shall be held whenever called by the chief executive officer or by two or more of the directors.

SECTION 4.10. QUORUM OF AND ACTION BY DIRECTORS.

(a) General Rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

(c) Notation of Dissent. A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

SECTION 4.11. EXECUTIVE AND OTHER COMMITTEES.

(a) Establishment and Powers. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate Committee Members. The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term. Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures. The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

SECTION 4.12. COMPENSATION. The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

OFFICERS

SECTION 5.01. OFFICERS GENERALLY.

(a) Number, Qualifications and Designation. The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who may be officers of the corporation. Any number of offices may be held by the same person.

(b) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

SECTION 5.02. ELECTION, TERM OF OFFICE AND RESIGNATIONS.

(a) Election and Term of Office. The officers of the corporation (except those elected by delegated authority pursuant to Section 5.03 or filled pursuant to Section 5.05) shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

SECTION 5.03. SUBORDINATE OFFICERS, COMMITTEES AND AGENTS. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof,

and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

SECTION 5.04. REMOVAL OF OFFICERS AND AGENTS. Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 5.05. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or the board of directors may delegate to any officer or committee the power to fill a vacancy in such office or to create a new such office, subject to ratification by the board of directors, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

SECTION 5.06. AUTHORITY.

(a) General Rule. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

(b) Chief Executive Officer. The chairman of the board or the president, as designated from time to time by the board of directors, shall be the chief executive officer of the corporation.

SECTION 5.07. THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The chairman of the board or in the absence of the chairman, the vice chairman of the board, shall preside at all meetings of the shareholders and of the board of directors, and shall perform such other duties as may from time to time be requested by the board of directors.

SECTION 5.08. THE CHIEF EXECUTIVE OFFICER. The chief executive officer shall be the chief executive officer of the corporation and shall have general supervision over the business of the corporation. The chief executive officer shall have the general powers and shall perform the duties which by law and general usage appertain to the office, subject, however, to the control of the board of directors. The chief executive officer shall sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts and other instruments authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation.

SECTION 5.09. THE PRESIDENT. The president shall perform such duties as from time to time may be assigned by the board of directors or the chief executive officer (unless the president shall be the chief executive officer, in which case the president's duties shall be those specified in Section 5.08).

SECTION 5.10. THE VICE PRESIDENTS. The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

SECTION 5.11. THE SECRETARY. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall

record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

SECTION 5.12. THE TREASURER. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of monies earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

SECTION 5.13. SALARIES. The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI

CERTIFICATES OF STOCK, TRANSFER, ETC.

SECTION 6.01. SHARE CERTIFICATES.

(a) Form of Certificates. Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register. The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

SECTION 6.02. ISSUANCE. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be

executed in such manner as the board of directors shall determine. Where a certificate is signed by a transfer agent or a registrar, the signature of any corporate officer upon the certificate may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer had not ceased to be such at the date of its issue. The provisions of this Section 6.02 shall be subject to any inconsistent or contrary agreement in effect at the time between the corporation and any transfer agent or registrar.

SECTION 6.03. TRANSFER. Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. (S)(S)8101 et seq., and its amendments and supplements.

SECTION 6.04. RECORD HOLDER OF SHARES. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

SECTION 6.05. LOST, DESTROYED OR MUTILATED CERTIFICATES. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND
OTHER AUTHORIZED REPRESENTATIVES

(The provisions of this Article VII were first adopted by the shareholders of the corporation on December 20, 1991.)

SECTION 7.01. SCOPE OF INDEMNIFICATION.

(a) General Rule. The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) where such indemnification is expressly prohibited by applicable law;

(2) where the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise:

(i) to constitute willful misconduct or recklessness within the meaning of 15 Pa.C.S. (S)1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or

(ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally

entitled; or

(3) to the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment. If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions. For purposes of this Article:

(1) "indemnified capacity" means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) "indemnified representative" means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the board of directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys' fees and disbursements); and

(4) "proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

SECTION 7.02. PROCEEDINGS INITIATED BY INDEMNIFIED REPRESENTATIVES.

Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

SECTION 7.03. ADVANCING EXPENSES. The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

SECTION 7.04. SECURING OF INDEMNIFICATION OBLIGATIONS. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

SECTION 7.05. PAYMENT OF INDEMNIFICATION. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

SECTION 7.06. ARBITRATION.

(a) General Rule. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the county in which the principal executive offices of the corporation are located at the time, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, and if one of the parties fails or refuses to select an arbitrator or the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such county.

(b) Qualifications of Arbitrators. Each arbitrator selected as provided herein is required to be or have been a director or executive officer of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations System.

(c) Burden of Proof. The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof.

(d) Expenses. The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

(e) Effect. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this Article. This arbitration provision shall be specifically enforceable.

SECTION 7.07. CONTRIBUTION. If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.

SECTION 7.08. MANDATORY INDEMNIFICATION OF DIRECTORS, OFFICERS, ETC. To the extent that an authorized representative of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1741 or 1742 of the Business Corporation Law or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.

SECTION 7.09. CONTRACT RIGHTS; AMENDMENT OR REPEAL. All rights under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

SECTION 7.10. SCOPE OF ARTICLE. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

SECTION 7.11. RELIANCE ON PROVISIONS. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this Article.

SECTION 7.12. INTERPRETATION. The provisions of this Article are intended to constitute bylaws authorized by 15 Pa.C.S. (S)1746.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. CORPORATE SEAL. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

SECTION 8.02. CHECKS. All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the board of directors may from time to time designate.

SECTION 8.03. CONTRACTS. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 8.04. INTERESTED DIRECTORS OR OFFICERS; QUORUM.

(a) General Rule. A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a).

SECTION 8.05. DEPOSITS. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees of the corporation as the board of directors shall from time to time designate.

SECTION 8.06. CORPORATE RECORDS.

(a) Required Records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

SECTION 8.07. AMENDMENT OF BYLAWS. Except as otherwise provided in the express terms of any series of the shares of the corporation:

(a) The shareholders shall have the power to amend or repeal these bylaws, or to adopt new bylaws, only with the approval of the board of directors. A direction by the board that a shareholder proposal with respect to the bylaws shall be submitted to the shareholders for action

thereon, or the sufferance by the board that such a proposal shall be so submitted, shall not constitute approval by the board of directors of the amendment, repeal or new bylaws.

(b) These bylaws may be amended or repealed, or new bylaws may be adopted, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors, including in circumstances otherwise reserved by statute exclusively to the shareholders, the board of directors of the corporation having under the articles of incorporation the full authority conferred by law upon the shareholders of the corporation to adopt, amend or repeal these bylaws. Any bylaw adopted by the board of directors under this paragraph shall be consistent with the articles of incorporation.

As amended through September 24, 2002.

UGI CORPORATION

2002 NON-QUALIFIED STOCK OPTION PLAN

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UGI CORPORATION

2002 NON-QUALIFIED STOCK OPTION PLAN

1. PURPOSE AND DESIGN

The purpose of this Plan is to assist the Company in securing, motivating and retaining managerial talent by affording managers and other key Employees an opportunity to purchase the Company's Stock under options.

2. DEFINITIONS

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

2.01"Board" means UGI's Board of Directors as constituted from time to time.

2.02"Change of Control" means a change of control as defined in a change of control agreement between a Participant's respective employer and certain of its employees.

2.03"Committee" means the Compensation and Management Development Committee of the Board or its successor.

2.04"Company" means UGI Corporation, a Pennsylvania corporation, any successor thereto and any Subsidiary.

2.05"Date of Grant" means the effective date of an Option or Restricted Stock grant; provided, however, that no retroactive grants will be made.

2.06"Employee" means a regular full-time salaried employee (including officers and directors who are also employees) of the Company.

2.07"Fair Market Value" of Stock means the average, rounded to the next highest cent (\$0.01), of the highest and lowest sales prices thereof on the New York Stock Exchange on the day on which Fair Market Value is being determined, as reported on the Composite Tape for transactions on the New York Stock Exchange. Notwithstanding the foregoing, in the case of a cashless exercise pursuant to Section 7.4, the Fair Market Value will be the actual sale price of the shares issued upon exercise of the Option. In the event that there are no Stock transactions on the New York Stock Exchange on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Stock transactions on that exchange.

2.08"Option" means the right to purchase Stock pursuant to the relevant provisions of this Plan at the Option Price for a specified period of time, not to exceed ten years from the Date of Grant, which period of time will be subject to earlier termination prior to exercise in accordance with Section 7.3(b) of this Plan.

2.09"Option Price" means an amount per share of Stock purchasable under an Option designated by the Committee on the Date of Grant of an Option to be payable upon exercise of such Option. The Option Price will not be less than 100% of the Fair Market Value of the Stock determined on the Date of Grant.

2.10"Participant" means an Employee designated by the Committee to participate in the Plan.

2.11"Plan" means this 2002 Non-Qualified Stock Option Plan.

2.12"Stock" means the Common Stock of UGI or such other securities of UGI as may be substituted for Stock or such other securities pursuant to Section 13.

2.13"Subsidiary" means any corporation or partnership, at least 20% of the outstanding voting stock, voting power or partnership interest of which is owned respectively, directly or indirectly, by the Company.

2.14"Termination without Cause" means termination for the convenience of the Company for any reason other than (i) misappropriation of funds, (ii) habitual insobriety or substance abuse, (iii) conviction of a crime involving moral turpitude, or (iv) gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of the Company. The Committee will have the sole discretion to determine whether a significant reduction in the duties and responsibilities of a Participant will constitute a Termination without Cause.

2.15"UGI" means UGI Corporation, a Pennsylvania corporation or any successor thereto.

3. MAXIMUM NUMBER OF SHARES AVAILABLE FOR OPTIONS

The number of shares of Stock which may be made the subject of Options under this Plan may not exceed 500,000 in the aggregate, subject, however, to the adjustment provisions of Section 13. If any Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to the Option will again be available for the purposes of the Plan. Shares which are the subject of Options may be previously issued and outstanding shares of Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be a combination of both.

4. DURATION OF THE PLAN

The Plan will remain in effect until all Stock subject to it has been transferred to Participants or all Options have terminated or been exercised. Notwithstanding the foregoing, no Option may be granted after December 31, 2011.

5. ADMINISTRATION

The Plan will be administered by the Committee. Subject to the express provisions of the Plan, the Committee will have authority, in its complete discretion, to determine the Employees to whom, and the time or times at which grants will be made. In making such determinations, the Committee may take into account the nature of the services rendered by an Employee, the present and potential contributions of the Employee to the Company's success and such other factors as the Committee in its discretion deems relevant. Awards under a particular Section of the Plan need not be uniform as among Participants. Subject to the express provisions of the Plan, the Committee will also have authority to construe and interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option agreements required by Section 7.2 of the Plan, and to make all other determinations (including factual determinations) necessary or advisable for the orderly administration of the Plan. All ministerial functions, in addition to those specifically delegated elsewhere in the Plan, shall be performed by a committee comprised of Company employees ("Administrative Committee") appointed by the Committee. A stock option agreement, as discussed below, shall be executed by each Participant receiving a grant under the Plan and shall constitute that Participant's acknowledgement and acceptance of the terms of the Plan and the Committee's authority and discretion.

6. ELIGIBILITY

Grants hereunder may be made only to managers and key Employees, other than executive officers, as defined in the Securities Exchange Act of 1934, as amended, of UGI Corporation, who are selected by the Committee, in its sole discretion, to participate in the Plan.

7. OPTIONS

7.1 Grant of Options. Subject to the provisions of Sections 2.9 and 3: (i) Options may be granted to Participants at any time and from time to time as may be determined by the Committee; and (ii) the Committee will have complete discretion in determining the Options to be granted, the number of shares of Stock to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, the period within which each Option may be exercised, and the vesting schedule associated with the Option.

7.2 Option Agreement. As determined by the Committee on the Date of Grant, each Option will be evidenced by a stock option agreement that will, among other things, specify the Date of Grant, the Option Price, the duration of the Option, the number of shares of Stock to which the Option pertains and the Option's vesting schedule.

7.3 Exercise and Vesting.

(a) Except as otherwise specified by the Committee in the stock option agreement, the Option shall become exercisable in equal one-third (1/3) installments on the first, second and third anniversaries of the Date of Grant. Notwithstanding the foregoing, in the event that any such Options are not by their terms immediately exercisable, the Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason. No Option will be exercisable on or after the tenth anniversary of the Date of Grant.

(b) Except as otherwise specified by the Committee, in the event that a Participant holding an Option ceases to be an Employee, the Options held by such Participant will terminate on the date such Participant ceases to be an Employee. The Committee will have authority to determine whether an authorized leave of absence or absence on military or governmental service will constitute a termination of employment for the purposes of this Plan. However, if a Participant holding an Option ceases to be an Employee by reason of (i) Termination without Cause, (ii) retirement, (iii) disability, or (iv) death, the Option held by any such Participant will thereafter become exercisable pursuant to the following:

(i) Termination Without Cause. If a Participant terminates employment on account of a Termination without Cause, the Option held by such Participant will thereafter be exercisable only with respect to that number of shares of Stock with respect to which it is already exercisable on the date such Participant ceases to be an Employee; and such Option will terminate upon the earlier of the expiration date of the Option or the expiration of the 13 month period commencing on the date such Participant ceases to be an Employee.

(ii) Retirement. If a Participant terminates employment on account of a retirement under the Company's retirement plan applicable to that Participant, the Option held by such Participant will thereafter become exercisable as if such Participant had remained employed by the Company for 36 months after the date of such retirement; and such Option will terminate upon the earlier of the expiration date of the Option or the expiration of such 36 month period. Retirement for Employees of AmeriGas Propane, Inc. ("API") means termination of employment with API after attaining age 55 with ten or more years of service with API and its affiliates.

(iii) Disability. If a Participant is determined to be "disabled" (as defined under the Company's long-term disability plan), the Option held by such Participant will thereafter become exercisable as if such Participant had remained employed by the Company for 36 months after the date of such disability; and such Option will terminate upon the earlier of the expiration date of the Option or the expiration of such 36 month period.

(iv) Death. In the event of the death of a Participant while employed by the Company, the Option theretofore granted to such Participant will be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) at any time prior to the earlier of the expiration date of the Option or the expiration of the 12 month period following the Participant's death. Death of a Participant after such Participant has ceased to be employed by the

Company will not affect the otherwise applicable period for exercise of the Option determined pursuant to Sections 7.3(b)(i), 7.3(b)(ii) or 7.3(b)(iii). Such Option may be exercised by the estate of the Participant, by any person to whom the Participant may have bequeathed the Option, any person the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate.

(c) Notwithstanding anything contained in this Section 7.3, with respect to the number of shares of Stock subject to an Option with respect to which such Option is or is to become exercisable, no Option, to the extent that it has not previously been exercised, will be exercisable after it has terminated, including without limitation, after any termination of such Option pursuant to Section 7.3(b) hereof.

7.4 Payment. The Option Price of any Option will be payable to the Company in full (i) in cash or its equivalent, (ii) by tendering shares of previously acquired Stock already beneficially owned by the Participant for more than one year and having a Fair Market Value at the time of exercise equal to the Option Price being paid thereby, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (iv) by such other method as the Committee may approve, or (v) by a combination of (i), (ii), (iii) and/or (iv). The cash proceeds from such payment will be added to the general funds of the Company and will be used for its general corporate purposes.

7.5 Written Notice. A Participant wishing to irrevocably exercise an Option must give irrevocable written notice to the Company in the form and manner prescribed by the Administrative Committee, indicating the date of award, the number of shares as to which the Option is being exercised, and such other information as may be required by the Administrative Committee. Full payment for the shares pursuant to the option must be received by the time specified by the Committee depending on the type of payment being made but, in all cases, prior to the issuance of the shares. Except as provided in Section 7.3(b), no Option may be exercised at any time unless the Participant is then an Employee of the Company.

7.6 Issuance of Stock. As soon as practicable after the receipt of irrevocable written notice and payment, the Company will, without stock transfer taxes to the Participant or to any other person entitled to exercise an Option pursuant to this Plan, deliver to, or credit electronically on behalf of, the Participant, the Participant's designee or such other person the requisite number of shares of Stock.

7.7 Privileges of a Shareholder. A Participant or any other person entitled to exercise an Option under this Plan will have no rights as a shareholder with respect to any Stock covered by the Option until the due exercise of the Option and issuance of such Stock.

7.8 Partial Exercise. An Option granted under this Plan may be exercised as to any lesser number of shares than the full amount for which it could be exercised. Such a partial exercise of an Option will not affect the right to exercise the Option from time to time in accordance with this Plan as to the remaining shares subject to the Option.

8. NON-TRANSFERABILITY

No Option granted under the Plan will be transferable otherwise than by will or the laws of descent and distribution, and an Option may be exercised, during the lifetime of the Participant, only by the Participant.

9. CONSEQUENCES OF A CHANGE OF CONTROL

9.1 Notice and Acceleration. Upon a Change of Control, unless the Committee determines otherwise, (i) the Company will provide each Participant with outstanding grants written notice of such Change of Control, and (ii) all outstanding Options will automatically accelerate and become fully exercisable.

9.2 Assumption of Grants. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Options that are not exercised will be assumed by, or replaced with comparable options or rights by, the surviving corporation (or a parent of the surviving corporation).

9.3 Other Alternatives. Notwithstanding the foregoing, subject to Section 9.4 below, in the event of a Change of Control, the Committee may take any of the following actions with respect to any or all outstanding Options: the Committee may (i) require that Participants surrender their outstanding Options in exchange for a payment by the Company, in cash or Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Stock subject to the Participant's unexercised Options exceeds the Option Price of the Options, as applicable, or (ii) after giving Participants an opportunity to exercise their outstanding Options, terminate any or all unexercised Options at such time as the Committee deems appropriate. Such surrender, termination or settlement will take place as of the date of the Change of Control or such other date as the Committee may specify.

9.4 Committee. The Committee making the determinations under this Section 9 following a Change of Control must be comprised of the same members as those on the Committee immediately before the Change of Control. If the Committee members do not meet this requirement, the automatic provisions of Sections 9.1 and 9.2 will apply, and the Committee will not have discretion to vary them.

9.5 Limitations. Notwithstanding anything in the Plan to the contrary, in the event of a Change of Control, the Committee will not have the right to take any actions described in the Plan (including without limitation actions described in this Section 9) that would make the Change of Control ineligible for pooling of interests accounting treatment or that would make the Change of Control ineligible for desired accounting treatment if, in the absence of such right, the Change of Control would qualify for such treatment and the Company intends to use such treatment with respect to the Change of Control.

10. ADJUSTMENT OF NUMBER AND PRICE OF SHARES, ETC.

Notwithstanding anything to the contrary in this Plan, in the event any recapitalization, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of shares or other securities of UGI, stock split or reverse split, extraordinary dividend, liquidation, dissolution, significant corporate transaction (whether relating to assets or stock) involving UGI, or other extraordinary transaction or event affects Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of Participants' rights under the Plan, then the Committee may, in a manner that is equitable, adjust (i) any or all of the number or kind of shares of Stock reserved for issuance under the Plan, (ii) the maximum number of shares of Stock which may be the subject of grants to any one individual in any calendar year, (iii) the number or kind of shares of Stock to be subject to grants of Options thereafter granted under the Plan, (iv) the number and kind of shares of Stock issuable upon exercise of outstanding Options, and (v) the Option Price per share thereof, provided that the number of shares subject to any Option will always be a whole number. Any such determination of adjustments by the Committee will be conclusive for all purposes of the Plan and of each Option, whether a stock option agreement with respect to a particular Option has been theretofore or is thereafter executed.

11. LIMITATION OF RIGHTS

Nothing contained in this Plan shall be construed to give an Employee any right to be granted an Option hereunder except as may be authorized in the discretion of the Committee. The granting of an Option under this Plan shall not constitute or be evidence of any agreement or understanding, expressed or implied, that the Company will employ a Participant for any specified period of time, in any specific position or at any particular rate of remuneration.

12. AMENDMENT OR TERMINATION OF PLAN

Subject to Board approval, the Committee may at any time, and from time to time, alter, amend, suspend or terminate this Plan without the consent of the Company's shareholders or Participants, except that any such alteration, amendment, suspension or termination will be subject to the approval of the Company's shareholders within one year after such Committee and Board action if such shareholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock is then listed or quoted, or if the Committee in its discretion determines that obtaining such shareholder approval is for any reason advisable. No termination or amendment of this Plan may, without the consent of the Participant to whom any Option has previously been granted, adversely affect the rights of such Participant under such Option. Notwithstanding the foregoing, the Administrative Committee may make minor amendments to this Plan which do not materially affect the rights of Participants or significantly increase the cost to the Company.

13. TAX WITHHOLDING

Upon exercise of any Option under this Plan, the Company will require the recipient of the Stock to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements. However, to the extent authorized by rules and regulations of the Administrative Committee, the Company may withhold or receive Stock and make cash payments in respect thereof in satisfaction of a recipient's tax obligations in an amount that does not exceed the recipient's minimum applicable withholding tax obligations. In the event the Company receives Stock in satisfaction of a recipient's minimum applicable withholding tax obligations, the Stock must have been held by the recipient for more than six months.

14. GOVERNMENTAL APPROVAL

Each Option will be subject to the requirement that if at any time the listing, registration or qualification of the shares covered thereby upon any securities exchange, or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of or in connection with the granting of such Option or the purchase of shares thereunder, no such Option may be exercised in whole or in part unless and until such listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Board.

15. EFFECTIVE DATE OF PLAN

This Plan will become effective as of January 1, 2002.

16. SUCCESSORS

This Plan will be binding upon and inure to the benefit of the Company, its successors and assigns and the Participant and his heirs, executors, administrators and legal representatives.

17. HEADINGS AND CAPTIONS

The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

18. GOVERNING LAW

The validity, construction, interpretation and effect of the Plan and option agreements issued under the Plan will be governed exclusively by and determined in accordance with the law of the Commonwealth of Pennsylvania.

FINANCIAL REVIEW

BUSINESS OVERVIEW

UGI Corporation ("UGI") is a holding company that, through subsidiaries and joint-venture affiliates, distributes and markets energy products and related services. We are a domestic and international distributor of propane; a provider of natural gas and electricity service through regulated local distribution utilities; a generator of electricity through our ownership interests in electric generation facilities; a regional marketer of energy commodities; and a provider of heating and cooling services.

We conduct a national propane distribution business through AmeriGas Partners, L.P. ("AmeriGas Partners") and its principal operating subsidiaries AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP"). At September 30, 2002, UGI, through its wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the "General Partner"), held an approximate 51% effective interest in the Partnership. We refer to AmeriGas Partners and its subsidiaries together as "the Partnership" and the General Partner and its subsidiaries, including the Partnership, as "AmeriGas Propane."

Our natural gas and electric distribution utilities and electric generation businesses are conducted through UGI Utilities, Inc. and its subsidiaries ("UGI Utilities"). UGI Utilities owns and operates a natural gas distribution utility ("Gas Utility") in parts of eastern and southeastern Pennsylvania and an electricity distribution utility ("Electric Utility") in northeastern Pennsylvania. UGI Utilities also owns interests in electricity generating facilities in Pennsylvania which, together with Electric Utility, are referred to herein as "Electric Operations."

Our wholly owned subsidiary UGI Enterprises, Inc. ("Enterprises") conducts an energy marketing business primarily in the Middle Atlantic region of the United States through its wholly owned subsidiary, UGI Energy Services, Inc. ("Energy Services"). Through other subsidiaries, Enterprises (1) owns and operates a propane distribution business in Austria, the Czech Republic and Slovakia ("FLAGA"); (2) owns and operates a heating, ventilation and air-conditioning service business in the Middle Atlantic states ("HVAC"); and (3) participates in propane joint-venture businesses in France ("Antargaz") and in the Nantong region of China.

This Financial Review should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements including the business segment information included in Note 21.

RESULTS OF OPERATIONS

2002 COMPARED WITH 2001
CONSOLIDATED RESULTS

	2002		2001		Variance-Favorable (Unfavorable)	
	NET INCOME	DILUTED EARNINGS PER SHARE	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share
(Millions of dollars, except per share)						
AmeriGas Propane	\$ 17.4	\$ 0.62	\$ 13.5	\$ 0.49	\$ 3.9	\$ 0.13
UGI Utilities	42.5	1.52	46.6	1.70	(4.1)	(0.18)
Energy Services	6.5	0.23	4.0	0.15	2.5	0.08
International Propane	7.5	0.27	(4.4)	(0.16)	11.9	0.43
Corporate & Other (a)	1.6	0.06	(7.7)	(0.28)	9.3	0.34
Changes in accounting (b)	--	--	4.5	0.16	(4.5)	(0.16)
Total (c)	\$ 75.5	\$ 2.70	\$ 56.5	\$ 2.06	\$ 19.0	\$ 0.64

(a) Consists principally of UGI, HVAC, UGI Enterprises' corporate and general expenses and in Fiscal 2001, Hearth USA(TM). Hearth USA(TM) ceased operations in October 2001. Net loss in Fiscal 2001 includes after-tax shut-down costs of \$5.5 million or \$0.20 per share associated with Hearth USA(TM) (see Note 16 to Consolidated Financial Statements).

(b) Fiscal 2001 amounts include cumulative effect of accounting changes associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs and (2) the Company's adoption of SFAS 133 (see Note 3 to Consolidated Financial Statements).

(c) Results for Fiscal 2002 reflect the elimination of goodwill amortization resulting from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Pro Forma net income and diluted earnings per share for Fiscal 2001 as if the adoption of SFAS 142 had occurred as of October 1, 2000 is \$70.5 million and \$2.58, respectively. For a detailed discussion of SFAS 142 and its impact on the Company's results, see Note 1 to Consolidated Financial Statements.

Although significantly warmer than normal weather negatively affected UGI Utilities' and AmeriGas Propane's Fiscal 2002 operating results, our Fiscal 2002

net income and earnings per share increased more than 30%. The increase in net income reflects the elimination of goodwill amortization as a result of the adoption of SFAS 142, a significant increase in income from our International Propane businesses, and the benefit of higher growth-related earnings from our Energy Services business. In addition, results in Fiscal 2001 were negatively impacted by operating losses and shut-down costs associated with Hearth USA(TM).

FINANCIAL REVIEW (continued)

The following table presents certain financial and statistical information by reportable segment for Fiscal 2002 and Fiscal 2001:

	2002	2001	Increase (Decrease)	
=====				
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$ 1,307.9	\$ 1,418.4	\$ (110.5)	(7.8)%
Total margin (a)	\$ 675.8	\$ 582.4	\$ 93.4	16.0%
EBITDA (b)	\$ 210.7	\$ 209.3	\$ 1.4	0.7%
Operating income	\$ 144.3	\$ 133.8	\$ 10.5	7.8%
Retail gallons sold (millions)	932.8	820.8	112.0	13.6%
Degree days - % colder (warmer) than normal (c)	(10.0)%	2.6%	--	--
GAS UTILITY:				
Revenues	\$ 404.5	\$ 500.8	\$ (96.3)	(19.2)%
Total margin (a)	\$ 162.9	\$ 177.9	\$ (15.0)	(8.4)%
Operating income	\$ 77.1	\$ 87.8	\$ (10.7)	(12.2)%
System throughput - billions of cubic feet ("bcf")	70.5	77.3	(6.8)	(8.8)%
Degree days - % colder (warmer) than normal	(17.4)%	2.0%	--	--
ELECTRIC OPERATIONS:				
Revenues	\$ 86.0	\$ 83.9	\$ 2.1	2.5%
Total margin (a)	\$ 32.8	\$ 28.6	\$ 4.2	14.7%
Operating income	\$ 13.2	\$ 10.7	\$ 2.5	23.4%
Distribution sales - millions of kilowatt hours ("gwh")	933.6	945.5	(11.9)	(1.3)%
ENERGY SERVICES:				
Revenues	\$ 332.3	\$ 370.7	\$ (38.4)	(10.4)%
Total margin (a)	\$ 21.4	\$ 13.4	\$ 8.0	59.7%
Operating income	\$ 11.1	\$ 7.3	\$ 3.8	52.1%
INTERNATIONAL PROPANE:				
Revenues	\$ 46.7	\$ 50.9	\$ (4.2)	(8.3)%
Total margin (a)	\$ 24.1	\$ 22.5	\$ 1.6	7.1%
EBITDA (b)	\$ 7.1	\$ 5.1	\$ 2.0	39.2%
Operating income	\$ 3.9	\$ 0.8	\$ 3.1	387.5%
Income (loss) from equity investees	\$ 8.3	\$ (1.5)	\$ 9.8	N.M.

N.M. - Not meaningful.

(a) Total margin represents total revenues less cost of sales and, with respect to Electric Operations, revenue-related taxes, i.e. Electric Utility gross receipts taxes. For financial statement purposes, revenue-related taxes are included in "taxes other than income taxes" on the Consolidated Statements of Income.

b) EBITDA (earnings before interest expense, income taxes, depreciation and amortization, minority interests, income (loss) from equity investees, and the cumulative effect of accounting changes) should not be considered as an alternative to net 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) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States. The Company's definition of EBITDA may be different from that used by other companies.

(c) Deviation from average heating degree days during the 30-year period from 1961 to 1990, based upon national weather statistics provided by the National Oceanic and Atmospheric Administration ("NOAA") for 335 airports in the continental United States.

AMERIGAS PROPANE. The Partnership's Fiscal 2002 operating results were negatively impacted by significantly warmer than normal heating-season weather. Fiscal 2002 temperatures based upon heating degree day data provided by NOAA were approximately 10.0% warmer than normal and 12.3% warmer than Fiscal 2001. Notwithstanding the impact of the warmer weather on heating-related sales and the effects of a sluggish U.S. economy on commercial sales, retail gallons sold increased 112.0 million gallons principally as a result of the full-year effect of the Partnership's August 21, 2001, acquisition of Columbia Propane (see Note 2 to Consolidated Financial Statements) and, to a much lesser extent, greater volumes from our PPX(R) grill cylinder exchange business. The increase in PPX(R) sales principally reflects the effect on Fiscal 2002 grill cylinder exchanges resulting from recently enacted National Fire Protection Association ("NFPA") guidelines and, to a lesser extent, the full-year effects of Fiscal 2001 increases in the number of PPX(R) distribution outlets. The NFPA guidelines require that propane grill cylinders refilled after April 1, 2002, be fitted with overfill protection devices ("OPDs").

Retail propane revenues were \$1,070.6 million in Fiscal 2002, a decrease

of \$37.8 million from Fiscal 2001, reflecting a \$189.0 million decrease as a result of lower average selling prices partially offset by a \$151.2 million increase as a result of the greater retail volumes sold. Wholesale propane revenues were \$121.1 million in Fiscal 2002, a decrease of \$93.5 million, reflecting a \$62.0 million decrease due to lower average selling prices and a \$31.5 million decrease as a result of lower wholesale volumes sold. The lower Fiscal 2002 retail and wholesale selling prices resulted from lower Fiscal 2002 propane product costs. Revenues from other sales and services increased \$20.8 million primarily due to the full-year impact of Columbia Propane. Total cost of sales declined \$203.9 million in Fiscal 2002 reflecting lower average propane product costs and the lower wholesale sales partially offset by the higher retail gallons sold.

Total margin increased \$93.4 million reflecting the full-year volume impact of the Columbia Propane acquisition and a \$35.5 million increase in total margin from PPX(R) reflecting higher volumes and unit margins. PPX(R) propane unit margins in Fiscal 2002 were higher than in Fiscal 2001 reflecting increases in sales prices to fund OPD valve replacement capital expenditures on out-of-compliance grill cylinders. The extent to which this greater level of PPX(R) margin is sustainable in the future will depend upon a number of factors, including the continuing rate of OPD valve replacement and competitive market conditions.

EBITDA (earnings before interest expense, income taxes, depreciation and amortization, minority interests, income from equity investees, and the cumulative effect of accounting changes) increased \$1.4 million in Fiscal 2002 as the significant increase in total margin was substantially offset by an \$88.8 million increase in Partnership operating and administrative expenses and a decrease in other income. EBITDA of PPX(R) increased approximately \$21 million in Fiscal 2002 partially offsetting the effects of the significantly warmer winter weather on our heating-related volumes. Although EBITDA is not a measure of performance or financial condition under accounting principles generally accepted

in the United States, it is included in this analysis to provide additional information for evaluating the Partnership's ability to pay and declare the Minimum Quarterly Distribution of \$0.55 ("MQD") and for evaluating the Partnership's performance. The Partnership's definition of EBITDA may be different from the definition of EBITDA used by other companies. The greater operating and administrative expenses in Fiscal 2002 resulted primarily from the full-year impact of the Columbia Propane acquisition and higher volume-driven PPX(R) expenses. During Fiscal 2002, the Partnership completed its planned blending of 90 Columbia Propane distribution locations with existing AmeriGas Propane locations. As a result of these district consolidations and other cost reduction activities, management believes that by September 30, 2002 it achieved its anticipated \$24 million reduction in annualized operating cost savings subsequent to the acquisition of Columbia Propane. Operating income increased \$10.5 million, significantly more than the increase in EBITDA, principally due to the cessation of goodwill amortization in Fiscal 2002 as a result of the adoption of SFAS 142 (see Note 1 to Consolidated Financial Statements) partially offset by higher depreciation and intangible asset amortization associated with Columbia Propane and higher PPX(R) depreciation. Fiscal 2001 operating income includes \$23.8 million of goodwill amortization.

GAS UTILITY. Weather in Gas Utility's service territory during Fiscal 2002 based upon heating degree days was 17.4% warmer than normal compared to weather that was 2.0% colder than normal in Fiscal 2001. As a result of the significantly warmer weather and the effects of a weak economy on commercial and industrial natural gas usage, distribution system throughput declined 8.8%.

The \$96.3 million decrease in Fiscal 2002 Gas Utility revenue reflects the impact of lower purchased gas cost ("PGC") rates, resulting from the pass through of lower natural gas costs to firm-residential, commercial and industrial (collectively, "core-market") customers, and the lower distribution system throughput. Gas Utility cost of gas was \$241.7 million in Fiscal 2002 compared to \$322.9 million in Fiscal 2001 reflecting lower natural gas costs and the decline in core-market throughput in Fiscal 2002.

The decline in Gas Utility margin principally reflects a \$6.0 million decline in core-market margin due to the lower sales; a \$6.6 million decline in interruptible margin due principally to the flowback of certain interruptible customer margin to core-market customers beginning December 1, 2001 pursuant to the Gas Restructuring Order; and lower firm delivery service total margin due to lower sales. Interruptible customers are those who have the ability to switch to alternate fuels.

Gas Utility operating income declined \$10.7 million in Fiscal 2002 reflecting the previously mentioned decline in total margin and a decrease in pension income partially offset by lower operating expenses. Operating expenses declined \$4.1 million primarily as a result of lower charges for uncollectible accounts and lower distribution system expenses. Depreciation expense declined \$1.2 million due to a change effective April 1, 2002 in the estimated useful lives of Gas Utility's natural gas distribution assets resulting from an asset life study required by the PUC.

ELECTRIC OPERATIONS. The decline in Electric Utility kilowatt-hour sales in Fiscal 2002 reflects the effects on heating-related sales of significantly warmer winter weather partially offset by the beneficial effect on air conditioning sales of warmer summer weather. Notwithstanding the decrease in total kilowatt-hour sales, revenues increased \$2.1 million principally due to an increase in state tax surcharge revenue and greater third-party sales of electricity produced by our Pennsylvania-based electric generation facilities. Electric Operations cost of sales was \$48.6 million in Fiscal 2002 compared to \$51.9 million in Fiscal 2001 principally reflecting the impact of the lower sales and lower purchased power unit costs partially offset by the full-period increase to cost of sales resulting from the transfer of our Hunlock Creek electricity generation assets to Hunlock Creek Energy Ventures ("Energy Ventures") in December 2000. Energy Ventures is an electricity generation joint venture with a subsidiary of Allegheny Energy, Inc. Subsequent to the formation of Energy Ventures, our electric generating business purchases its share of the power produced by Energy Ventures rather than producing this electricity itself. As a result, the cost of this power is reflected in cost of sales whereas prior to the formation of Energy Ventures such costs were reflected as operating and administrative expenses.

Electric Operations total margin increased \$4.2 million in Fiscal 2002 as a result of lower purchased power unit costs partially offset by the winter weather-driven decline in sales. Operating income increased \$2.5 million reflecting the greater total margin and lower operating costs subsequent to the formation of Energy Ventures partially offset by a decline in other income.

ENERGY SERVICES. Revenues from Energy Services declined \$38.4 million, notwithstanding a 27% increase in natural gas volumes sold, reflecting significantly lower natural gas prices. Total margin increased principally as a result of the acquisition of the energy marketing businesses of PG Energy in July 2001, income from providing winter storage services and higher average unit margins. The increase in total margin was partially offset by higher operating expenses subsequent to the PG Energy acquisition.

INTERNATIONAL PROPANE. FLAGA's revenues in Fiscal 2002 were lower than in the prior year as a result of lower average selling prices reflecting lower average propane product costs. Weather based upon heating degree days was approximately 10% warmer than normal in Fiscal 2002 compared to weather that was 12% warmer than normal in Fiscal 2001. The increase in FLAGA's total margin reflects higher average unit margins principally as a result of declining propane product costs. FLAGA's operating results also benefited from lower operating expenses, principally reduced payroll costs, and a \$1.2 million decrease in goodwill amortization resulting from the adoption of SFAS 142.

The significant increase in income from our international propane joint ventures in Fiscal 2002 principally reflects the full-year benefits from our debt and equity investments in AGZ Holdings ("AGZ"), the parent company of Antargaz, acquired on March 27, 2001. Operating results of Antargaz in Fiscal 2002 benefited from higher than normal unit margins, principally as a

FINANCIAL REVIEW (continued)

result of lower propane product costs, and the elimination of goodwill amortization effective April 1, 2002. In addition, income from our debt investments in AGZ in Fiscal 2002 includes \$0.9 million of interest income and a currency transaction gain of \$1.6 million resulting from AGZ's early redemption of this euro-denominated debt in July 2002. As a result of the redemption of AGZ debt during Fiscal 2002 and an expected decrease in Antargaz unit margins to more normal levels, we anticipate income from our investment in AGZ in Fiscal 2003 to decline significantly from Fiscal 2002. Loss from International Propane joint ventures in Fiscal 2001 includes a loss of \$1.1 million from the write-off of our propane joint-venture investment located in Romania.

CORPORATE & OTHER. Corporate & Other operating income was \$3.0 million in Fiscal 2002 compared to a loss of \$11.0 million in Fiscal 2001. The prior-year results include operating losses, and \$8.5 million of shut-down costs, associated with Hearth USA(TM), and a \$2.0 million loss from the write-down of an investment in a business-to-business e-commerce company.

INTEREST EXPENSE AND INCOME TAXES. The increase in interest expense principally reflects higher Partnership long-term debt outstanding resulting from the Columbia Propane acquisition partially offset by lower levels of UGI Utilities and Partnership bank loans outstanding and lower short-term interest rates. The lower effective income tax rate in Fiscal 2002 principally reflects the elimination of nondeductible goodwill amortization resulting from the adoption of SFAS 142 and greater equity income from Antargaz.

2001 COMPARED WITH 2000
CONSOLIDATED RESULTS

	2001		2000		Variance-Favorable (Unfavorable)	
	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share
=====						
(Millions of dollars, except per share)						
AmeriGas Propane	\$ 13.5	\$ 0.49	\$ --	\$ --	\$ 13.5	\$ 0.49
UGI Utilities	46.6	1.70	48.9	1.79	(2.3)	(0.09)
Energy Services	4.0	0.15	1.6	0.06	2.4	0.09
International Propane	(4.4)	(0.16)	(5.6)	(0.20)	1.2	0.04
Corporate & Other	(7.7)	(0.28)	(0.2)	(0.01)	(7.5)	(0.27)
Changes in accounting	4.5	0.16	--	--	4.5	0.16

Total	\$ 56.5	\$ 2.06	\$ 44.7	\$ 1.64	\$ 11.8	\$ 0.42

The higher Fiscal 2001 net income and earnings per share reflect a significant increase in the Partnership's and Energy Services' results. Excluding the cumulative effect of accounting changes and one-time costs to close the Hearth USA(TM) retail stores, diluted earnings per share increased 28% to \$2.10 in Fiscal 2001.

The following table presents certain financial and statistical information by business segment for Fiscal 2001 and Fiscal 2000:

	2001	2000	Increase (Decrease)	
=====				
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$ 1,418.4	\$ 1,120.1	\$ 298.3	26.6%
Total margin	\$ 582.4	\$ 491.8	\$ 90.6	18.4%
EBITDA	\$ 209.3	\$ 158.6	\$ 50.7	32.0%
Operating income	\$ 133.8	\$ 90.2	\$ 43.6	48.3%
Retail gallons sold (millions)	820.8	771.2	49.6	6.4%
Degree days - % colder (warmer) than normal	2.6%	(13.7)%	--	--
GAS UTILITY:				
Revenues	\$ 500.8	\$ 359.0	\$ 141.8	39.5%
Total margin	\$ 177.9	\$ 170.8	\$ 7.1	4.2%
Operating income	\$ 87.8	\$ 86.2	\$ 1.6	1.9%
System throughput - billions of cubic feet ("bcf")	77.3	79.7	(2.4)	(3.0)%
Degree days - % colder (warmer) than normal	2.0%	(9.9)%	--	--
ELECTRIC OPERATIONS:				
Revenues	\$ 83.9	\$ 77.9	\$ 6.0	7.7%
Total margin	\$ 28.6	\$ 40.8	\$ (12.2)	(29.9)%

Operating income	\$	10.7	\$	15.1	\$	(4.4)	(29.1)%
Distribution sales - millions of kilowatt hours ("gwh")		945.5		907.2		38.3	4.2%

ENERGY SERVICES:

Revenues	\$	370.7	\$	146.9	\$	223.8	152.3%
Total margin	\$	13.4	\$	6.2	\$	7.2	116.1%
Operating income	\$	7.3	\$	2.8	\$	4.5	160.7%

INTERNATIONAL PROPANE:

Revenues	\$	50.9	\$	50.5	\$	0.4	0.8%
Total margin	\$	22.5	\$	20.8	\$	1.7	8.2%
EBITDA	\$	5.1	\$	2.8	\$	2.3	82.1%
Operating income (loss)	\$	0.8	\$	(1.8)	\$	2.6	144.4%
Loss from equity investees	\$	(1.5)	\$	(0.9)	\$	0.6	66.7%

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AMERIGAS PROPANE. Retail propane gallons sold increased 49.6 million gallons (6.4%) primarily due to the effects of colder weather and the impact of acquisitions, including the August 21, 2001 acquisition of Columbia Propane. Temperatures based upon heating degree days were 2.6% colder than normal in Fiscal 2001 compared to temperatures that were 13.7% warmer than normal in Fiscal 2000. The greater acquisition and weather-related sales were reduced by customer conservation resulting from higher product costs and a slowing U.S. economy. The wholesale price of propane at Mont Belvieu, Texas, a major U.S. supply point, reached a high of 95 cents per gallon in Fiscal 2001 compared to a high of 74 cents per gallon during Fiscal 2000.

Total revenues from retail propane sales increased \$238.1 million reflecting a \$182.1 million increase as a result of higher average selling prices and a \$56.0 million increase as a result of the higher

retail volumes sold. Wholesale propane revenues increased \$61.9 million principally reflecting higher average prices and greater sales associated with product cost management activities. Cost of sales increased \$207.7 million as a result of higher per unit propane product costs and the greater retail and wholesale volumes sold.

Total margin increased \$90.6 million due to the impact of higher-than-normal average retail unit margins and, to a lesser extent, the greater retail propane volumes sold. Retail propane unit margins in Fiscal 2001 benefited from gains on derivative hedge instruments and favorably priced supply arrangements.

The significant increase in EBITDA in Fiscal 2001 resulted from the increase in margin partially offset by a \$37.3 million increase in Partnership operating and administrative expenses. Operating and administrative expenses of the Partnership were \$380.0 million in Fiscal 2001 compared to \$342.7 million in Fiscal 2000. Adjusting Fiscal 2000 expenses for the impact of the Partnership's change in accounting for tank installation costs, operating and administrative expenses of the Partnership increased \$44.3 million. The higher Fiscal 2001 expenses reflect (1) higher employee-related costs, including greater overtime and incentive compensation costs; (2) growth-related expenses, including the impact of Columbia Propane and other acquisitions, and expenses associated with our PPX(R) grill cylinder exchange business; and (3) higher distribution costs, including vehicle fuel and lease expense. Depreciation and amortization expense of the Partnership increased \$7.4 million reflecting greater depreciation associated with acquisitions and \$4.4 million of depreciation expense resulting from the change in accounting for tank installation costs.

GAS UTILITY. Although temperatures based upon heating degree days were colder in Fiscal 2001, total system throughput declined 3.0% as the impact of the colder weather was more than offset by lower interruptible and firm delivery service volumes, the impact of price-induced customer conservation, and the effects of a slowing economy. Natural gas prices were significantly higher in Fiscal 2001 than in the prior year. The higher prices resulted in fuel switching by many of our interruptible customers, who have the ability to switch to alternate fuels, and encouraged price-induced conservation by many of our firm customers. Throughput to our core-market customers increased 3.3 bcf (10.6%) reflecting the impact of the colder Fiscal 2001 weather.

The significant increase in Gas Utility revenues is primarily a result of higher core-market revenues reflecting greater PGC rates and higher revenues from sales to customers not on our distribution system ("off-system sales"). Gas Utility's tariffs permit it to pass through prudently incurred gas costs to its core-market customers through higher PGC rates.

Gas Utility cost of gas totaled \$322.9 million in Fiscal 2001 compared with \$184.2 million in Fiscal 2000 principally reflecting the higher average PGC rates and, to a lesser extent, higher core-market and off-system sales.

Gas Utility total margin increased \$7.1 million reflecting a \$12.1 million increase in core-market margin partially offset by lower total margin from interruptible customers. The decline in interruptible margin reflects lower average interruptible unit margins due to a decline in the spread between oil and natural gas prices and the lower interruptible throughput.

Gas Utility operating income increased \$1.6 million as the previously mentioned increase in total margin and an increase in pension income was partially offset by higher operating and administrative expenses. The increase in operating and administrative expenses includes, among other things, greater allowances for uncollectible accounts, reflecting significantly higher Fiscal 2001 customer bills, and lower income from environmental insurance litigation settlements. Such settlements totaled \$0.9 million in Fiscal 2001 compared with \$4.5 million in Fiscal 2000. Depreciation expense increased \$1.1 million reflecting greater depreciation associated with distribution system capital expenditures.

ELECTRIC OPERATIONS. Electric Utility distribution system sales in Fiscal 2001 increased 4.2% on favorable weather. Revenues increased as a result of the higher distribution system sales as well as off-system sales of electricity generated by Energy Ventures. Cost of sales totaled \$51.9 million in Fiscal 2001 compared to \$34.2 million in the prior year. The increase reflects higher per-unit purchased power costs, the impact on cost of sales resulting from the formation of Energy Ventures, and the higher Fiscal 2001 sales.

Electric Operations total margin decreased \$12.2 million as a result of the higher purchased power costs. Operating income declined less than the decline in total margin reflecting lower power production and depreciation expenses subsequent to the formation of Energy Ventures and lower utility realty taxes.

ENERGY SERVICES. Revenues from Energy Services increased significantly reflecting higher natural gas prices and acquisition-related volume growth. Energy Services acquired the energy marketing businesses of Conectiv in October 2000 and PG Energy in July 2001. Total margin and operating income were also substantially higher in Fiscal 2001 reflecting the greater acquisition-driven sales volumes and higher average unit margins.

INTERNATIONAL PROPANE. FLAGA's results in Fiscal 2001 were adversely impacted by weather that was approximately 12% warmer than normal. Propane volumes sold were 8.5% lower than in Fiscal 2000 reflecting the impact of the warm weather and price-induced conservation. The increase in total margin, notwithstanding the decline in sales volumes, reflects higher unit margins partially offset by the impact of a weaker euro in Fiscal 2001. International Propane EBITDA increased in Fiscal 2001 reflecting the greater total margin and a decline in FLAGA operating expenses. International Propane loss from equity investees in Fiscal

2001 includes (1) a loss of \$1.1 million from the write-off of our propane joint-venture investment in Romania and (2) \$0.5 million of income associated with our investments in AGZ.

CORPORATE & OTHER. The increase in Corporate & Other revenues is principally a result of HVAC, which was acquired in late Fiscal 2000. Corporate & Other operating income in Fiscal 2001 declined \$10.6 million principally reflecting an \$8.5 million provision for shut-down costs of Hearth USA(TM). Corporate & Other operating loss in Fiscal 2001 also includes a \$2.0 million loss resulting from the write-down of an investment in a business-to-business e-commerce company, lower interest and investment income, and greater incentive compensation costs.

FINANCIAL REVIEW (continued)

INTEREST EXPENSE AND INCOME TAXES. Interest expense increased \$6.3 million in Fiscal 2001 primarily as a result of greater amounts of Partnership long-term debt outstanding. The effective income tax rate was 45.9% in Fiscal 2001 compared to a rate of 46.4% in Fiscal 2000.

FINANCIAL CONDITION AND LIQUIDITY

CAPITALIZATION AND LIQUIDITY

Our cash and cash equivalents totaled \$194.3 million at September 30, 2002 compared with \$87.5 million at September 30, 2001. These amounts include \$114.0 million and \$31.9 million, respectively, of cash and short-term investments held by UGI.

The primary sources of UGI's cash and short-term investments are the cash dividends it receives from its principal operating subsidiaries AmeriGas, Inc. and UGI Utilities. AmeriGas, Inc.'s ability to pay dividends to UGI is largely dependent upon distributions on AmeriGas Partners' limited partner units. During Fiscal 2002, 2001 and 2000, AmeriGas, Inc. and UGI Utilities paid cash dividends to UGI as follows:

Year Ended September 30,	2002	2001	2000
=====			
(Millions of dollars)			
AmeriGas, Inc.	\$49.4	\$41.0	\$51.6
UGI Utilities	37.9	35.3	44.0

Total dividends to UGI	\$87.3	\$76.3	\$95.6

Dividends received by UGI from AmeriGas, Inc. and UGI Utilities, in addition to dividends from UGI's other operating subsidiaries, are available to pay dividends on UGI Common Stock and for investment purposes.

AMERIGAS PARTNERS. The Partnership's debt outstanding at September 30, 2002 totaled \$955.8 million. Included in this amount is \$10 million outstanding under AmeriGas OLP's Revolving Credit Facility.

In December 2001, AmeriGas Partners issued 1,843,047 Common Units to the public through an underwritten public offering. In January 2002, the underwriters exercised a portion of their overallotment option in the amount of 585,000 shares. The net proceeds from these Common Unit offerings of \$49.7 million, \$6.9 million of proceeds from an October 2001 sale of 350,000 Common Units to the General Partner, and related capital contributions by the General Partner in order to maintain its general partner interests, were contributed to AmeriGas OLP and used to reduce Bank Credit Agreement borrowings and for working capital.

The Partnership also completed a number of debt transactions during Fiscal 2002. In November 2001, AmeriGas Partners prepaid \$15 million of 10.125% Senior Notes at a redemption price of 103.375%. In April 2002, AmeriGas OLP repaid \$60 million of maturing First Mortgage Notes from then-existing cash balances and Revolving Credit Facility borrowings. In May 2002, AmeriGas Partners issued \$40 million of Senior Notes due 2011 at an effective interest rate of 8.25%. The proceeds were contributed to AmeriGas OLP and, along with related General Partner capital contributions, used to reduce Revolving Credit Facility borrowings and for working capital and general business purposes. On December 3, 2002, after the end of Fiscal 2002, AmeriGas Partners issued \$88 million principal amount of 8.875% Senior Notes due 2011 at an effective interest rate of 8.30%. The net proceeds will be used to redeem in January 2003 the remaining \$85 million of 10.125% Senior Notes of AmeriGas Partners at a redemption price of 102.25%.

In August 2002, AmeriGas OLP amended and restated its Bank Credit Agreement. AmeriGas OLP's Bank Credit Agreement expires October 1, 2003 and consists of (1) a \$100 million Revolving Credit Facility and (2) a \$75 million Acquisition Facility. The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. There was \$10 million outstanding under this facility at September 30, 2002. Issued and outstanding letters of credit under the Revolving Credit Facility, which reduce the amount available for borrowings, totaled \$19.8 million at September 30, 2002. AmeriGas OLP's short-term borrowing needs are seasonal and are typically greatest during the fall and winter heating-season months due to the need to fund higher levels of working capital. AmeriGas OLP may borrow under its Acquisition Facility to finance the purchase of propane businesses or propane business assets. In addition to the \$100 million available under the Revolving Credit Facility, the Bank Credit Agreement allows up to \$30 million of the Acquisition Facility to be used for working capital purposes. There were no loans outstanding under the Acquisition Facility at September 30, 2002. AmeriGas OLP could borrow up to \$67.7 million under the Acquisition Facility based upon eligible capital expenditures made through September 30, 2002.

AmeriGas OLP also has a credit agreement with the General Partner to borrow up to \$20 million on an unsecured, subordinated basis, for working capital and general purposes. UGI has agreed to contribute up to \$20 million to the General Partner to fund such borrowings.

AmeriGas Partners also has debt and equity shelf registration statements with the U.S. Securities and Exchange Commission ("SEC").

The Partnership must maintain certain financial ratios in order to borrow under the Bank Credit Agreement including a minimum interest coverage ratio and a maximum debt to EBITDA ratio. The Partnership's ratios calculated as of September 30, 2002 permit it to borrow up to the maximum amount available. For a more detailed discussion of the Partnership's credit facilities, see Note 5 to Consolidated Financial Statements. Based upon existing cash balances, cash expected to be generated from operations, borrowings available under its Bank Credit Agreement, and the expected refinancing of its maturing long-term debt, the Partnership's management believes that the Partnership will be able to meet its anticipated contractual commitments and projected cash needs in Fiscal 2003.

UGI UTILITIES. UGI Utilities' debt outstanding totaled \$285.6 million at September 30, 2002. Included in this amount is \$37.2 million under revolving credit agreements.

UGI Utilities may borrow up to a total of \$97 million under its revolving credit agreements. The revolving credit agreements contain financial covenants including interest coverage ratios, debt service, and minimum tangible net worth. In September 2002, UGI Utilities issued \$40 million face value of Series C Medium-Term notes under a shelf registration statement with the SEC. The proceeds of the issuance were used after the end of Fiscal 2002 principally to repay debt maturing in October 2002. UGI Utilities may issue up to an additional \$85 million of debt securities under the shelf registration statement.

Based upon cash expected to be generated from operations, the expected ability to refinance all or a portion of long-term debt maturing in Fiscal 2003, and borrowings available under revolving credit agreements, management believes that UGI Utilities will be able to meet its anticipated contractual and projected cash commitments in Fiscal 2003. For a more detailed discussion of UGI Utilities' debt and credit facilities, see Note 5 to Consolidated Financial Statements.

ENERGY SERVICES. Energy Services has a receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring November 30, 2004. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose, bankruptcy-remote subsidiary, Energy Services Funding Corporation ("ESFC") which is consolidated for financial statement purposes. ESFC pays Energy Services for the receivables it purchases as these receivables are collected from customers. In addition, from time to time ESFC may sell an undivided interest in these receivables for up to \$50 million in proceeds to a commercial paper conduit of a major bank. The proceeds of these sales are less than the face amount of the accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own receivables-backed commercial paper. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. In accordance with a servicing arrangement, Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

At September 30, 2002, no receivables had been sold to the commercial paper conduit and removed from the balance sheet. During Fiscal 2002, ESFC sold a total of \$34 million of receivables to the commercial paper conduit. Losses on sales of receivables that occurred during Fiscal 2002 were not material.

FLAGA. FLAGA has a 15 million euro working capital loan commitment from a European bank. Borrowings under the working capital facility totaled 8.7 million euro (\$8.6 million U.S. dollar equivalent) at September 30, 2002. Debt issued under this agreement, as well as \$75.1 million of acquisition and special purpose debt of FLAGA, are subject to guarantees of UGI. For a more detailed discussion of FLAGA's debt, see Note 5 to Consolidated Financial Statements. FLAGA's management expects to repay long-term debt maturing in Fiscal 2003 principally through cash generated from operations as well as short-term borrowings and capital contributions from UGI.

CASH FLOWS

OPERATING ACTIVITIES. Cash flow from operating activities was \$247.5 million in Fiscal 2002 compared to \$203.5 million in Fiscal 2001. Cash flow from operating activities before considering changes in working capital was \$233.7 million in Fiscal 2002 compared to \$179.8 million in Fiscal 2001 principally reflecting significantly higher noncash charges for income taxes and the impact of settlement payments in Fiscal 2001 associated with the Energy Services' exchange-traded natural gas derivative hedge contracts. In Fiscal 2002, changes in operating working capital provided \$13.8 million of operating cash flow compared to \$23.7 million of such cash flow in Fiscal 2001.

INVESTING ACTIVITIES. Cash spent for property, plant and equipment totaled \$94.7 million in Fiscal 2002, an increase of \$15.7 million from Fiscal 2001, reflecting a \$15.6 million increase in Partnership capital expenditures principally for PPX(R), including expenditures for grill cylinder OPDs to comply with NFPA guidelines, and to a much lesser extent the full-year effect of capital expenditures associated with the Columbia Propane businesses. Cash flows from investing activities in Fiscal 2002 also include \$17.7 million of cash proceeds from the early redemption of AGZ bonds in July 2002.

FINANCING ACTIVITIES. During Fiscal 2002, we paid cash dividends on UGI Common Stock of \$44.8 million compared to \$53.2 million in Fiscal 2001. The higher dividends paid in the prior year reflect the one-time impact of a change in the timing of funding the quarterly dividend from the first day of the quarter to the last day of the previous quarter. During Fiscal 2002, AmeriGas Partners received net proceeds of \$49.7 million from its public offering of 2.4 million Common Units. During Fiscal 2002, AmeriGas OLP repaid \$20 million of Acquisition Facility borrowings and \$60 million of maturing First Mortgage Notes, and AmeriGas Partners redeemed prior to maturity \$15 million of its 10.125% Senior Notes. In addition, AmeriGas Partners issued \$40 million face amount of 8.875% Senior Notes and contributed the proceeds to AmeriGas OLP to reduce indebtedness under its Revolving Credit Facility and for working capital and general business purposes. In September 2002, UGI Utilities issued \$40 million face amount of

FINANCIAL REVIEW (continued)

Medium-Term Notes and used the proceeds, after the end of Fiscal 2002, principally to repay maturing long-term debt.

DIVIDENDS AND DISTRIBUTIONS

In April 2002, our board of directors increased the annual dividend rate on UGI Common Stock to \$1.65 a share from \$1.60. Dividends declared on our Common Stock in Fiscal 2002 totaled \$44.8 million.

At September 30, 2002, our approximate 51% effective ownership interest in the Partnership consisted of (1) 14.6 million Common Units; (2) 9.9 million Subordinated Units; and (3) a 2% general partner interest. The remaining approximate 49% effective interest consisted of 24.9 million publicly held Common Units. Approximately 45 days after the end of each fiscal quarter, the Partnership distributes all of its Available Cash (as defined in the Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, the "Partnership Agreement") relating to such fiscal quarter. Common Unitholders receive the MQD, plus any arrearages, before a distribution of Available Cash could be made on the Subordinated Units. Because certain cash-based performance and distribution requirements were met in respect of the quarter ended September 30, 2002, effective November 18, 2002 the remaining 9.9 million Subordinated Units held by the General Partner were converted to Common Units (see "Conversion of Subordinated Units" below).

Since its formation in 1995, the Partnership has paid the MQD on all limited partner units outstanding. The amount of Available Cash needed annually to pay the MQD on all units and the general partner interests in Fiscal 2002, 2001 and 2000 was approximately \$109 million, \$99 million and \$94 million, respectively. Based upon the number of Partnership units outstanding on September 30, 2002, the amount of Available Cash needed annually to pay the MQD on all units and the general partner interests is approximately \$111 million. A reasonable proxy for the amount of cash available for distribution that is generated by the Partnership can be calculated by subtracting from the Partnership's EBITDA (1) cash interest expense and (2) capital expenditures needed to maintain operating capacity. Partnership distributable cash flow as calculated under this method for Fiscal 2002, 2001 and 2000 is as follows:

Year Ended September 30,	2002	2001	2000
=====			
(Millions of dollars)			
EBITDA	\$210.4	\$208.6	\$157.6
Cash interest expense (a)	(88.5)	(82.0)	(76.7)
Maintenance capital expenditures	(20.7)	(17.8)	(11.6)

Distributable cash flow	\$101.2	\$108.8	\$ 69.3

(a) Interest expense adjusted for noncash items.

Although distributable cash flow is a reasonable estimate of the amount of cash generated by the Partnership, it does not reflect, among other things, the impact of changes in working capital, which can significantly affect cash available for distribution, and is not a measure of performance or financial condition under accounting principles generally accepted in the United States but provides additional information for evaluating the Partnership's ability to declare and pay the MQD. The Partnership's definition of distributable cash flow may be different from the definition used by other companies. Although the levels of distributable cash flow in Fiscal 2002 and 2000 were less than the full MQD, other sources of cash, including cash from equity offerings and borrowings, was more than sufficient to permit the Partnership to pay the full MQD. The ability of the Partnership to pay the MQD on all units depends upon a number of factors. These factors include (1) the level of Partnership earnings; (2) the cash needs of the Partnership's operations (including cash needed for maintaining and increasing operating capacity); (3) changes in operating working capital; and (4) the Partnership's ability to borrow under its Bank Credit Agreement, to refinance maturing debt and to increase its long-term debt. Some of these factors are affected by conditions beyond our control including weather, competition in markets we serve, the cost of propane and changes in capital market conditions.

CONVERSION OF AMERIGAS PARTNERS SUBORDINATED UNITS

Pursuant to the Agreement of Limited Partnership of AmeriGas Partners, the 9.9 million AmeriGas Partners Subordinated Units held by the General Partner as of September 30, 2002 were eligible to convert to Common Units on the first day after the record date for any quarter ending on or after March 31, 2000 in respect of which certain cash-based performance and distribution requirements were met.

In December 2002, the General Partner determined that the cash-based performance and distribution requirements in respect of the quarter ended September 30, 2002 had been met and, as a result, the remaining 9.9 million Subordinated Units held by the Company were converted to Common Units effective November 18, 2002. Concurrent with the Subordinated Unit conversion, the Company recorded an increase in common stockholders' equity and a decrease in minority interest of approximately \$160 million associated with gains from sales of Common Units by AmeriGas Partners in conjunction with, and subsequent to, its April 19, 1995 initial public offering in accordance with the accounting guidance in SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary." The gains result because the public offering prices of the AmeriGas Partners Common Units at the dates of their sales

exceeded the associated carrying amount of our investment in the Partnership. No deferred taxes were recorded related to the gains due to the Company's intent to hold its investment in the Partnership indefinitely. The changes to the Company's balance sheet resulting from the Subordinated Unit conversion had no effect on the Company's net income or cash flow. The conversion of the Subordinated Units did not result in an increase in the number of AmeriGas Partners limited partner units outstanding.

REDEMPTION OF AGZ BONDS

In July 2002, the Company received \$19.3 million in cash from AGZ representing repayment of 18 million euro face value (90%), \$17.7 million U.S. dollar equivalent, of redeemable bonds of AGZ ("AGZ Bonds") held by the Company, plus accrued interest. This repayment was funded from the proceeds of an AGZ placement of high-yield debt. The Company purchased the AGZ Bonds on March 27, 2001 in conjunction with its joint-venture investment, through AGZ, in Antargaz, a leading distributor of propane and related gases in France. Concurrent with the repayment, the remaining 2.0 million

euro (10%) investment in AGZ Bonds was converted to additional shares of AGZ. The Company recorded a pretax currency transaction gain of \$1.6 million as a result of the repayment of the AGZ Bonds. After these transactions, the Company continues to hold an approximate 19.5% equity investment in AGZ.

UGI UTILITIES PENSION PLAN

UGI Utilities sponsors a defined benefit pension plan ("Pension Plan") for employees of UGI, UGI Utilities, and certain of UGI's other subsidiaries. During Fiscal 2002 and 2001, the market value of plan assets was negatively affected by persistent declines in the equity markets. Notwithstanding the significant decline in the market value of plan assets during these years, at September 30, 2002 the Pension Plan's assets exceeded its accumulated benefit obligations by approximately \$7.2 million. The Company is in full compliance with regulations governing defined benefit pension plans, including ERISA rules and regulations, and does not anticipate it will be required to make a contribution to the Pension Plan in Fiscal 2003. Pretax pension income reflected in Fiscal 2002, 2001 and 2000 was \$4.0 million, \$5.9 million, and \$3.0 million, respectively. Pension income in Fiscal 2003 is expected to decline to approximately \$1.0 million principally as a result of the impact of declines through September 2002 in the market value of Pension Plan assets.

CAPITAL EXPENDITURES

In the following table, we present capital expenditures (which include expenditures for capital leases but exclude acquisitions) by business segment for Fiscal 2002, 2001 and 2000. We also provide amounts we expect to spend in Fiscal 2003. We expect to finance Fiscal 2003 capital expenditures principally from cash generated by operations and borrowings under our credit facilities.

Year Ended September 30,	2003	2002	2001	2000
=====				
(Millions of dollars)	(estimate)			
AmeriGas Propane	\$ 52.2	\$ 53.5	\$ 39.2	\$ 30.4
UGI Utilities	44.9	35.9	36.8	36.4
International Propane	5.9	4.0	2.7	1.8
Other	1.8	1.3	0.6	2.4

Total	\$ 104.8	\$ 94.7	\$ 79.3	\$ 71.0

CONTRACTUAL CASH OBLIGATIONS AND COMMITMENTS

The following table presents significant contractual cash obligations under agreements existing as of September 30, 2002 (in millions).

	Fiscal 2003 & 2004	Fiscal 2005 & 2006	Thereafter	Total
=====				
Long-term debt	\$207.0	\$ 296.8	\$771.9	\$1,275.7
UGI Utilities preferred stock	-	2.0	18.0	20.0
Operating leases	71.7	50.8	63.6	186.1
Energy Services supply contracts	157.5	-	-	157.5
Gas and Electric utility supply contracts	202.9	80.2	107.3	390.4

Total	\$639.1	\$ 429.8	\$960.8	\$2,029.7

UTILITY REGULATORY MATTERS

The Pennsylvania Public Utility Commission ("PUC") approved a settlement establishing rules for Electric Utility Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively the "POLR Settlement"). Under the terms of the POLR Settlement, Electric Utility terminated stranded cost recovery through its Competitive Transition Charge ("CTC") from commercial and industrial ("C&I") customers on July 31, 2002, and from residential customers on October 31, 2002, and is no longer subject to the statutory rate caps as of August 1, 2002 for C&I customers and as of November 1, 2002 for residential customers. Stranded costs are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Charges for generation service will (1) initially be set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times up to certain specified caps through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service

until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges.

On June 29, 2000, the PUC issued its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan filed by Gas Utility pursuant to Pennsylvania's Natural Gas Choice and Competition Act. Among other things, the implementation of the Gas Restructuring Order resulted in an increase in Gas Utility's core-market base rates effective October 1, 2000. This base rate increase was designed to generate approximately \$16.7 million in additional net annual revenues. In accordance with the Gas Restructuring Order, Gas Utility reduced its core-market PGC rates by an annualized amount of \$16.7 million in the first 14 months following the October 1, 2000 base rate increase.

Effective December 1, 2001, Gas Utility was required to reduce its PGC rates by amounts equal to the margin it receives from interruptible customers using pipeline capacity contracted by Gas Utility for core-market customers. As a result, Gas Utility operating results are more sensitive to the effects of heating-season weather and less sensitive to the market prices of alternative fuels.

MANUFACTURED GAS PLANTS

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. Pursuant to the requirements of 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.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because Gas Utility is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside

FINANCIAL REVIEW (continued)

Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating two claims against it relating to out-of-state sites.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities if a court were to conclude that the subsidiary's separate corporate form should be disregarded.

UGI Utilities has filed suit against more than fifty insurance companies alleging that the defendants breached contracts of insurance by failing to indemnify UGI Utilities for certain environmental costs. The suit seeks to recover more than \$11 million in such costs. During Fiscal 2002, 2001 and 2000, UGI Utilities entered into settlement agreements with several of the insurers and recorded pretax income of \$0.4 million, \$0.9 million and \$4.5 million, respectively, which amounts are included in operating and administrative expenses in the Consolidated Statements of Income.

MARKET RISK DISCLOSURES

Our primary market risk exposures are (1) market prices for propane, natural gas and electricity; (2) changes in interest rates; and (3) foreign currency exchange rates.

The risk associated with fluctuations in the prices the Partnership and our International Propane operations pay for propane is principally a result of market forces reflecting changes in supply and demand for propane and other energy commodities. The Partnership's profitability is sensitive to changes in propane supply costs, and the Partnership generally attempts to pass on increases in such costs to customers. The Partnership may not, however, always be able to pass through product cost increases fully, particularly when product costs rise rapidly. In order to reduce the volatility of the Partnership's propane market price risk, it uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements, and over-the-counter derivative commodity instruments including price swap and option contracts. International Propane's profitability is also sensitive to changes in propane supply costs. On occasion, FLAGA uses derivative commodity instruments to reduce market risk associated with a portion of its propane purchases. Over-the-counter derivative commodity instruments utilized by the Partnership and FLAGA to hedge forecasted purchases of propane are generally settled at expiration of the contract. In order to minimize credit risk associated with its derivative commodity contracts, the Partnership monitors established credit limits with the contract counterparties. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Gas Utility's tariffs contain clauses that permit recovery of substantially all of the prudently incurred cost of natural gas it sells to its customers. The recovery clauses provide for a periodic adjustment for the difference between the total amount actually collected from customers and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Gas Utility operations.

During Fiscal 2002, 2001 and 2000, Electric Utility purchased all of its electric power needs, in excess of the electric power it obtained from its interests in electric generating facilities, under power supply arrangements of various lengths and on the spot market. Beginning September 2002, Electric Utility began purchasing its power needs from electricity suppliers under fixed-price energy and capacity contracts and, to a much lesser extent, on the spot market, and our electricity generation businesses began selling on the spot market electric power produced from its interests in electricity generating facilities to third parties. Prices for electricity can be volatile especially during periods of high demand or tight supply. Although the generation component of Electric Utility's rates is subject to various rate cap provisions as a result of the Electricity Restructuring Order and the POLR Settlement, Electric Utility's fixed-price contracts with electricity suppliers mitigate most risks associated with offering customers a fixed price during the contract periods. However, should any of the suppliers under these contracts fail to provide electric power under the terms of the power and capacity contracts, increases, if any, in the cost of replacement power or capacity would negatively impact Electric Utility results. In order to reduce this non-performance risk, Electric Utility has diversified its purchases across several suppliers and entered into bilateral collateral arrangements with certain of them.

In order to manage market price risk relating to substantially all of Energy Services' forecasted fixed-price sales of natural gas, we purchase exchange-traded natural gas futures contracts or enter into fixed-price supply arrangements. Exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. The change in market value of these contracts generally requires daily cash deposits in margin accounts with brokers. Although Energy Services' fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the natural gas suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas would adversely impact Energy Services' results. In order to reduce this risk of supplier nonperformance, Energy Services has diversified its purchases across a number of suppliers.

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact its fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our variable-rate debt includes borrowings under AmeriGas OLP's Bank Credit Agreement, borrowings under UGI Utilities' revolving credit agreements, and a substantial portion of FLAGA's debt. These debt agreements have interest rates that are generally indexed to short-term market interest rates. At September 30, 2002 and 2001, combined borrowings outstanding under these agreements totaled \$131.0 million and \$162.3 million, respectively. Based upon weighted average borrowings outstanding under these agreements during Fiscal 2002 and Fiscal 2001, an increase in short-term interest rates of 100 basis points (1%) would have increased our interest expense by \$1.4 million and \$2.4 million, respectively.

The remainder of our debt outstanding is subject to fixed rates of interest. A 100 basis point increase in market interest rates would result in decreases in the fair value of this fixed-rate debt of \$52.5 million and \$57.9 million at September 30, 2002 and 2001, respectively. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of \$56.4 million and \$58.8 million at September 30, 2002 and 2001, respectively.

Our long-term debt is typically issued at fixed rates of interest based upon market rates for debt having similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. This debt may have an interest rate that is more or less than the refinanced debt. In order to reduce interest rate risk associated with near-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements.

The primary currency for which the Company has exchange rate risk is the U.S. dollar versus the euro. We do not currently use derivative instruments to hedge foreign currency exposure associated with our international propane businesses, principally FLAGA and Antargaz. As a result, the U.S. dollar value of our foreign-denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. With respect to FLAGA, the net effect of changes in foreign currency exchange rates on assets and liabilities has been significantly limited because FLAGA's U.S. dollar denominated financial instrument assets and liabilities are substantially equal in amount. With respect to our equity investment in Antargaz, a 10% decline in the value of the euro versus the U.S. dollar would reduce the book value of this investment by approximately \$2.0 million, which amount would be reflected in other comprehensive income.

The following table summarizes the fair values of unsettled market risk sensitive derivative instruments held at September 30, 2002 and 2001. It also includes the changes in fair value that would result if there were an adverse change in (1) the market price of propane of 10 cents a gallon; (2) the market price of natural gas of 50 cents a dekatherm; and (3) interest rates on ten-year U.S. treasury notes of 100 basis points.

	Fair Value	Change in Fair Value
=====		
(Millions of dollars)		
September 30, 2002:		
Propane commodity price risk	\$ 9.8	\$(11.1)
Natural gas commodity price risk	5.1	(6.0)
Interest rate risk	(4.0)	(6.6)
September 30, 2001:		
Propane commodity price risk	\$(10.5)	\$(19.3)
Natural gas commodity price risk	(1.5)	(2.2)
Interest rate risk	(3.0)	(4.2)

Because the Company's derivative instruments generally qualify as hedges under SFAS 133, we expect that changes in the fair value of derivative instruments used to manage commodity or interest rate market risk would be substantially offset by gains or losses on the associated anticipated transactions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," the Company has identified the following critical accounting policies that are most important to the portrayal of the Company's financial condition and results of operations. The following policies require management's most subjective or complex judgments, as a result of the need to make estimates regarding matters that are inherently uncertain.

LITIGATION ACCRUALS AND ENVIRONMENTAL REMEDIATION LIABILITIES. We are involved in litigation regarding pending claims and legal actions that arise in the normal course of our businesses. In addition, UGI Utilities and its former subsidiaries owned and operated a number of MGPs in Pennsylvania and elsewhere at which hazardous substances may be present. In accordance with accounting principles generally accepted in the United States, the Company establishes reserves for pending claims and legal actions or environmental remediation obligations when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Reasonable estimates involve management judgments based on a broad range of information and prior experience. These judgments are reviewed quarterly as more information is received and the amounts reserved are updated as necessary. Such estimated reserves may differ materially from the actual liability, and such reserves may change materially as more

information becomes available and estimated reserves are adjusted.

REGULATORY ASSETS AND LIABILITIES. Gas Utility and Electric Utility are subject to regulation by the Pennsylvania Public Utility Commission ("PUC"). In accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," we record the effects of rate regulation in our financial statements as regulatory assets or regulatory liabilities. We continually assess whether the regulatory assets are probable of future recovery by evaluating the regulatory environment, recent rate orders and

FINANCIAL REVIEW (continued)

public statements issued by the PUC and the status of any pending deregulation legislation. If future recovery of regulatory assets ceases to be probable, the elimination of those regulatory assets would adversely impact our results of operations.

DEPRECIATION AND AMORTIZATION OF LONG-LIVED ASSETS. We compute depreciation on UGI Utilities property, plant and equipment on a straight-line basis over the average remaining lives of its various classes of depreciable property and on other property, plant and equipment on a straight-line basis over estimated useful lives generally ranging from two to 40 years. We also use amortization methods and determine asset values of intangible assets other than goodwill using reasonable assumptions and projections. Changes in the estimated useful lives of property, plant and equipment and changes in intangible asset amortization methods or values could have a material effect on our results of operations. As of September 30, 2002, our regulatory assets totaled \$62.0 million.

IMPAIRMENT OF GOODWILL. Certain of the Company's business units have goodwill resulting from purchase business combinations. In accordance with SFAS 142, each of our reporting units with goodwill is required to perform impairment tests annually or whenever events or circumstances indicate that the value of goodwill may be impaired. In order to perform these impairment tests, management must determine the reporting unit's fair value using quoted market prices or, in the absence of quoted market prices, valuation techniques which use discounted estimates of future cash flows to be generated by the reporting unit. These cash flow estimates involve management judgments based on a broad range of information and historical results. To the extent estimated cash flows are revised downward, the reporting unit may be required to write down all or a portion of its goodwill which would adversely impact our results of operations. As of September 30, 2002, our goodwill totaled \$644.9 million.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") recently issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"); SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"); SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"); and SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146").

SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with a corresponding increase in the carrying value of the related asset. Entities shall subsequently charge the retirement cost to expense using a systematic and rational method over the related asset's useful life and adjust the fair value of the liability resulting from the passage of time through charges to operating expense. We adopted SFAS 143 effective October 1, 2002. The adoption of SFAS 143 did not have a material effect on our financial position or results of operations. Our joint venture, AGZ Holdings, is required to adopt SFAS 143 effective April 1, 2003. We are currently in the process of evaluating the impact of SFAS 143 on AGZ Holdings.

SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," as it relates to the disposal of a segment of a business. SFAS 144 establishes a single accounting model for long-lived assets to be disposed of based upon the framework of SFAS 121, and resolves significant implementation issues of SFAS 121. We adopted SFAS 144 effective October 1, 2002. The adoption of SFAS 144 did not affect our financial position or results of operations.

SFAS 145 rescinded SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (an amendment of APB Opinion No. 30) ("SFAS 4"), effective May 15, 2002. SFAS 4 had required that material gains and losses on extinguishment of debt be classified as an extraordinary item. Under SFAS 145, it is less likely that a gain or loss on extinguishment of debt would be classified as an extraordinary item in our Consolidated Statement of Income. Among other things, SFAS 145 also amends SFAS 13, "Accounting for Leases," to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS 145 relating to leases became effective for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not affect our financial position or results of operations.

SFAS 146 addresses accounting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." Generally, SFAS 146 requires that a liability for costs associated with an exit or disposal activity, including contract termination costs, employee termination benefits and other associated costs, be recognized when the liability is incurred. Under EITF No. 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. SFAS 146 will be effective for disposal activities initiated after December 31, 2002.

FORWARD-LOOKING STATEMENTS

Information contained in this Financial Review and elsewhere in this Annual Report may contain forward-looking statements within the meaning of Section 27A

of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements use forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will," or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that

actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the following important factors which could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) adverse weather conditions resulting in reduced demand; (2) price volatility and availability of propane, oil, electricity, and natural gas and the capacity to transport to market areas; (3) changes in laws and regulations, including safety, tax and accounting matters; (4) competitive pressures from the same and alternative energy sources; (5) failure to acquire new customers thereby reducing or limiting any increase in revenues; (6) liability for environmental claims; (7) customer conservation measures and improvements in energy efficiency and technology resulting in reduced demand; (8) adverse labor relations; (9) large customer, counterparty or supplier defaults; (10) liability for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas and propane including liability in excess of insurance coverage; (11) political, regulatory and economic conditions in the United States and in foreign countries; (12) interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; (13) reduced distributions from subsidiaries; and (14) the timing and success of the Company's efforts to develop new business opportunities.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events.

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 accounting principles generally accepted in the United States of America 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, but not absolute, 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 three members, none of whom is an employee of the Company. This Committee is responsible for overseeing the financial reporting process and the adequacy of controls, and for monitoring the independence of the Company's independent accountants and the performance of the independent accountants and internal audit staff. The Committee recommends to the Board of Directors the engagement of the independent accountants to conduct the annual audit of the Company's consolidated financial statements. The Committee is also responsible for maintaining 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 auditing standards generally accepted in the United States of America, 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

Lon R. Greenberg
Chief Executive Officer

/S/ Anthony J. Mendicino

Anthony J. Mendicino
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UGI CORPORATION:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of UGI Corporation and its subsidiaries at September 30, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The consolidated financial statements of UGI Corporation and its subsidiaries as of September 30, 2001, and for each of the two years in the period ended September 30, 2001, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated November 16, 2001.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, in fiscal 2002.

/S/ PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania
November 15, 2002,
except for Note 18 as to which
the date is December 16, 2002

THIS REPORT IS A COPY OF THE PREVIOUSLY ISSUED ACCOUNTANT'S REPORT OF ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UGI CORPORATION:

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2001. 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 conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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 provide a reasonable basis for our opinion.

In our opinion, 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Notes 1 and 3 to the financial statements, effective October 1, 2000, the Partnership changed its methods of accounting for tank installation costs and nonrefundable tank fees and the Company adopted the provisions of SFAS No. 133.

/S/ ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
November 16, 2001

CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2002	2001	2000
REVENUES			
AmeriGas Propane	\$ 1,307.9	\$ 1,418.4	\$ 1,120.1
UGI Utilities	490.5	584.7	436.9
International Propane	46.7	50.9	50.5
Energy Services and other	368.6	414.1	154.2
	2,213.7	2,468.1	1,761.7
COSTS AND EXPENSES			
AmeriGas Propane cost of sales	632.1	836.0	628.3
UGI Utilities - gas, fuel and purchased power	290.3	374.8	218.1
International Propane cost of sales	22.6	28.4	29.7
Energy Services and other cost of sales	330.6	382.2	145.5
Operating and administrative expenses	597.5	517.8	461.2
Utility taxes other than income taxes	11.9	9.2	17.1
Depreciation and amortization	93.5	105.2	97.5
Provision for shut-down costs - Hearth USA(TM)	--	8.5	--
Other income, net	(17.4)	(23.0)	(27.8)
	1,961.1	2,239.1	1,569.6
OPERATING INCOME	252.6	229.0	192.1
Income (loss) from equity investees	8.5	(1.6)	(0.9)
Interest expense	(109.1)	(104.8)	(98.5)
Minority interests in AmeriGas Partners	(28.0)	(23.6)	(6.3)
INCOME BEFORE INCOME TAXES, SUBSIDIARY PREFERRED STOCK DIVIDENDS AND ACCOUNTING CHANGES	124.0	99.0	86.4
Income taxes	(46.9)	(45.4)	(40.1)
Dividends on UGI Utilities Series Preferred Stock	(1.6)	(1.6)	(1.6)
Income before accounting changes	75.5	52.0	44.7
Cumulative effect of accounting changes, net	--	4.5	--
NET INCOME	\$ 75.5	\$ 56.5	\$ 44.7
EARNINGS PER COMMON SHARE			
Basic:			
Income before accounting changes	\$ 2.74	\$ 1.91	\$ 1.64
Cumulative effect of accounting changes, net	--	0.17	--
Net income	\$ 2.74	\$ 2.08	\$ 1.64
Diluted:			
Income before accounting changes	\$ 2.70	\$ 1.90	\$ 1.64
Cumulative effect of accounting changes, net	--	0.16	--
Net income	\$ 2.70	\$ 2.06	\$ 1.64
AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)			
Basic	27.550	27.163	27.219
Diluted	27.938	27.373	27.255

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(Millions of dollars)

	September 30,	
	2002	2001
=====		
ASSETS		
=====		
CURRENT ASSETS		
Cash and cash equivalents	\$ 194.3	\$ 87.5
Accounts receivable (less allowances for doubtful accounts of \$11.8 and \$15.6, respectively)	157.7	180.8
Accrued utility revenues	8.1	11.1
Inventories	109.2	128.6
Deferred income taxes	10.4	25.2
Income taxes recoverable	1.7	--
Utility deferred fuel costs	4.3	--
Prepaid expenses and other current assets	44.3	25.7

Total current assets	530.0	458.9

PROPERTY, PLANT AND EQUIPMENT		
AmeriGas Propane	1,028.6	984.0
UGI Utilities	883.3	855.2
Other	80.5	74.3

	1,992.4	1,913.5
Accumulated depreciation and amortization	(720.5)	(645.5)

Net property, plant, and equipment	1,271.9	1,268.0

OTHER ASSETS		
Goodwill and excess reorganization value	644.9	641.1
Intangible assets (less accumulated amortization of \$10.3 and \$5.8, respectively)	25.8	31.3
Utility regulatory assets	57.7	56.2
Other assets	84.1	94.7

Total assets	\$2,614.4	\$2,550.2
=====		

See accompanying notes to consolidated financial statements.

	September 30,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
=====		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 148.7	\$ 98.3
AmeriGas Propane bank loans	10.0	--
UGI Utilities bank loans	37.2	57.8
Other bank loans	8.6	10.0
Accounts payable	166.1	167.0
Employee compensation and benefits accrued	35.4	39.4
Dividends and interest accrued	41.5	38.4
Income taxes accrued	--	11.6
Deposits and advances	63.0	55.6
Other current liabilities	75.9	89.4

Total current liabilities	586.4	567.5

DEBT AND OTHER LIABILITIES		
Long-term debt	1,127.0	1,196.9
Deferred income taxes	200.2	182.4
Deferred investment tax credits	8.4	8.8
Other noncurrent liabilities	79.1	72.8

Commitments and contingencies (note 13)		

MINORITY INTERESTS		
Minority interests in AmeriGas Partners	276.0	246.2

PREFERRED AND PREFERENCE STOCK		
UGI Utilities Series Preferred Stock Subject to Mandatory Redemption, without par value	20.0	20.0
Preference Stock, without par value (authorized - 5,000,000 shares)	--	--

COMMON STOCKHOLDERS' EQUITY		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 shares)	396.6	395.0
Retained earnings	39.7	9.0
Accumulated other comprehensive income (loss)	6.6	(13.5)

Treasury stock, at cost	442.9 (125.6)	390.5 (134.9)

Total common stockholders' equity	317.3	255.6

Total liabilities and stockholders' equity	\$2,614.4	\$2,550.2
=====		

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 75.5	\$ 56.5	\$ 44.7
Reconcile to net cash provided by operating activities:			
Depreciation and amortization	93.5	105.2	97.5
Cumulative effect of accounting changes, net	--	(4.5)	--
Minority interests in AmeriGas Partners	28.0	23.6	6.3
Deferred income taxes, net	11.0	(5.5)	3.2
Net change in settled accumulated other comprehensive income	13.3	(16.9)	--
Other, net	12.4	21.4	15.8
Net change in:			
Accounts receivable and accrued utility revenues	12.6	(13.6)	(63.4)
Inventories	19.7	(4.2)	(26.1)
Deferred fuel costs	(7.1)	9.9	(3.8)
Accounts payable	(0.4)	5.8	52.0
Other current assets and liabilities	(11.0)	25.8	6.5
Net cash provided by operating activities	247.5	203.5	132.7
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(94.7)	(78.0)	(71.0)
Acquisitions of businesses, net of cash acquired	(0.7)	(209.1)	(65.3)
Proceeds from redemption of AGZ Bonds	17.7	--	--
Net proceeds from disposals of assets	9.7	4.2	8.4
Investments in equity investees	(0.3)	(32.6)	--
Other, net	1.9	2.2	6.4
Net cash used by investing activities	(66.4)	(313.3)	(121.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends on UGI Common Stock	(44.8)	(53.2)	(41.2)
Distributions on AmeriGas Partners publicly held Common Units	(53.5)	(44.3)	(39.1)
Issuance of long-term debt	81.1	308.2	209.7
Repayment of long-term debt	(105.0)	(137.0)	(95.4)
AmeriGas Propane bank loans increase (decrease)	10.0	(30.0)	8.0
UGI Utilities bank loans increase (decrease)	(20.6)	(42.6)	13.0
Other bank loans increase (decrease)	(2.2)	6.2	(6.8)
Issuance of AmeriGas Partners Common Units	49.7	39.8	--
Proceeds from sale of AmeriGas OLP interest	--	50.0	--
Issuance of UGI Common Stock	11.0	7.6	3.8
Repurchases of UGI Common Stock	--	(1.0)	(9.6)
Net cash provided (used) by financing activities	(74.3)	103.7	42.4
EFFECT OF EXCHANGE RATE CHANGES ON CASH	--	(0.3)	(0.2)
Cash and cash equivalents increase (decrease)	\$106.8	\$ (6.4)	\$ 53.4
CASH AND CASH EQUIVALENTS:			
End of year	\$194.3	\$ 87.5	\$ 93.9
Beginning of year	87.5	93.9	40.5
Increase (decrease)	\$106.8	\$ (6.4)	\$ 53.4

See accompanying notes to consolidated financial statements.

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

	Common Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation- Restricted Stock	Treasury Stock	Total
BALANCE SEPTEMBER 30, 1999	\$ 394.8	\$ (8.2)	\$ 0.5	\$ (1.7)	\$ (136.2)	\$ 249.2
Net income		44.7				44.7
Reclassification of unrealized gains on available for sale securities			(0.5)			(0.5)
Comprehensive income		44.7	(0.5)			44.2
Cash dividends on Common Stock (\$1.525 per share)		(41.4)				(41.4)
Common Stock issued:						
Employee and director plans	(0.1)				1.5	1.4
Dividend reinvestment plan	(0.2)				2.6	2.4
Common Stock reacquired					(9.6)	(9.6)
Amortization of unearned compensation- restricted stock awards				1.0		1.0
BALANCE SEPTEMBER 30, 2000	394.5	(4.9)	--	(0.7)	(141.7)	247.2
Net income		56.5				56.5
Cumulative effect of change in accounting principle - SFAS No. 133 (net of tax of \$4.8)			7.1			7.1
Net loss on derivative instruments (net of tax of \$7.9)			(10.5)			(10.5)
Reclassification of net gains on derivative instruments (net of tax of \$6.5)			(10.3)			(10.3)
Foreign currency translation adjustments (net of tax of \$0.1)			0.2			0.2
Comprehensive income		56.5	(13.5)			43.0
Cash dividends on Common Stock (\$1.575 per share)		(42.6)				(42.6)
Common Stock issued:						
Employee and director plans	0.3				5.5	5.8
Dividend reinvestment plan	0.2				2.3	2.5
Common Stock reacquired					(1.0)	(1.0)
Amortization of unearned compensation- restricted stock awards				0.7		0.7
BALANCE SEPTEMBER 30, 2001	395.0	9.0	(13.5)	--	(134.9)	255.6
Net income		75.5				75.5
Net loss on derivative instruments (net of tax of \$0.4)			(1.5)			(1.5)
Reclassification of net losses on derivative instruments (net of tax of \$11.6)			18.3			18.3
Foreign currency translation adjustments (net of tax of \$2.2)			4.4			4.4
Reclassification of foreign currency translation gain (net of tax of \$0.5)			(1.1)			(1.1)
Comprehensive income		75.5	20.1			95.6
Cash dividends on Common Stock (\$1.625 per share)		(44.8)				(44.8)
Common Stock issued:						
Employee and director plans	1.0				7.4	8.4
Dividend reinvestment plan	0.6				2.0	2.6
Common Stock reacquired					(0.1)	(0.1)
BALANCE SEPTEMBER 30, 2002	\$ 396.6	\$ 39.7	\$ 6.6	\$ --	\$ (125.6)	\$ 317.3

See accompanying notes to consolidated financial statements.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. UGI Corporation ("UGI") is a holding company that owns and operates natural gas and electric utility, electricity generation, propane distribution, energy marketing and related businesses in the United States. Through foreign subsidiaries and joint-venture affiliates, UGI also distributes propane in Austria, the Czech Republic, Slovakia, France and China. We refer to UGI and its consolidated subsidiaries collectively as "the Company" or "we."

Our utility business is conducted through our wholly owned subsidiary, UGI Utilities, Inc. ("UGI Utilities"). UGI Utilities owns and operates (1) a natural gas distribution utility ("Gas Utility") in parts of eastern and southeastern Pennsylvania and (2) an electricity distribution utility ("Electric Utility") and electricity generation business (which together with Electric Utility are referred to herein as "Electric Operations") in northeastern Pennsylvania.

We conduct a national propane distribution business through AmeriGas Partners, L.P. ("AmeriGas Partners") and its principal operating subsidiaries AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP"). AmeriGas Partners, AmeriGas OLP and Eagle OLP are Delaware limited partnerships. UGI's wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the "General Partner") serves as the general partner of AmeriGas Partners and AmeriGas OLP. AmeriGas OLP and Eagle OLP (collectively referred to as "the Operating Partnerships") comprise the largest retail propane distribution business in the United States serving residential, commercial, industrial, motor fuel and agricultural customers from locations in 46 states. We refer to AmeriGas Partners and its subsidiaries together as "the Partnership" and the General Partner and its subsidiaries, including the Partnership, as "AmeriGas Propane."

At September 30, 2002, the General Partner and its wholly owned subsidiary Petrolane Incorporated ("Petrolane," a predecessor company of AmeriGas OLP) collectively held a 1% general partner interest and a 49.1% limited partner interest in AmeriGas Partners, and effective 50.6% and 50.5% ownership interests in AmeriGas OLP and Eagle OLP, respectively. Our limited partnership interest in AmeriGas Partners comprised 14,633,932 Common Units and 9,891,072 Subordinated Units. The remaining 49.9% interest in AmeriGas Partners comprises 24,907,354 publicly held Common Units representing limited partner interests. Effective November 18, 2002, the remaining 9,891,072 Subordinated Units held by us were converted to Common Units (see Note 18).

The Partnership has no employees. Employees of the General Partner conduct, direct and manage the activities of AmeriGas Partners and AmeriGas OLP. The General Partner also provides management and administrative services to AmeriGas Eagle Holdings, Inc., the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed monthly for all direct and indirect expenses it incurs on behalf of the Partnership including all General Partner employee compensation costs and a portion of UGI employee compensation and administrative costs. Although the Partnership's operating income represents a significant portion of our consolidated operating income, the Partnership's impact on our consolidated net income is considerably less due to the Partnership's significant minority interest; higher relative interest charges; and, prior to 2002, higher effective income taxes associated with the Partnership's pretax income resulting from nondeductible goodwill amortization.

Our wholly owned subsidiary UGI Enterprises, Inc. ("Enterprises") conducts an energy marketing business primarily in the Middle Atlantic region of the United States through its wholly owned subsidiary, UGI Energy Services, Inc. ("Energy Services"). Through other subsidiaries, Enterprises (1) owns and operates a propane distribution business in Austria, the Czech Republic and Slovakia ("FLAGA"); (2) owns and operates a heating, ventilation and air-conditioning service business in the Middle Atlantic states ("HVAC"); and (3) participates in propane joint-venture businesses in France and China.

UGI is exempt from registration as a holding company because it files an annual exemption statement with the U.S. Securities and Exchange Commission ("SEC") 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. We eliminate all significant intercompany accounts and transactions when we consolidate. We report the public's limited partner interests in the Partnership as minority interests. Entities in which we own 50 percent or less and in which we exercise significant influence over operating and financial policies are accounted for by the equity method (see Note 19). Investments in equity investees are included in other assets in the Consolidated Balance Sheets.

RECLASSIFICATIONS. We have reclassified certain prior-period balances to conform with the current period presentation.

USE OF ESTIMATES. We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

REGULATED UTILITY OPERATIONS. Gas Utility and Electric Utility (collectively, "Utilities") are subject to regulation by the PUC. We account for Gas Utility

and Electric Utility in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 requires us to record the effects of rate regulation in the financial statements. If a separable portion of Gas Utility or Electric Utility no longer meets the provisions of SFAS 71, we are required to eliminate the financial statement effects of regulation for that portion of our operations.

On June 29, 2000, the PUC entered its order ("Gas Restructuring Order") in Gas Utility's restructuring plan filed by Gas Utility pursuant to Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act"). Based upon the provisions of the Gas Restructuring Order and the Gas Competition Act, we believe Gas Utility's regulatory assets continue to satisfy the criteria of SFAS 71. For further information on the impact of

the Gas Competition Act and Pennsylvania's Electricity Customer Choice and Competition Act ("Electricity Choice Act"), see Note 4.

DERIVATIVE INSTRUMENTS. Effective October 1, 2000, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. To the extent a derivative instrument qualifies and is designated as a hedge of the variability of cash flows associated with a forecasted transaction ("cash flow hedge"), the effective portion of the gain or loss on such derivative instrument is generally reported in other comprehensive income and the ineffective portion, if any, is reported in net income. Such amounts reported in other comprehensive income are reclassified into net income when the forecasted transaction affects earnings. If a cash flow hedge is discontinued because it is probable that the forecasted transaction will not occur, the net gain or loss is immediately reclassified into net income. To the extent derivative instruments qualify and are designated as hedges of changes in the fair value of an existing asset, liability or firm commitment ("fair value hedge"), the gain or loss on the hedging instrument is recognized in earnings along with changes in the fair value of the hedged asset, liability or firm commitment attributable to the hedged risk.

The adoption of SFAS 133 resulted in an after-tax cumulative effect charge to net income of \$0.3 million and an after-tax cumulative effect increase to accumulated other comprehensive income of \$7.1 million. The increase in accumulated other comprehensive income is attributable to net gains on derivative instruments designated and qualifying as cash flow hedges on October 1, 2000. Prior to the adoption of SFAS 133, gains or losses on derivative instruments associated with forecasted transactions generally were recorded in net income when the forecasted transactions affected earnings. If it became probable that the original forecasted transactions would not occur, we immediately recognized in net income any gains or losses on the derivative instruments.

For a detailed description of the derivative instruments we use, our objectives for using them, and related supplemental information required by SFAS 133, see Note 14.

CONSOLIDATED STATEMENTS OF CASH FLOWS. We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. We paid interest totaling \$106.2 million in 2002, \$103.9 million in 2001, and \$96.9 million in 2000. We paid income taxes totaling \$48.0 million in 2002, \$43.0 million in 2001, and \$26.6 million in 2000.

REVENUE RECOGNITION. We recognize revenues from the sale of propane principally as product is delivered to customers. Revenue from the sale of appliances and equipment is recognized at the time of sale or installation. We record Utilities' regulated revenues for service provided to the end of each month which includes an accrual for certain unbilled amounts based upon estimated usage.

We reflect the impact of Utilities' rate increases or decreases at the time they become effective. Energy Services records revenues when energy products are delivered to customers.

Effective October 1, 2000, the Partnership applied the guidance of SEC Staff Accounting Bulletin No. 101 entitled "Revenue Recognition" ("SAB 101") with respect to its annually billed non-refundable tank fees. Under the new accounting method, revenues from such fees are recorded on a straight-line basis over one year. Prior to the change in accounting, such revenues were recorded when billed. For a detailed description of this change in accounting and its impact on our results, see Note 3.

INVENTORIES. Our inventories are stated at the lower of cost or market. We determine cost principally on an average or first-in, first-out ("FIFO") method except for appliances for which we use the specific identification method.

EARNINGS PER COMMON SHARE. Basic earnings per share reflect the weighted-average number of common shares outstanding. Diluted earnings per share include the effects of dilutive stock options and common stock awards. In the following table, we present the shares used in computing basic and diluted earnings per share for 2002, 2001 and 2000:

	2002	2001	2000
=====			
Denominator (millions of shares):			
Average common shares			
outstanding for basic computation	27.550	27.163	27.219
Incremental shares issuable for stock			
options and awards	0.388	0.210	0.036

Average common shares outstanding for			
diluted computation	27.938	27.373	27.255

INCOME TAXES. AmeriGas Partners and the Operating Partnerships are not directly subject to federal income taxes. Instead, their taxable income or loss is allocated to the individual partners. We record income taxes on our share of (1) the Partnership's current taxable income or loss and (2) the differences between the book and tax bases of the Partnership's assets and liabilities. The Operating Partnerships have subsidiaries which operate in corporate form and are directly subject to federal income taxes.

Gas Utility and Electric Utility record deferred income taxes in the Consolidated Statements of Income resulting from the use of accelerated depreciation methods based upon amounts recognized for ratemaking purposes. They also record a deferred tax liability for tax benefits that are flowed through to ratepayers when temporary differences originate and record a regulatory income tax asset for the probable increase in future revenues that will result when the temporary differences reverse.

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

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

Note 1 continued

PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION. The amounts we assign to property, plant and equipment of businesses we acquire are based upon estimated fair value at date of acquisition. When we retire Utilities' plant and equipment, we charge its original cost and the net cost of its removal to accumulated depreciation for financial accounting purposes. We record depreciation expense for Utilities' plant and equipment on a straight-line method over the estimated average remaining lives of the various classes of its depreciable property. Depreciation expense as a percentage of the related average depreciable base for Gas Utility was 2.5% in 2002 and 2.6% in each of 2001 and 2000. Depreciation expense as a percentage of the related average depreciable base for Electric Operations was 3.0% in each of 2002 and 2001, and 3.5% in 2000. We compute depreciation expense on plant and equipment associated with our propane operations using the straight-line method over estimated service lives generally ranging from 15 to 40 years for buildings and improvements; 7 to 30 years for storage and customer tanks and cylinders; and 2 to 10 years for vehicles, equipment, and office furniture and fixtures. Depreciation expense was \$88.2 million in 2002, \$75.7 million in 2001, and \$69.3 million in 2000.

Effective October 1, 2000, the Partnership changed its method of accounting for costs to install Partnership-owned tanks at customer locations. Under the new accounting method, all costs to install such tanks, net of amounts billed to customers, are capitalized and amortized over the estimated period of benefit not exceeding ten years. For a detailed description of this change in accounting and its impact on our results, see Note 3.

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

	2002	2001
Subject to amortization:		
Customer relationships, noncompete agreements and other	\$ 36.1	\$ 37.1
Accumulated amortization	(10.3)	(5.8)
	\$ 25.8	\$ 31.3
Not subject to amortization:		
Goodwill (a)	\$551.6	\$547.8
Excess reorganization value	93.3	93.3
	\$644.9	\$641.1

(a) The change in the carrying amount of goodwill from September 30, 2001 to September 30, 2002 is principally the result of foreign currency translation.

Effective October 1, 2001, we early adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets." SFAS 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (excluding those acquired in a business combination) at acquisition and also addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS 142, an intangible asset is amortized over its useful life unless that life is determined to be indefinite. Goodwill, including excess reorganization value, and other intangible assets with indefinite lives are not amortized but are subject to tests for impairment at least annually. In accordance with the provisions of SFAS 142, we ceased the amortization of goodwill and excess reorganization value effective October 1, 2001.

We amortize customer relationship and noncompete agreement intangibles over their estimated periods of benefit which do not exceed 15 years. Prior to the adoption of SFAS 142, we amortized goodwill resulting from purchase business combinations over 40 years, and excess reorganization value (resulting from Petrolane's July 1993 reorganization under Chapter 11 of the U.S. Bankruptcy Code) on a straight-line basis over 20 years. Amortization expense of intangible assets was \$4.6 million in 2002 including amortization expense associated with customer contracts recorded in cost of sales. Amortization expense of intangible assets in 2001 and 2000, which includes amortization of goodwill and excess reorganization value prior to the adoption of SFAS 142, was \$27.7 million and \$26.5 million, respectively. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2003 - \$3.8 million; Fiscal 2004 - \$3.4 million; Fiscal 2005 - \$2.9 million; Fiscal 2006 - \$2.4 million; Fiscal 2007 - \$1.8 million.

The following table provides reconciliations of reported and adjusted net income and diluted earnings per share as if SFAS 142 had been adopted as of October 1, 2000. Basic earnings per share is not materially different from diluted earnings per share and, therefore, is not presented:

	2002	2001	2000
=====			
NET INCOME:			
Reported income before			
accounting changes	\$75.5	\$ 52.0	\$ 44.7
Add back goodwill and excess			
reorganization value amortization	-	25.2	24.7
Adjust minority interests in AmeriGas			
Partners	-	(10.5)	(9.7)
Adjust income tax expense	-	(0.7)	(0.3)
-	-	-	-
Adjusted income before accounting changes	75.5	66.0	59.4
Cumulative effect of accounting changes	-	4.5	-
-	-	-	-
Adjusted net income	\$75.5	\$ 70.5	\$ 59.4
-	-	-	-
DILUTED EARNINGS PER SHARE:			
Reported income before accounting changes	\$2.70	\$ 1.90	\$ 1.64
Add back goodwill and excess			
reorganization value amortization	-	0.92	0.91
Adjust minority interests in AmeriGas			
Partners	-	(0.38)	(0.36)
Adjust income tax expense	-	(0.03)	(0.01)
-	-	-	-
Adjusted income per share before			
accounting changes	2.70	2.41	2.18
Cumulative effect of accounting changes	-	0.17	-
-	-	-	-
Adjusted net income per share	\$2.70	\$ 2.58	\$ 2.18
-	-	-	-

In accordance with the provisions of SFAS 142, we were required to perform transitional goodwill impairment tests for each of our reporting units having goodwill by March 31, 2002. In addition, SFAS 142 requires that we perform impairment tests annually or more frequently if events or circumstances indicate that the value of goodwill might be impaired. No goodwill impairments were recorded as a result of our SFAS 142 transitional impairment tests or our annual impairment tests completed during the fourth quarter of fiscal 2002.

STOCK-BASED COMPENSATION. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we apply the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for grants of stock, stock options, and other equity instruments to employees. For a description of stock-based compensation and related disclosures, see Note 10.

OTHER ASSETS. Included in other assets are net deferred debt issuance costs of \$14.8 million at September 30, 2002 and \$15.9 million at September 30, 2001. We are amortizing these costs over the term of the related debt.

COMPUTER SOFTWARE COSTS. We include in property, plant and equipment costs associated with computer software we develop or obtain for use in our businesses. We amortize computer software costs on a straight-line basis over expected periods of benefit not exceeding ten years once the installed software is ready for its intended use.

DEFERRED FUEL COSTS. Gas Utility's tariffs contain clauses which permit recovery of certain purchased gas costs through the application of purchased gas cost ("PGC") rates. The clauses provide for periodic adjustments to PGC rates for the difference between the total amount of purchased gas costs collected from customers and the recoverable costs incurred. In accordance with SFAS 71, we defer the difference between amounts recognized in revenues and the applicable gas costs incurred until they are subsequently billed or refunded to customers.

ENVIRONMENTAL LIABILITIES. We accrue environmental investigation and cleanup costs when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Our estimated liability for environmental contamination is reduced to reflect anticipated participation of other responsible parties but is not reduced for possible recovery from insurance carriers. We do not discount to present value the costs of future expenditures for environmental liabilities. We intend to pursue recovery of any incurred costs through all appropriate means, including regulatory relief. Gas Utility is 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 is currently permitted to include in rates, through future base rate proceedings, a five-year average of such prudently incurred removal costs.

FOREIGN CURRENCY TRANSLATION. Balance sheets of international subsidiaries and investments in international propane joint ventures are translated into U.S. dollars using the exchange rate at the balance sheet date. Income statements and equity method results are translated into U.S. dollars using a weighted-average exchange rate for each reporting period. Where the local currency is the functional currency, translation adjustments are recorded in other comprehensive income. Where the local currency is not the functional currency, translation adjustments are recorded in net income.

COMPREHENSIVE INCOME (LOSS). Comprehensive income (loss) comprises net income and other comprehensive income (loss). Other comprehensive income (loss) principally results from gains and losses on derivative instruments qualifying as cash flow hedges and foreign currency translation adjustments. The components of accumulated other comprehensive income (loss) at September 30, 2001 and 2002 follows:

	Derivative Instruments Gains (Losses)	Foreign Currency Translation Adjustments	Total
Balance - September 30, 2001	\$(13.7)	\$0.2	\$(13.5)
Balance - September 30, 2002	\$ 3.1	\$3.5	\$ 6.6

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS. The Financial Accounting Standards Board ("FASB") recently issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"); SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"); SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"); and SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146").

SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with a corresponding increase in the carrying value of the related asset. Entities shall subsequently charge the retirement cost to expense using a systematic and rational method over the related asset's useful life and adjust the fair value of the liability resulting from the passage of time through charges to operating expense. We adopted SFAS 143 effective October 1, 2002. The adoption of SFAS 143 did not have a material effect on our financial position or

results of operations. Our joint venture, AGZ Holdings, is required to adopt SFAS 143 effective April 1, 2003. We are currently in the process of evaluating the impact of SFAS 143 on AGZ Holdings.

SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," as it relates to the disposal of a segment

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

Note 1 continued

of a business. SFAS 144 establishes a single accounting model for long-lived assets to be disposed of based upon the framework of SFAS 121, and resolves significant implementation issues of SFAS 121. We adopted SFAS 144 effective October 1, 2002. The adoption of SFAS 144 did not affect our financial position or results of operations.

SFAS 145 rescinded SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (an amendment of APB Opinion No. 30) ("SFAS 4"), effective for fiscal years beginning after May 15, 2002. SFAS 4 had required that material gains and losses on extinguishment of debt be classified as an extraordinary item. Under SFAS 145, it is less likely that a gain or loss on extinguishment of debt would be classified as an extraordinary item in the Consolidated Statement of Income. Among other things, SFAS 145 also amends SFAS No. 13, "Accounting for Leases," to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS 145 relating to leases were effective for transactions occurring after May 15, 2002. The application of SFAS 145 did not affect our financial position or results of operations during 2002.

SFAS 146 addresses accounting for costs associated with exit or disposal activities and replaces the guidance in Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." Generally, SFAS 146 requires that a liability for costs associated with an exit or disposal activity, including contract termination costs, employee termination benefits and other associated costs, be recognized when the liability is incurred. Under EITF No. 94-3, a liability was recognized at the date an entity committed to an exit plan. SFAS 146 will be effective for disposal activities initiated after December 31, 2002.

NOTE 2 - ACQUISITIONS

On August 21, 2001, AmeriGas Partners, through AmeriGas OLP, acquired the propane distribution businesses of Columbia Energy Group ("Columbia Propane Businesses") in a series of equity and asset purchases pursuant to the terms of the Purchase Agreement dated January 30, 2001, and Amended and Restated August 7, 2001 ("Columbia Purchase Agreement") by and among Columbia Energy Group ("CEG"), Columbia Propane Corporation ("Columbia Propane"), Columbia Propane, L.P. ("CPLP"), CP Holdings, Inc. ("CPH"), AmeriGas Partners, AmeriGas OLP, and the General Partner. The acquired businesses comprised the seventh largest retail marketer of propane in the United States with annual sales of over 300 million gallons from locations in 29 states. The acquired businesses were principally conducted through Columbia Propane and its approximate 99% owned subsidiary, CPLP (referred to after the acquisition as "Eagle OLP"). AmeriGas OLP acquired substantially all of the assets of Columbia Propane, including an indirect 1% general partner interest and an approximate 99% limited partnership interest in Eagle OLP.

The purchase price of the Columbia Propane Businesses consisted of \$201.8 million in cash. In addition, AmeriGas OLP agreed to pay CEG for the amount of working capital, as defined, in excess of \$23 million. In April 2002, the Partnership's management and CEG agreed upon the amount of working capital acquired by AmeriGas OLP and AmeriGas OLP made an additional payment for working capital and other adjustments totaling \$0.7 million. The Columbia Purchase Agreement also provided for the purchase by CEG of limited partnership interests in AmeriGas OLP valued at \$50 million for \$50 million in cash, which interests were exchanged for 2,356,953 Common Units of AmeriGas Partners having an estimated fair value of \$54.4 million. Concurrently with the acquisition, AmeriGas Partners issued \$200 million of 8.875% Senior Notes due May 2011, the net proceeds of which were contributed to AmeriGas OLP to finance the acquisition of the Columbia Propane Businesses, to fund related fees and expenses, and to repay debt outstanding under AmeriGas OLP's Bank Credit Agreement. The operating results of the Columbia Propane Businesses are included in our consolidated results from August 21, 2001.

The following table identifies the components of the purchase price:

=====	
Cash paid	\$ 202.5
Cash received from sale of AmeriGas OLP limited partner interests	(50.0)
Fair value of AmeriGas Partners' Common Units issued in exchange for the AmeriGas OLP limited partner interests	54.4
Transaction costs and expenses	8.2
Involuntary employee termination benefits and relocation costs	2.6
Other liabilities and obligations incurred	1.0

Total	\$ 218.7

As of September 30, 2002, substantially all involuntary employee termination benefits and relocation costs had been paid.

The purchase price of the Columbia Propane Businesses has been allocated to the assets and liabilities acquired as follows:

=====

Net current assets	\$	16.7
Property, plant and equipment		182.8
Customer relationships and noncompete agreement (estimated useful life of 15 and 5 years, respectively)		19.9
Other assets and liabilities		(0.7)

Total	\$	218.7

The following table presents unaudited pro forma income statement and diluted per share data for 2001 and 2000 as if the acquisition of the Columbia Propane Businesses had occurred as of the beginning of those years:

	2001	2000
=====		
Revenues	\$2,838.3	\$2,069.8
Income before accounting changes	50.8	39.5
Net income	55.3	39.5
Diluted earnings per share:		
Income before accounting changes	1.86	1.45
Net income	2.02	1.45

The pro forma results of operations reflect the Columbia Propane Businesses' historical operating results after giving effect to adjustments directly attributable to the transaction that are expected to have a continuing impact. They are not adjusted for, among other things, the impact of normal weather conditions, operating synergies and anticipated cost savings. In our opinion, the unaudited pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisition of the Columbia Propane Businesses occurred as of the beginning of the years presented or of future operating results under our management.

During 2001, Energy Services acquired two energy marketing businesses and the Partnership acquired several small propane distribution businesses for total cash consideration of \$5.4 million. During 2000, the Partnership acquired several propane distribution businesses, and Enterprises acquired an HVAC business, for net cash consideration of \$65.3 million. The excess of the purchase price over the amount allocated to the net assets acquired for the 2000 acquisitions was approximately \$42 million. The operating results of these businesses have been included in the consolidated results from their respective dates of acquisition. The pro forma effect of these transactions was not material to our 2001 and 2000 results of operations.

NOTE 3 - CHANGES IN ACCOUNTING

TANK FEE REVENUE RECOGNITION. In order to apply the guidance of SAB 101, effective October 1, 2000, the Partnership changed its method of accounting for annually billed nonrefundable tank fees. Prior to the change in accounting, nonrefundable tank fees for installed Partnership-owned tanks were recorded as revenue when billed. Under the new accounting method, revenues from such fees are being recorded on a straight-line basis over one year. As a result of this change in accounting, on October 1, 2000, we recorded an after-tax charge of \$2.1 million representing the cumulative effect of the change in accounting on prior years. The change in accounting for nonrefundable tank fees did not have a material impact on reported revenues in 2002 and 2001, and would not have had a material impact on reported revenues in 2000. At September 30, 2002 and 2001, deferred revenues relating to nonrefundable tank fees were \$6.8 million and \$6.2 million, respectively.

ACCOUNTING FOR TANK INSTALLATION COSTS. Effective October 1, 2000, the Partnership changed its method of accounting for tank installation costs which are not billed to customers. Prior to the change in accounting, costs to install Partnership-owned tanks at a customer location were expensed as incurred. Under the new accounting method, all such costs, net of amounts billed to customers, are capitalized in property, plant and equipment and amortized over the estimated period of benefit not exceeding ten years. The Partnership believes that the new accounting method better matches the costs of installing Partnership-owned tanks with the periods benefited. As a result of this change in accounting, on October 1, 2000, we recorded after-tax income of \$6.9 million representing the cumulative effect of the change in accounting on prior years. The change in accounting for tank installation costs did not have a material effect on 2001 net income.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND PRO FORMA DISCLOSURE. The cumulative effect reflected on the 2001 Consolidated Statement of Income and related diluted per share amounts resulting from the above changes in accounting principles, as well as the cumulative effect resulting from the adoption of SFAS 133 (see Note 1), comprise the following:

	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	After-Tax Income (Loss)	Diluted Earnings (Loss) Per Share
Tank fees	\$(3.5)	\$ 1.4	\$(2.1)	\$(0.08)
Tank installation costs	11.3	(4.4)	6.9	0.25
SFAS 133	(0.4)	0.1	(0.3)	(0.01)
Total	\$ 7.4	\$(2.9)	\$ 4.5	\$ 0.16

The pro forma impact on 2000 net income and net income per share after applying retroactively the changes in accounting for tank installation costs and nonrefundable tank fees was not materially different from reported amounts.

NOTE 4 - UTILITY REGULATORY MATTERS

GAS UTILITY

GAS COMPETITION ACT. On June 22, 1999, the Gas Competition Act was signed into law. The purpose of the Gas Competition Act is to provide all natural gas consumers in Pennsylvania with the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local gas distribution companies ("LDCs") like Gas Utility may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to price regulation by the PUC. LDCs serve as the supplier of last resort for all residential and small commercial and industrial ("core-market") customers unless the PUC approves another supplier of last resort. The Gas Competition Act requires energy marketers seeking to serve customers of LDCs to accept assignment of a portion of the LDC's pipeline capacity and storage contracts at contract rates, thus avoiding the creation of

stranded costs. After July 1, 2002, a natural gas supplier may petition the PUC to avoid such contract release or assignment. However, such petition may be granted only if the LDC fully recovers the cost of contracts. The Gas Competition Act, in conjunction with a companion bill, eliminated the gross receipts tax on sales of gas effective January 1, 2000.

On June 29, 2000, the PUC issued the Gas Restructuring Order approving Gas Utility's restructuring plan filed by Gas Utility pursuant to the Gas Competition Act. Among other things, the implementation of the Gas Restructuring Order resulted in an increase in Gas Utility's core-market base rates effective October 1, 2000. This base rate increase was designed to generate approximately \$16.7 million in additional net annual revenues. In accordance with the Gas Restructuring Order, Gas Utility reduced its core-market PGC rates by an annualized amount of \$16.7 million in the first 14 months following the October 1, 2000 base rate increase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 4 continued

Effective December 1, 2001, Gas Utility was required to reduce its core-market PGC rates by amounts equal to the margin it receives from interruptible customers using pipeline capacity contracted by Gas Utility for core-market customers. As a result, Gas Utility operating results are more sensitive to the effects of heating-season weather and less sensitive to the market prices of alternative fuels.

ELECTRIC UTILITY

ELECTRIC UTILITY RESTRUCTURING ORDER. On June 19, 1998, the PUC entered its Opinion and Order ("Electricity Restructuring Order") in Electric Utility's restructuring proceeding pursuant to the Electricity Choice Act. Under the terms of the Electricity Restructuring Order, Electric Utility was authorized to recover \$32.5 million in stranded costs (on a full revenue requirements basis which includes all income and gross receipts taxes) over a four-year period beginning January 1, 1999 through a Competitive Transition Charge ("CTC") (together with carrying charges on unrecovered balances of 7.94%) and to charge unbundled rates for generation, transmission and distribution services. Stranded costs are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Electric Utility's recoverable stranded costs included \$8.7 million for the buy-out of a 1993 power purchase agreement with an independent power producer. Under the terms of the Electricity Restructuring Order and in accordance with the Electricity Choice Act, Electric Utility generally could not increase the generation component of prices during the period that stranded costs were being recovered through the CTC. Since January 1, 1999, all of Electric Utility's customers have been permitted to choose an alternative generation supplier. Customers choosing an alternative supplier during the stranded cost recovery period received a "shopping credit."

The PUC approved a settlement establishing rules for Electric Utility Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively the "POLR Settlement") under which Electric Utility terminated stranded cost recovery through its CTC from commercial and industrial ("C&I") customers on July 31, 2002, and from residential customers on October 31, 2002, and is no longer subject to the statutory rate caps as of August 1, 2002 for C&I customers and as of November 1, 2002 for residential customers. Charges for generation service will (1) initially be set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times up to certain specified caps through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple-year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges.

FORMATION OF HUNLOCK CREEK ENERGY VENTURES. On December 8, 2000, a subsidiary of UGI Utilities contributed its coal-fired Hunlock Creek generating station ("Hunlock") and certain related assets having a net book value of approximately \$4.2 million, and \$6 million in cash, to Hunlock Creek Energy Ventures ("Energy Ventures"), a general partnership jointly owned by us and a subsidiary of Allegheny Energy, Inc. ("Allegheny"). The contribution was recorded at carrying value and no gain was recognized by the Company. Also on December 8, 2000, Allegheny contributed a newly constructed, gas-fired combustion turbine generator to be operated at the Hunlock site. Under the terms of our arrangement with Allegheny, each partner is entitled to purchase 50% of the output of the joint venture at cost. Total purchases from Energy Ventures in 2002 and 2001 were \$9.8 million and \$8.0 million, respectively.

REGULATORY ASSETS AND LIABILITIES

The following regulatory assets and liabilities are included in our accompanying balance sheets at September 30:

	2002	2001
=====		
Regulatory assets:		
Income taxes recoverable	\$54.7	\$51.8
Power agreement buy-out	-	1.3
Other postretirement benefits	2.4	2.6
Deferred fuel costs	4.3	-
Other	0.6	0.5

Total regulatory assets	\$62.0	\$56.2

Regulatory liabilities:		
Other postretirement benefits	\$ 4.3	\$ 4.3
Deferred fuel costs	-	2.8

Total regulatory liabilities	\$ 4.3	\$ 7.1

Utilities' regulatory liabilities are included in "other current liabilities" and "other noncurrent liabilities" on the Consolidated Balance Sheets. The Company's regulatory assets do not earn a return.

NOTE 5 - DEBT

Long-term debt comprises the following at September 30:

	2002	2001
=====		
AMERIGAS PROPANE:		
AmeriGas Partners Senior Notes:		
8.875%, due May 2011 (of which \$40 in 2002 includes unamortized premium of \$1.5, effective rate - 8.25%)	\$ 241.6	\$ 200.0
10%, due April 2006 (less unamortized discount of \$0.2 and \$0.3, respectively, effective rate - 10.125%)	59.8	59.7
10.125%, due April 2007	85.0	100.0
AmeriGas OLP First Mortgage Notes:		
Series A, 9.34% - 11.71%, due April 2001 through April 2009 (including unamortized premium of \$7.9 and \$9.2, respectively, effective rate - 8.91%)	167.9	189.2
Series B, 10.07%, due April 2001 through April 2005 (including unamortized premium of \$2.3 and \$3.9, respectively, effective rate - 8.74%)	122.3	163.9
Series C, 8.83%, due April 2003 through April 2010	110.0	110.0
Series D, 7.11%, due March 2009 (including unamortized premium of \$2.2 and \$2.4, respectively, effective rate - 6.52%)	72.2	72.4
Series E, 8.50%, due July 2010 (including unamortized premium of \$0.1 and \$0.2, respectively, effective rate - 8.47%)	80.1	80.2
AmeriGas OLP Acquisition Facility	-	20.0
Other	6.9	10.5

Total AmeriGas Propane	945.8	1,005.9

UGI UTILITIES:		
Medium-Term Notes:		
7.25% Notes, due November 2017	20.0	20.0
7.17% Notes, due June 2007	20.0	20.0
7.37% Notes, due October 2015	22.0	22.0
6.73% Notes, due October 2002	26.0	26.0
6.62% Notes, due May 2005	20.0	20.0
7.14% Notes, due December 2005 (including unamortized premium of \$0.4 and \$0.5, respectively, effective rate - 6.64%)	30.4	30.5
7.14% Notes, due December 2005	20.0	20.0
5.53% Notes, due September 2012	40.0	-
6.50% Senior Notes, due August 2003 (less unamortized discount of \$0.1 in 2001)	50.0	49.9

Total UGI Utilities	248.4	208.4

OTHER:		
FLAGA Acquisition Note, due September 2002 through September 2006	64.3	62.7
FLAGA euro special purpose facility	10.8	10.7
Other	6.4	7.5

Total long-term debt	1,275.7	1,295.2
Less current maturities (including net unamortized premiums of \$2.9 and \$3.3, respectively)	(148.7)	(98.3)

Total long-term debt due after one year	\$ 1,127.0	\$1,196.9

Scheduled principal repayments of long-term debt due in fiscal years 2003 to 2007 follows:

	2003	2004	2005	2006	2007
=====					
AmeriGas Propane	\$ 57.5	\$55.1	\$54.9	\$113.2	\$138.7
UGI Utilities	76.0	-	20.0	50.0	20.0
Other	12.3	6.1	11.1	47.6	1.4

Total	\$145.8	\$61.2	\$86.0	\$210.8	\$160.1

AMERIGAS PROPANE

AMERIGAS PARTNERS SENIOR NOTES. The 8.875% Senior Notes generally cannot be redeemed at our option prior to May 20, 2006. A redemption premium applies thereafter through May 19, 2009. However, prior to May 20, 2004, AmeriGas Partners may use the proceeds of a public offering of Common Units to redeem up to 33% of the 8.875% Senior Notes at 108.875% plus accrued and unpaid interest. The 10% Senior Notes generally cannot be redeemed at our option prior to their

maturity. The 10.125% Senior Notes are redeemable prior to their maturity date. A redemption premium applies until April 15, 2004. In November 2001, AmeriGas Partners prepaid \$15 million of 10.125% Senior Notes at a redemption price of 103.375%. AmeriGas Partners may, under certain circumstances following the disposition of assets or a change of control, be required to offer to prepay the Senior Notes.

AMERIGAS OLP FIRST MORTGAGE NOTES. AmeriGas OLP's First Mortgage Notes are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of the Series A, B, and C First Mortgage Notes, and the General Partner is co-obligor of the Series D and E First Mortgage Notes. AmeriGas OLP may prepay the First Mortgage Notes, in whole or in part. These prepayments include a make whole premium. Following the disposition of assets or a change of control, AmeriGas OLP may be required to offer to prepay the First Mortgage Notes, in whole or in part.

AMERIGAS OLP BANK CREDIT AGREEMENT. AmeriGas OLP's Second Amended and Restated Credit Agreement ("Bank Credit Agreement") consists of (1) a Revolving Credit Facility and (2) an Acquisition Facility. AmeriGas OLP's obligations under the Bank Credit Agreement are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of amounts outstanding under the Bank Credit Agreement.

Under the Revolving Credit Facility, AmeriGas OLP may borrow up to \$100 million (including a \$35 million sublimit for letters of credit) subject to restrictions in the AmeriGas Partners Senior Notes indentures (see "Restrictive Covenants" below). The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Revolving Credit Facility expires October 1, 2003, but may be extended for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. AmeriGas OLP had borrowings under the Revolving Credit Facility totaling \$10 million at September 30, 2002, which we classify as bank loans. There were no borrowings outstanding under the Revolving Credit Facility at September 30, 2001. Issued and outstanding letters of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 5 continued

credit, which reduce available borrowings under the Revolving Credit Facility, totaled \$19.8 million and \$9.5 million at September 30, 2002 and 2001, respectively.

The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75 million to finance the purchase of propane businesses or propane business assets. In addition, up to \$30 million of the Acquisition Facility may be used for working capital purposes. The Acquisition Facility operates as a revolving facility through October 1, 2003, at which time amounts then outstanding will be immediately due and payable.

The Revolving Credit Facility and the Acquisition Facility permit AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank's prime rate (4.75% at September 30, 2002), or at two-week, one-, two-, three-, or six-month Eurodollar Rate, as defined in the Bank Credit Agreement, plus a margin. The margin on Eurodollar Rate borrowings (which ranges from 1.00% to 2.25%), and the Bank Credit Agreement commitment fee rate (which ranges from 0.25% to 0.50%) are dependent upon AmeriGas OLP's ratio of funded debt to earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"), each as defined in the Bank Credit Agreement. The weighted-average interest rate on Revolving Credit Facility borrowings at September 30, 2002 was 4.75%. The weighted-average interest rate on Acquisition Facility loans outstanding at September 30, 2001 was 4.08%. AmeriGas OLP had the ability to borrow an additional \$67.7 million under the Acquisition Facility based upon eligible propane business and asset expenditures made through September 30, 2002.

GENERAL PARTNER FACILITY. AmeriGas OLP also has a revolving credit agreement with the General Partner under which it may borrow up to \$20 million for working capital and general purposes. This agreement is coterminous with, and generally comparable to, AmeriGas OLP's Revolving Credit Facility except that borrowings under the General Partner Facility are unsecured and subordinated to all senior debt of AmeriGas OLP. Interest rates on borrowings are based upon one-month offshore interbank offering rates. Commitment fees are determined in the same manner as fees under the Revolving Credit Facility. UGI has agreed to contribute up to \$20 million to the General Partner to fund such borrowings.

RESTRICTIVE COVENANTS. The Senior Notes of AmeriGas Partners restrict the ability of the Partnership to, among other things, incur additional indebtedness, make investments, incur liens, issue preferred interests, prepay subordinated indebtedness, and effect mergers, consolidations and sales of assets. Under the Senior Notes indentures, AmeriGas Partners is generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if certain conditions are met. These conditions include:

1. no event of default exists or would exist upon making such distributions and
2. the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75-to-1.

If the ratio in item 2 above is less than or equal to 1.75-to-1, the Partnership may make cash distributions in a total amount not to exceed \$24 million less the total amount of distributions made during the immediately preceding 16 fiscal quarters. At September 30, 2002, such ratio was 2.41-to-1.

The Bank Credit Agreement and the First Mortgage Notes restrict the incurrence of additional indebtedness and also restrict certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The Bank Credit Agreement and First Mortgage Notes require the ratio of total indebtedness, as defined, to EBITDA, as defined (calculated on a rolling four-quarter basis or eight-quarter basis divided by two), to be less than or equal to 4.75-to-1 with respect to the Bank Credit Agreement and 5.25-to-1 with respect to the First Mortgage Notes. In addition, the Bank Credit Agreement requires that AmeriGas OLP maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. Generally, as long as no default exists or would result, AmeriGas OLP 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. At September 30, 2002, the Partnership was in compliance with its financial covenants.

UGI UTILITIES

REVOLVING CREDIT AGREEMENTS. At September 30, 2002, UGI Utilities had revolving credit agreements with four banks providing for borrowings of up to \$97 million. These agreements expire at various dates through September 2005. UGI Utilities may borrow at various prevailing interest rates, including LIBOR. UGI Utilities pays quarterly commitment fees on these credit lines. UGI Utilities had borrowings under these agreements totaling \$37.2 million at September 30, 2002 and \$57.8 million at September 30, 2001, which we classify as bank loans. The weighted-average interest rates on UGI Utilities bank loans were 2.35% at September 30, 2002 and 3.75% at September 30, 2001.

RESTRICTIVE COVENANTS. UGI Utilities' credit agreements have restrictions on such items as total debt, debt service, and payments for investments. They also require consolidated tangible net worth of at least \$125 million. At September 30, 2002, UGI Utilities was in compliance with its financial covenants.

OTHER

At September 30, 2002, FLAGA's multi-currency acquisition note ("Acquisition Note") consisted of a \$14.5 million U.S. dollar denominated obligation and a 50.5 million euro-denominated obligation. During 2002, a portion of the euro-denominated acquisition note was converted to a \$16.7 million U.S. dollar denominated obligation. The Acquisition Note bears interest at a rate of 1.25% over one- to twelve-month euribor rates (as chosen by FLAGA from time to time). The effective interest rates on the Acquisition Note at September 30, 2002 and September 30, 2001 were 4.86% and 5.42%, respectively. On or after September 10, 2003, FLAGA may prepay the Acquisition Note, in whole or in part. Prior to March 11, 2005, such prepayments shall be at a premium.

At September 30, 2002, FLAGA has a 15 million euro working capital loan commitment from a European bank. The working capital facility expires in September 2003, but may be extended with the bank's consent. Loans under the working capital facility, as well as borrowings under FLAGA's special purpose facility, bear interest at market rates. The weighted-average interest rate on FLAGA's working capital facility at September 30, 2002 was 4.40%. Borrowings under the euro working capital facility at September 30, 2002 and 2001 totaled \$8.6 million and \$10.0 million, respectively, and are classified as bank loans.

The FLAGA Acquisition Note, special purpose facility and the working capital facility are subject to guarantees of UGI. In addition, under certain conditions regarding changes in the credit rating of UGI Utilities' long-term debt, the lending bank may require UGI to grant additional security or may accelerate repayment of the debt.

NOTE 6 - INCOME TAXES

Income before income taxes comprises the following:

	2002	2001	2000
Domestic	\$117.2	\$103.0	\$ 93.4
Foreign	6.8	(4.0)	(7.0)
Total income before income taxes	\$124.0	\$ 99.0	\$ 86.4

The provisions for income taxes consist of the following:

	2002	2001	2000
Current expense:			
Federal	\$26.5	\$39.2	\$28.6
State	9.3	11.7	8.3
Foreign	0.1	-	-
Total current expense	35.9	50.9	36.9
Deferred (benefit) expense:			
Federal	11.8	(2.9)	5.7
State	(0.4)	(1.2)	(0.2)
Foreign	-	(1.0)	(1.9)
Investment tax credit amortization	(0.4)	(0.4)	(0.4)
Total deferred (benefit) expense	11.0	(5.5)	3.2
Total income tax expense	\$46.9	\$45.4	\$40.1

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

	2002	2001	2000
Statutory federal tax rate	35.0%	35.0%	35.0%
Difference in tax rate due to:			
State income taxes, net of federal	5.3	7.3	7.5
Goodwill amortization	-	4.4	5.8
Other, net	(2.5)	(0.8)	(1.9)
Effective tax rate	37.8%	45.9%	46.4%

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

	2002	2001
Excess book basis over tax basis of property, plant and equipment	\$199.2	\$180.3
Regulatory assets	23.7	23.3
Pension plan asset	10.5	8.9
Other	17.0	12.6
Gross deferred tax liabilities	250.4	225.1
Self-insured property and casualty liability	(9.0)	(8.2)
Employee-related benefits	(16.2)	(14.5)
Premium on long-term debt	(2.5)	(3.2)
Deferred investment tax credits	(3.5)	(3.6)
Hearth USA(TM) shut-down costs	-	(3.3)
Accumulated other comprehensive loss	-	(9.7)

Operating loss carryforwards	(13.3)	(8.9)
Allowance for doubtful accounts	(2.4)	(3.2)
Other	(15.6)	(15.1)

Gross deferred tax assets	(62.5)	(69.7)

Deferred tax assets valuation allowance	1.9	1.8

Net deferred tax liabilities	\$189.8	\$157.2

Deferred income taxes of approximately \$1.9 million have not been provided on the excess of book basis over tax basis of our equity investment in AGZ Holdings because the Company has no present intent to dispose of this investment.

UGI Utilities had recorded deferred tax liabilities of approximately \$35.5 million as of September 30, 2002 and \$33.9 million as of September 30, 2001, 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 \$3.5 million at September 30, 2002 and \$3.6 million at September 30, 2001, pertaining to utility deferred investment tax credits. UGI Utilities had recorded regulatory income tax assets related to these net deferred taxes of \$54.7 million as of September 30, 2002 and \$51.8 million as of September 30, 2001. These regulatory income tax assets represent future revenues expected to be recovered through the ratemaking process. We will recognize this regulatory income tax asset in deferred tax expense as the corresponding temporary differences reverse and additional income taxes are incurred.

Foreign net operating loss carryforwards of FLAGA totaled approximately \$33.0 million, \$5.1 million of which expires through 2007 and \$27.9 million of which has no expiration date. At September 30, 2002, deferred tax assets relating to operating loss carryforwards include those of FLAGA and \$2.3 million of deferred tax assets associated with state net operating loss carryforwards expiring through 2022. Substantially all of our deferred tax valuation allowances relate to state operating loss carryforwards.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS. We sponsor a defined benefit pension plan ("UGI Utilities Pension Plan") for employees of UGI, UGI Utilities, and certain of UGI's other wholly

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

Note 7 continued

owned subsidiaries. In addition, we provide postretirement health care benefits to certain retirees and a limited number of active employees meeting certain age and service requirements, and postretirement life insurance benefits to nearly all domestic active and retired employees.

The following provides a reconciliation of benefit obligations, plan assets, and funded status of these plans as of September 30:

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
=====				
CHANGE IN BENEFIT OBLIGATIONS:				
Benefit obligations - beginning of year	\$165.2	\$150.9	\$ 21.3	\$ 19.7
Service cost	3.6	3.1	0.1	0.1
Interest cost	12.5	12.1	1.7	1.6
Plan amendments	0.4	-	-	-
Actuarial loss	18.6	7.9	5.8	1.8
Benefits paid	(9.4)	(8.8)	(1.6)	(1.9)

Benefit obligations - end of year	\$190.9	\$165.2	\$ 27.3	\$ 21.3

CHANGE IN PLAN ASSETS:

Fair value of plan assets - beginning of year	\$183.7	\$223.5	\$ 7.0	\$ 6.4
Actual return on plan assets	(8.3)	(31.0)	0.1	0.2
Employer contributions	-	-	2.3	2.2
Benefits paid	(9.3)	(8.8)	(1.6)	(1.8)

Fair value of plan assets - end of year	\$166.1	\$183.7	\$ 7.8	\$ 7.0

Funded status of the plans	\$(24.8)	\$ 18.5	\$ (19.5)	\$(14.3)
Unrecognized net actuarial (gain) loss	50.2	4.2	4.7	(1.4)
Unrecognized prior service cost	3.0	3.3	-	-
Unrecognized net transition (asset) obligation	(3.0)	(4.6)	8.7	9.5

Prepaid (accrued) benefit cost - end of year	\$ 25.4	\$ 21.4	\$ (6.1)	\$ (6.2)

ASSUMPTIONS AS OF SEPTEMBER 30:

Discount rate	6.8%	7.7%	6.8%	7.7%
Expected return on plan assets	9.5%	9.5%	6.0%	6.0%
Rate of increase in salary levels	4.5%	4.5%	4.5%	4.5%

Net periodic pension income and other postretirement benefit costs include the following components:

	Pension Benefits			Other Postretirement Benefits		
	2002	2001	2000	2002	2001	2000
=====						
Service cost	\$ 3.6	\$ 3.1	\$ 3.2	\$ 0.1	\$ 0.1	\$ 0.1
Interest cost	12.5	12.1	11.8	1.7	1.6	1.4
Expected return on assets	(19.1)	(18.9)	(17.0)	(0.3)	(0.3)	(0.3)
Amortization of:						
Transition (asset) obligation	(1.6)	(1.6)	(1.6)	0.9	0.9	0.9
Prior service cost	0.6	0.6	0.6	-	-	-
Actuarial gain	-	(1.2)	-	(0.1)	(0.1)	(0.2)

Net benefit cost (income)	(4.0)	(5.9)	(3.0)	2.3	2.2	1.9
Change in regulatory assets and liabilities	-	-	-	1.2	1.4	1.4

Net expense (income)	\$ (4.0)	\$ (5.9)	\$ (3.0)	\$ 3.5	\$ 3.6	\$ 3.3

UGI Utilities Pension Plan assets are held in trust and consist principally of equity and fixed income mutual funds and a commingled bond fund. UGI Common Stock comprised approximately 6% of trust assets at September 30, 2002. Although the UGI Utilities Pension Plan projected benefit obligation exceeded plan assets at September 30, 2002, plan assets exceeded accumulated benefit obligations by approximately \$7.2 million.

Pursuant to orders issued by the PUC, UGI Utilities has established a Voluntary Employees' Beneficiary Association ("VEBA") trust to pay retiree

health care and life insurance benefits and to fund the UGI Utilities' postretirement benefit liability. UGI Utilities is required to fund its postretirement benefit obligations by depositing into the VEBA the annual amount of postretirement benefits costs determined under SFAS No. 106, "Employers Accounting for Postretirement Benefits Other than Pensions." The difference between such amounts and amounts included in UGI Utilities' rates is deferred for future recovery from, or refund to, ratepayers. VEBA investments consist principally of money market funds.

The assumed health care cost trend rates are 12.0% for fiscal 2003, decreasing to 5.5% in fiscal 2010. A one percentage point change in the assumed health care cost trend rate would change the 2002 postretirement benefit cost and obligation as follows:

	1% Increase	1% Decrease
Effect on total service and interest costs	\$0.1	\$(0.1)
Effect on postretirement benefit obligation	\$1.5	\$(1.3)

We also sponsor unfunded retirement benefit plans for certain key employees. At September 30, 2002 and 2001, the projected benefit obligations of these plans were not material. We recorded expense for these plans of \$1.4 million in 2002, \$1.2 million in 2001, and \$0.9 million in 2000.

DEFINED CONTRIBUTION PLANS. We sponsor 401(k) savings plans for eligible employees of UGI, UGI Utilities, AmeriGas Propane, HVAC and certain of UGI's other wholly owned domestic subsidiaries. Generally, participants in these plans may contribute a portion of their compensation on either a before-tax basis, or on both a before-tax and after-tax basis. These plans also provide for either mandatory or discretionary employer matching contributions at various rates. The cost of benefits under the savings plans totaled \$4.5 million in 2002, \$6.2 million in 2001, and \$5.9 million in 2000.

NOTE 8 - INVENTORIES

Inventories comprise the following at September 30:

	2002	2001
Propane gas	\$ 40.4	\$ 54.8
Utility fuel and gases	36.6	45.6
Materials, supplies and other	32.2	28.2

Total inventories	\$109.2	\$128.6

NOTE 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. We had no shares of UGI Series Preferred Stock outstanding at September 30, 2002 or 2001.

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. We have paid cash dividends at the specified annual rates on all outstanding UGI Utilities Series Preferred Stock.

At September 30, 2002 and 2001, UGI Utilities had outstanding 200,000 shares of \$7.75 Series cumulative preferred stock. 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 at a price of \$100 per share. The \$7.75 Series 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 are subject to mandatory redemption on October 1, 2009, at a price of \$100 per share.

NOTE 10 - COMMON STOCK AND INCENTIVE STOCK AWARD PLANS

Common Stock share activity for 2000, 2001 and 2002 follows:

	Issued	Treasury	Outstanding
Balance at September 30, 1999	33,198,731	(5,928,338)	27,270,393
Issued:			
Employee and director plans	-	62,525	62,525
Dividend reinvestment plan	-	114,430	114,430
Reacquired	-	(453,639)	(453,639)
Balance September 30, 2000	33,198,731	(6,205,022)	26,993,709
Issued:			
Employee and director plans	-	241,039	241,039
Dividend reinvestment plan	-	98,812	98,812
Reacquired	-	(37,163)	(37,163)
Balance September 30, 2001	33,198,731	(5,902,334)	27,296,397
Issued:			
Employee and director plans	-	321,863	321,863
Dividend reinvestment plan	-	87,062	87,062
Reacquired	-	(3,592)	(3,592)
Balance September 30, 2002	33,198,731	(5,497,001)	27,701,730

STOCK OPTION AND INCENTIVE PLANS. Under UGI's current employee stock option and incentive plans, we may grant options to acquire shares of Common Stock, or issue awards of restricted stock, to key employees. The exercise price for options granted under these plans may not be less than the fair market value on the grant date. Grants of stock options or awards of restricted stock under these plans may vest immediately or ratably over a period of years, and stock options generally can be exercised no later than ten years from the grant date.

Under the 2000 Stock Incentive Plan ("2000 Incentive Plan"), awards representing up to 1,100,000 shares of Common Stock may be granted in connection with stock options and awards of restricted stock. However, awards representing no more than 500,000 shares of restricted stock may be issued. In addition, the 2000 Incentive Plan provides that both option grants and restricted stock awards may provide for the crediting of Common Stock dividend equivalents to participants' accounts. Dividend equivalents will be paid in cash, and such payments may, at the participants' request, be deferred. Awards of restricted stock may be settled, at the option of the Company, in shares of Common Stock, cash, or a combination of Common Stock and cash. The actual number of shares (or their cash equivalent) ultimately issued, and the actual amount of dividend equivalents paid, is dependent upon the achievement of objective performance goals. During 2002 and 2001, the Company made restricted stock awards representing 169,500 and 110,675 shares, respectively. At September 30, 2002, awards representing 280,175 shares of restricted stock were outstanding.

At September 30, 2002, there remained available for grant options to acquire 111,861 shares of Common Stock under the 1997 Stock Option and Dividend Equivalent Plan ("1997 SODEP Plan"). Certain outstanding option grants under the 1997 SODEP Plan provided for the crediting of dividend equivalents subject to UGI's total shareholder return relative to a peer group of companies during the three-year period ended December 31, 1999. Based upon such performance, no dividend equivalent payments were made.

In addition to the 2000 Incentive Plan and the 1997 SODEP Plan, we have non-qualified stock option plans under which we may grant options to acquire shares of Common Stock to key employees other than executive officers of UGI.

In addition to these employee incentive plans, UGI may grant options to acquire up to a total of 200,000 shares of Common Stock to each of UGI's nonemployee Directors. No Director may be granted options to acquire more than 10,000 shares of Common Stock in any calendar year, and the exercise price may not be less than the fair market value of the Common Stock on the grant date. Generally, all options will be fully vested on the grant date.

Stock option transactions under all of our plans for 2000, 2001, and 2002 follow:

	Shares	Average Option Price
=====		
Shares under option - September 30, 1999	1,215,561	\$21.632
-		
Granted	794,750	20.683
Exercised	(30,000)	22.625
Forfeited	(96,667)	22.302
-		
Shares under option - September 30, 2000	1,883,644	21.181
-		
Granted	33,600	25.875
Exercised	(202,673)	20.807
Forfeited	(12,333)	20.828
-		
Shares under option - September 30, 2001	1,702,238	21.321
-		
Granted	476,250	30.705
Exercised	(291,978)	21.028
-		
Shares under option - September 30, 2002	1,886,510	23.786
-		
Options exercisable 2000	947,144	21.696
Options exercisable 2001	1,100,904	21.799
Options exercisable 2002	1,137,926	21.772
-		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 10 continued

The following table presents additional information relating to stock options outstanding and exercisable at September 30, 2002:

	Range of exercise prices -----	
	\$ 20.00 -	\$ 30.60 -
	\$ 25.875	\$ 31.88
Options outstanding at September 30, 2002:		
Number of options	1,410,260	476,250
Weighted average remaining contractual life (in years)	6.25	9.29
Weighted average exercise price	\$ 21.379	\$ 30.705
Options exercisable at September 30, 2002:		
Number of options	1,109,926	28,000
Weighted average exercise price	\$ 21.583	\$ 30.600

At September 30, 2002, 1,124,336 shares of Common Stock were available for future option grants or restricted stock awards under all of our stock option and incentive plans.

OTHER STOCK-BASED COMPENSATION PLANS AND AWARDS. Under the AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan ("2000 Propane Plan"), the General Partner may grant to key employees the right to receive a total of 500,000 AmeriGas Partners Common Units, or cash equivalent to the fair market value of such Common Units, upon the achievement of performance goals. In addition, the 2000 Propane Plan may provide for the crediting of Partnership distribution equivalents to participants' accounts. Distribution equivalents will be paid in cash and such payments may, at the participants' request, be deferred. The actual number of Common Units (or their cash equivalent) ultimately issued, and the actual amount of distribution equivalents paid, is dependent upon the achievement of performance goals. Generally, each grant, unless paid, will terminate when the participant ceases to be employed by the General Partner. We also have a nonexecutive Common Unit plan under which the General Partner may grant awards of up to a total of 200,000 Common Units to key employees who do not participate in the 2000 Propane Plan. Generally, awards under the nonexecutive plan vest at the end of a three-year period and will be paid in Common Units and cash. The General Partner made awards under the 2000 Propane Plan and the nonexecutive plan representing 43,250 and 66,075 Common Units in 2002 and 2001, respectively. At September 30, 2002 and 2001, awards representing 105,825 and 65,325 Common Units, respectively, were outstanding.

Under the 1997 UGI Corporation Directors' Equity Compensation Plan ("1997 Directors' Plan"), we make annual awards to our nonemployee Directors of (1) "Units," each representing an interest equivalent to one share of Common Stock, and (2) Common Stock for a portion of their annual retainer. Through December 31, 2002, Directors may also elect to receive the cash portion of their retainer fee and all or a portion of their meeting fees in the form of Units. The 1997 Directors' Plan also provides for the crediting of dividend equivalents in the form of additional Units. Units and dividend equivalents are fully vested when credited to a Director's account and will be converted to shares of Common Stock and paid upon retirement or termination of service. Units issued relating to annual awards and deferred compensation totaled 9,449, 11,556, and 12,017 in 2002, 2001 and 2000, respectively. At September 30, 2002 and 2001, there were 63,185 and 53,736 Units, respectively, outstanding.

FAIR VALUE INFORMATION. The per share weighted-average fair value of stock options granted under our option plans was \$4.91 in 2002, \$4.35 in 2001, and \$3.76 in 2000. These amounts were determined using the Black-Scholes option pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments, and the risk-free interest rate over the expected life of the option.

The assumptions we used for option grants during 2002, 2001 and 2000 are as follows:

	2002 ----	2001 ----	2000 ----
Expected life of option	6 YEARS	6 years	6 years
Expected volatility	28.8%	29.1%	26.5%
Expected dividend yield	6.7%	6.6%	6.2%
Risk free interest rate	4.7%	5.0%	6.6%

We use the intrinsic value method prescribed by APB 25 for our stock-based employee compensation plans. We recognized total stock-based compensation expense (income) of \$5.7 million in 2002, \$2.7 million in 2001, and \$(0.8) million in 2000. Stock-based compensation income in 2000 reflects the reversal of \$2.1 million of accrued dividend equivalent payments relating to the 1997 SODEP Plan. If we had determined compensation expense under the fair value method prescribed by SFAS 123, net income and diluted earnings per share for

2002, 2001 and 2000 would have been as follows:

	2002	2001	2000
	----	----	----
Net income:			
As reported	\$75.5	\$56.5	\$44.7
Pro forma	74.5	55.7	44.2
Diluted earnings per share:			
As reported	\$2.70	\$2.06	\$1.64
Pro forma	2.67	2.03	1.62

STOCK OWNERSHIP POLICY. Under the terms of our Stock Ownership Policy, executives and certain key employees are required to own UGI Common Stock having a fair value equal to approximately 40% to 450% of their base salaries. Prior to the enactment of the Sarbanes-Oxley Act of 2002, we offered full recourse, interest-bearing loans to employees in order to assist them in meeting the ownership requirements. Each loan may not exceed ten years and is collateralized by the Common Stock purchased. At September 30, 2002 and 2001, loans outstanding totaled \$3.5 million and \$4.6 million, respectively. The Company is no longer offering loans under this program.

NOTE 11 - PREFERENCE STOCK PURCHASE RIGHTS

Holders of our Common Stock own one-half of one right (as described below) for each outstanding share of Common Stock. The rights expire in 2006. 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

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:

1. acquires 20% or more of our Common Stock ("Acquiring Person") or
2. announces or commences a tender offer for 30% or more of our Common Stock.

We are entitled to redeem the rights at five cents per right at any time before the earlier of:

1. the expiration of the rights in April 2006 or
2. ten days after a person or group has acquired 20% of our Common Stock if a majority of continuing Directors concur and, in certain circumstances, thereafter.

Each holder of a right, other than an Acquiring Person, 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 if:

1. an Acquiring Person merges with UGI or engages in certain other transactions with us or
2. a person acquires 40% or more of our Common Stock.

In addition, if, after UGI (or an Acquiring Person) publicly announces that an Acquiring Person has become such, UGI engages in a merger or other business combination transaction in which:

1. we are not the surviving corporation, or
2. we are the surviving corporation, but our Common Stock is changed or exchanged, or
3. 50% or more of our assets or earning power is sold or transferred, then 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 our earnings.

NOTE 12 - PARTNERSHIP DISTRIBUTIONS

The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in a total amount equal to its Available Cash for such quarter. Available Cash generally means:

1. all cash on hand at the end of such quarter,
2. plus all additional cash on hand as of the date of determination resulting from borrowings after the end of such quarter,
3. less the amount of cash reserves established by the General Partner in its reasonable discretion.

The General Partner may establish reserves for the proper conduct of the Partnership's business and for distributions during the next four quarters. In addition, certain of the Partnership's debt agreements require reserves be established for the payment of debt principal and interest.

Distributions of Available Cash have generally been made 98% to Common and Subordinated unitholders and 2% to the General Partner. The Partnership may pay an incentive distribution if Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 ("MQD") on all units. If there was sufficient Available Cash, the holders of Common Units had the right to receive the MQD, plus any arrearages, before the distribution of Available Cash to holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after all the remaining Subordinated Units have been converted to Common Units pursuant to the terms of the Partnership Agreement. Effective November 18, 2002, the remaining Subordinated Units held by the General Partner as of September 30, 2002 were converted to Common Units (see Note 18).

NOTE 13 - COMMITMENTS AND CONTINGENCIES

We lease various buildings and transportation, computer, and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain escalation clauses. Our aggregate rental expense for such leases was \$46.5 million in 2002, \$38.4 million in 2001, and \$34.1 million in 2000.

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

	2003	2004	2005	2006	2007	After 2007
	----	----	----	----	----	----
AmeriGas Propane	\$ 35.0	\$ 29.5	\$ 25.4	\$ 20.9	\$ 16.8	\$ 41.2
UGI Utilities	2.8	2.6	2.1	1.8	1.6	4.0
International Propane						

and other	1.1	0.7	0.4	0.2	--	--
	-----	-----	-----	-----	-----	-----
Total	\$ 38.9	\$ 32.8	\$ 27.9	\$ 22.9	\$ 18.4	\$ 45.2

Gas Utility has gas supply agreements with producers and marketers with terms of less than one year. Gas Utility also has agreements for firm pipeline transportation and storage capacity, which Gas Utility may terminate at various dates through 2015. Gas Utility's costs associated with transportation and storage capacity agreements are included in its annual PGC filing with the PUC and are recoverable through PGC rates. In addition, Gas Utility has short-term gas supply agreements which permit it to purchase certain of its gas supply needs on a firm or interruptible basis at spot-market prices.

Electric Utility purchases its capacity requirements and electric energy needs under contracts with various suppliers and on the spot market. Contracts with producers for capacity and energy needs expire at various dates through December 2006.

Energy Services enters into fixed price contracts with suppliers to purchase natural gas to meet its sales commitments. Generally, these contracts have terms of less than two years.

The following table presents contractual obligations under Gas Utility, Electric Utility and Energy Services supply contracts existing at September 30, 2002:

	2003	2004	2005	2006	2007	After 2007
	----	----	----	----	----	----
Gas and electric supply contracts	\$106.4	\$ 96.5	\$56.9	\$23.3	\$14.9	\$92.4
Energy Services supply contracts	145.8	11.7	--	--	--	--
	-----	-----	-----	-----	-----	-----
Total	\$252.2	\$108.2	\$56.9	\$23.3	\$14.9	\$92.4

The Partnership also enters into contracts to purchase propane to meet a portion of its supply requirements. Generally, these contracts are one- or two-year agreements subject to annual review

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 13 continued

and call for payment based on either fixed prices or market prices at date of delivery.

The Partnership has succeeded to certain lease guarantee obligations of Petrolane relating to Petrolane's divestiture of non-propane operations before its 1989 acquisition by QFB Partners. Future lease payments under these leases total approximately \$20 million at September 30, 2002. The leases expire through 2010 and some of them are currently in default. 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. In December 1999, Texas Eastern filed for dissolution under the Delaware General Corporation Law. In May 2001, Petrolane filed a declaratory judgment action in the Delaware Chancery Court seeking confirmation of Texas Eastern's indemnification obligations and judicial supervision of Texas Eastern's dissolution to ensure that its indemnification obligations to Petrolane are paid or adequately provided for in accordance with law. Those proceedings are pending. In a Liquidation and Winding Up Agreement dated September 17, 2002, PanEnergy Corporation ("PanEnergy"), Texas Eastern's sole stockholder, agreed to assume all of Texas Eastern's liabilities as of December 20, 2002, to the extent of the value of Texas Eastern's assets transferred to PanEnergy as of that date (which is expected to exceed \$94 million), and to the extent that such liabilities arise within ten years from Texas Eastern's date of dissolution. Notwithstanding the dissolution proceeding, and based on Texas Eastern previously having satisfied directly defaulted lease obligations without the Partnership's having to honor its guarantee, we believe that the probability that the Partnership will be required to directly satisfy the lease obligations subject to the indemnification agreement is remote.

Columbia Propane, CPLP, and CPH (collectively, the "Company Parties") agreed to indemnify the former general partners of National Propane Partners, L.P. and certain of their affiliates (collectively, "National General Partners") against certain income tax and other losses that the National General Partners may sustain as a result of the 1999 acquisition by CPLP of the National Propane business (the "1999 Acquisition") or its operation of the business after the 1999 Acquisition.

CEG has agreed to indemnify AmeriGas Partners, AmeriGas OLP, the General Partner (collectively, the "Buyer Parties") and the Company Parties against any losses that they sustain under the 1999 Acquisition Agreement and related agreements ("Losses"), including claims asserted by the National General Partners ("National Claims"), to the extent such claims are based on acts or omissions of CEG or the Company Parties prior to the acquisition of the Columbia Propane Businesses by AmeriGas OLP on August 21, 2001 (the "2001 Acquisition"). The Buyer Parties have agreed to indemnify CEG against Losses, including National Claims, to the extent such claims are based on acts or omissions of the Buyer Parties or the Company Parties after the 2001 Acquisition. The Seller and Buyer Parties have agreed to apportion certain losses resulting from a National Claim to the extent such losses result from the 2001 Acquisition itself.

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. Pursuant to the requirements of 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.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because Gas Utility is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating two claims against it relating to out-of-state sites.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities, if a court were to conclude that the subsidiary's separate corporate form should be disregarded.

UGI Utilities has filed suit against more than fifty insurance companies alleging that the defendants breached contracts of insurance by failing to indemnify UGI Utilities for certain environmental costs. The suit seeks to recover more than \$11 million in such costs. During 2002, 2001 and 2000, UGI Utilities entered into settlement agreements with several of the insurers and recorded pretax income of \$0.4 million, \$0.9 million and \$4.5 million, respectively, which amounts are included in operating and administrative expenses in the Consolidated Statements of Income.

In addition to these matters, there are other pending claims and legal actions arising in the normal course of our businesses. We cannot predict with

certainty the final results of environmental and other matters. However, it is reasonably possible that some of them could be resolved unfavorably to us. We believe, 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 our financial position but could be material to our 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.

NOTE 14 - FINANCIAL INSTRUMENTS

In accordance with its propane price risk management policy, the Partnership uses derivative instruments, including price swap and option contracts and contracts for the forward sale of propane, to manage the cost of a portion of its forecasted purchases of propane and to manage market risk associated with propane storage inventories. These derivative instruments have been designated by the Partnership as cash flow or fair value hedges under SFAS 133. The fair values of these derivative instruments are affected by changes in propane product prices. In addition to these derivative instruments, the Partnership may also enter into contracts for the forward purchase of propane as well as fixed-price supply agreements to manage propane market price risk. These contracts generally qualify for the normal purchases and normal sales exception of SFAS 133 and therefore are not adjusted to fair value. FLAGA also uses derivative instruments, principally price swap contracts, to reduce market risk associated with purchases of propane. These contracts may or may not qualify for hedge accounting under SFAS 133.

Energy Services uses exchange-traded natural gas futures contracts to manage market risk associated with forecasted purchases of natural gas it sells under firm commitments. These derivative instruments are designated as cash flow hedges. The fair values of these futures contracts are affected by changes in natural gas prices.

In addition, we have, on occasion, used a managed program of derivative instruments including natural gas and oil futures contracts, to preserve gross margin associated with certain of our natural gas customers. These contracts are generally designated as cash flow hedges.

Gas Utility and Electric Utility are parties to a number of contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts which provide for the delivery of natural gas, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments. Although many of these contracts have the requisite elements of a derivative instrument, these contracts are not subject to the accounting requirements of SFAS 133 because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business or the value of the contract is directly associated with the price or value of a service.

On occasion, we enter into interest rate protection agreements ("IRPAs") to reduce market interest rate risk associated with forecasted debt issuances. We designate these IRPAs as cash flow hedges. Gains or losses on IRPAs are included in other comprehensive income and are reclassified to interest expense as the interest expense on the associated debt issue affects earnings.

During the year ended September 30, 2002, the net pre-tax loss recognized in earnings representing cash flow hedge ineffectiveness was \$2.1 million. During the year ended September 30, 2001, such gain or loss was not material. The amount of cash flow hedge gains reclassified to net income because it became probable that the original forecasted transactions would not occur was \$1.0 million in 2001. This amount is included in other income.

Gains and losses included in accumulated other comprehensive income at September 30, 2002 relating to cash flow hedges will be reclassified into (1) cost of sales when the forecasted purchase of propane or natural gas subject to the hedges impacts net income and (2) interest expense when interest on anticipated issuances of fixed-rate long-term debt is reflected in net income. Included in accumulated other comprehensive income at September 30, 2002 are net after-tax losses of approximately \$3.8 million from IRPAs associated with forecasted issuances of debt generally anticipated to occur during the next two years. The amount of this net loss which is expected to be reclassified into net income during the next twelve months is not material. Also included in accumulated other comprehensive income at September 30, 2002 are net after-tax gains of approximately \$7.0 million principally associated with future purchases of natural gas or propane generally anticipated to occur during the next twelve months. The actual amount of gains or losses on unsettled derivative instruments that ultimately is reclassified into net income will depend upon the value of such derivative contracts when settled. The fair value of derivative instruments is included in other current assets, other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheets.

The carrying amounts of financial instruments included in current assets and current liabilities (excluding unsettled derivative instruments and current maturities of long-term debt) approximate their fair values because of their short-term nature. The carrying amounts and estimated fair values of our remaining financial instruments (including unsettled derivative instruments) at September 30 are as follows:

	Carrying Amount	Estimated Fair Value
	-----	-----
2002:		
Natural gas futures contracts	\$ 5.1	\$ 5.1
Propane swap and option contracts	9.8	9.8
Interest rate protection agreements	(4.0)	(4.0)
Long-term debt	1,275.7	1,328.1
UGI Utilities Series Preferred Stock	20.0	20.4
2001:		
Natural gas futures contracts	\$ (1.5)	\$ (1.5)

Propane swap, option and forward sales contracts	(10.5)	(10.5)
Interest rate protection agreements	(3.0)	(3.0)
Available for sale securities	18.3	18.3
Long-term debt	1,295.2	1,386.5
UGI Utilities Series Preferred Stock	20.0	21.4

We estimate the fair value of long-term debt by using current market prices and by discounting future cash flows using rates available for similar type debt. The estimated fair value of UGI Utilities Series Preferred Stock is based on the fair value of redeemable preferred stock with similar credit ratings and redemption features. Fair values of derivative instruments reflect the estimated amounts that we would receive or pay to terminate the contracts at the reporting date based upon quoted market prices of comparable contracts at September 30, 2002 and 2001.

Note 14 continued

We have financial instruments such as short-term investments and trade accounts receivable, which could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in investment-grade commercial paper and in U.S. Government securities. The credit risk from trade accounts receivable is limited because we have a large customer base, which extends across many different U.S. markets. We attempt to minimize our credit risk associated with our derivative financial instruments through the application of credit policies.

NOTE 15 - ENERGY SERVICES ACCOUNTS RECEIVABLE SECURITIZATION FACILITY

Energy Services has a receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring November 30, 2004. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose, bankruptcy-remote subsidiary, Energy Services Funding Corporation ("ESFC") which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in these receivables for up to \$50 million in proceeds to a commercial paper conduit of a major bank. The proceeds of these sales are less than the face amount of the accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own receivables-backed commercial paper. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. In accordance with a servicing arrangement, Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

During 2002, Energy Services sold \$302.4 million of trade receivables to ESFC of which ESFC sold an aggregate \$34.0 million to the commercial paper conduit. At September 30, 2002, no receivables had been sold to the commercial paper conduit and removed from the balance sheet. Losses on sales of receivables to the commercial paper conduit that occurred during the year ended September 30, 2002, which losses are included in other income, net, were \$0.1 million.

NOTE 16 - PROVISION FOR SHUT-DOWN COSTS - HEARTH USA(TM)

In September 2001, after evaluating the prospects for Hearth USA(TM) in light of the weak retail environment and the capital required to expand beyond its two-store pilot phase, we committed to close both of its stores and cease all operations by the end of October 2001. Hearth USA(TM) sold, installed and serviced hearth, grill and spa products and sold related accessories from two superstores located in Rockville, Maryland and Springfield, Virginia. As a result of this action, in September 2001 we recorded a pre-tax charge of \$8.5 million. The pre-tax charge reflects \$3.7 million associated with the impairment of leasehold improvements; \$3.2 million for estimated costs associated with lease guaranty arrangements and the restoration of the leased facilities; \$1.1 million associated with the write-down of inventory to net realizable value; and \$0.5 million associated with vehicle lease, severance and other costs directly resulting from the decision to close the stores. These charges and accrued costs have been reflected in the 2001 Consolidated Statement of Income as "Provision for shut-down costs - Hearth USA(TM)." As of September 30, 2001, the \$3.7 million of costs associated with lease guaranty arrangements, the restoration of the leased facility and the vehicle lease, severance and other costs is included in other current liabilities in the Consolidated Balance Sheet. At September 30, 2002, all amounts had been settled.

NOTE 17 - OTHER INCOME, NET

Other income, net, comprises the following:

	2002	2001	2000
	----	----	----
Interest and interest-related income	\$ (3.1)	\$ (6.7)	\$ (9.3)
Utility non-tariff service income	(5.7)	(5.4)	(3.2)
Gain on sales of fixed assets	(1.6)	(2.4)	(3.6)
Pension income	(3.9)	(5.9)	(3.0)
Other	(3.1)	(2.6)	(8.7)
	-----	-----	-----
Total other income, net	\$ (17.4)	\$ (23.0)	\$ (27.8)
	-----	-----	-----

NOTE 18 - SUBSEQUENT EVENT

Pursuant to the Partnership Agreement, the 9,891,072 Subordinated Units outstanding as of September 30, 2002, all of which are held by the General Partner, were eligible to convert to Common Units on the first day after the record date for any quarter ending on or after March 31, 2000 in respect of which:

- distributions of Available Cash from Operating Surplus (as defined in the Partnership Agreement) equal or exceed the MQD on each of the outstanding Common and Subordinated units for each of the four consecutive nonoverlapping four-quarter periods immediately preceding such date,

2. the Adjusted Operating Surplus (as defined in the Partnership Agreement) generated during both (i) each of the two immediately preceding nonoverlapping 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
3. there are no arrearages on the Common Units.

In December 2002, the General Partner determined that the cash-based performance and distribution requirements had been met in respect of the quarter ended September 30, 2002. As a result, the remaining 9,891,072 Subordinated Units held by the Company were converted to Common Units effective November

18, 2002. Concurrent with the Subordinated Unit conversion, the Company recorded an increase in common stockholders' equity and a decrease in minority interest of approximately \$160 million associated with gains from sales of Common Units by AmeriGas Partners in conjunction with, and subsequent to, the Partnership's April 19, 1995 initial public offering in accordance with the guidance in SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary." The gains result because the public offering prices of the AmeriGas Partners Common Units at the dates of their sales exceeded the associated carrying amount of our investment in the Partnership. No deferred taxes were recorded relating to this gain due to the Company's intent to hold its investment in the Partnership indefinitely. The changes to the Company's balance sheet resulting from the Subordinated Unit conversion had no effect on the Company's net income or cash flow. The conversion of the Subordinated Units did not result in an increase in the number of AmeriGas Partners limited partner units outstanding.

NOTE 19 - INVESTMENTS IN EQUITY INVESTEES

Our principal investments accounted for using the equity method and our approximate ownership interest in each at September 30, 2002 and 2001 are as follows:

Company - - - - -	Percentage Ownership - - - - -
Atlantic Energy	50.0%
AGZ Holdings	19.5%
China Gas Partners	50.0%
Hunlock Creek Energy Ventures	50.0%

Income (loss) from our equity investees comprises the following:

	2002 ----	2001 ----	2000 ----
Equity in income (loss) of equity investees	\$ 6.0	\$ (2.1)	\$ (0.9)
Interest income on AGZ Bonds	0.9	0.5	--
Currency gain from redemption of AGZ Bonds	1.6	--	--
	-----	-----	-----
Total	\$ 8.5	\$ (1.6)	\$ (0.9)
	-----	-----	-----

Undistributed net earnings (loss) of our equity investees included in consolidated retained earnings were \$3.6 million and \$(2.3) million at September 30, 2002 and 2001, respectively.

On March 27, 2001, UGI France, Inc. ("UGI France"), a wholly owned indirect subsidiary of Enterprises, together with Paribas Affaires Industrielles ("PAI") and Medit Mediterranea GPL, S.r.L. ("Medit"), acquired, through AGZ Holdings ("AGZ"), the stock and certain related assets of Elf Antargaz, S.A., one of the largest distributors of liquefied petroleum gas in France (referred to after the transaction and herein as "Antargaz"). Prior to the transaction, Antargaz was a subsidiary of Total Fina Elf S.A., a French petroleum and chemical company. Under the terms of the Shareholders' Funding Agreement among UGI France, PAI and Medit, we acquired an approximate 19.5% equity interest in Antargaz; PAI an approximate 68.1% interest; Medit an approximate 9.7% interest; and certain members of management of Antargaz an approximate 2.7% interest. PAI is a leading private equity fund manager in Europe and an affiliate of BNP Paribas, one of Europe's largest commercial and investment banks. Medit is a supplier of logistics services to the liquefied petroleum gas industry in Europe, primarily Italy.

Pursuant to the Shareholders' Funding Agreement, on March 27, 2001, UGI France made a 29.8 million euro (\$26.6 million U.S. dollar equivalent) investment comprising a 9.8 million euro investment in shares of AGZ and a 20.0 million euro investment in redeemable bonds of AGZ ("AGZ Bonds"). In July 2002, the Company received \$19.3 million in cash from AGZ representing repayment of 18 million euro face value (90%), \$17.7 million U.S. dollar equivalent, of the AGZ Bonds held by the Company, plus accrued interest. This repayment was funded from the proceeds of an AGZ placement of high-yield debt. Concurrent with the repayment, the remaining 2.0 million euro (10%) investment in AGZ Bonds was redeemed in the form of additional shares of AGZ. After these transactions, the Company continues to hold an approximate 19.5% equity investment in shares of AGZ. As a result of the redemption of AGZ Bonds, we recorded a pretax currency transaction gain of \$1.6 million. Because we believe we have significant influence over operating and financial policies of Antargaz due, in part, to our membership on its Board of Directors, our investment in AGZ shares is accounted for by the equity method.

Summarized financial information for AGZ follows:

	2002 ----	2001(a) -----
STATEMENT OF INCOME DATA:		
Revenues	\$ 550.6	\$ 243.8
	-----	-----

Operating income	\$ 79.4	\$ 22.5
Interest, net	(27.9)	(13.9)
	-----	-----
Income before income taxes	\$ 51.5	\$ 8.6
Income taxes	\$ (20.7)	\$ (5.1)
Net income	\$ 29.9	\$ 2.9
	-----	-----

BALANCE SHEET DATA (AT SEPTEMBER 30):

Current assets	\$ 171.5	\$ 195.1
Property, plant and equipment, net	259.5	233.8
Goodwill	378.8	355.7
Other assets	116.7	93.3
	-----	-----
Total assets	\$ 926.5	\$ 877.9
	-----	-----
Current liabilities	\$ 106.1	\$ 123.4
Long-term debt	436.2	458.1
Other liabilities	292.0	248.3
	-----	-----
Total liabilities	\$ 834.3	\$ 829.8
	-----	-----
Equity	\$ 92.2	\$ 48.1
	-----	-----

(a) Statement of income data is for the period March 27, 2001 to September 30, 2001. Summarized financial information for AGZ as of September 30, 2001 and for the period March 27, 2001 to September 30, 2001 was not required to be disclosed previously, but is being presented for comparative purposes only.

Summarized financial information for our other equity investments are not presented because they are not material to our Consolidated Balance Sheets or Consolidated Statements of Income.

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

NOTE 20 - QUARTERLY DATA (UNAUDITED)

	December 31, 2001 2000		March 31, 2002 2001		June 30, 2002 2001		September 30, 2002(A) 2001(b)	
	-----	-----	-----	-----	-----	-----	-----	-----
Revenues	\$ 619.4	\$ 737.1	\$ 764.0	\$ 943.8	\$ 446.3	\$ 411.9	\$ 384.0	\$ 375.3
Operating income (loss)	\$ 73.8	\$ 92.2	\$ 150.5	\$ 143.9	\$ 29.0	\$ 8.4	\$ (0.7)	\$ (15.5)
Income (loss) from equity investees	\$ 3.8	\$ (0.2)	\$ 3.7	\$ (1.3)	\$ 0.7	\$ --	\$ 0.3	\$ (0.1)
Income (loss) before changes in accounting	\$ 24.1	\$ 27.1	\$ 54.0	\$ 45.5	\$ 4.0	\$ (4.3)	\$ (6.6)	\$ (16.3)
Cumulative effect of accounting changes, net (c)	--	4.5	--	--	--	--	--	--
Net income (loss)	\$ 24.1	\$ 31.6	\$ 54.0	\$ 45.5	\$ 4.0	\$ (4.3)	\$ (6.6)	\$ (16.3)
Earnings (loss) per share:								
Basic:								
Income (loss) before accounting changes	\$ 0.88	\$ 1.00	\$ 1.96	\$ 1.68	\$ 0.14	\$ (0.16)	\$ (0.24)	\$ (0.60)
Cumulative effect of accounting changes, net (c)	--	0.17	--	--	--	--	--	--
Net income (loss)	\$ 0.88	\$ 1.17	\$ 1.96	\$ 1.68	\$ 0.14	\$ (0.16)	\$ (0.24)	\$ (0.60)
Diluted:								
Income (loss) before accounting changes	\$ 0.87	\$ 1.00	\$ 1.92	\$ 1.67	\$ 0.14	\$ (0.16)	\$ (0.24)	\$ (0.60)
Cumulative effect of accounting changes, net (c)	--	0.16	--	--	--	--	--	--
Net income (loss)	\$ 0.87	\$ 1.16	\$ 1.92	\$ 1.67	\$ 0.14	\$ (0.16)	\$ (0.24)	\$ (0.60)

The quarterly data above includes all adjustments (consisting only of normal recurring adjustments with the exception of those indicated below) that we consider necessary for a fair presentation. Our quarterly results fluctuate because of the seasonal nature of our businesses.

(a) Includes euro currency transaction gain resulting from the redemption of AGZ Bonds which increased income from equity investees by \$1.6 million and decreased net loss by \$1.1 million or \$0.04 per share.

(b) Includes shut-down costs associated with Hearth USA(TM) which increased operating loss by \$8.5 million and net loss by \$5.5 million or \$0.20 per share.

(c) Includes the impact of changes in accounting associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs, and (2) the Company's adoption of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities."

NOTE 21 - SEGMENT INFORMATION

We have organized our business units into five reportable segments generally based upon products sold, geographic location (domestic or international) or regulatory environment. Our reportable segments are: (1) AmeriGas Propane; (2) Gas Utility; (3) Electric Operations, comprising Electric Utility and our electricity generation business; (4) Energy Services; and (5) an international propane segment comprising FLAGA and our international propane equity investments ("International Propane").

AmeriGas Propane derives its revenues principally from the sale of propane and related equipment and supplies to retail customers from locations in 46 states. Gas Utility's revenues are derived principally from the sale and distribution of natural gas to customers in eastern and southeastern Pennsylvania. Electric Operations derives its revenues principally from the sale and distribution of electricity in two northeastern Pennsylvania counties. Energy Services revenues are derived from the sale of natural gas and, to a lesser extent, electricity and fuel oil to customers located primarily in the Middle Atlantic region. Our International Propane segment's revenues are derived principally from the distribution of propane to retail customers in Austria, the Czech Republic and Slovakia.

The accounting policies of our reportable segments are the same as those described in Note 1. We evaluate our AmeriGas Propane and International Propane segments' performance principally based upon earnings before interest expense, income taxes, depreciation and amortization, minority interests, income from equity investees and cumulative effect of accounting changes ("EBITDA"). Although we use EBITDA to evaluate segment performance, it should not be considered as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States. The Company's definition of EBITDA may be different from that used by other companies. We evaluate the performance of our Gas Utility, Electric Operations and Energy Services segments principally based upon their earnings before income taxes.

No single customer represents more than ten percent of our consolidated revenues and there are no significant intersegment transactions. In addition, all of our reportable segments' revenues, other than those of our International Propane segment, are derived from sources within the United States, and all of

our reportable segments' long-lived assets, other than those of our International Propane segment, are located in the United States.

Financial information by reportable business segment follows:

	Reportable Segments							
	Total	Elimi- nations	AmeriGas Propane	Gas Utility	Electric Operations	Energy Services	Inter- national Propane	Corporate & Other
2002								
Revenues	\$2,213.7	\$ (2.0)	\$1,307.9	\$ 404.5	\$ 86.0	\$ 332.3	\$ 46.7	\$ 38.3
EBITDA	\$ 346.1	\$ --	\$ 210.7	\$ 96.1	\$ 16.4	\$ 11.9	\$ 7.1	\$ 3.9
Depreciation and amortization	(93.5)	--	(66.4)	(19.0)	(3.2)	(0.8)	(3.2)	(0.9)
Operating income	252.6	--	144.3	77.1	13.2	11.1	3.9	3.0
Income (loss) from equity investees	8.5	--	0.3	--	--	--	8.3(a)	(0.1)
Interest expense	(109.1)	--	(87.8)	(14.2)	(2.4)	--	(4.2)	(0.5)
Minority interest	(28.0)	--	(28.0)	--	--	--	--	--
Income before income taxes	\$ 124.0	\$ --	\$ 28.8	\$ 62.9	\$ 10.8	\$ 11.1	\$ 8.0	\$ 2.4
Total assets	\$2,614.4	\$ (34.1)	\$1,492.2	\$ 689.1	\$ 109.0	\$ 57.2	\$ 141.1	\$ 159.9
Capital expenditures	\$ 94.7	\$ --	\$ 53.5	\$ 31.0	\$ 4.9	\$ 0.9	\$ 3.9	\$ 0.5
Investments in equity investees	\$ 35.5	\$ --	\$ 3.4	\$ --	\$ 10.0	\$ --	\$ 22.1	\$ --
Goodwill and excess reorganization value	\$ 644.9	\$ --	\$ 589.1	\$ --	\$ --	\$ --	\$ 53.1	\$ 2.7
2001								
Revenues	\$2,468.1	\$ (2.8)	\$1,418.4	\$ 500.8	\$ 83.9	\$ 370.7	\$ 50.9	\$ 46.2
EBITDA	\$ 334.2	\$ (0.4)	\$ 209.3	\$ 108.0	\$ 14.3	\$ 7.6	\$ 5.1	\$ (9.7)(b)
Depreciation and amortization	(105.2)	--	(75.5)	(20.2)	(3.6)	(0.3)	(4.3)	(1.3)
Operating income (loss)	229.0	(0.4)	133.8	87.8	10.7	7.3	0.8	(11.0)
Loss from equity investees	(1.6)	--	--	--	--	--	(1.5)(a)	(0.1)
Interest expense	(104.8)	0.4	(80.3)	(16.3)	(2.7)	(0.4)	(4.9)	(0.6)
Minority interest	(23.6)	--	(23.6)	--	--	--	--	--
Income (loss) before income taxes	\$ 99.0	\$ --	\$ 29.9	\$ 71.5	\$ 8.0	\$ 6.9	\$ (5.6)	\$ (11.7)
Total assets	\$2,550.2	\$ (43.3)	\$1,522.3	\$ 678.9	\$ 105.5	\$ 44.7	\$ 141.2	\$ 100.9
Capital expenditures	\$ 79.3	\$ --	\$ 39.2(c)	\$ 31.8	\$ 5.0	\$ 0.2	\$ 2.7	\$ 0.4
Investments in equity investees	\$ 44.8	\$ --	\$ 3.2	\$ --	\$ 10.8	\$ --	\$ 30.8(d)	\$ --
Goodwill and excess reorganization value	\$ 641.1	\$ --	\$ 589.0	\$ --	\$ --	\$ --	\$ 48.6	\$ 3.5
2000								
Revenues	\$1,761.7	\$ (3.1)	\$1,120.1	\$ 359.0	\$ 77.9	\$ 146.9	\$ 50.5	\$ 10.4
EBITDA	\$ 289.6	\$ --	\$ 158.6	\$ 105.3	\$ 19.6	\$ 3.0	\$ 2.8	\$ 0.3
Depreciation and amortization	(97.5)	--	(68.4)	(19.1)	(4.5)	(0.2)	(4.6)	(0.7)
Operating income (loss)	192.1	--	90.2	86.2	15.1	2.8	(1.8)	(0.4)
Loss from equity investees	(0.9)	--	--	--	--	--	(0.9)	--
Interest expense	(98.5)	--	(74.7)	(16.2)	(2.2)	--	(4.8)	(0.6)
Minority interest	(6.3)	--	(6.3)	--	--	--	--	--
Income (loss) before income taxes	\$ 86.4	\$ --	\$ 9.2	\$ 70.0	\$ 12.9	\$ 2.8	\$ (7.5)	\$ (1.0)
Total assets	\$2,275.8	\$ (19.0)	\$1,281.7	\$ 653.7	\$ 97.4	\$ 36.2	\$ 113.7	\$ 112.1
Capital expenditures	\$ 71.0	\$ --	\$ 30.4	\$ 31.7	\$ 4.7	\$ 0.1	\$ 1.8	\$ 2.3
Investments in equity investees	\$ 5.5	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5.5	\$ --
Goodwill and excess reorganization value	\$ 668.1	\$ --	\$ 615.7	\$ --	\$ --	\$ --	\$ 47.6	\$ 4.8

(a) In addition to equity income (loss) of international propane equity investees (1) 2002 amount includes a currency transaction gain of \$1.6 million from the redemption of AGZ Bonds and \$0.9 million of interest income on AGZ Bonds and (2) 2001 amount includes \$0.5 million of interest income on AGZ Bonds.

(b) Includes Hearth USA(TM) shut-down costs of \$8.5 million.

(c) Includes capital leases of \$1.3 million.

(d) Includes investment in AGZ Bonds of \$18.2 million.

UGI CORPORATION SUBSIDIARIES

EXHIBIT 21

SUBSIDIARY - - - - -	OWNERSHIP - - - - -	STATE OF INCORPORATION - - - - -
AMERIGAS, INC.	100%	PA
FOUR FLAGS DRILLING COMPANY, INC.	100%	PA
AMERIGAS PROPANE, INC. *	100%	PA
AmeriGas Partners, L.P.	(1)	DE
AmeriGas Finance Corp.	100%	DE
AmeriGas Propane L.P.	98.9899%	DE
AmeriGas Eagle Propane, L.P.	99%	DE
AmeriGas Eagle Parts & Service, Inc.	100%	PA
AmeriGas Propane Parts & Service, Inc.	100%	PA
AmeriGas Eagle Propane, Inc.	100%	DE
AmeriGas Eagle Holdings, Inc. **	100%	DE
AmeriGas Eagle Finance Corp.	100%	DE
AP Eagle Finance Corp.	100%	DE
AmeriGas Technology Group, Inc.	100%	PA
Petrolane Incorporated	100%	PA
ASHTOLA PRODUCTION COMPANY	100%	PA
UGI ETHANOL DEVELOPMENT CORPORATION	100%	PA
NORTHFIELD HOLDING COMPANY	100%	DE
UGI ENTERPRISES, INC.	100%	PA
CFN ENTERPRISES, INC.	100%	DE
CF Networks LLC	60%	DE
EASTFIELD INTERNATIONAL HOLDINGS, INC.	100%	DE
Flaga GmbH	100%	AUSTRIA
Flaga Energieversorgung	100%	GERMANY
Flaga Plyn, spol. s r.o.	100%	CZECH REPUBLIC
Flaga Slovplyn, spol. s r.o.	100%	SLOVAKIA
Flaga Tech Trade GmbH	100%	AUSTRIA
Osterreichische Flussiggas-Gesellschaft m.b.H.	40%	AUSTRIA
T.S.G.- Transport - und Speditionsgesellschaft m.b.H.	50%	AUSTRIA
G.T.P. Gas Trans Praha spol. s r.o.	60%	CZECH REPUBLIC
GTE Gastrans-Erfurt-GmbH	90%	GERMANY
EUROGAS HOLDINGS, INC.	100%	DE
UGI ENERGY SERVICES, INC.	100%	PA
UGI POWER SUPPLY, INC.	100%	PA
UGI INTERNATIONAL ENTERPRISES, INC.	100%	PA
UGI France, Inc.	100%	DE
UGI BLACK SEA ENTERPRISES, INC.	100%	PA
UGI INTERNATIONAL (ROMANIA), INC.	100%	PA
UGI ROMANIA, INC.	100%	PA
UGI INTERNATIONAL (CHINA), INC.	100%	DE
UGI CHINA, INC.	100%	DE
UGI SOUTHWEST CHINA DEVELOPMENT COMPANY, LLC	100%	DE
HEARTH USA, INC.	100%	DE
UGI HVAC ENTERPRISES, INC.	100%	DE
MCHUGH SERVICE COMPANY	100%	PA
UGI PROPERTIES, INC.	100%	PA
UGI UTILITIES, INC.	100%	PA
UGI DEVELOPMENT COMPANY	100%	PA
UGID Holding Company	100%	DE
UGI Hunlock Development Company	100%	PA
UNITED VALLEY INSURANCE COMPANY	100%	VT

- (1) AmeriGas Propane, Inc. and its subsidiary, Petrolane Incorporated, hold a combined 50.6% interest in AmeriGas Partners, L.P. *Sole General Partner of each of AmeriGas Partners, L.P. and AmeriGas Propane, L.P. ** Sole General Partner of AmeriGas Eagle Propane, L.P.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-47319, 33-61722, 333-22305, 333-49080) and Form S-3 (No. 333-42296) of UGI Corporation of our report dated November 15, 2002, except as to the conversion of subordinated partnership units described in Note 18 which is as of December 16, 2002, relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

Philadelphia, Pennsylvania
December 23, 2002

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
RELATING TO A PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Lon R. Greenberg, Chief Executive Officer, and I, Anthony J. Mendicino, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the "Company"), hereby certify that:

- (1) The Company's periodic report on Form 10-K for the period ended September 30, 2002 (the "Form 10-K") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER

Lon R. Greenberg

Lon R. Greenberg

Date: December 20, 2002

CHIEF FINANCIAL OFFICER

Anthony J. Mendicino

Anthony J. Mendicino

Date: December 20, 2002