

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, 1997

Commission file number 1-11071

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

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

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

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

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

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

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

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

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

The aggregate market value of UGI Corporation Common Stock held by
nonaffiliates of the registrant on December 1, 1997 was \$913,031,053.

At December 1, 1997 there were 32,909,914 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, 1997 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 24,
1998 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

PART I	BUSINESS	PAGE
Items 1 and 2	Business and Properties.....1 General.....1 Propane Partnership Business.....2 Utility Operations.....10 UGI Enterprises, Inc.....19	
Item 3	Legal Proceedings.....21	
Item 4	Submission of Matters to a Vote of Security Holders.....25	
PART II	SECURITIES AND FINANCIAL INFORMATION	
Item 5	Market for Registrant's Common Equity and Related Stockholder Matters.....25	
Item 6	Selected Financial Data.....27	
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations.....28	
Item 8	Financial Statements and Supplementary Data.....28	
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....28	
PART III	UGI MANAGEMENT AND SECURITY HOLDERS	
Item 10	Directors and Executive Officers of the Registrant.....28	
Item 11	Executive Compensation.....28	
Item 12	Security Ownership of Certain Beneficial Owners and Management.....28	
Item 13	Certain Relationships and Related Transactions.....31	
PART IV	ADDITIONAL EXHIBITS, SCHEDULES AND REPORTS	
Item 14	Exhibits, Financial Statement Schedules and Reports on Form 8-K.....31 Signatures.....39 Index to Financial Statements and Financial Statement Schedules.....F-2	

PART I: BUSINESS

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

GENERAL

UGI Corporation ("UGI" or the "Company") is a holding company with two principal lines of business: propane distribution and utilities. The Company's AmeriGas, Inc. subsidiary ("AmeriGas") conducts the nation's largest retail propane distribution business through AmeriGas Partners, L.P., a Delaware limited partnership ("AmeriGas Partners" or the "Partnership") and its 98.99% owned subsidiary AmeriGas Propane, L.P. (the "Operating Partnership"). AmeriGas Propane, Inc., a Pennsylvania corporation and a wholly owned subsidiary of AmeriGas, is the Partnership's sole general partner ("AmeriGas Propane" or the "General Partner"). The common units of AmeriGas Partners, which represent limited partner interests, are traded on the New York Stock Exchange under the symbol "APU." Through its subsidiaries, AmeriGas has a 58.5 combined ownership interest in the Partnership and the Operating Partnership, and the remaining interest is publicly held. The Company has been in the propane distribution business since 1959. The Company's utility business is conducted through its subsidiary, UGI Utilities, Inc. ("Utilities"), which owns and operates natural gas distribution and electric utilities in Pennsylvania. The Company has been in the utility business for over 100 years and supplies gas and electric utility services to approximately 252,000 and 61,000 customers, respectively.

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

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

PROPANE PARTNERSHIP BUSINESS

The Company's propane distribution business is conducted through AmeriGas Partners. The Partnership is the largest retail propane distributor in the United States, with over 600 district locations in 45 states at September 30, 1997. AmeriGas Propane, Inc., the sole general partner, operates and manages the Partnership.

BACKGROUND

On July 15, 1993, AmeriGas acquired a significant equity interest in, and other UGI subsidiaries assumed management of, Petrolane Incorporated ("Petrolane"). The Petrolane acquisition expanded substantially the size of the propane distribution network under the Company's management. From July 15, 1993 to April 19, 1995, the Company's investment in Petrolane was accounted for by the equity method, under which the investment was recorded at cost and adjusted by the Company's share (originally, approximately 30%) of Petrolane's undistributed income or loss. On April 19, 1995, Petrolane became a wholly owned subsidiary of the General Partner, and through a series of related transactions, all of the propane businesses of AmeriGas, including Petrolane, were transferred to the Operating Partnership (the "Partnership Formation"). Although the Company's consolidated financial statements now include 100% of the Partnership's revenues and assets, the Company's net income reflects only its 58.5% share in the income or loss of the Partnership, due to the public's limited partner interest.

GENERAL INDUSTRY INFORMATION

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

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

PRODUCTS, SERVICES AND MARKETING

As of September 30, 1997, the Partnership distributed propane to approximately 956,000 customers from over 600 district locations in 45 states. The Partnership's operations are located primarily in the Northeast, Southeast, Great Lakes and West Coast regions of the United States. From many of its district locations, the Partnership also sells, installs and services equipment related to its propane distribution business, including heating and cooking appliances and, at some locations, propane fuel systems for motor vehicles. Typically, district locations are found in suburban and rural areas where natural gas is not available. Districts generally consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. The Partnership also engages in the business of delivering liquefied petroleum gases by truck as a common carrier. 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, engine fuel, agricultural and wholesale. Approximately 79% of the Partnership's 1997 fiscal year sales (based on gallons sold) were to retail accounts (32% to residential customers, 29% to industrial/commercial customers, 11% to motor fuel customers and 7% to agricultural customers), and approximately 21% were to wholesale customers. Sales to residential customers in fiscal 1997 represented approximately 41% of retail gallons sold and 53% of the Partnership's total propane margin. No single customer accounts for 1% or more of the Partnership's consolidated revenues.

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

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,400 to 2,600 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, which typically have a capacity of 5 to 30 gallons. When these cylinders are delivered to customers, empty cylinders are picked up for replenishment at district locations or are filled in place. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

PROPANE SUPPLY AND STORAGE

Supplies of propane from the Partnership's sources historically have been readily available. In the year ended September 30, 1997, the Partnership purchased over half of its propane from 10 suppliers, including the Amoco companies (Amoco Canada and Amoco Oil Company, approximately 15%) and Warren Gas Liquids (formerly, Warren Petroleum Company), approximately 11%. Management believes that if supplies from either source were interrupted, it would be able to secure adequate propane supplies from other sources without a material disruption of its operations; however, the cost of procuring replacement supplies might be materially higher, and at least on a short-term basis, margins could be affected. Aside from Amoco and Warren, no single supplier provided more than 10% of the Partnership's total domestic propane supply in the fiscal year ended September 30, 1997. 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 has over 300 sources of supply, and it also makes purchases on the spot market. The Partnership purchases its propane supplies from domestic and international suppliers. Approximately 70% of propane purchases by the Partnership in the 1997 fiscal year were on a contractual basis under one-year agreements subject to annual renewal. More than half of the supply contracts provide for pricing based upon posted prices at the time of delivery or the current prices established at major storage points such as Mont Belvieu, Texas, or Conway, Kansas. In addition, some agreements provide maximum and minimum seasonal purchase 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, Rhode Island and several other locations.

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. In fiscal year 1997, when the average Mont Belvieu price per gallon of propane more than doubled between April 1, 1996 (\$.34625) and December 16, 1996 (\$.75), the Partnership was able to maintain its profitability through the use of hedging techniques designed to control product costs, as well as by passing on product cost increases. Product cost declined in 1997 and is now at more normal historic levels.

The Partnership expects to be able to secure adequate supplies for its customers during fiscal year 1998, however, periods of severe cold weather, supply interruptions, or other unforeseen events, could result in rapid increases in product cost. The General Partner is gradually expanding its product price risk management activities to reduce the effect of price volatility on its product costs. Current strategies include the use of summer storage, prepaid contracts for future product delivery and, to some extent, derivative commodity instruments such as options and propane price swaps.

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

AVERAGE PROPANE SPOT MARKET PRICES

Mont Belvieu Conway
(Cents per Gallon)

Oct-92	35.5455	30.8693
Nov-92	32.6842	33.2171
Dec-92	31.0536	35.8452
Jan-93	33.8875	44.175
Feb-93	33.0921	34.7763
Mar-93	34.4565	34.9185
Apr-93	34.6488	32.9762
May-93	32.7813	32.3635
Jun-93	32.7216	33.9659
Jul-93	31.494	32.6845
Aug-93	30.7727	33.4943
Sep-93	30.1667	34.5179
Oct-93	29.5655	33.8214
Nov-93	27.7625	32.1375
Dec-93	24.7262	25.994
Jan-94	26.6131	25.7083
Feb-94	29.3487	27.7237
Mar-94	28.4674	26.875
Apr-94	28.8188	28.7875
May-94	29.619	28.7321
Jun-94	28.7898	27.9432
Jul-94	29.2438	27.9813
Aug-94	30.0598	29.462
Sep-94	30.1131	29.8333
Oct-94	32.5952	29.5298
Nov-94	34.6063	30.6938
Dec-94	33.4345	30.1607
Jan-95	32.8338	29.551
Feb-95	31.8687	28.9253
Mar-95	32.8372	30.0111
Apr-95	32.3126	30.0405
May-95	32.7534	31.2293
Jun-95	31.842	31.4955
Jul-95	30.8108	31.3834
Aug-95	31.3433	33.1724
Sep-95	31.3608	32.4765
Oct-95	30.946	32.7784
Nov-95	30.9531	32.7406
Dec-95	35.3219	38.1719
Jan-96	36	36.2415
Feb-96	40.8563	37.7688
Mar-96	37.2292	36.0119
Apr-96	35.5744	34.1071
May-96	34.9233	34.4773
Jun-96	34.925	36.3531
Jul-96	35.6339	37.2679
Aug-96	38.4403	37.9773
Sep-96	47.0156	44.7844
Oct-96	51.5734	51.5272
Nov-96	58.0493	63.4112
Dec-96	61.0446	84.2917
Jan-97	47.4545	63.392
Feb-97	38.7105	39.0197
Mar-97	38.5	37.2563
Apr-97	34.875	35.2614
May-97	35.3095	36.4762
Jun-97	34.4286	35.8631
Jul-97	34.9063	34.6278
Aug-97	37.0268	36.5268
Sep-97	38.6786	37.9524

COMPETITION

Propane is sold in competition with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers against suppliers of electricity, fuel oil and natural gas, principally on the basis of price, availability and portability. Electricity is a major competitor of propane, but propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. As previously stated, the Company is unable to predict the ultimate impact that electric utility deregulation may have on propane's current competitive price advantage. In the last two decades, many new homes were built to use electrical heating systems and appliances. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Operating efficiencies and other factors such as air quality and environmental advantages, however, generally make propane competitive with fuel oil as a heating source. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is

unavailable or portability of product is required. Natural gas is generally a less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel

during interruptions in natural gas service. The gradual expansion of the nation's natural gas distribution systems has resulted in the availability of natural gas in some areas that previously depended upon propane. However, natural gas pipelines are not present in many regions of the country where propane is sold for heating and cooking purposes.

The domestic propane retail distribution business is highly competitive. The Partnership competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. Based on the most recent information supplied by the American Petroleum Institute, the 1995 domestic retail market for propane (annual sales for other than chemical uses) was approximately 9.3 billion gallons and, based on LP-GAS magazine rankings, the ten largest propane companies (including AmeriGas Partners) comprise approximately 35% of domestic sales. The Partnership's retail volume of approximately 807 million gallons in fiscal year 1997 represented approximately 9% of 1995 total domestic retail sales. The ability to compete effectively depends on reliability of service, responsiveness to customers and maintaining competitive retail prices.

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

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

PROPERTIES

As of September 30, 1997, the Partnership owned approximately 60% of its district locations. In addition, the Partnership subleases three one-million barrel underground storage caverns in Arizona to store propane and butane for itself and third parties. The Partnership also leases a 600,000 barrel refrigerated, above-ground storage facility in California, which could be used in connection with waterborne imports or exports of propane or butane. The California facility, which the Partnership operates, is currently subleased to several refiners for the storage of butane. The Partnership leases a 400,000 barrel storage facility in Rhode Island, which is owned by a third party. The Rhode Island facility is used to import propane.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. The Partnership has a fleet of approximately 385 transport trucks and 680 railroad tank cars, most of which are leased. In addition, the Partnership utilizes over 2,300 bobtail and rack trucks, and over 1,900 other delivery and service vehicles. More than 50% of these vehicles are owned. As of September 30, 1997, the Partnership owned more than 800,000 stationary

storage tanks with typical capacities of 100 to 1,000 gallons and approximately 900,000 portable propane cylinders with typical capacities of 5 to 100 gallons. In addition, the Partnership owns over 2,000 large volume tanks which are used for its own storage requirements. Most of the Partnership's debt is secured by liens and mortgages on the Partnership's real and personal property.

TRADE NAMES; TRADE AND SERVICE MARKS

The Partnership markets propane principally under the "AmeriGas" and "America's Propane Company" trade name and related service marks. UGI owns, directly or indirectly, all the right, title and interest in the "AmeriGas" and "Petrolane" trade names and related trade and service marks. The Partnership has an exclusive (except for use by AmeriGas and the General Partner), royalty-free license to use these names and trade and service marks. UGI, Petrolane and the General Partner each have the option to terminate their respective license agreements on 12 months' prior notice, or immediately in the case of the General Partner, without penalty if the General Partner is removed as general partner of the Partnership other than for cause. If the General Partner ceases to serve as the general partner of the Partnership for cause, UGI, Petrolane and the General Partner will each have the option to terminate the license agreements immediately upon payment of a fee equal to the fair market value of the licensed trade names.

The General Partner has discontinued widespread use of the "Petrolane" trade name and conducts Partnership operations almost exclusively under the "AmeriGas" and "America's Propane Company" trade names. The General Partner has filed applications with the United States Patent and Trademark Office to register the mark "PPX-Prefilled Propane Xchange" for use in connection with the Partnership's cylinder exchange business.

SEASONALITY

The Partnership's retail sales volume is seasonal, with approximately 56% of the Partnership's fiscal year 1997 retail sales volume and approximately 83% of its earnings before interest, taxes, depreciation and amortization occurring during the five-month peak heating season from November through March, because many customers use propane for heating purposes. As a result of this seasonality, sales are concentrated in the Partnership's first and second fiscal quarters (October 1 through March 31), and cash receipts are greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season.

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

in weather across the Partnership's service territories, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

The Partnership is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane. These laws include, among others, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA, also known as the "Superfund" law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment. Propane is not a hazardous substance within the meaning of federal and state environmental laws. However, the Partnership owns and operates real property where such hazardous substances may exist. See Note 11 to the Company's Consolidated Financial Statements.

All states in which the Partnership operates have adopted fire safety codes that regulate the storage and distribution of propane. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. The Partnership conducts training programs to help ensure that its operations are in compliance with applicable governmental regulations. The Partnership maintains various permits under environmental laws that are necessary to operate 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"). With respect to general operations, National Fire Protection Association Pamphlets No. 54 and No. 58, which establish a set of rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in a majority of the states in which the Partnership operates.

The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety code applies to, among other things, a propane gas system which supplies 10 or more customers from a single source, and a propane system, any portion of which is located in a public place. The code requires operators of all gas systems to provide training and written instructions for employees, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and keep records of inspections and testing.

On December 13, 1996, the Research and Special Programs Administration ("RSPA"), a division of the DOT, issued an advisory notice that alerted persons involved in the design, manufacture, assembly, maintenance or transportation of hazardous materials in certain cargo tank motor vehicles, including the type of vehicles used by the Partnership, of a problem with emergency discharge systems. On February 19, 1997, RSPA issued an emergency interim final rule indicating that the emergency discharge control systems on the affected vehicles may not function as required by federal regulations under all operating conditions. The interim final rule specified the conditions under which the affected vehicles could continue to be operated. On August 18, 1997, after conducting a series of public hearings and workshops, RSPA issued a final rule which sets forth the requirements that must be satisfied to continue operating such vehicles. The final rule requires, among other things, that in the event of an unintentional release of product, the person attending the unloading operation must be able to promptly activate the internal self-closing stop valve on the motor vehicle and shut down all motive and auxiliary power equipment. The final rule provides alternative ways to comply with this requirement and permits the use of radio-controlled systems that are capable of stopping the transfer of propane by use of a transmitter carried by a qualified person who also satisfies the attendance requirements contained in the regulations. The Partnership is in the process of testing a radio-controlled system and plans to equip its bobtail vehicles with such a system unless the regulation is modified as a result of the pending administrative and legal proceedings. The Partnership filed an administrative appeal requesting reconsideration and a partial stay of the final rule which was denied on December 5, 1997. See "Legal Proceedings."

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, 1997, the General Partner had 5,131 employees, including 303 temporary and part-time employees. 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.

Approximately one percent of the General Partner's employees are represented by nine local labor unions which are affiliated with the International Brotherhood of Teamsters (8), and the Warehouse, Processing and Distribution Workers Union of the International Longshoremen's and Warehousemen's Union, AFL-CIO (1).

UTILITY OPERATIONS

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

DISTRIBUTION OF NATURAL GAS

Service Area; Revenue Analysis. Gas Utility distributes natural gas to approximately 252,000 customers in portions of 14 eastern and southeastern Pennsylvania counties through its distribution system of approximately 4,200 miles of gas mains. The service area consists of approximately 3,000 square miles and includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon and Reading, Pennsylvania. Located in Gas Utility's service area are major production centers for basic industries such as steel fabrication. For the fiscal years ended September 30, 1997, 1996 and 1995, revenues of Gas Utility accounted for approximately 24%, 25% and 33%, respectively, of UGI's total consolidated revenues.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility's distribution system) for the 1997 fiscal year was approximately 80.2 billion cubic feet ("bcf"). System sales of gas accounted for approximately 46% of system throughput, while gas transported for commercial and industrial customers (who buy their gas from others) accounted for approximately 54% of system throughput. Based on industry data for 1996, residential customers account for approximately 38% of total system throughput by local gas distribution companies in the United States. By contrast, for the 1997 fiscal year, Gas Utility's residential customers represented 23% of its total system throughput.

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

Gas Supply Contracts. During the 1997 fiscal year, Gas Utility purchased approximately 37.5 bcf of natural gas and sold approximately 36.8 bcf to customers. Gas not sold to customers was used by Gas Utility principally for storage for later sale to customers. Approximately 31 bcf or 83% of the volumes purchased were supplied under agreements with six major suppliers of natural gas. The remaining 6.5 bcf or 17% of gas purchased was supplied by producers and

marketers under other arrangements, including multi-month agreements at spot prices. Certain gas supply contracts require minimum gas purchases. Each of these agreements, however, either terminates in fiscal year 1998, or includes provisions which entitle Utilities to terminate in the event the agreement is not market responsive.

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

Seasonal Variation. Approximately 58% of Gas Utility's system throughput for the 1997 fiscal year occurred during the winter season from November 1, 1996 through March 31, 1997, because many of its customers use gas for heating purposes.

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

In substantially all of its service territory, Gas Utility is the only regulated gas distribution utility having the right, granted by the PUC or by law, to provide transportation services. While unregulated gas marketers have been selling gas to commercial and industrial customers in Gas Utility's service territory for over 12 years, Gas Utility provides transportation services for those sales.

Customers representing approximately 25% of the Company's non-residential system throughput (11% of non-residential revenues) have the ability to switch to an alternate fuel at any time, and therefore, are served under flexible, interruptible rates which are competitively priced with respect to their alternate fuel. Gas Utility's margins from these customers, therefore, are affected by the spread between the customers' delivered cost of gas and the customers' delivered alternate fuel cost. In addition, other customers representing 30% of non-residential system throughput (8% of non-residential revenues) have locations which afford them the option of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility, although none have done so. The majority of these customers are served under transportation contracts having three- to ten-year terms. Included in these two groups are the ten Utilities' customers with the highest volume of system throughput. Three of the top five customers have executed ten-year agreements with Utilities. 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 at least through fiscal year 1998. Supply mix is diversified, market priced, and delivered pursuant to a number of long and short-term firm transportation and storage arrangements.

During the 1997 fiscal year, Gas Utility supplied transportation service to three major cogeneration installations. Gas Utility continues to pursue opportunities to supply natural gas to electric generation projects located in its service territory. Gas Utility also continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In the residential market sector, Gas Utility connected 6,882 additional residential heating customers during the 1997 fiscal year, an increase of 8% from the previous year. Approximately 63% of the additions represent gas customers from the new construction market. The remaining 37% represent customers converting from other energy sources, primarily oil, and existing non-heating gas customers who have added gas heating systems to replace other energy sources. The total number of new commercial and industrial customers was 1,068, down slightly from 1,122 in fiscal year 1996.

Utilities continues to monitor and participate extensively in third-party proceedings before the Federal Energy Regulatory Commission ("FERC") affecting the rates and the terms and conditions under which Gas Utility 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 relative pricing of pipeline services in a competitive energy marketplace; (ii) the flexibility of the terms and conditions of pipeline service contracts; and (iii) pipelines' requests to increase their base rates, or change the terms and conditions of their storage and transportation services.

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

GENERATION AND DISTRIBUTION OF ELECTRICITY

ELECTRICITY GENERATION CUSTOMER CHOICE AND COMPETITION ACT

On January 1, 1997, Pennsylvania's Electricity Generation Customer Choice and Competition Act (Customer Choice Act) became effective. The Customer Choice Act permits all Pennsylvania retail electric customers to choose their electric generation supplier over a three-year phase-in period commencing January 1, 1999. The Customer Choice Act requires all electric utilities to file restructuring plans with the PUC which, among other things, include 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 and certain customers that increase their own generation of electricity. "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 Customer Choice Act, Electric Utility's rates for transmission and distribution services provided through June 30, 2001 are capped at levels in effect on January 1, 1997. In addition, Electric Utility generally may not increase the generation component of prices as long as stranded costs are being recovered through the CTC. 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.

Electric Utility has filed its restructuring plan with the PUC ("Restructuring Plan"). The Restructuring Plan includes a claim for the recovery of \$34.4 million for stranded costs during the period January 1, 1999 through December 31, 2002. The major components of this claim are: (1) plant investments in excess of competitive market value and electric generation facility retirement costs; (2) potential costs associated with existing power purchase agreements; and (3) regulatory assets (principally income taxes) recoverable from ratepayers under current regulatory practice. It also seeks to establish a recovery mechanism that would permit the recovery of up to an additional \$28 million of costs associated with the buyout or implementation of a December 1993 agreement with Foster Wheeler Penn Resources, Inc. to purchase power from a wood-fired generator to be constructed by Foster Wheeler. The PUC is expected to take action on Electric Utility's filing in May 1998.

The Customer Choice Act also authorized the PUC to implement pilot customer choice programs for up to five percent of the noncoincident peak load of industrial, commercial and residential customers. In accordance with PUC directives, Electric Utility implemented such a pilot program effective November 1, 1997. It is anticipated that a full five percent of the noncoincident peak load of Electric Utility's industrial, commercial and residential customers will participate in the pilot.

Given the changing regulatory environment in the electric utility industry, the Company continues to evaluate its ability to apply the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), as it relates to its electric generation operation. SFAS 71 permits the recording of costs (regulatory assets) that have been, or are expected to be, allowed in the ratesetting process in a period different from the period in which such costs would be charged to expense by an unregulated enterprise. The Company believes its electric generation assets and related regulatory assets continue to satisfy the criteria of SFAS 71. If such electric generation assets no longer meet the criteria of SFAS 71, then any related regulatory assets would be written-off unless some form of transition cost recovery is established by the PUC which would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. Any generation-related, long-lived fixed and intangible assets would be evaluated for impairment under the provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

Based upon an evaluation of the various factors and conditions affecting future cost recovery, the Company does not expect the Customer Choice Act to have a material adverse effect on its financial condition or results of operations.

Service Area; Revenue Analysis. Electric Utility supplies electric service to approximately 61,000 customers in portions of Luzerne and Wyoming Counties in northeastern Pennsylvania through a system consisting of approximately 2,100 miles of transmission and distribution lines and 14 transmission substations. For the 1997 fiscal year, about 53% of sales volume came from residential customers, 34% from commercial customers and 13% from industrial customers and others. For the 1997, 1996 and 1995 fiscal years, revenues of Electric Utility accounted for approximately 4%, 4% and 8%, respectively, of UGI's total consolidated revenues.

Sources of Supply. Electric Utility distributes electricity which it generates or purchases from others. As the provisions of the Customer Choice Act are implemented, it will also distribute electric power acquired and transmitted by others. Utilities owns and operates Hunlock generating station located near Kingston, Pennsylvania ("Hunlock Station"), and has a 1.11% ownership interest in the Conemaugh generating station located near Johnstown, Pennsylvania ("Conemaugh Station"), which is operated by another utility. These two coal-fired stations can generate up to 69 megawatts of electric power for Electric Utility and provided approximately 47% of its energy requirements during the 1997 fiscal year.

Utilities has a long-term power supply agreement with Pennsylvania Power & Light Company ("PP&L"). Under this agreement, PP&L supplies all the electric power required by Electric Utility above that provided from certain other sources, including Hunlock Station. The cost of electricity supplied by PP&L is based on PP&L's actual system costs. Utilities estimates that the cost of electricity supplied by Hunlock is higher than projected market rates, but lower than the cost of electricity purchased under the PP&L contract. As a result of the availability and projected cost of alternative supplies, Utilities has provided PP&L with notice of its intent to stop purchasing power under the power supply agreement as of March 2001. In addition, if certain conditions occur (i.e., Electric Utilities' demand falls to zero in any particular billing month), the power supply agreement may terminate at an earlier date. There currently is a dispute between Utilities and PP&L over the effect of customer choice on Utilities' obligations under the PP&L power supply agreement. Utilities has filed an action in the Court of Common Pleas of Luzerne County, Pennsylvania seeking a declaration of the rights and responsibilities of the parties to the agreement.

In a regulated utility environment, Hunlock Station could be expected to operate until the end of its useful life in 2004. As a result of electric deregulation, however, Hunlock may cease operations as early as January 1, 1999, depending on a number of factors, including customer load, contract purchase obligations and the availability and cost of replacement power. Until restructuring proceedings under the Customer Choice Act are completed, Utilities will be unable to predict how long Hunlock Station will operate.

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

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

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

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

Seasonality. Sales of electricity for residential heating purposes accounted for approximately 23% of the total sales of Electric Utility during the 1997 fiscal year. Electricity competes with natural gas, oil, propane and other heating fuels in this use. Approximately 54% of sales occurred in the six coldest months of the 1997 fiscal year, demonstrating modest seasonality favoring winter due to the use of electricity for residential heating purposes.

PROPERTIES

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

UTILITY REGULATION AND RATES

Recent Regulatory Environment. Since December 1982, Utilities has provided transportation service for commercial and industrial customers who purchase their gas from others. As previously reported, this unbundled service accounted for approximately 54% of Utilities' system throughput in fiscal year 1997. Certain states, including Pennsylvania, are considering whether transportation service options should be extended to residential and small commercial customers. On March 27, 1997, proposed customer choice legislation was introduced in the Pennsylvania General Assembly that would, among other things, extend the availability of gas transportation service to residential and small

commercial customers of local gas distribution companies. It would permit all customers of natural gas distribution utilities to transport their natural gas supplies through the distribution systems of Pennsylvania gas utilities by April 1, 1999 and would also require Pennsylvania gas utilities to stop selling natural gas. Legislative committees have conducted public hearings on the proposed legislation and Utilities has provided testimony on such issues as the need for standards to assure reliability of future gas supplies and the recovery of costs associated with existing gas supply assets. Utilities is considering a number of options for addressing the provision of unbundled transportation services to residential and small commercial customers, including the termination of bundled retail sales services. The Company will continue to monitor the proposed legislation.

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 UGI 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 Utilities' transmission facilities are used by third parties.

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

Purchased Gas Cost Rates. Gas Utility's gas service tariff contains Purchased Gas Cost ("PGC") rates which provide for annual increases or decreases in the rate per thousand cubic feet ("mcf") which Gas Utility charges for natural gas sold by it, to reflect Utilities' projected cost of purchased gas. In accordance with regulations adopted by the PUC on June 14, 1995, PGC rates may also be adjusted quarterly to reflect purchased gas costs. Each proposed PGC rate is required to be filed with the PUC six months prior to its effective date. During this period the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels which meet that standard. The PGC mechanism also provides for an annual reconciliation. Utilities has two PGC rates. PGC (1) is applicable to small, firm, core market customers consisting of the residential and small commercial and industrial classes; PGC (2) is applicable to firm, contractual, high-load factor customers served on three specific rates (Rates BD, BD-L and N/CIAC). In addition, residential customers maintaining a high load may qualify for the PGC(2) rate. In accordance with the schedule established by law and PUC regulations, Gas Utility will file a new PGC tariff on June 1, 1998, to be effective December 1, 1998. When filed, the proposed tariff will reflect estimated PGC over-collections and under-collections through November 30, 1998.

Energy Cost Rates. In accordance with provisions of the Customer Choice Act, the PUC approved Electric Utility's application to roll its energy costs rate ("ECR") into its base rates

effective as of May 2, 1997, at a combined level not to exceed the rate cap established as of January 1, 1997. Before January 1, 1997, the ECR permitted Electric Utility to adjust customers' monthly charges to reflect annual changes in the cost of purchased power, fuel, interchange power and the cost of transmitting power purchased from external sources. Although Electric Utility may no longer adjust customer charges to reflect changes in the cost of purchased power, it will continue to account for such changes in order to reconcile costs as part of its Restructuring Plan.

Gas Rate Case. On January 27, 1995, Gas Utility filed with the PUC for a \$41.3 million increase in base rates. The PUC approved a \$19.5 million settlement of this proceeding, effective August 31, 1995.

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

Deferred Fuel Adjustments. Gas Utility defers and until January 1, 1997 Electric Utility deferred the difference between the amount of revenue recognized, and the applicable purchased gas costs and purchased power costs incurred, until subsequently billed or refunded to customers.

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 and other matters, are also subject to the jurisdiction of FERC.

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

UGI ENTERPRISES, INC.

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

In 1995, the gas marketing business previously conducted by a subsidiary of Utilities was transferred to UGI Energy Services, Inc. ("Energy Services"), a wholly owned subsidiary of UGI Enterprises. Energy Services conducts this business under the trade name GASMARK. GASMARK sells natural gas directly to more than 875 commercial and industrial customers in the Mid-Atlantic region, Massachusetts, New York and Ohio, through the transportation systems of 15 utility systems. Another Enterprises subsidiary has been formed to market electricity under the trade name POWERMARK.

During 1996, UGI Enterprises formed a joint venture with affiliates of Energy Transportation Group, Inc. ("ETG") and North American World Trade, Ltd. to develop, build and operate a liquefied petroleum gas ("LPG") import project in Romania. ETG operates a major fleet of liquefied natural gas ("LNG") vessels, and North American World Trade, Ltd. is a consulting firm with Romanian expertise. The joint venture is known as Black Sea LPG, L.P. The project will include construction of a 26 million gallon refrigerated marine LPG import terminal and an LPG pipeline with propane-air mixing plants to deliver propane to Bucharest, Romania's capital. UGI has funded the initial development of the joint venture through UGI Black Sea Enterprises, Inc., a wholly owned subsidiary of UGI Enterprises. Black Sea LPG, L.P. will develop the project and UGI Black Sea Enterprises, Inc. will operate the terminal and the propane-air plants. On December 11, 1997, affiliates of UGI Enterprises and ETG entered into an agreement creating a Romanian joint venture known as Black Sea LPG Romania S.A. for the purpose of financing and constructing the project. The Romanian partners in this venture are Regia Autonoma a Gazelor Naturale "Romgaz" Medias, the national gas utility; Regia Autonoma de Electricitate "Renel", the national electric utility; and Rompetrol, S.A., a privately held energy services company.

In addition, UGI International Enterprises, Inc., another UGI Enterprises subsidiary, and ETG have a cooperation agreement with China National Chemical Supply & Sales Corporation to develop an integrated propane company, including a propane import and distribution business, to serve Chinese provinces along the Yangtze River.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's industry segments for the 1997, 1996 and 1995 fiscal years appears on page 20 of UGI's 1997 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 1997, UGI and its subsidiaries had 6,437 employees.

ITEM 3. LEGAL PROCEEDINGS

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

ENVIRONMENTAL MATTERS - MANUFACTURED GAS PLANTS

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

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

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

Management believes that Utilities should not have significant liability in those instances in which a former subsidiary operated a manufactured gas plant because Utilities generally is not

legally liable for the obligations of its subsidiaries. Under certain circumstances, however, courts have found parent companies liable for environmental damage caused by subsidiary companies when the parent company exercised such substantial control over the subsidiary that the court concluded that the parent company either (i) itself operated the facility causing the environmental damage or (ii) otherwise so controlled the subsidiary that the subsidiary's separate corporate form should be disregarded. There could be, therefore, significant future costs of an uncertain amount associated with environmental damage caused by manufactured gas plants that Utilities owned or directly operated, or that were owned or operated by former subsidiaries of Utilities, if a court were to conclude that the level of control exercised by Utilities over the subsidiary satisfies the standard described above.

Utilities believes that there are approximately 40 manufactured gas plant sites in Pennsylvania where either (i) Utilities formerly operated the plant or (ii) Utilities owns or at one time owned the site. Most of the sites are no longer owned by Utilities and the gas plants formerly operated at these 40 sites have all been out of operation since at least the early 1950s. Utilities or other parties are currently conducting investigative or remedial activities at nine of the 40 sites. Based on the 1995 settlement agreement with the PUC relating to Gas Utilities' 1995 base rate increase filing, rate relief will be permitted for certain remediation expenditures on environmentally contaminated sites located in Pennsylvania. Because of this, Utilities does not expect its costs for Pennsylvania sites to be material to its results of operations.

The following is a short description of the status of certain matters involving Utilities related to manufactured gas plants located in other states. See also Note 11 to the Company's Consolidated Financial Statements which appears on pages 35 and 36 of its 1997 Annual Report to Shareholders.

OUT OF STATE GAS PLANT SITES

1. Halladay Street, Jersey City, New Jersey. By letter dated April 12, 1993, Public Service Electric and Gas Company ("PSE&G") informed Utilities that PSE&G had been named as a defendant in a civil action pending in the United States District Court of the District of New Jersey, seeking damages as a result of contamination relating to the former manufactured gas plant operations at Halladay Street in Jersey City, New Jersey. The Halladay Street gas plant operated from approximately 1884 until 1950. PSE&G asserted that Utilities is liable for that portion of the costs associated with operations of the plant between 1886 and 1899. PPG Industries, Inc. has also been named as a defendant in the action for costs associated with chemical contamination at the site unrelated to gas plant operations. In July 1993, PSE&G served Utilities with a complaint naming Utilities as a third-party defendant in this civil action. PSE&G subsequently amended the complaint to allege additional theories of liability for the period from 1899 to 1940. To date, that action has focused on the chemical contamination allegedly associated with PPG Industries' activities and there have been no developments concerning liability for gas plant related contamination. Management is currently investigating Utilities' involvement in operations of the site and evaluating its defenses. Investigations of the site conducted to date are insufficient to establish the extent of environmental remediation necessary,

if any. Hence, Utilities is unable to estimate the total cost of cleanup associated with manufactured gas plant wastes at this site.

2. Burlington, Vermont. By letter dated November 24, 1992, the EPA notified Utilities of potential liability with respect to contamination at the Pine Street Canal Superfund Site, Burlington, Vermont. The EPA has also identified eighteen other "potentially responsible parties." Utilities has responded to the EPA letter and denied liability for any contamination caused by the former operator of the gas plant. Management believes that Utilities has substantial defenses to any claim that may be made for investigative or remedial costs because, among other things, the plant was operated by a subsidiary of a predecessor company.

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

In November 1992, the EPA proposed a cleanup of the site that, among other actions, would consist of on-site containment, dredging and excavation, dewatering and consolidation of contaminated soils, treatment of groundwater and restoration of wetlands. The estimated cost of the proposed plan would have been approximately \$50 million. In May 1993, after reviewing extensive public comment concerning the proposed plan of remediation, the EPA withdrew the proposed plan and announced that it would work with a coordinating council consisting of community groups, potentially responsible parties ("PRPs") and others to develop an alternative plan.

In September 1997, the coordinating council proposed a remedial plan calling for capping of the site at an estimated cost of \$6 million to \$10 million. In addition, the coordinating council and EPA may have spent an additional \$10 million in studying the site. In December 1997, Green Mountain Power Company, the lead PRP, agreed in principle to indemnify and release Utilities from any further liability at the site on terms and conditions which are not material to the results of operations of Utilities.

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

4. Concord, New Hampshire. By letter dated October 18, 1993, EnergyNorth Natural Gas, Inc. ("EnergyNorth") informed Utilities that the New Hampshire Department of Environmental Services ("NHDES") has alleged that there is environmental contamination on property in Concord, N.H., where a manufactured gas plant was once located. EnergyNorth requested that Utilities, as a former operator of the plant, participate in investigation of the site. Because this gas plant appears to have been operated almost exclusively by former subsidiary companies of Utilities, Utilities declined to participate. On September 17, 1995 EnergyNorth filed suit against Utilities alone in federal District Court in New Hampshire, seeking Utilities' allocable share of response costs associated with remediating gas plant related contamination at that site. The complaint alleges that EnergyNorth has spent \$3.5 million to remove contaminants from a gas holder at the site and will be required to spend an unknown amount in the future. As a result of investigations of gas plant related contamination in a nearby pond completed in 1996, EnergyNorth recommended to NHDES a remedial plan that would cost approximately \$4 million. In November 1997, Utilities settled this litigation on terms which are not material to the results of operations of Utilities.

OTHER MATTERS

1. Foster Wheeler Penn Resources, Inc. v. UGI Utilities, Inc. Civil Action No. 97CV4592. On July 14, 1997, Foster Wheeler Penn Resources, Inc. filed suit against UGI Utilities, Inc. in United States District Court for the Eastern District of Pennsylvania alleging, among other things, that UGI Utilities breached an Agreement for the Sale and Purchase of Net Electrical Energy under which UGI Utilities had agreed to purchase electricity from a generating facility yet to be built by Foster Wheeler. In its suit Foster Wheeler seeks, among other things, a declaration that the Sale and Purchase Agreement remains in effect or in the alternative that Foster Wheeler be awarded damages in excess of \$20 million. Management believes that it has defenses to Foster Wheeler's claims.

2. U.S. Department of Transportation Administrative Proceeding. On or about September 17, 1997, the Operating Partnership and five other major interstate propane marketers jointly filed a Petition for Reconsideration and a Request for Partial Stay of Final Rule HM-225 (more commonly known as 49 C.F.R. Section 171.5, the "Final Rule") published by the Research and Special Programs Administration, a division of the U.S. Department of Transportation (the "DOT") on August 18, 1997. While the other marketers subsequently withdrew their petition and filed suit in federal court against the DOT, the Operating Partnership continued its administrative appeal. The appeal relates to the provisions of the Final Rule requiring passive emergency discharge control systems on cargo tank motor vehicles (also known as bobtails) or alternatively, the installation of radio-controlled systems on bobtails or the use of multiple attendants on such vehicles. On December 5, 1997, the appeal was denied. Management of the Operating Partnership is considering an appeal of the DOT decision.

The Operating Partnership is also monitoring the pending litigation on the Final Rule brought by other major marketers and parallel litigation by the propane industry's national trade

association, the National Propane Gas Association. See "BUSINESS AND PROPERTIES
 - - PROPANE PARTNERSHIP BUSINESS - Government Regulation."

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

No matter was submitted to a vote of security holders during the last fiscal quarter of the 1997 fiscal year.

UGI'S EXECUTIVE OFFICERS

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

PART II: SECURITIES AND FINANCIAL INFORMATION

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

MARKET INFORMATION

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

1997 FISCAL YEAR	HIGH	LOW
4th Quarter	\$28.000	\$22.125
3rd Quarter	24.375	21.625
2nd Quarter	25.375	21.750
1st Quarter	24.125	20.875

1996 FISCAL YEAR	HIGH	LOW
4th Quarter	\$24.875	\$21.875
3rd Quarter	24.875	20.000
2nd Quarter	22.750	20.125
1st Quarter	21.875	19.750

DIVIDENDS

Quarterly dividends on UGI Common Stock were paid in the 1997 and 1996 fiscal years as follows:

1997 FISCAL YEAR	AMOUNT
4th Quarter	\$.36
3rd Quarter	.35 1/2
2nd Quarter	.35 1/2
1st Quarter	.35 1/2

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

HOLDERS

On December 1, 1997, UGI had 13,732 holders of record of Common Stock.

The information concerning restrictions on dividends required by Item 5 is incorporated in this Report by reference to Note 4 to the Company's Consolidated Financial Statements which appears on pages 29 through 30 of its 1997 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended September 30,				Nine Months Ended September 30,	
	1997	1996	1995	1994	1993	1992
						(Unaudited)
	(Millions of dollars, except per share amounts)					
FOR THE PERIOD:						
Income statement data:						
Revenues	\$1,642.0	\$1,557.6	\$ 877.6	\$ 762.2	\$ 509.5	\$ 486.8
	=====	=====	=====	=====	=====	=====
Income (loss) from:						
Continuing operations	\$ 52.1	\$ 39.5	\$ 7.9	\$ 37.4	\$ 12.6	\$ 15.3
Discontinued operations	--	--	--	7.6	--	1.7
	-----	-----	-----	-----	-----	-----
Income before extraordinary loss						
and change in accounting	52.1	39.5	7.9	45.0	12.6	17.0
Extraordinary loss - debt restructuring	--	--	(13.2)	--	--	--
Change in accounting for						
postemployment benefits	--	--	(3.1)	--	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$ 52.1	\$ 39.5	\$ (8.4)	\$ 45.0	\$ 12.6	\$ 17.0
	=====	=====	=====	=====	=====	=====
Earnings from continuing operations	\$ 1.57	\$ 1.19	\$ 0.24	\$ 1.16	\$ 0.41	\$ 0.57
Earnings from discontinued operations	--	--	--	0.23	--	0.06
	-----	-----	-----	-----	-----	-----
Earnings before extraordinary loss						
and change in accounting	1.57	1.19	0.24	1.39	0.41	0.63
Extraordinary loss - debt restructuring	--	--	(0.40)	--	--	--
Change in accounting for						
postemployment benefits	--	--	(0.10)	--	--	--
	-----	-----	-----	-----	-----	-----
Net earnings (loss)	\$ 1.57	\$ 1.19	\$ (0.26)	\$ 1.39	\$ 0.41	\$ 0.63
	=====	=====	=====	=====	=====	=====
Cash dividends declared	\$ 1.43	\$ 1.41	\$ 1.39	\$ 1.36	\$ 0.99	\$ 0.96
	=====	=====	=====	=====	=====	=====
Total assets	\$2,151.7	\$2,133.0	\$2,152.3	\$1,182.2	\$1,211.4	\$1,076.3
	=====	=====	=====	=====	=====	=====
Capitalization:						
Debt:						
Bank loans - Propane	\$ 28.0	\$ 15.0	\$ --	\$ --	\$ --	\$ --
Bank loans - Utilities	67.0	50.5	42.0	17.0	--	--
Long-term debt						
(including current maturities):						
Propane	691.1	692.5	658.5	210.3	210.2	211.0
Utilities	169.3	174.8	206.3	175.6	200.4	196.2
Other	8.6	9.0	9.3	9.6	9.9	--
	-----	-----	-----	-----	-----	-----
Total Debt	964.0	941.8	916.1	412.5	420.5	407.2
	=====	=====	=====	=====	=====	=====
Minority interest in AmeriGas Partners	266.5	284.4	318.9	--	--	--
UGI Utilities preferred stock subject						
to mandatory redemption	35.2	35.2	35.2	35.2	33.2	35.2
Common stockholders' equity	376.1	377.6	380.5	424.3	414.5	375.5
	-----	-----	-----	-----	-----	-----
Total capitalization	\$1,641.8	\$1,639.0	\$1,650.7	\$ 872.0	\$ 868.2	\$ 817.9
	=====	=====	=====	=====	=====	=====
Ratio of capitalization:						
Total debt	58.7%	57.5%	55.5%	47.3%	48.4%	49.8%
Minority interest	16.3%	17.4%	19.3%	--	--	--
UGI Utilities preferred stock	2.1%	2.1%	2.1%	4.0%	3.8%	4.3%
Common stockholders' equity	22.9%	23.0%	23.1%	48.7%	47.8%	45.9%
	-----	-----	-----	-----	-----	-----
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====	=====	=====

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 10 through 18 of UGI's 1997 Annual Report to Shareholders, is incorporated in this Report by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

During fiscal year 1997, UGI engaged a new independent auditor, Arthur Andersen LLP. The information required by Item 9 is incorporated in this Report by reference to UGI's Amendment No. 1 on Form 8-K/A to its Current Report on Form 8-K dated July 11, 1997.

PART III: UGI MANAGEMENT AND SECURITY HOLDERS

ITEMS 10 THROUGH 12.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11 and 12 is incorporated in this Report by reference to the following portions of UGI's Proxy Statement, which will be filed with the Securities and Exchange Commission by January 28, 1998:

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

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

EXECUTIVE OFFICERS

NAME ----	AGE ---	POSITION -----
Lon R. Greenberg	47	Chairman, Director, President and Chief Executive Officer
Charles L. Ladner	59	Senior Vice President - Finance and Chief Financial Officer
Brendan P. Bovaird	49	Vice President and General Counsel
Michael J. Cuzzolina	52	Vice President - Accounting and Financial Control
Bradley C. Hall	44	Vice President - New Business Development
Richard L. Bunn	61	President and Chief Executive Officer, UGI Utilities, Inc.

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

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

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

Lon R. Greenberg

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

Charles L. Ladner

Mr. Ladner is Senior Vice President - Finance (since 1978). Since April 1997, Mr. Ladner has also served as Vice President - Finance and Accounting of AmeriGas Propane, Inc. He joined the Company in August 1973 as Vice President - Finance.

Brendan P. Bovaird

Mr. Bovaird is Vice President and General Counsel of UGI (since April 1995). He is also Vice President and General Counsel of UGI Utilities, Inc., and AmeriGas 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).

Michael J. Cuzzolina

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

Bradley C. Hall

Mr. Hall was elected Vice President - New Business Development on October 25, 1994, having been Vice President - Marketing and Rates, UGI Utilities, Inc. Gas Division. He also serves as President of UGI Enterprises, Inc. (since 1994). He joined the Company in 1982 and held various positions in the Gas Division.

Richard L. Bunn

Mr. Bunn is President and Chief Executive Officer of UGI Utilities, Inc., (since May 1992). Mr. Bunn began his career with UGI as an engineer in the Electric Utility Division (1958).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV: ADDITIONAL EXHIBITS, SCHEDULES AND REPORTS

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

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

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

(3) LIST OF EXHIBITS:

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

INCORPORATION BY REFERENCE

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

 INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
4.5	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
4.6	First Amendment dated as of September 12, 1997 to Note Agreement dated as of April 12, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	4.5
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC Paragraph 61,060 (1993), order on rehearing, 64 FERC Paragraph 61,365 (1993)	UGI	Form 10-K (9/30/95)	10.5
10.2	Service Agreement (Rate FTS) dated June 1, 1987 between Utilities and Columbia, as modified by Supplement No. 1 dated October 1, 1988; Supplement No. 2 dated November 1, 1989; Supplement No. 3 dated November 1, 1990; Supplement No. 4 dated November 1, 1990; and Supplement No. 5 dated January 1, 1991, as further modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC Paragraph 61,060 (1993), order on rehearing, 64 FERC Paragraph 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)o.

INCORPORATION BY REFERENCE

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

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.7**	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	UGI	Form 10-Q (3/31/97)	10.1
10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan	UGI	Form 10-Q (3/31/97)	10.2
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			
*10.13**	Change of Control Agreement between UGI Corporation and Lon R. Greenberg			
*10.14**	Form of Change of Control Agreement between UGI Corporation and each of Messrs. Bunn and Ladner			
*10.15**	Form of Change of Control Agreement between UGI Corporation and each of Messrs. Bovaird, Cuzzolina and Hall			
*10.16**	1997 Stock Purchase Loan Plan			

 INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.17	Amended and Restated Credit Agreement dated as of September 15, 1997 among AmeriGas Propane, L.P., AmeriGas Propane, Inc., Petrolane Incorporated, Bank of America National Trust and Savings Association, as Agent, First Union National Bank, as Syndication Agent and certain banks	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	10.1
10.18	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
10.19	General Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association and Mellon Bank, N.A.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.3
10.20	Subsidiary Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association as Collateral Agent and Mellon Bank, N.A. as Cash Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.4

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.21	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
10.22	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
10.23	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
10.24	Agreement dated as of May 1, 1996 between TE Products Pipeline Company, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	10.2
*11	Statement re: Computation of Per Share Earnings			
*13.1	Pages 10 through 39 of 1997 Annual Report to Shareholders			
*13.2	Amendment No. 1 on Form 8-K/A to Form 8-K dated July 11, 1997			
*21	Subsidiaries of the Registrant			
*23.1	Consent of Arthur Andersen LLP re: Financial Statements of UGI Corporation			
*23.2	Consent of Arthur Andersen LLP re: Financial Statements of AmeriGas Propane, Inc.			
*23.3	Consent of Coopers & Lybrand L.L.P.			

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
*27	Financial Data Schedule			
*99	Cautionary Statements Affecting Forward-looking Information			

* Filed herewith.

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

(b) Reports on Form 8-K:

During the last quarter of the 1997 fiscal year, the Company
filed a Current Report on Form 8-K dated July 11, 1997,
consisting of Items 4 and 7; and Amendment No. 1 on Form 8-K/A
to the Current Report on Form 8-K dated July 11, 1997,
consisting of Items 4 and 7.

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 16, 1997 By: Charles L. Ladner

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 16, 1997, by the following persons on behalf of the Registrant in the capacities indicated.

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

SIGNATURE

TITLE

Richard C. Gozon

Richard C. Gozon

Director

Director

Anne Pol

Quentin I. Smith, Jr.

Quentin I. Smith, Jr.

Director

James W. Stratton

James W. Stratton

Director

David I. J. Wang

David I. J. Wang

Director

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION

10.12	UGI Corporation Senior Executive Employee Severance Pay Plan
10.13	Change of Control Agreement between UGI Corporation and Lon R. Greenberg
10.14	Form of Change of Control Agreement between UGI Corporation and each of Messrs. Bunn and Ladner
10.15	Form of Change of Control Agreement between UGI Corporation and each of Messrs. Bovaird, Cuzzolina and Hall
10.16	1997 Stock Purchase Loan Plan
11	Statement re: Computation of Per Share Earnings
13.1	Pages 10 to 39 of 1997 Annual Report to Shareholders
13.2	Amendment No. 1 on Form 8-K/A to Form 8-K dated July 11, 1997
21	Subsidiaries of the Registrant
23.1	Consent of Arthur Andersen LLP re: Financial Statements of UGI Corporation
23.2	Consent of Arthur Andersen LLP re: Financial Statements of AmeriGas Propane, Inc.
23.3	Consent of Coopers & Lybrand L.L.P.
27	Financial Data Schedule
99	Cautionary Statements Affecting Forward-looking Information

UGI CORPORATION AND SUBSIDIARIES

FINANCIAL INFORMATION
FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K
YEAR ENDED SEPTEMBER 30, 1997

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 reports thereon of Arthur Andersen LLP dated November 14, 1997 and Coopers & Lybrand L.L.P. dated November 22, 1996, listed in the following index, are included in UGI's 1997 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 1997 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 Public Accountants:	
On Consolidated Financial Statements	39
On Financial Statement Schedules	F-4 to F-5
Report of Independent Public Accountants on the Consolidated Financial Statements of AmeriGas Propane, Inc. and subsidiaries for the fiscal year ended September 30, 1996 and the period April 19, 1995 to September 30, 1995	F-6
Financial Statements:	
Consolidated Balance Sheets, September 30, 1997 and 1996	22 to 23
For the years ended September 30, 1997, 1996 and 1995:	
Consolidated Statements of Income	21
Consolidated Statements of Cash Flows	24
Consolidated Statements of Stockholders' Equity	25

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		26 to 38
Supplementary Data (unaudited):		
Quarterly Data for the years ended September 30, 1997 and 1996		38
Financial Statement Schedules:		
For the years ended September 30, 1997, 1996 and 1995:		
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).

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in UGI Corporation's annual report to shareholders for the year ended September 30, 1997, incorporated by reference in this Form 10-K, and have issued our report thereon dated November 14, 1997. Our audit was made for the purpose of forming an opinion on those 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. The information for the year ended September 30, 1997 included on these schedules has been subjected to the auditing procedures applied in the audit 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

Chicago, Illinois
November 14, 1997

F-4

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors
and Stockholders
UGI Corporation

Our report on the consolidated financial statements of UGI Corporation and subsidiaries, which includes an explanatory paragraph regarding the Company's change in its method of accounting for postemployment benefits in 1995, has been incorporated by reference in this Form 10-K from page 39 of the 1997 Annual Report to Shareholders of UGI Corporation and subsidiaries. In connection with our audits of such financial statements, we have also audited the financial statement schedules for the years ended September 30, 1996 and 1995 listed in the index on pages F-2 and F-3 inclusive, of this Form 10-K.

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

COOPERS & LYBRAND L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
November 22, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of AmeriGas Propane, Inc.:

We have audited the consolidated balance sheets of AmeriGas Propane, Inc. (a Pennsylvania corporation and a wholly owned subsidiary of AmeriGas, Inc.) and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholder's equity and cash flows for the year ended September 30, 1996 and the period April 19, 1995 to September 30, 1995 (not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 AmeriGas Propane, Inc. and subsidiaries as of September 30, 1996 and 1995 and the results of their operations and their cash flows for the year ended September 30, 1996 and the period April 19, 1995 to September 30, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
November 22, 1996

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

BALANCE SHEETS
(Millions of dollars)

	September 30, 1997	1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20.1	\$ 51.4
Short-term investments	--	23.1
Accounts receivable	0.5	0.4
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	0.1	0.2
	-----	-----
Total current assets	20.9	75.3
Investments in subsidiaries	376.2	326.5
Other assets	4.0	1.0
	-----	-----
Total assets	\$401.1	\$402.8
	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	\$ 10.3	\$ 12.2
Accrued liabilities	13.2	11.7
	-----	-----
Total current liabilities	23.5	23.9
Noncurrent liabilities	1.5	1.3
Common stockholders' equity:		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 shares)	393.7	392.0
Accumulated deficit	(9.2)	(12.9)
	-----	-----
Less treasury stock, at cost	384.5	379.1
	8.4	1.5
	-----	-----
Total common stockholders' equity	376.1	377.6
	-----	-----
Total liabilities and common stockholders' equity	\$401.1	\$402.8
	=====	=====

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,		
	1997	1996	1995
Revenues	\$ --	\$ --	\$ --
Costs and expenses:			
Operating and administrative expenses	12.2	10.1	16.4
Petrolane management fee income	--	--	(6.8)
Miscellaneous income, net	(14.8)	(13.4)	(16.7)
	(2.6)	(3.3)	(7.1)
Operating income	2.6	3.3	7.1
Interest income	--	0.1	0.2
Income before income taxes	2.6	3.4	7.3
Income taxes	1.1	1.4	3.2
Income before equity in income of unconsolidated subsidiaries and equity investees	1.5	2.0	4.1
Equity in continuing operations of unconsolidated subsidiaries	50.6	37.5	3.7
Equity in Petrolane	--	--	0.1
Income before extraordinary loss and change in accounting for postemployment benefits	52.1	39.5	7.9
Extraordinary loss - debt restructuring - subsidiaries	--	--	(13.2)
Change in accounting for postemployment benefits - subsidiaries	--	--	(3.1)
Net income (loss)	\$ 52.1	\$ 39.5	\$ (8.4)
Earnings per common share:			
Earnings before extraordinary loss and change in accounting for postemployment benefits	\$ 1.57	\$ 1.19	\$ 0.24
Extraordinary loss - debt restructuring - subsidiaries	--	--	(0.40)
Change in accounting for postemployment benefits - subsidiaries	--	--	(0.10)
Net earnings (loss)	\$ 1.57	\$ 1.19	\$(0.26)

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

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	1997	1996	1995
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	\$ 77.5	\$ 96.6	\$ 25.0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for property, plant and equipment	--	--	(0.2)
Net repayments from unconsolidated subsidiaries	--	--	0.5
Investments in unconsolidated subsidiaries	(74.6)	(1.1)	(0.6)
Other	20.6	(21.1)	(2.0)
Net cash used by investing activities	(54.0)	(22.2)	(2.3)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(47.2)	(46.4)	(45.2)
Issuance of Common Stock	11.7	11.3	10.1
Purchase of Common Stock	(19.2)	(7.1)	--
Net cash used by financing activities	(54.7)	(42.2)	(35.1)
Cash and cash equivalents increase (decrease)	\$(31.2)	\$ 32.2	\$(12.4)
Cash and cash equivalents:			
End of period	\$ 20.1	\$ 51.3	\$ 19.1
Beginning of period	51.3	19.1	31.5
Increase (decrease)	\$(31.2)	\$ 32.2	\$(12.4)

(a) Includes dividends received from unconsolidated subsidiaries of \$75.8, \$95.2 and \$22.1, respectively, for the years ended September 30, 1997, 1996 and 1995.

Supplemental disclosure of non-cash investing activities:

During the year ended September 30, 1995, UGI Corporation contributed a \$10 noninterest bearing demand note to its wholly owned subsidiary, AmeriGas, Inc. During the year ended September 30, 1996, the note was contributed to AmeriGas Propane, Inc., a subsidiary of AmeriGas, Inc.

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

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year
	-----	-----	-----	-----
YEAR ENDED SEPTEMBER 30, 1997				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$10.6 =====	\$11.3	\$(10.6)(1)	\$11.3 =====
Allowance for amortization of deferred financing costs - Propane	\$ 2.2 =====	\$ 1.6	\$ --	\$ 3.8 =====
Allowance for amortization of other deferred costs - Propane	\$ 2.8 =====	\$ 1.1	\$ --	\$ 3.9 =====
Other reserves:				
Self-insured property and casualty liability	\$47.7 =====	\$11.3	\$(10.5)(2)	\$48.5 =====
Insured property and casualty liability	\$19.0 =====	\$ 3.3	\$(20.5)(2)	\$ 1.8 =====
Environmental, litigation and other	\$16.1 =====	\$ 7.6	\$ (1.1)(2)	\$22.6 =====
YEAR ENDED SEPTEMBER 30, 1996				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 7.3 =====	\$10.5	\$ (7.2)(1)	\$10.6 =====
Allowance for amortization of deferred financing costs - Propane	\$ 0.7 =====	\$ 1.5	\$ --	\$ 2.2 =====
Allowance for amortization of other deferred costs - Propane	\$ 1.8 =====	\$ 1.0	\$ --	\$ 2.8 =====
Other reserves:				
Self-insured property and casualty liability	\$48.5 =====	\$14.0	\$(14.8)(2)	\$47.7 =====
Insured property and casualty liability	\$11.7 =====	\$ 6.8	\$ 0.5 (4)	\$19.0 =====
Environmental, litigation and other	\$26.1 =====	\$(7.1)	\$ (2.9)(2)	\$16.1 =====

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

	Balance at beginning of year -----	Charged (credited) to costs and expenses -----	Other -----	Balance at end of year -----
YEAR ENDED SEPTEMBER 30, 1995				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 4.7 =====	\$ 5.4	\$(7.3)(1) 4.5 (3)	\$ 7.3 =====
Allowance for amortization of deferred financing costs - Propane	\$ -- =====	\$ 0.7	\$ --	\$ 0.7 =====
Allowance for amortization of other deferred costs - Propane	\$ 6.3 =====	\$ 1.6	\$ 0.4 (3) (6.5)(4)	\$ 1.8 =====
Other reserves:				
Self-insured property and casualty liability	\$13.6 =====	\$11.3	\$(9.6)(2) 33.0 (3) 0.2 (4)	\$48.5 =====
Insured property and casualty liability	\$ -- =====	\$14.9	\$(2.1)(2) (1.1)(4)	\$11.7 =====
Environmental, litigation and other	\$ 0.5 =====	\$ 0.2	\$32.3 (3) (6.3)(4) (0.6)(2)	\$26.1 =====

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

(2) Payments.

(3) Represents amounts for Petrolane Incorporated (Petrolane) as a result of the purchase on April 19, 1995 of the 65% of the common stock of Petrolane not already owned by UGI or its subsidiary AmeriGas, Inc.

(4) Other adjustments.

UGI CORPORATION
SENIOR EXECUTIVE EMPLOYEE
SEVERANCE PAY PLAN

Article No.	Page No.
I. Background, Purpose and Term of Plan.....	1
II. Definitions.....	2
III. Participation and Eligibility for Benefits.....	4
IV. Benefit.....	5
V. Method and Duration of Benefit Payments.....	7
VI. Administration.....	8
VII. Amendment and Termination.....	10
VIII. Duties of the Company.....	11
IX. Claims Procedures.....	11
X. Miscellaneous.....	12
Signatures.....	14
Appendix A.....	A-1

ARTICLE I

BACKGROUND, PURPOSE AND TERM OF PLAN

Section 1.01 Background. This Plan was amended and restated in its entirety on April 30, 1993 to reflect sponsorship by a new entity following the April 10, 1992 reorganization of UGI Utilities, Inc. (formerly, UGI Corporation). As of January 1, 1997 the Company adopted the 1997 Stock Option and Dividend Equivalent Plan. For this reason and others, certain Plan changes are desirable. Accordingly, pursuant to the authority granted under Section 7.01, the Plan is amended and restated in its entirety effective as of January 1, 1997, with all changes effective as of that date.

Section 1.02 Purpose of the Plan. The Plan is intended to alleviate, in part or in full, financial hardships which may be experienced by certain of those employees of the Company whose employment is terminated without fault in recognition of their past service to the Company. In essence, benefits under the Plan are intended to be additional compensation for past services or for the continuation of specified fringe benefits for a transitional period. The amount or kind of benefit to be provided is to be based on the Participant's Compensation, and the fringe benefit programs applicable to him or her, at his or her Employment Termination Date. The Plan is not intended to be included in the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of ERISA. Rather, this Plan is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b). Accordingly, the benefits paid by the Plan are not deferred compensation.

Section 1.03 Term of the Plan. This amendment and restatement is a continuation of the Company's existing Plan. The Plan will continue until such time as UGI Corporation ("UGI"), acting in its sole discretion, elects to modify, supersede or terminate it in accordance with the further provisions hereof.

ARTICLE II

DEFINITIONS

Section 2.01 "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Section 2.02 "Benefit" or "Benefits" shall mean any or all of the benefits that a Participant is entitled to receive pursuant to Article IV of the Plan.

Section 2.03 "Board of Directors" shall mean the Board of Directors of UGI Corporation, or any successor thereto.

Section 2.04 "Chairman of the Board" shall mean the individual serving as the Chairman of the Board of Directors of UGI Corporation as of the date of reference.

Section 2.05 "Change of Control" shall mean a change of control as defined in the form of the UGI Corporation Change of Control Agreement set forth in Appendix A hereto and as amended.

Section 2.06 "Chief Executive Officer" shall mean the individual serving as the Chief Executive Officer of UGI Corporation as of the date of reference.

Section 2.07 "Committee" shall mean the administrative committee designated pursuant to Article VI of the Plan to administer the Plan in accordance with its terms.

Section 2.08 "Company" shall mean UGI Corporation, a Pennsylvania corporation and its subsidiaries and Affiliates, exclusive of AmeriGas Propane, Inc. The term "Company" shall include any successor to UGI Corporation or any subsidiary or Affiliate, exclusive of AmeriGas Propane, Inc., or a corporation succeeding to the business of UGI Corporation by merger, consolidation or liquidation or purchase of assets or stock or similar transaction.

Section 2.09 "Compensation" shall mean the Participant's annual base salary and applicable target annual bonus amount (if any) in effect on the first day of the calendar quarter immediately preceding the Participant's Employment Termination Date.

Section 2.10 "Employment Commencement Date" shall mean the most recent day on which a Participant became an employee of the Company, any Affiliate of the Company, or any entity whose business or assets have been acquired by the Company, its Affiliates or by any predecessor of such entities, unless the Committee determines to give credit for prior service, if any.

Section 2.11 "Employment Termination Date" shall mean the date on which the employment relationship between the Participant and the Company is terminated.

Section 2.12 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

Section 2.13 "Just Cause" shall mean dismissal due to misappropriation of funds, substance abuse, habitual insobriety, conviction of a crime involving moral turpitude, or 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 and its subsidiaries and Affiliates taken as a whole. Disputes with respect to whether Just Cause exists shall be resolved in accordance with Article IX.

Section 2.14 "Participant" shall mean any individual employed by the Company who has been designated by the Company as a participant in SODEP.

Section 2.15 "Plan" shall mean the UGI Corporation Senior Executive Employee Severance Pay Plan, as set forth herein, and as the same may from time to time be amended.

Section 2.16 "Plan Year" shall mean each fiscal year of the Company during which this Plan is in effect.

Section 2.17 "Salary Continuation Period" shall equal one business day for each month which is included in the Participant's Years of Service plus the number of months of paid notice under Section 4.01(c) to a maximum of fifteen (15) months (thirty (30) months in the case of the Chief Executive Officer).

Section 2.18 "SODEP" shall mean the Company's 1997 Stock Option and Dividend Equivalent Plan (or its successor, as applicable).

Section 2.19 "Year of Service" shall mean each twelve-month period (or part thereof) beginning on the Participant's Employment

Commencement Date and ending on each anniversary thereof. Additional Years of Service based on earlier employment with the Company, any Affiliate of the Company or any entity whose business or assets have been acquired by the Company, its Affiliates or by any predecessor of such entities, shall be counted only if permitted by the Committee.

ARTICLE III

PARTICIPATION AND ELIGIBILITY FOR BENEFITS

Section 3.01 General Eligibility Requirement. In order to receive a Benefit under this Plan, a Participant's employment must have been terminated by the Company other than for Just Cause, death, or continuous illness, injury or incapacity for a period of six consecutive months.

Section 3.02 Substantially Comparable Employment. In the absence of a Change of Control, notwithstanding anything herein to the contrary, no Benefits shall be due hereunder in connection with the disposition of a business or division or Affiliate by the Company or an Affiliate if substantially comparable terms of employment, as determined by the Committee, have been offered by the transferee; provided, however, that the Committee, in such situation, may determine to have the Company provide any of the Benefits.

ARTICLE IV

BENEFIT

Section 4.01 Amount of Immediate Cash Benefit. The cash amount to be paid to a Participant eligible to receive Benefits under Section 3.01 hereof, shall be paid in a lump sum as provided in Section 5.01 hereof and shall equal the sum of the following; except that any payment under paragraph (b) below that is based on annual financial performance will be excluded from the lump sum payment and paid separately as provided below:

(a) An amount equal to the Participant's earned and accrued vacation entitlement, including banked vacation time, and personal holidays through the end of the Participant's Salary Continuation Period;

(b) An amount equal to the Participant's annual target bonus amount under the applicable annual bonus plan (or its successor) for the current Plan Year multiplied by the number of months elapsed in the current Plan Year to his or her Employment Termination Date and divided by twelve (12), together with any amounts previously deferred by the Participant under such plan (with interest thereon at the rate prescribed by such plan) as well as any amounts due from the prior year under such plan but not yet paid, provided, however, that if the Employment Termination Date occurs in the last two (2) months of the fiscal year, the amount of the current Plan Year target bonus to be paid pursuant to this paragraph (b) shall be determined and paid after the end of the fiscal year in accordance with the terms and conditions of the applicable annual bonus plan as though the Participant were still an Employee, except that the weighting to be applied to the Participant's business/financial performance goals under the annual bonus plan will be deemed to be 100%; provided further, however, that the Chief Executive Officer may, in his sole discretion, determine that the amount payable pursuant to this paragraph (b) for Employment Termination Dates occurring in the last two (2) months of the fiscal year may be computed in the same manner provided for Employment Termination Dates occurring during the first ten (10) months of the fiscal year;

(c) In the case of the Chief Executive Officer, an amount of paid notice equal to eighteen (18) times a fraction the numerator

of which is his or her Compensation and the denominator of which is twelve (12), and in the case of all other Participants, an amount of paid notice equal to sixty-five (65) times a fraction the numerator of which is the Participant's Compensation and the denominator of which is two-hundred sixty (260); and

(d) An amount equal to the number of the Participant's Years of Service multiplied by twelve (12) times a fraction the numerator of which is the Participant's Compensation and the denominator of which is two-hundred sixty (260); provided, however, that such amount shall not exceed 100% of the Participant's Compensation.

Section 4.02 Executive Benefits. The Participant shall continue to be entitled, through the end of the Participant's Salary Continuation Period, to those employee benefits and executive perquisites listed below (but only if they are in effect from time to time during the Salary Continuation Period) based upon the amount of coverage or benefit provided at the Participant's Employment Termination Date:

- (a) Basic Life Insurance;
- (b) Supplemental Life Insurance; and
- (c) Medical Plan and Dental Assistance Plan including COBRA continuation coverage; and
- (d) Executive Retirement Plan

In each case, when contributions are required of all executive employees at the time of the Participant's Employment Termination Date, or thereafter, if required of all other executive employees, the Participant shall be responsible for making the required contributions, on an after-tax basis only, during the Salary Continuation Period in order to be eligible for the coverage. In lieu of any or all of the coverages provided under any of clauses (a) through (c) above, the Company may pay to the Participant, at the time payment is otherwise to be made of cash Benefits pursuant to Section 5.01 hereof, a single lump sum payment equal to the then present value of the cost of such coverages. Notwithstanding anything herein to the contrary, any such coverages shall be discontinued if, and at the time, the Participant obtains other employment and becomes eligible to participate in the plan of, or is provided similar coverage by,

a new employer; provided, however, that the Participant shall not be required to refund any sum to the Company should a lump sum have been paid pursuant to the preceding sentence. Any applicable conversion rights shall be provided to the Participant at the time coverage ceases. The Committee shall determine to what extent, if any, any other perquisites or benefit coverage such as tax preparation services, etc. shall continue to be provided during the Salary Continuation Period and whether the Participant shall be entitled to outplacement services or to receive title to the Participant's Company-supplied automobile, if any, in which case the value of the Participant's cash Benefit under Section 4.01 hereof shall be increased accordingly. The Participant shall be responsible for the payment of sales tax on such automobile, if any.

Section 4.03 Retirement Plans. This Plan shall not govern and shall in no way affect the Participant's interest in, or entitlement to benefits under, any of the Company's "qualified" retirement plans and any payments received under any such plan shall not affect a Participant's right to any Benefit hereunder.

Section 4.04 Effect on Other Benefits. There shall not be drawn from the continued provision by the Company of any of the aforementioned Benefits any implication of continued employment or of continued right to accrual of benefits under the Company's "qualified" retirement plans or the 1997 Stock Option and Dividend Equivalent Plan, and a Terminated Employee shall not, except as provided in Section 4.01 (a) hereof, accrue vacation days, paid holidays, paid sick days or other similar benefits normally associated with employment for any part of the Salary Continuation Period during which benefits are payable under this Plan. The benefits payable under this Plan shall be in addition to and not in lieu of any payments or benefits due to the Participant under any other plan, policy, or program of the Company.

ARTICLE V

METHOD AND DURATION OF BENEFIT PAYMENTS

Section 5.01 Method of Payment. The cash Benefits to which a Participant is entitled, as determined pursuant to Article IV hereof, shall be paid in a lump sum. Payment shall be made by mailing to the last address provided by the Participant to the Company. Payment shall be made within thirty (30) days after the Participant's Employment Termination Date, except as otherwise provided in Section 4.01 (b).

Section 5.02 Conditions to Entitlement to Benefit. In order to be eligible to receive any Benefits hereunder, after the Participant's Employment Termination Date, a Participant must be reasonably available to the Company and cooperate in any reasonable manner (so as not to interfere unreasonably with subsequent employment) in providing assistance to the Company in conducting any matters which are pending at such time, and shall execute a release and discharge of the Company from any and all claims, demands or causes of action other than as to amounts or benefits due to the Participant under any plan, program or contract provided by, or entered into with, the Company. Such release and discharge shall be in such form as is prescribed by the Committee and counsel for the Company and shall be executed prior to the payment of any benefits due hereunder. In addition, no benefits due hereunder shall be paid to a Participant who is required by Company policy or practice to execute an agreement governing the assignment of patents or a confidentiality or post-employment agreement unless executed copies of such agreements are on file with the Company.

Section 5.03 Payments to Beneficiary(ies). Each Participant shall designate a beneficiary(ies) to receive any Benefits due hereunder in the event of the Participant's death prior to the receipt of all such Benefits. Such beneficiary designation shall be made in the manner, and at the time, prescribed by the Committee in its sole discretion. In the absence of an effective beneficiary designation hereunder, the Participant's estate shall be deemed to be the Participant's designated beneficiary.

ARTICLE VI

ADMINISTRATION

Section 6.01 Appointment. The Committee shall consist of one (1) or more persons appointed by the Chairman of the Board. Committee members may be, but need not be, employees of the Company, including the Chairman of the Board and the Chief Executive Officer, whether or not they are one and the same person.

Section 6.02 Tenure. Committee members shall serve at the pleasure of the Chairman of the Board. Committee members may resign at any time on ten (10) days' written notice, and Committee members may be discharged, with or without cause, at any time by the Chairman of the Board.

Section 6.03 Authority and Duties. It shall be the duty of the Committee, on the basis of information supplied to it by the Company, to determine the eligibility of each Participant for Benefits under the Plan, to determine the amount of Benefit to which each such Participant may be entitled, and to determine the manner and time of payment of the Benefit consistent with the provisions hereof. The Company shall make such payments as are certified to it by the Committee to be due to Participants. The Committee shall have the full power and authority to construe, interpret and administer the Plan, to correct deficiencies therein, and to supply omissions. All decisions, actions, and interpretations of the Committee shall be final, binding, and conclusive upon the parties.

Section 6.04 Action by the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business at a meeting of the Committee. Any action of the Committee may be taken upon the affirmative vote of a majority of the members of the Committee at a meeting, or at the direction of the Chairperson, without a meeting, by mail, telegraph, telephone, or electronic communication device; provided that all of the members of the Committee are informed of their right to vote on the matter before the Committee and of the outcome of the vote thereon.

Section 6.05 Officers of the Committee. The Chairman of the Board shall designate one of the members of the Committee to serve as Chairperson thereof. The Chairman of the Board shall also designate a person to serve as Secretary of the Committee, which person may be, but need not be, a member of the Committee.

Section 6.06 Compensation of the Committee. Members of the Committee shall receive no compensation for their services as such. However, all reasonable expenses of the Committee shall be paid or reimbursed by the Company upon proper documentation. The Company shall indemnify members of the Committee against personal liability for actions taken in good faith in the discharge of their respective duties as members of the Committee.

Section 6.07 Records, Reporting, and Disclosure. The Committee shall keep all individual and group records relating to Participants and former Participants and all other records necessary for the proper operation of the Plan. Such records shall be made available to the Company and to each Participant for examination during business hours except that a Participant shall examine only such records as pertain exclusively to the examining Participant and to the Plan. The Committee shall prepare and shall file as required by law or regulation all reports, forms, documents and other items required by ERISA,

the Internal Revenue Code, and every other relevant statute, each as amended, and all regulations thereunder (except that UGI Corporation, as payor of the Benefits, shall prepare and distribute to the proper recipients all forms relating to withholding of income or wage taxes, Social Security taxes, and other amounts which may be similarly reportable).

Section 6.08 Actions of the Committee. Whenever a determination is required of the Committee under the Plan, such determination shall be made solely at the discretion of the Committee. In addition, the exercise of discretion by the Committee need not be uniformly applied to similarly situated Participants and shall be final and binding on each Participant or beneficiary(ies) to whom the determination is directed.

Section 6.09 Benefits of the Chief Executive Officer. Whenever a determination is required of the Chief Executive Officer under the Plan, the individual then serving as the Chairman of the Compensation and Management Development Committee of the Board of Directors shall be substituted for, and shall make the determination with respect to, the Chief Executive Officer as to any matter that directly pertains to, or affects, the Chief Executive Officer.

Section 6.10 Bonding. The Committee shall arrange any bonding that may be required by law, but no amount in excess of the amount required by law (if any) shall be required by the Plan.

ARTICLE VII

AMENDMENT AND TERMINATION

Section 7.01 Amendment, Suspension and Termination. The Company retains the right, at any time and from time to time, to amend, suspend or terminate the Plan in whole or in part, for any reason, and without either the consent of or the prior notification to any Participant. No such amendment shall give the Company the right to recover any amount paid to a Participant prior to the date of such amendment or to cause the cessation and discontinuance of payments of Benefits to any person or persons under the Plan already receiving Benefits.

ARTICLE VIII

DUTIES OF THE COMPANY

Section 8.01 Records. The Company shall supply to the Committee all records and information necessary to the performance of the Committee's duties.

Section 8.02 Payment. UGI Corporation shall make payments from its general assets to Participants in accordance with the terms of the Plan, as directed by the Committee.

ARTICLE IX

CLAIMS PROCEDURES

Section 9.01 Application for Benefits. Participants who believe they are eligible for benefits under this Plan may apply for such benefits by completing and filing with the Committee an application for benefits. Before the date on which benefit payments commence, each such application must be supported by such information as the Committee deems relevant and appropriate.

Section 9.02 Appeals of Denied Claims for Benefits. In the event that any claim for benefits is denied in whole or in part, the Participant (or beneficiary, if applicable) whose claim has been so denied shall be notified of such denial in writing by the Committee. The notice advising of the denial shall specify the reason or reasons for denial, make specific reference to pertinent Plan provisions, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the Participant of the procedure for the appeal of such denial. All appeals shall be made by the following procedure:

(a) The Participant whose claim has been denied shall file with the Committee a notice of desire to appeal the denial. Such notice shall be filed within sixty (60) days of notification by the Committee of claim denial, shall be made in writing, and shall

set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) The Committee shall, within thirty (30) days of receipt of the Participant's notice of appeal, establish a hearing date on which the Participant may make an oral presentation to the Committee in support of the Participant's appeal. The Participant shall be given not fewer than ten (10) days' notice of the date set for the hearing.

(c) The Committee shall consider the merits of the claimant's written and oral presentations, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Committee shall deem relevant. If the claimant elects not to make an oral presentation, such election shall not be deemed adverse to the claimant's interest, and the Committee shall proceed as set forth below as though an oral presentation of the contents of the claimant's written presentation had been made.

(d) The Committee shall render a determination upon the appealed claim, within sixty (60) days of the hearing date, which determination shall be accompanied by a written statement as to the reasons therefor. The determination so rendered shall be binding upon all parties.

ARTICLE X

MISCELLANEOUS

Section 10.01 Nonalienation of Benefits. None of the payments, benefits or rights of any Participant shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Participant may expect to receive, contingently or otherwise, under this Plan.

Section 10.02 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, or any person whosoever, the right to be retained in the service of the Company, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been adopted.

Section 10.03 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

Section 10.04 Successors, Heirs, Assigns, and Personal Representatives. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future. Unless the Committee directs otherwise, UGI Corporation shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of UGI Corporation, or a division or Affiliate thereof, (i) to acknowledge expressly that this Plan is binding upon and enforceable against such successor in accordance with the terms hereof, (ii) to become jointly and severally obligated with UGI Corporation to perform the obligations under this Plan, and (iii) to agree not to amend or terminate the plan for a period of three (3) years after the date of succession without the consent of the affected Participant.

Section 10.05 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.

Section 10.06 Gender and Number. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Section 10.07 Unfunded Plan. The Plan shall not be funded. The Company may, but shall not be required to, set aside or designate an amount necessary to provide the Benefits specified herein (including the establishment of trusts). In any event, no Participant shall have any right to, or interest in, any assets of the Company which may be applied by the Company to the payment of Benefits.

Section 10.08 Payments to Incompetent Persons, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person, or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, the Committee and all other parties with respect thereto.

Section 10.09 Lost Payees. A benefit shall be deemed forfeited if the Committee is unable to locate a Participant to whom a Benefit is due. Such Benefit shall be reinstated if application is made by the Participant for the forfeited Benefit while this Plan is in operation.

Section 10.10 Controlling Law. This Plan shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, to the extent not preempted by Federal law, without giving effect to any Pennsylvania choice of law provisions.

IN WITNESS WHEREOF, UGI Corporation has caused the Plan to be executed by its duly authorized officer and its corporate seal to be affixed hereto as of the ____ day of _____, 1997.

UGI CORPORATION

Attest:

Barton D. Whitman
Secretary

By: _____
Brendan P. Bovaird
Vice President & General Counsel

APPENDIX A

UGI CORPORATION
CHANGE OF CONTROL AGREEMENT

Agreement made as of the ____ day of June, 1996, between UGI Corporation, a Pennsylvania corporation (the "Company"), and (the "Employee").

WHEREAS, the Employee is presently employed by the Company, as its President and Chief Executive Officer; and

WHEREAS, the Company considers it essential to foster the employment of well qualified key management personnel, and, in this regard, the board of directors of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company;

WHEREAS, the board of directors of the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of key members of the Company's management to their assigned duties without distraction in the face of potentially disturbing

circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated; and

WHEREAS, in order to induce the Employee to remain in the employ of the Company, the Company agrees that the Employee shall receive the compensation set forth in this Agreement in the event his employment with the Company is terminated subsequent to a "Change of Control" (as defined in Section 1 hereof) of the Company as a cushion against the financial and career impact on the Employee of any such Change of Control;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions. For all purposes of this Agreement, the following terms shall have the meanings specified in this Section unless the context clearly otherwise requires:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) "Base Compensation" shall mean the average of the total cash remuneration received by the Employee in all capacities with the Company, and its Subsidiaries or Affiliates, as reported for Federal income tax purposes on Form

W-2, together with any amounts the payment of which has been deferred by the Employee under any deferred compensation plan of the Company, and its Subsidiaries or Affiliates, or otherwise and any and all salary reduction authorized amounts under any of the benefit plans or programs of the Company, and its Subsidiaries or Affiliates, but excluding any amounts attributable to the exercise of stock options granted to the Employee under the Company's Stock Option and Dividend Equivalent Plan or its successor, for the five calendar years (or such number of actual full calendar years of employment, if less than five) immediately preceding the calendar year in which occurs a Change of Control or the Employee's Termination Date, whichever period produces the higher amount.

(c) A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such

Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any voting securities of the Company; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities

acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Board" shall mean the board of directors of the Company.

(e) "Change of Control" shall mean:

Any Person (except the Employee, his Affiliates and Associates, the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), in either case unless the members of the Company's Executive Committee in office immediately prior to such acquisition determine within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement; or

Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at

least a majority of the Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding

Company Common Stock and Company Voting Securities, as the case may be, in any such case unless the members of the Company's Executive Committee in office immediately prior to such Business Combination determine at the time of such Business Combination that the circumstances do not warrant the implementation of the provisions of this Agreement; or (i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition, in any such case unless the members of the Company's Executive Committee in office immediately prior to such sale or disposition determine at the time of such sale or disposition that

the circumstances do not warrant the implementation of the provisions of this Agreement.

(f) "Cause" shall mean 1) misappropriation of funds, 2) habitual insobriety or substance abuse, 3) conviction of a crime involving moral turpitude, or 4) 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.

(g) "Good Reason Termination" shall mean a Termination of Employment initiated by the Employee upon one or more of the following occurrences:

(i) any failure of the Company to comply with and satisfy any of the terms of this the Agreement;

(ii) any significant involuntary reduction of the authority, duties or responsibilities held by the Employee immediately prior to the Change of Control;

(iii) any involuntary removal of the Employee from the employment grade, compensation level or officer positions which the Employee holds with the Company or, if the Employee is employed by a Subsidiary, with a Subsidiary, held by him immediately prior to the Change of Control, except in connection with promotions to higher office;

(iv) any involuntary reduction in the Employee's target level of annual and long-term compensation as in effect immediately prior to the Change of Control;

(v) any transfer of the Employee, without his express written consent, to a location which is outside the King of Prussia, Pennsylvania area (or the general area in which his principal place of business immediately preceding the Change of Control may be located at such time if other than King of Prussia, Pennsylvania) by more than fifty miles, other than on a temporary basis (less than 12 months); and

(vi) the Employee being required to undertake business travel to an extent substantially greater than the Employee's business travel obligations immediately prior to the Change of Control.

(h) "Normal Retirement Date" shall mean the first day of the calendar month coincident with or next following the Employee's 62nd birthday.

(i) "Subsidiary" shall mean any corporation in which the Company, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which the Company, directly or indirectly, owns at least 50% of the profits or capital interests.

(j) "Termination Date" shall mean the date of receipt of the Notice of Termination described in Section 2 hereof or any later date specified therein, as the case may be.

(k) "Termination of Employment" shall mean the termination of the Employee's actual employment relationship with the Company.

2. Notice of Termination. Any Termination of Employment following a Change of Control shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 14 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific provision in this Agreement relied upon, (ii) briefly summarizes the facts and circumstances deemed to provide a basis for the Employee's Termination of Employment under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice, specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice).

3. Severance Compensation upon Termination.

(a) Subject to the provisions of Section 11 hereof, in the event of the Employee's involuntary Termination of Employment for any reason other than Cause or in the event of a Good Reason Termination, in either event within three years after a Change of Control, the Company shall pay to the Employee, upon

the execution of a release, in the form required by the Company of its terminating executives prior to the Change of Control, within 15 days after the Termination Date (or as soon as possible thereafter in the event that the procedures set forth in Section 11(b) hereof cannot be completed within 15 days), an amount in cash equal to 2.5 times the Employee's Base Compensation, subject to customary employment taxes and deductions.

(b) In the event the Employee's Normal Retirement Date would occur prior to 30 months after the Termination Date, the aggregate cash amount determined as set forth in (a) above shall be reduced by multiplying it by a fraction, the numerator of which shall be the number of days from the Termination Date to the Employee's Normal Retirement Date and the denominator of which shall be 913 days.

4. Other Payments. The payment due under Section 3 hereof shall be in addition to and not in lieu of any payments or benefits due to the Employee under any other plan, policy or program of the Company, and its Subsidiaries or Affiliates.

5. Trust Fund. The Company sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to employees under this Agreement. Funding of such trust fund shall be subject to the

discretion of the Company's Executive Committee, as set forth in the agreement pursuant to which the fund has been established.

6. Enforcement.

(a) In the event that the Company shall fail or refuse to make payment of any amounts due the Employee under Sections 3 and 4 hereof within the respective time periods provided therein, the Company shall pay to the Employee, in addition to the payment of any other sums provided in this Agreement, interest, compounded daily, on any amount remaining unpaid from the date payment is required under Section 3 or 4, as appropriate, until paid to the Employee, at the rate from time to time announced by Mellon Bank, N.A. as its "prime rate" plus 1%, each change in such rate to take effect on the effective date of the change in such prime rate.

(b) It is the intent of the parties that the Employee not be required to incur any expenses associated with the enforcement of his rights under this Agreement by arbitration, litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Employee hereunder. Accordingly, the Company shall pay the Employee on demand the amount necessary to reimburse the Employee in full for all reasonable expenses (including all attorneys' fees and legal expenses) incurred

by the Employee in enforcing any of the obligations of the Company under this Agreement.

7. No Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company, or any of its Subsidiaries or Affiliates, and for which the Employee may qualify.

9. No Set-Off. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Employee or others.

10. Taxes. Any payment required under this Agreement shall be subject to all requirements of the law with regard to the withholding of taxes,

filing, making of reports and the like, and the Company shall use its best efforts to satisfy promptly all such requirements.

11. Certain Reduction of Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the aggregate present value of amounts payable or distributable to or for the benefit of the Employee pursuant to this Agreement (such payments or distributions pursuant to this Agreement are hereinafter referred to as "Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be subject to the taxation under Section 4999 of the Code. For purposes of this Section 11, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) All determinations to be made under this Section 11 shall be made by Coopers & Lybrand (or the Company's independent public accountant

immediately prior to the Change of Control if other than Coopers & Lybrand (the "Accounting Firm")), which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee. The Employee shall then have the right to determine which of the Agreement Payments shall be eliminated or reduced in order to produce the Reduced Amount in accordance with the requirements of this Section. Within five days after this determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Employee such amounts as are then due to the Employee under this Agreement.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Agreement Payments, as the case may be, will have been made by the Company which should not have been made ("Overpayment") or that additional Agreement Payments which have not been made by the Company could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. Within two years after the Termination of Employment, the Accounting Firm shall review the determination made by it pursuant to the preceding paragraph and the Company shall cooperate

and provide all information necessary for such review. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Employee which the Employee shall repay to the Company together with interest from the date of payment under this Agreement at the applicable Federal rate provided for in Section 7872(f)(2) of the Code (the "Federal Rate"); provided, however, that no amount shall be payable by the Employee to the Company if and to the extent such payment would not reduce the amount which is subject to taxation under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee together with interest from the date of payment under this Agreement at the Federal Rate.

(d) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in subsections (b) and (c) above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to subsections (b) and (c) above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

12. Term of Agreement. The term of this Agreement shall be for five years from the date hereof and shall be automatically renewed for successive one-year periods unless the Company notifies the Employee in writing that this Agreement will not be renewed at least sixty days prior to the end of the current term; provided, however, that (i) after a Change of Control during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired, and (ii) this Agreement shall terminate if, prior to a Change of Control, the employment of the Employee with the Company or any of its Subsidiaries, as the case may be, shall terminate for any reason.

13. Successor Company. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to acknowledge expressly that this Agreement is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to notify the Employee in writing as to such successorship, to provide the Employee

the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as hereinbefore defined and any such successor or successors to its business and/or assets, jointly and severally.

14. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Attention: Corporate Secretary

If to the Employee, to:

or to such other names or addresses as the Company or the Employee, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section; provided, however, that if no such notice is given by the Company

following a Change of Control, notice at the last address of the Company or to any successor pursuant to Section 13 hereof shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

15. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania without giving effect to any conflict of laws provisions.

16. Contents of Agreement, Amendment and Assignment. This Agreement supersedes all prior agreements, sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment executed by the Employee and the Company's Chair of the Executive Committee. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Employee. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in

such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by the Company or the Board.

17. No Right to Continued Employment. Nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Company.

18. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Employee and the Company hereunder shall not be assignable in whole or in part.

19. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be given effect without the invalid or unenforceable provision or application.

20. Remedies Cumulative; No Waiver. No right conferred upon the Employee by this Agreement is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Employee in exercising

any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

21. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

22. Arbitration. In the event of any dispute under the provisions of this Agreement other than a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in King of Prussia, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. The Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses

relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses).

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

ATTEST:

[Seal]

UGI CORPORATION

Secretary

By _____

Witness

AMENDED AGREEMENT

Amended Agreement made as of the 29th day of July, 1997, between UGI Corporation, a Pennsylvania corporation (the "Company"), and Lon R. Greenberg (the "Employee").

WHEREAS, the Company and the Employee entered into an Agreement as of June 28, 1996, to provide for certain payments to be made to the Employee in the event of a change of control of the Company; and

WHEREAS, the Company and the Employee now wish to amend the Agreement, as permitted by Section 16 of the Agreement, to provide that the Company will also assist the Employee with taxes that may become due if payments are made under the Agreement; and

WHEREAS, the Employee is presently employed by the Company, as its President and Chief Executive Officer; and

WHEREAS, the Company considers it essential to foster the employment of well qualified key management personnel, and, in this regard, the board of directors of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company;

WHEREAS, the board of directors of the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of key members of the Company's management to their assigned duties without

distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated; and

WHEREAS, in order to induce the Employee to remain in the employ of the Company, the Company agrees that the Employee shall receive the compensation set forth in this Agreement in the event his employment with the Company is terminated subsequent to a "Change of Control" (as defined in Section 1 hereof) of the Company as a cushion against the financial and career impact on the Employee of any such Change of Control;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree that the Amended Agreement shall read as follows:

1. Definitions. For all purposes of this Agreement, the following terms shall have the meanings specified in this Section unless the context clearly otherwise requires:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) "Base Compensation" shall mean the average of the total cash remuneration received by the Employee in all capacities with the Company, and its Subsidiaries or Affiliates, as reported for Federal income tax purposes on Form W-2, together with any amounts the payment of which has been deferred by the Employee under any deferred compensation plan of the Company, and its Subsidiaries or Affiliates, or otherwise and any and all salary reduction authorized amounts under any of the benefit plans or programs of the Company, and its Subsidiaries or Affiliates, but excluding any amounts attributable to the exercise of stock options granted to the Employee under the Company's Stock Option and Dividend Equivalent Plan or its

successor, for the five calendar years (or such number of actual full calendar years of employment, if less than five) immediately preceding the calendar year in which occurs a Change of Control or the Employee's Termination Date, whichever period produces the higher amount.

(c) A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates

or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any voting securities of the Company; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Board" shall mean the board of directors of the Company.

(e) "Change of Control" shall mean:

Any Person (except the Employee, his Affiliates and Associates, the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), in either case unless the members of the Company's Executive Committee in office immediately prior to such acquisition determine within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement; or

Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the

Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, in any such case unless the members of the Company's Executive Committee in office immediately prior to such Business Combination determine at the time of such Business Combination that the circumstances do not warrant the implementation of the provisions of this Agreement; or

(i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a

corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition, in any such case unless the members of the Company's Executive Committee in office immediately prior to such sale or disposition determine at the time of such sale or disposition that the circumstances do not warrant the implementation of the provisions of this Agreement.

(f) "Cause" shall mean 1) misappropriation of funds, 2) habitual insobriety or substance abuse, 3) conviction of a crime involving moral turpitude, or 4) 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.

(g) "Good Reason Termination" shall mean a Termination of Employment initiated by the Employee upon one or more of the following occurrences:

(i) any failure of the Company to comply with and satisfy any of the terms of this the Agreement;

(ii) any significant involuntary reduction of the authority, duties or responsibilities held by the Employee immediately prior to the Change of Control;

(iii) any involuntary removal of the Employee from the employment grade, compensation level or officer positions which the Employee holds with the

Company or, if the Employee is employed by a Subsidiary, with a Subsidiary, held by him immediately prior to the Change of Control, except in connection with promotions to higher office;

(iv) any involuntary reduction in the Employee's target level of annual and long-term compensation as in effect immediately prior to the Change of Control;

(v) any transfer of the Employee, without his express written consent, to a location which is outside the King of Prussia, Pennsylvania area (or the general area in which his principal place of business immediately preceding the Change of Control may be located at such time if other than King of Prussia, Pennsylvania) by more than fifty miles, other than on a temporary basis (less than 12 months); and

(vi) the Employee being required to undertake business travel to an extent substantially greater than the Employee's business travel obligations immediately prior to the Change of Control.

(h) "Normal Retirement Date" shall mean the first day of the calendar month coincident with or next following the Employee's 62nd birthday.

(i) "Subsidiary" shall mean any corporation in which the Company, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which the Company, directly or indirectly, owns at least 50% of the profits or capital interests.

(j) "Termination Date" shall mean the date of receipt of the Notice of Termination described in Section 2 hereof or any later date specified therein, as the case may be.

(k) "Termination of Employment" shall mean the termination of the Employee's actual employment relationship with the Company.

2. Notice of Termination. Any Termination of Employment following a Change of Control shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 14 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific provision in this Agreement relied upon, (ii) briefly summarizes the facts and circumstances deemed to provide a basis for the Employee's Termination of Employment under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice, specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice).

3. Severance Compensation upon Termination.

(a) Subject to the provisions of Section 11 hereof, in the event of the Employee's involuntary Termination of Employment for any reason other than Cause or in the event of a Good Reason Termination, in either event within three years after a Change of Control, the Company shall pay to the Employee, upon the execution of a release, in the form required by the Company of its terminating executives prior to the Change of Control, within 15 days after the Termination Date (or as soon as possible thereafter in the event that the procedures set forth in Section 11(b) hereof cannot be completed within 15 days), an amount in cash equal to 2.5 times the Employee's Base Compensation, subject to customary employment taxes and deductions.

(b) In the event the Employee's Normal Retirement Date would occur prior to 30 months after the Termination Date, the aggregate cash amount determined as set forth in (a) above shall be reduced by multiplying it by a fraction, the numerator of which shall be the number of days from the Termination Date to the Employee's Normal Retirement Date and the denominator of which shall be 913 days.

4. Other Payments. The payment due under Section 3 hereof shall be in addition to and not in lieu of any payments or benefits due to the Employee under any other plan, policy or program of the Company, and its Subsidiaries or Affiliates.

5. Trust Fund. The Company sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to employees under this Agreement. Funding of such trust fund shall be subject to the discretion of the Company's Executive Committee, as set forth in the agreement pursuant to which the fund has been established.

6. Enforcement.

(a) In the event that the Company shall fail or refuse to make payment of any amounts due the Employee under Sections 3 and 4 hereof within the respective time periods provided therein, the Company shall pay to the Employee, in addition to the payment of any other sums provided in this Agreement, interest, compounded daily, on any amount remaining unpaid from the date payment is required under Section 3 or 4, as appropriate, until paid to the Employee, at the rate from time to time announced by Mellon Bank, N.A. as its "prime rate" plus 1%, each change in such rate to take effect on the effective date of the change in such prime rate.

(b) It is the intent of the parties that the Employee not be required to incur any expenses associated with the enforcement of his rights under this Agreement by arbitration, litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Employee hereunder. Accordingly, the Company shall pay the Employee on demand the amount necessary to reimburse the Employee in full for all reasonable expenses (including all attorneys' fees and legal expenses) incurred by the Employee in enforcing any of the obligations of the Company under this Agreement.

7. No Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company, or any of its Subsidiaries or Affiliates, and for which the Employee may qualify.

9. No Set-Off. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Employee or others.

10. Taxes. Any payment required under this Agreement shall be subject to all requirements of the law with regard to the withholding of taxes, filing, making of reports and the like, and the Company shall use its best efforts to satisfy promptly all such requirements.

11. Certain Increase in Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the Employee shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by the Employee after deduction of any excise tax imposed under

Section 4999 of the Code, and any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up Payment shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Employee's residence on the Termination Date, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(b) All determinations to be made under this Section 11 shall be made by Coopers & Lybrand (or, at the Company's option, the Company's independent public accountant immediately prior to the Change of Control (the "Accounting Firm")), which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Employee such amounts as are then due to the Employee under this Agreement.

(c) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Employee, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Employee after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in subsection (a) above, in the manner determined by the Accounting Firm.

(d) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in subsections (b) and (c) above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to subsections (b) and (c) above, except for claims, damages or expenses resulting from the gross negligence or wilful misconduct of the Accounting Firm., which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee.

12. Term of Agreement. The term of this Agreement shall be for five years from the date hereof and shall be automatically renewed for successive one-year periods unless the Company notifies the Employee in writing that this Agreement will not be renewed at least sixty days prior to the end of the current term; provided, however, that (i) after a Change of Control during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired, and (ii) this Agreement shall terminate if, prior to a Change of Control, the employment of the Employee with the Company or any of its Subsidiaries, as the case may be, shall terminate for any reason.

13. Successor Company. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to acknowledge expressly that this Agreement is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same

extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to notify the Employee in writing as to such successorship, to provide the Employee the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as hereinbefore defined and any such successor or successors to its business and/or assets, jointly and severally.

14. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Attention: Corporate Secretary

If to the Employee, to:

9147 Green Tree Road
Philadelphia, PA 19118

or to such other names or addresses as the Company or the Employee, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section; provided, however, that if no such notice is given by the Company following a Change of Control, notice at the last address of the Company or to any successor pursuant to Section 13 hereof shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

15. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania without giving effect to any conflict of laws provisions.

16. Contents of Agreement, Amendment and Assignment. This Agreement supersedes all prior agreements, sets forth the entire understanding between the parties hereto

with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment executed by the Employee and the Company's Chair of the Executive Committee. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Employee. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by the Company or the Board.

17. No Right to Continued Employment. Nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Company.

18. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Employee and the Company hereunder shall not be assignable in whole or in part.

19. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be given effect without the invalid or unenforceable provision or application.

20. Remedies Cumulative; No Waiver. No right conferred upon the Employee by this Agreement is intended to be exclusive of any other right or remedy, and each and every

such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Employee in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

21. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

22. Arbitration. In the event of any dispute under the provisions of this Agreement other than a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in King of Prussia, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. The Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses).

IN WITNESS WHEREOF, the undersigned, intending to be legally bound,
have executed this Amended Agreement as of the date first above written.

ATTEST:

[Seal]

UGI CORPORATION

Corporate Secretary

By _____
James W. Stratton
Chair of the Executive/Nominating Committee
of the Board of Directors

Witness

Lon R. Greenberg

AMENDED AGREEMENT

Amended Agreement made as of the 29th day of July, 1997, between UGI Corporation, a Pennsylvania corporation (the "Company"), and Richard L. Bunn (the "Employee").

WHEREAS, the Company and the Employee entered into an Agreement as of June 28, 1996, to provide for certain payments to be made to the Employee in the event of a change of control of the Company; and

WHEREAS, the Company and the Employee now wish to amend the Agreement, as permitted by Section 16 of the Agreement, to provide that the Company will also assist the Employee with taxes that may become due if payments are made under the Agreement; and

WHEREAS, the Employee is presently employed by UGI Utilities, Inc., a majority owned subsidiary of the Company, as its President and Chief Executive Officer; and

WHEREAS, the Company considers it essential to foster the employment of well qualified key management personnel, and, in this regard, the board of directors of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company;

WHEREAS, the board of directors of the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and

dedication of key members of the Company's management to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated; and

WHEREAS, in order to induce the Employee to remain in the employ of UGI Utilities, Inc., the Company agrees that the Employee shall receive the compensation set forth in this Agreement in the event his employment with UGI Utilities, Inc. is terminated subsequent to a "Change of Control" (as defined in Section 1 hereof) of the Company as a cushion against the financial and career impact on the Employee of any such Change of Control;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree that the Amended Agreement shall read as follows:

1. Definitions. For all purposes of this Agreement, the following terms shall have the meanings specified in this Section unless the context clearly otherwise requires:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) "Base Compensation" shall mean the average of the total cash remuneration received by the Employee in all capacities with the Company, and its Subsidiaries or Affiliates, as reported for Federal income tax purposes on Form W-2, together with any amounts the payment of which has been deferred by the Employee

under any deferred compensation plan of the Company, and its Subsidiaries or Affiliates, or otherwise and any and all salary reduction authorized amounts under any of the benefit plans or programs of the Company, and its Subsidiaries or Affiliates, but excluding any amounts attributable to the exercise of stock options granted to the Employee under the Company's Stock Option and Dividend Equivalent Plan or its successor, for the five calendar years (or such number of actual full calendar years of employment, if less than five) immediately preceding the calendar year in which occurs a Change of Control or the Employee's Termination Date, whichever period produces the higher amount.

(c) A Person shall be deemed the "Beneficial Owner" of any securities:

(i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to

vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any voting securities of the Company; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Board" shall mean the board of directors of the Company.

(e) "Change of Control" shall mean:

Any Person (except the Employee, his Affiliates and Associates, the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the

combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), in either case unless the members of the Company's Executive Committee in office immediately prior to such acquisition determine within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement; or

Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then

outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, in any such case unless the members of the Company's Executive Committee in office immediately prior to such Business Combination determine at the time of such Business Combination that the circumstances do not warrant the implementation of the provisions of this Agreement; or

(i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition, in any such case unless the members of the Company's Executive Committee in office immediately prior to such sale or disposition determine at the time of such sale or disposition that the circumstances do not warrant the implementation of the provisions of this Agreement.

(f) "Cause" shall mean 1) misappropriation of funds, 2) habitual insobriety or substance abuse, 3) conviction of a crime involving moral turpitude, or 4) 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.

(g) "Good Reason Termination" shall mean a Termination of Employment initiated by the Employee upon one or more of the following occurrences:

(i) any failure of the Company to comply with and satisfy any of the terms of this the Agreement;

(ii) any significant involuntary reduction of the authority, duties or responsibilities held by the Employee immediately prior to the Change of Control;

(iii) any involuntary removal of the Employee from the employment grade, compensation level or officer positions which the Employee holds with the Company or, if the Employee is employed by a Subsidiary, with a Subsidiary, held by him immediately prior to the Change of Control, except in connection with promotions to higher office;

(iv) any involuntary reduction in the Employee's target level of annual and long-term compensation as in effect immediately prior to the Change of Control;

(v) any transfer of the Employee, without his express written consent, to a location which is outside the King of Prussia, Pennsylvania area (or the general area in which his principal place of business

immediately preceding the Change of Control may be located at such time if other than King of Prussia, Pennsylvania) by more than fifty miles, other than on a temporary basis (less than 12 months); and

(vi) the Employee being required to undertake business travel to an extent substantially greater than the Employee's business travel obligations immediately prior to the Change of Control.

(h) "Normal Retirement Date" shall mean the first day of the calendar month coincident with or next following the Employee's 62nd birthday.

(i) "Subsidiary" shall mean any corporation in which the Company, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which the Company, directly or indirectly, owns at least 50% of the profits or capital interests.

(j) "Termination Date" shall mean the date of receipt of the Notice of Termination described in Section 2 hereof or any later date specified therein, as the case may be.

(k) "Termination of Employment" shall mean the termination of the Employee's actual employment relationship with the Company.

2. Notice of Termination. Any Termination of Employment following a Change of Control shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 14 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific provision in this Agreement relied upon, (ii) briefly summarizes the facts and circumstances deemed to provide a basis for the Employee's Termination of Employment under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice,

specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice).

3. Severance Compensation upon Termination.

(a) Subject to the provisions of Section 11 hereof, in the event of the Employee's involuntary Termination of Employment for any reason other than Cause or in the event of a Good Reason Termination, in either event within three years after a Change of Control, the Company shall pay to the Employee, upon the execution of a release, in the form required by the Company of its terminating executives prior to the Change of Control, within 15 days after the Termination Date (or as soon as possible thereafter in the event that the procedures set forth in Section 11(b) hereof cannot be completed within 15 days), an amount in cash equal to 1.5 times the Employee's Base Compensation, subject to customary employment taxes and deductions.

(b) In the event the Employee's Normal Retirement Date would occur prior to 18 months after the Termination Date, the aggregate cash amount determined as set forth in (a) above shall be reduced by multiplying it by a fraction, the numerator of which shall be the number of days from the Termination Date to the Employee's Normal Retirement Date and the denominator of which shall be 548 days.

4. Other Payments. The payment due under Section 3 hereof shall be in addition to and not in lieu of any payments or benefits due to the Employee under any other plan, policy or program of the Company, and its Subsidiaries or Affiliates.

5. Trust Fund. The Company sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to employees under this Agreement. Funding of such trust fund shall be subject to the discretion of the Board

or the Company's Executive Committee, as set forth in the agreement pursuant to which the fund has been established.

6. Enforcement.

(a) In the event that the Company shall fail or refuse to make payment of any amounts due the Employee under Sections 3 and 4 hereof within the respective time periods provided therein, the Company shall pay to the Employee, in addition to the payment of any other sums provided in this Agreement, interest, compounded daily, on any amount remaining unpaid from the date payment is required under Section 3 or 4, as appropriate, until paid to the Employee, at the rate from time to time announced by Mellon Bank, N.A. as its "prime rate" plus 1%, each change in such rate to take effect on the effective date of the change in such prime rate.

(b) It is the intent of the parties that the Employee not be required to incur any expenses associated with the enforcement of his rights under this Agreement by arbitration, litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Employee hereunder. Accordingly, the Company shall pay the Employee on demand the amount necessary to reimburse the Employee in full for all reasonable expenses (including all attorneys' fees and legal expenses) incurred by the Employee in enforcing any of the obligations of the Company under this Agreement.

7. No Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company, or any of its Subsidiaries or Affiliates, and for which the Employee may qualify.

9. No Set-Off. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Employee or others.

10. Taxes. Any payment required under this Agreement shall be subject to all requirements of the law with regard to the withholding of taxes, filing, making of reports and the like, and the Company shall use its best efforts to satisfy promptly all such requirements.

11. Certain Increase in Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the Employee shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by the Employee after deduction of any excise tax imposed under Section 4999 of the Code, and any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up

Payment shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Employee's residence on the Termination Date, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(b) All determinations to be made under this Section 11 shall be made by Coopers & Lybrand (or, at the Company's option, the Company's independent public accountant immediately prior to the Change of Control (the "Accounting Firm")), which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Employee such amounts as are then due to the Employee under this Agreement.

(c) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Employee, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Employee after taking into account the provisions of Section 4999 of the Code shall reflect the intent of the parties as expressed in subsection (a) above, in the manner determined by the Accounting Firm.

(d) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in subsections (b) and (c) above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to subsections (b) and (c) above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm, which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee.

12. Term of Agreement. The term of this Agreement shall be for five years from the date hereof and shall be automatically renewed for successive one-year periods unless the Company notifies the Employee in writing that this Agreement will not be renewed at least sixty days prior to the end of the current term; provided, however, that (i) after a Change of Control during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired, and (ii) this Agreement shall terminate if, prior to a Change of Control, the employment of the Employee with the Company or any of its Subsidiaries, as the case may be, shall terminate for any reason.

13. Successor Company. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to acknowledge expressly that this Agreement is

binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to notify the Employee in writing as to such successorship, to provide the Employee the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as hereinbefore defined and any such successor or successors to its business and/or assets, jointly and severally.

14. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406

Attention: Corporate Secretary

If to the Employee, to:

2077 Fox Creek Road
Berwyn, PA 19392

or to such other names or addresses as the Company or the Employee, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section; provided, however, that if no such notice is given by the Company following a Change of

Control, notice at the last address of the Company or to any successor pursuant to Section 13 hereof shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

15. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania without giving effect to any conflict of laws provisions.

16. Contents of Agreement, Amendment and Assignment. This Agreement supersedes all prior agreements, sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment executed by the Employee and the Company's Chair of the Executive Committee. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Employee. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by the Company or the Board.

17. No Right to Continued Employment. Nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Company.

18. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Employee and the Company hereunder shall not be assignable in whole or in part.

19. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be given effect without the invalid or unenforceable provision or application.

20. Remedies Cumulative; No Waiver. No right conferred upon the Employee by this Agreement is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Employee in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

21. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

22. Arbitration. In the event of any dispute under the provisions of this Agreement other than a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim

settled by arbitration in King of Prussia, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. The Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses).

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Amended Agreement as of the date first above written.

ATTEST:

[Seal]

UGI CORPORATION

By

Lon Greenberg
Chairman, President and
Chief Executive Officer

Corporate Secretary

Witness

Richard L. Bunn

AMENDED AGREEMENT

Amended Agreement made as of the 29th day of July, 1997, between UGI Corporation, a Pennsylvania corporation (the "Company"), and Brendan P. Bovaird (the "Employee").

WHEREAS, the Company and the Employee entered into an Agreement as of June 28, 1996, to provide for certain payments to be made to the Employee in the event of a change of control of the Company; and

WHEREAS, the Company and the Employee now wish to amend the Agreement, as permitted by Section 16 of the Agreement, to provide that the Company will also assist the Employee with taxes that may become due if payments are made under the Agreement; and

WHEREAS, the Employee is presently employed by the Company, as its Vice President and General Counsel; and

WHEREAS, the Company considers it essential to foster the employment of well qualified key management personnel, and, in this regard, the board of directors of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company;

WHEREAS, the board of directors of the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of key members of the Company's management to their assigned duties without

distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated; and

WHEREAS, in order to induce the Employee to remain in the employ of the Company, the Company agrees that the Employee shall receive the compensation set forth in this Agreement in the event his employment with the Company is terminated subsequent to a "Change of Control" (as defined in Section 1 hereof) of the Company as a cushion against the financial and career impact on the Employee of any such Change of Control;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree that the Amended Agreement shall read as follows:

1. Definitions. For all purposes of this Agreement, the following terms shall have the meanings specified in this Section unless the context clearly otherwise requires:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) "Base Compensation" shall mean the average of the total cash remuneration received by the Employee in all capacities with the Company, and its Subsidiaries or Affiliates, as reported for Federal income tax purposes on Form W-2, together with any amounts the payment of which has been deferred by the Employee under any deferred compensation plan of the Company, and its Subsidiaries or Affiliates, or otherwise and any and all salary reduction authorized amounts under any of the benefit

plans or programs of the Company, and its Subsidiaries or Affiliates, but excluding any amounts attributable to the exercise of stock options granted to the Employee under the Company's Stock Option and Dividend Equivalent Plan or its successor, for the five calendar years (or such number of actual full calendar years of employment, if less than five) immediately preceding the calendar year in which occurs a Change of Control or the Employee's Termination Date, whichever period produces the higher amount.

(c) A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from

a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any voting securities of the Company; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Board" shall mean the board of directors of the Company.

(e) "Change of Control" shall mean:

Any Person (except the Employee, his Affiliates and Associates, the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled

to vote generally in the election of directors (the "Company Voting Securities"), in either case unless the members of the Company's Executive Committee in office immediately prior to such acquisition determine within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement; or

Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the

case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, in any such case unless the members of the Company's Executive Committee in office immediately prior to such Business Combination determine at the time of such Business Combination that the circumstances do not warrant the implementation of the provisions of this Agreement; or

(i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition, in any such case unless the members of the Company's Executive Committee in office immediately prior to such sale or disposition determine at the time of such sale or disposition that the circumstances do not warrant the implementation of the provisions of this Agreement.

(f) "Cause" shall mean 1) misappropriation of funds, 2) habitual insobriety or substance abuse, 3) conviction of a crime involving moral turpitude, or 4) 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.

(g) "Good Reason Termination" shall mean a Termination of Employment initiated by the Employee upon one or more of the following occurrences:

(i) any failure of the Company to comply with and satisfy any of the terms of this the Agreement;

(ii) any significant involuntary reduction of the authority, duties or responsibilities held by the Employee immediately prior to the Change of Control;

(iii) any involuntary removal of the Employee from the employment grade, compensation level or officer positions which the Employee holds with the Company or, if the Employee is employed by a Subsidiary, with a Subsidiary, held by him immediately prior to the Change of Control, except in connection with promotions to higher office;

(iv) any involuntary reduction in the Employee's target level of annual and long-term compensation as in effect immediately prior to the Change of Control;

(v) any transfer of the Employee, without his express written consent, to a location which is outside the King of Prussia, Pennsylvania area (or the general area in which his principal place of business

immediately preceding the Change of Control may be located at such time if other than King of Prussia, Pennsylvania) by more than fifty miles, other than on a temporary basis (less than 12 months); and

(vi) the Employee being required to undertake business travel to an extent substantially greater than the Employee's business travel obligations immediately prior to the Change of Control.

(h) "Normal Retirement Date" shall mean the first day of the calendar month coincident with or next following the Employee's 62nd birthday.

(i) "Subsidiary" shall mean any corporation in which the Company, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which the Company, directly or indirectly, owns at least 50% of the profits or capital interests.

(j) "Termination Date" shall mean the date of receipt of the Notice of Termination described in Section 2 hereof or any later date specified therein, as the case may be.

(k) "Termination of Employment" shall mean the termination of the Employee's actual employment relationship with the Company.

2. Notice of Termination. Any Termination of Employment following a Change of Control shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 14 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific provision in this Agreement relied upon, (ii) briefly summarizes the facts and circumstances deemed to provide a basis for the Employee's Termination of Employment under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice,

specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice).

3. Severance Compensation upon Termination.

(a) Subject to the provisions of Section 11 hereof, in the event of the Employee's involuntary Termination of Employment for any reason other than Cause or in the event of a Good Reason Termination, in either event within three years after a Change of Control, the Company shall pay to the Employee, upon the execution of a release, in the form required by the Company of its terminating executives prior to the Change of Control, within 15 days after the Termination Date (or as soon as possible thereafter in the event that the procedures set forth in Section 11(b) hereof cannot be completed within 15 days), an amount in cash equal to 1.0 times the Employee's Base Compensation, subject to customary employment taxes and deductions.

(b) In the event the Employee's Normal Retirement Date would occur prior to 12 months after the Termination Date, the aggregate cash amount determined as set forth in (a) above shall be reduced by multiplying it by a fraction, the numerator of which shall be the number of days from the Termination Date to the Employee's Normal Retirement Date and the denominator of which shall be 365 days.

4. Other Payments. The payment due under Section 3 hereof shall be in addition to and not in lieu of any payments or benefits due to the Employee under any other plan, policy or program of the Company, and its Subsidiaries or Affiliates.

5. Trust Fund. The Company sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to employees under this Agreement. Funding of such trust fund shall be subject to the discretion of the

Company's Executive Committee, as set forth in the agreement pursuant to which the fund has been established.

6. Enforcement.

(a) In the event that the Company shall fail or refuse to make payment of any amounts due the Employee under Sections 3 and 4 hereof within the respective time periods provided therein, the Company shall pay to the Employee, in addition to the payment of any other sums provided in this Agreement, interest, compounded daily, on any amount remaining unpaid from the date payment is required under Section 3 or 4, as appropriate, until paid to the Employee, at the rate from time to time announced by Mellon Bank, N.A. as its "prime rate" plus 1%, each change in such rate to take effect on the effective date of the change in such prime rate.

(b) It is the intent of the parties that the Employee not be required to incur any expenses associated with the enforcement of his rights under this Agreement by arbitration, litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Employee hereunder. Accordingly, the Company shall pay the Employee on demand the amount necessary to reimburse the Employee in full for all reasonable expenses (including all attorneys' fees and legal expenses) incurred by the Employee in enforcing any of the obligations of the Company under this Agreement.

7. No Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company, or any of its Subsidiaries or Affiliates, and for which the Employee may qualify.

9. No Set-Off. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Employee or others.

10. Taxes. Any payment required under this Agreement shall be subject to all requirements of the law with regard to the withholding of taxes, filing, making of reports and the like, and the Company shall use its best efforts to satisfy promptly all such requirements.

11. Certain Reduction of Payments.

Certain Increase in Payments.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the Employee shall be paid an additional amount (the "Gross-Up Payment") such that the net amount retained by the Employee after deduction of any excise tax imposed under Section 4999 of the Code, and

any federal, state and local income and employment tax and excise tax imposed upon the Gross-Up Payment shall be equal to the Payment. For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Employee's residence on the Termination Date, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(b) All determinations to be made under this Section 11 shall be made by Coopers & Lybrand (or, at the Company's option, the Company's independent public accountant immediately prior to the Change of Control (the "Accounting Firm")), which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee. Within five days after the Accounting Firm's determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Employee such amounts as are then due to the Employee under this Agreement.

(c) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Payment or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Employee, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Employee after taking into account the provisions of Section 4999

of the Code shall reflect the intent of the parties as expressed in subsection (a) above, in the manner determined by the Accounting Firm.

(d) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in subsections (b) and (c) above shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to subsections (b) and (c) above, except for claims, damages or expenses resulting from the gross negligence or wilful misconduct of the Accounting Firm, which firm shall provide its determinations and any supporting calculations both to the Company and the Employee within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Employee.

12. Term of Agreement. The term of this Agreement shall be for five years from the date hereof and shall be automatically renewed for successive one-year periods unless the Company notifies the Employee in writing that this Agreement will not be renewed at least sixty days prior to the end of the current term; provided, however, that (i) after a Change of Control during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired, and (ii) this Agreement shall terminate if, prior to a Change of Control, the employment of the Employee with the Company or any of its Subsidiaries, as the case may be, shall terminate for any reason.

13. Successor Company. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or

substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to acknowledge expressly that this Agreement is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to notify the Employee in writing as to such successorship, to provide the Employee the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as hereinbefore defined and any such successor or successors to its business and/or assets, jointly and severally.

14. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
Attention: Corporate Secretary

If to the Employee, to:

637 Dodds Lane
Gladwyne, PA 19035

or to such other names or addresses as the Company or the Employee, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section; provided, however, that if no such notice is given by the Company following a Change of Control, notice at the last address of the Company or to any successor pursuant to Section 13 hereof shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

15. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania without giving effect to any conflict of laws provisions.

16. Contents of Agreement, Amendment and Assignment. This Agreement supersedes all prior agreements, sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment executed by the Employee and the Company's Chief Executive Officer. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Employee. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by the Company or the Board.

17. No Right to Continued Employment. Nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Company.

18. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Employee and the Company hereunder shall not be assignable in whole or in part.

19. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be given effect without the invalid or unenforceable provision or application.

20. Remedies Cumulative; No Waiver. No right conferred upon the Employee by this Agreement is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Employee in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

21. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

22. Arbitration. In the event of any dispute under the provisions of this Agreement other than a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in King of Prussia, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. The Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses).

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Amended Agreement as of the date first above written.

ATTEST:

[Seal]

UGI CORPORATION

By

- -----
Corporate Secretary

- -----
Lon R. Greenberg
Chairman, President and
Chief Executive Officer

- -----
Witness

- -----
Brendan P. Bovaird

1997 STOCK PURCHASE LOAN PLAN

1. PURPOSE

The purpose of the 1997 Stock Purchase Loan Plan (the "Plan") is to provide low-interest loans to employees of UGI Corporation ("UGI") and its subsidiaries (collectively, the "UGI Companies"), who are covered by and subject to the UGI Stock Ownership Guidelines (respectively, the "Covered Employees" and the "Guidelines"), in order to assist the Covered Employees in complying with the applicable stock ownership requirements set forth in the Guidelines. All loans made pursuant to the Plan shall be used by Covered Employees for the purpose of purchasing shares of Common Stock of UGI, without par value (the "UGI Shares"), to comply with the Guidelines.

2. DEFINITIONS

(a) "Administrative Committee" means those persons designated by the Plan Lender (as defined below) to administer the Plan.

(b) "Annual Bonus Plan" means the annual bonus plan covering a Plan Participant, whether such plan is currently existing or adopted in the future.

(c) "Current Market Value" means (i) if quotations are available, the closing sale price of the UGI Shares on the preceding business day, as appearing in any regularly published reporting or quotation service; or (ii) if there is no closing sale price, any reasonable estimate of the market value of the UGI Shares as of the close of business on the preceding business day; or (iii) the total cost of the purchase of the UGI Shares, which may include commissions.

(d) "Disability Date" means the date on which an employee would become eligible for long-term disability benefits under the applicable employee long-term disability plan.

(e) "Dividend Reinvestment Plan" means UGI's plan through which stockholders and employees may purchase UGI Shares with the amount of cash dividends paid on UGI Shares.

(f) "Fair Market Value" for any given date (or in the event such date is not a day on which UGI Shares are traded, the last business day prior to such date) means the closing sale price of the UGI Shares on such date, as reported as the New York Stock Exchange Composite Transactions for such day.

(g) "Loan Period" means the time period specified in a Purchase Note (as defined below), during which a balance may be outstanding on a Purchase Loan (as defined below), such period not to exceed ten (10) years.

(h) "Long-Term Incentive Plan" means the UGI Corporation 1997 Stock Option and Dividend Equivalent Plan, AmeriGas Propane, Inc. Long-Term Incentive Plan, or any other long-term incentive plan adopted in the future by UGI or any of its subsidiaries, which provides for a cash payout.

(i) "Plan Lender" means UGI Properties, Inc., a wholly-owned subsidiary of UGI, which shall extend credit to a Plan Participant (as defined below) under the Plan.

(j) "Plan Participant" means a Covered Employee who elects to participate in the Plan.

(k) "Purchase Date" means the date on which UGI Shares are purchased under the Plan, either pursuant to the exercise of an option or on the open market.

(l) "Purchase Loan" means the extension of credit made by the Plan Lender to a Plan Participant for the purpose of financing all or any portion of the purchase of UGI Shares, including the payment of any brokerage commission or tax liability incurred as a result of the exercise of an option, if such purchase is for the purpose of compliance by the Plan Participant, in whole or in part, with the Guidelines. The Purchase Loan shall be evidenced by the Purchase Note (as defined below) and secured by a pledge of the UGI Shares purchased with the proceeds of such loan.

(m) "Purchase Note" means a full recourse promissory note evidencing a Purchase Loan, executed by a Plan Participant for the benefit of the Plan Lender.

(n) "Required Shares" means the specified number of UGI Shares that a Covered Employee is required to own in order to comply with the stock ownership requirements of the Guidelines.

(o) "Retirement Date" means the last day of a Plan Participant's employment, when such employment has been voluntarily terminated by the Plan Participant under the applicable employee retirement plan.

(p) "Stock Pledge Agreement" means the agreement entered into by the Plan Lender and a Plan Participant under which a Plan Participant pledges the UGI Shares purchased under the Plan, as collateral for the Purchase Loan.

(q) "Stock Power" means the instrument by which a Plan Participant sells, assigns and transfers to the Plan Lender the UGI Shares that secure the Purchase Loan.

(r) "Termination Date" means the last day of a Plan Participant's employment by any of the UGI Companies, other than in the case of retirement, death or disability of the Plan Participant.

3. STOCK OWNERSHIP GUIDELINES

The Guidelines require designated employees of the UGI Companies to own a specified number of UGI Shares. The level of such Required Shares is calculated according to a schedule based upon the base salary of the Covered Employee. A Covered Employee shall have, depending on his or her designation under the Guidelines, a grace period of either three (3) months or three (3) years from the date of coverage under the Guidelines, during which the Covered Employee must fully comply with the applicable stock ownership requirements set forth in the Guidelines. A Covered Employee who has a three (3) year grace period must own at least one third (1/3) of the Required Shares by the end of the first year of coverage under the Guidelines, followed by ownership of at least two thirds (2/3) of the Required Shares by the end of the second year of coverage, and ownership of one hundred percent (100%) of the Required Shares by the end of the third year of coverage.

4. SHARES TO BE PURCHASED UNDER THE PLAN

Shares purchased under the Plan may be purchased pursuant to the exercise of options or on the open market. Any UGI Shares purchased on the open market by a Covered Employee to comply with the Guidelines in accordance with the three (3) month grace period must be purchased through UGI's Rule 10b-18 program.

5. EFFECTIVE DATE OF THE PLAN; AVAILABILITY OF LOANS

Both the Guidelines and the Plan are effective as of October 1, 1997. Purchase Loans shall be offered under the Plan for the entire period of time during which the Guidelines are in effect, subject to the Plan Lender's right to interpret, change, amend, modify or terminate the Plan as provided in section 9 herein. No termination date has been established for the Guidelines.

A Covered Employee may obtain more than one Purchase Loan.

Notwithstanding the above, the Plan Lender shall not be required to make a Purchase Loan to a Covered Employee if making such Purchase Loan would cause the Plan Lender to violate any covenant or other similar provision in any indenture, loan agreement, or other agreement, or cause the Plan Lender to violate any applicable federal, state or local law.

6. ELECTION TO PARTICIPATE IN THE PLAN

A Covered Employee may elect to participate in the Plan in order to finance all or a portion of the purchase of UGI Shares required to be purchased by the Covered Employee to comply with the Guidelines. Each Covered Employee who so elects shall deliver to the Administrative Committee a written notification of his or her intention to participate in the Plan, not less than five (5) business days prior to the Purchase Date. The notification shall specify such information as shall be required by the Administrative Committee, including, with respect to an

open market purchase, the amount of the requested Purchase Loan including whether the Purchase Loan is to cover any brokerage commission, when the payment is due, in what form the payment should be made (including any wire transfer requirements), and to whom the payment should be made; and with respect to an option exercise, the amount of the requested Purchase Loan including whether the Purchase Loan is to cover the payment of any tax liability.

As a condition to receipt of a Purchase Loan, each Plan Participant shall be required to execute and deliver to the Administrative Committee a Purchase Note and a Stock Pledge Agreement, together with the certificate(s) for the UGI Shares purchased under the Plan and a Stock Power in blank.

A Plan Participant may not participate in the Dividend Reinvestment Plan with respect to UGI Shares purchased under the Plan.

All Covered Employees are eligible to become Plan Participants, but they are not obligated, as a condition of employment or for any other purposes, to participate in the Plan.

7. LOAN PROVISIONS

(a) General

The Plan Lender shall make available to each Covered Employee a Purchase Loan, with full recourse, payable over a Loan Period of up to ten (10) years at the option of the Plan Participant, in an amount equal to up to one hundred percent (100%) of the Current Market Value of the UGI Shares to be purchased pursuant to the exercise of options or on the open market, in order to comply with the requirements of the Guidelines. In the event that a Plan Participant incurs any tax liability as a result of the exercise of an option, the Purchase Loan may include the amount of such tax liability to the extent that the amount of the Purchase Loan does not exceed the Current Market Value of the UGI Shares that are pledged as security for the Purchase Loan on the day the loan is made.

In the event that a Plan Participant receives more than one Purchase Loan, all payments of interest and principal shall be applied to the first Purchase Loan received and, upon

full repayment of such Purchase Loan, applied to each additional Purchase Loan in order of receipt by the Plan Participant.

(b) Pledge of Securities

The Purchase Loan shall be secured by a pledge of all of the UGI Shares purchased under the Plan. Such UGI Shares shall be registered in the name of the Plan Participant as sole record owner unless the Administrative Committee approves co-ownership with a spouse. To pledge the UGI shares, the Plan Participant shall cause to be delivered to the Plan Lender (i) the certificate(s) for the UGI Shares purchased under the Plan, accompanied by a duly executed Stock Power in blank, and (ii) a duly executed Stock Pledge Agreement. The Plan Lender shall maintain possession of the certificate(s) until such time as the Purchase Loan is paid in full. Throughout the Loan Period, the Plan Participant shall have the right to vote the UGI Shares and to receive dividends which, if paid in cash, shall be applied to the interest and principal amount due on the Purchase Loan, as provided in section 7(c) herein.

The Plan Participant shall not assign, pledge, or otherwise transfer the UGI Shares purchased under the Plan until the Purchase Loan is paid in full, except as may be authorized by the Plan Lender in its sole discretion, under circumstances in which a Plan Participant deems it necessary to sell all or a portion of the UGI Shares purchased under the Plan due to economic hardship, and such Plan Participant has been released partially or fully from compliance with the Guidelines.

(c) Interest Payments

The Purchase Loan shall bear interest at a rate of four percent (4%) annually. Interest shall be paid on a quarterly basis subsequent to the receipt of cash dividends on the UGI Shares purchased under the Plan, in an amount equal to such cash dividends. To the extent that such dividend payment exceeds the accrued interest payment due at the time of such dividend payment, the excess amount shall be applied to principal. The Plan Participant shall make the required quarterly payment in an amount equal to the dividend payment within ten (10) days of receipt of such dividend payment.

(d) Principal Payments

(i) Annual Bonus Plan. In the event a Plan Participant is awarded an Annual Bonus Plan payment during the Loan Period, the Plan Participant shall make a Purchase Loan principal payment in the amount of twenty percent (20%) of the gross amount of the Annual Bonus Plan payment. The Plan Participant shall make the required principal payment within ten (10) days of receipt of such Annual Bonus Plan payment.

(ii) Long-Term Incentive Plans. In the event a Plan Participant receives a cash payout under any Long-Term Incentive Plan during the Loan Period, the Plan Participant shall make a Purchase Loan principal payment in an amount equal to one third (1/3) of the gross amount of such payout. The Plan Participant shall make the required principal payment within ten (10) days of receipt of such Long-Term Incentive Plan payout.

(iii) Gains. In the event a Plan Participant realizes any gains on the cashless exercise of UGI Common Stock options during the Loan Period, the Plan Participant shall make a Purchase Loan principal payment in an amount equal to the amount of such gains, net of any withholding tax. The Plan Participant shall make the required principal payment within ten (10) days of realization of such gains.

(iv) Full Payment Upon Maturity of the Purchase Loan. Any outstanding balance (including accrued and unpaid interest) on the Purchase Loan shall become due and payable as of the end of the Loan Period.

Not less than sixty (60) days prior to the end of the Loan Period, a Plan Participant may request an extension of the Loan Period. Such an extension may be granted at the sole discretion of the Administrative Committee, on a case-by-case basis.

(e) Term of Purchase Loan

The Purchase Note shall be payable over a Loan Period of up to ten (10) years, the length of such Loan Period to be determined at the option of the Plan Participant.

THE OBLIGATIONS OF EACH PLAN PARTICIPANT UNDER THE PURCHASE NOTE SHALL BE UNCONDITIONAL AND ABSOLUTE AND, NOTWITHSTANDING THE GENERALITY OF THE FOREGOING, SHALL NOT BE RELEASED, DISCHARGED OR OTHERWISE AFFECTED BY ANY CHANGE IN THE EXISTENCE, STRUCTURE OR OWNERSHIP OF ANY OF THE UGI COMPANIES OR THE PLAN LENDER, OR ANY INSOLVENCY, BANKRUPTCY, REORGANIZATION OR OTHER SIMILAR PROCEEDING AFFECTING ANY OF THE UGI COMPANIES OR THE PLAN LENDER, OR THE ASSETS THEREOF, OR THE MARKET VALUE OF THE UGI SHARES, OR ANY RESULTING RELEASE OR DISCHARGE OF ANY OBLIGATION OF ANY OF THE UGI COMPANIES OR THE PLAN LENDER, OR THE EXISTENCE OF ANY CLAIM, SET-OFF OR OTHER RIGHTS WHICH ANY PLAN PARTICIPANT MAY HAVE AT ANY TIME AGAINST ANY OF THE UGI COMPANIES OR THE PLAN LENDER, OR ANY OTHER PERSON, WHETHER IN CONNECTION WITH THE PLAN OR WITH ANY UNRELATED MATTER.

(f) Acceleration of Purchase Loan Maturity

(i) Termination of Employment of a Plan Participant. In the event a Plan Participant's employment is terminated for cause (misappropriation of funds, substance abuse, habitual insobriety, conviction of a crime involving moral turpitude or gross negligence in the performance of duties) during the Loan Period, any outstanding balance (including accrued and unpaid interest) on the Purchase Loan shall become due and payable not later than three (3) months following the Termination Date. In the event a Plan Participant's employment is terminated either voluntarily or involuntarily (other than for cause) during the Loan Period, any outstanding balance (including accrued and unpaid interest) on the Purchase Loan shall become due and payable not later than one (1) year following the Termination Date.

(ii) Retirement of a Plan Participant. In the event a Plan Participant retires under an applicable employee retirement plan during the Loan Period, any outstanding balance (including accrued and unpaid interest) on the Purchase Loan shall become due and payable not later than one (1) year following the Retirement Date.

(iii) Death or Disability of a Plan Participant. In the event a Plan Participant dies or becomes disabled during the Loan Period, any outstanding balance (including accrued and unpaid interest) on the Purchase Loan shall become due and payable not later than six (6) months following the date of death or the Disability Date. No interest shall accrue during such six (6) month period.

If the outstanding balance (including accrued and unpaid interest) on the Purchase Loan is not paid in full within six (6) months following the date of death or the Disability Date, the Plan Lender shall purchase the UGI Shares that were purchased under the Plan from the disabled Plan Participant or the estate of the deceased Plan Participant, for a price that shall be equal to the higher of the Fair Market Value of the UGI Shares on the date of death or the Disability Date, or the original amount of the Purchase Loan, less any outstanding balance (including accrued and unpaid interest). If the outstanding balance (including accrued and unpaid interest) on the Purchase Loan as of the date of death or the Disability Date exceeds the higher of the Fair Market Value of the UGI Shares on the date of death or the Disability Date, or the original amount of the Purchase Loan, less any outstanding balance (including accrued and unpaid interest), the Plan Lender shall keep the UGI Shares in full satisfaction of the Purchase Loan.

(g) Prepayment of the Purchase Loan

The Plan Participant shall have the right to voluntarily prepay, without penalty, all or any portion of the amount due under the Purchase Note, at any time during the Loan Period. All prepayments shall first be applied to accrued interest on the Purchase Loan and then to the principal balance due on the Purchase Loan.

(h) Event of Default

The Plan Participant's failure to pay when due any payment of interest or principal shall be deemed to be an event of default under the Purchase Note. Upon the occurrence and continuation of such event of default, the Plan Lender may declare the outstanding balance (including accrued and unpaid interest) to be immediately due and payable.

8. PLAN ADMINISTRATION

An Administrative Committee consisting of one or more persons shall be designated by the Plan Lender. The Administrative Committee shall be responsible for overall administration of the Plan, including recordkeeping and preparation of Purchase Loan documentation.

9. CHANGES IN THE GUIDELINES OR THE PLAN

The UGI Board of Directors' Compensation and Management Development Committee shall have the right to interpret, change, amend, modify or terminate the Guidelines at any time. Subject to any required shareholder approval, the Plan Lender may interpret, change, amend, modify or terminate the Plan at any time, except that the Plan Lender may not, without the consent of the Plan Participants, take any action that would adversely affect the rights or the obligations of the Plan Participants under the Plan in any material respect.

10. MISCELLANEOUS PROVISIONS

(a) Employment Not Guaranteed

Nothing contained in the Plan nor any related agreements, nor any action taken in the administration of the Plan, shall be construed as a contract of employment or as giving a Plan Participant any right to continued employment by any of the UGI Companies.

(b) Applicable Law

The Plan and related documents including the Purchase Note, Stock Pledge Agreement and Stock Power, shall be governed by and construed and enforced in accordance and with the laws of the Commonwealth of Pennsylvania, without regard to the application of the conflicts of law provisions thereof.

(c) Notice

All notices and other communications required or permitted to be given under the Plan shall be in writing and shall be deemed to have been duly given if delivered personally or by inter-office mail as follows: (i) if to the Plan Lender, to Lynn McCown, Secretary, Administrative Committee, UGI Properties, Inc., 460 North Gulph Road, King of Prussia, PA 19406; (ii) if to a Plan Participant, to the last home or business address of the Plan Participant known to the sender.

10/1/97

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

Exhibit (11)
 (Page 1 of 2)

	Year Ended September 30,		
	1997	1996	1995
Primary earnings per share:			
Actual average common shares outstanding	33.0	33.0	32.7
Incremental shares issuable upon exercise of stock options outstanding	0.1	0.1	--
	-----	-----	-----
Total average common and common equivalent shares outstanding	33.1	33.1	32.7
	=====	=====	=====
Earnings applicable to common and common equivalent shares:			
Earnings before extraordinary loss and accounting change	\$ 52.1	\$ 39.5	\$ 7.9
Extraordinary loss - debt restructuring	--	--	(13.2)
Change in accounting for postemployment benefits	--	--	(3.1)
	-----	-----	-----
Net earnings (loss)	\$ 52.1	\$ 39.5	\$ (8.4)
	=====	=====	=====
Primary earnings per common and common equivalent share:			
Earnings before extraordinary loss and accounting change	\$ 1.57	\$ 1.19	\$ 0.24
Extraordinary loss - debt restructuring	--	--	(0.40)
Change in accounting for postemployment benefits	--	--	(0.10)
	-----	-----	-----
Net earnings (loss)	\$ 1.57	\$ 1.19	\$(0.26)
	=====	=====	=====

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

Exhibit (11)
 (Page 2 of 2)

	Year Ended September 30,		
	1997	1996	1995
Fully diluted earnings per share:			
Actual average common shares outstanding	33.0	33.1	32.7
Incremental shares issuable upon exercise of stock options outstanding	0.2	0.1	--
	-----	-----	-----
Total shares for fully diluted computation	33.2	33.2	32.7
	=====	=====	=====
Earnings applicable to common and common equivalent shares:			
Earnings before extraordinary loss and accounting change	\$ 52.1	\$ 39.5	\$ 7.9
Extraordinary loss - debt restructuring	--	--	(13.2)
Change in accounting for postemployment benefits	--	--	(3.1)
	-----	-----	-----
Net earnings (loss)	\$ 52.1	\$ 39.5	\$ (8.4)
	=====	=====	=====
Fully diluted earnings per common share:			
Earnings before extraordinary loss and accounting change	\$ 1.57	\$ 1.19	\$ 0.24
Extraordinary loss - debt restructuring	--	--	(0.40)
Change in accounting for postemployment benefits	--	--	(0.10)
	-----	-----	-----
Net earnings (loss)	\$ 1.57	\$ 1.19	\$(0.26)
	=====	=====	=====

FINANCIAL REVIEW

BUSINESS OVERVIEW

PROPANE

The Company's propane business is conducted through AmeriGas Partners, L.P. and its operating subsidiary, AmeriGas Propane, L.P. (collectively referred to as "the Partnership"). The Operating Partnership, in which the Company holds a 58.5% equity interest, is the largest retail propane marketer in the U.S. It serves residential, commercial, industrial, motor fuel and agricultural customers from locations in 45 states, including Alaska and Hawaii.

UTILITIES

The Company's utility business is conducted through UGI Utilities, Inc. (UGI Utilities) which operates a natural gas distribution utility in parts of eastern and southeastern Pennsylvania and an electric utility in northeastern Pennsylvania (collectively, "Utilities"). Utilities is subject to regulation by the Pennsylvania Public Utility Commission (PUC) and, with respect to certain activities including the interstate movement of natural gas, the transmission of electricity, and transactions with nonutility generators of electricity, the Federal Energy Regulatory Commission.

Gas Utility sells gas to residential, commercial and industrial (collectively, "core market") customers and provides firm transportation service to large commercial and industrial customers. Gas Utility also sells and transports gas under interruptible rates to customers who have alternate fuel capability. Interruptible rates are competitively priced with respect to the prices of alternative fuels, primarily oil.

Electric Utility distributes electricity it generates and purchases from others. The Electricity Generation Customer Choice and Competition Act (the "Customer Choice Act") became law in early fiscal 1997. The Customer Choice Act establishes competition and customer choice in the Pennsylvania electric generation market. Under the Customer Choice Act, local electric utilities will continue to have exclusive rights to provide distribution services. For a discussion of the Customer Choice Act's impact on Electric Utility, see "Customer Choice Act" on page 17.

ENERGY MARKETING

UGI also owns an energy marketing business which is conducted through UGI Enterprises, Inc. and its principal operating subsidiary, UGI Energy Services, Inc. (UGI Energy Services). UGI Energy Services sells and manages the delivery of natural gas to commercial and industrial customers under the tradename "GASMARK."

GASMARK purchases natural gas for many of Gas Utility's commercial and industrial customers as well as customers of other gas utilities in the Mid-Atlantic and Northeast regions. Enterprises' newly formed POWERMARK business is participating in Pennsylvania's Customer Choice Act pilot program. Enterprises is also involved in joint venture projects in Romania and China and is pursuing other joint venture opportunities for providing energy and related services in developing markets outside the U.S.

RESULTS OF OPERATIONS

GENERAL

All retail propane distribution businesses are affected by a number of common factors. The retail propane business is very competitive and consists of a number of large national and regional marketers, and thousands of small independent marketers. Propane also competes with other sources of energy such as electricity, fuel oil and natural gas. Weather significantly impacts demand for propane and profitability because many customers use propane for heating purposes. Geographic weather variations can significantly affect retail volumes and profitability because of regional differences in weather-sensitive volumes and unit margins. Demand for propane can also be affected by regional economic conditions, particularly in commercial and industrial markets.

The retail propane business is sensitive to changes in wholesale propane prices. The cost of propane can change significantly over short periods of time. It is not always possible to pass on to customers rapid increases in the wholesale cost of propane due to a number of factors including competitive market conditions. When increased product costs are not passed on, margins decline. In order to manage price risk associated with a portion of its propane supply requirements, the Partnership enters into fixed-price supply arrangements and, to a lesser extent, derivative commodity instruments. Because the retail propane industry is relatively mature, low growth in existing markets is expected for the foreseeable future.

Gas Utility results, and to a lesser extent Electric Utility results, are also influenced by weather and economic conditions. Gas Utility's sizable commercial and industrial throughput is less weather sensitive which helps to mitigate the effects of weather extremes. However, much of this throughput is to customers with alternate fuel capability, principally oil, and margins are affected by differences between the cost of natural gas and the cost of the alternate fuels.

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

The following analysis of the results of operations includes the consolidated results of the Company and each of its principal business segments. Although the operating income of propane contributed approximately 59% and 51% of the Company's consolidated operating income in 1997 and 1996, respectively, its contribution to net income in both years was considerably less due to the Partnership's significant minority interest, higher relative interest charges and a higher effective income tax rate associated with the Partnership's pre-tax income. Comparisons of the Company's 1996 and 1995 propane operating results are complicated by the April 19, 1995 formation of AmeriGas Partners. In order to permit a more meaningful analysis, fiscal 1995 propane results are presented on a pro forma basis as if the formation of AmeriGas Partners had occurred as of the beginning of the fiscal year.

1997 COMPARED WITH 1996

CONSOLIDATED RESULTS

Year Ended September 30,	1997	1996	Increase	
(Millions of dollars, except per share)				
Revenues	\$ 1,642.0	\$ 1,557.6	\$ 84.4	5.4%
Total margin	\$ 684.9	\$ 652.4	\$ 32.5	5.0%
Operating income	\$ 199.9	\$ 159.7	\$ 40.2	25.2%
Net income	\$ 52.1	\$ 39.5	\$ 12.6	31.9%
Net income per share	\$ 1.57	\$ 1.19	\$.38	31.9%

The Company's results in 1997 reflect a significant improvement in AmeriGas Partners' performance. In addition, net income in 1997 includes \$2.3 million from the sale of UTI Energy Corp. common stock.

PROPANE

Year Ended September 30,	1997	1996	Increase (Decrease)	

(Millions of dollars)				
Retail gallons sold-- millions	807.4	855.4	(48.0)	(5.6)%
Degree days--% colder (warmer) than normal	(5.2)	1.4	--	--
Revenues	\$1,077.8	\$1,013.2	\$ 64.6	6.4%
Total margin	\$ 477.4	\$ 443.5	\$ 33.9	7.6%
Operating income	\$ 117.1	\$ 80.8	\$ 36.3	44.9%
EBITDA(1)	\$ 181.4	\$ 144.9	\$ 36.5	25.2%

(1) EBITDA (earnings before interest expense, income taxes, depreciation and amortization) 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 generally accepted accounting principles.

PROPANE. Retail sales of propane decreased in the year ended September 30, 1997 reflecting, in part, the effects of warmer heating-season weather. In addition, significantly higher and more volatile propane market prices during the first half of the fiscal 1997 heating season resulted in customer conservation efforts. Wholesale volumes of propane sold decreased 91.1 million gallons to 218.6 million gallons in 1997 principally due to reduced low-margin sales of storage inventories.

Total revenues from retail propane sales increased \$81.3 million to \$868.2 million reflecting a \$125.5 million increase as a result of higher average retail propane selling prices partially offset by a \$44.2 million decrease as a result of the lower volumes sold. The higher prices resulted principally from higher propane product costs experienced by the Partnership early in fiscal 1997. The spot price of propane at Mont Belvieu, Texas, a major U.S. storage and distribution hub, increased dramatically during much of the last quarter of fiscal 1996 and the first quarter of fiscal 1997, rising to a high of 75 cents a gallon on December 16, 1996. Wholesale propane revenues decreased \$11.9 million to \$126.0 million reflecting the lower wholesale volumes sold partially offset by higher average wholesale prices. Other revenues decreased \$4.8 million to \$83.6 million primarily as a result of lower hauling and appliance sales and service revenues.

Total propane margin was greater in 1997 because of higher average retail unit margins partially offset by lower volumes of propane sold. Although the Partnership's propane product costs were significantly higher in 1997, the Partnership benefitted from favorable fixed-price supply arrangements and, to a lesser extent, derivative commodity contracts entered into as part of its 1997 propane supply strategy. The higher 1997 average retail unit margin also reflects the fact that retail unit margins in the prior-year period were adversely impacted by certain sales and marketing programs.

The increase in 1997 operating income and EBITDA is the result of higher total margin, greater miscellaneous income, and a decrease in operating expenses. Total operating expenses of the Partnership were \$316.4 million in 1997 compared with \$317.4 million in 1996. The 1996 operating expenses are net of \$4.4 million from a refund of insurance premium deposits and \$3.3 million from a reduction in accrued environmental costs. Excluding the impact of these items in 1996, operating expenses declined \$8.7 million reflecting in large part lower expenses related to sales and marketing programs and lower required accruals for general and automobile liability and workers' compensation costs. Miscellaneous income increased \$2.9 million in 1997 reflecting \$4.7 million of income from the sale of the Partnership's 50% interest in Atlantic Energy, Inc. (Atlantic Energy), which owns and operates a liquefied petroleum gas storage terminal in Chesapeake, Virginia. The Partnership sold its interest in Atlantic Energy after determining that it was not a strategic asset.

UTILITIES

Year Ended September 30,	1997	1996	Increase (Decrease)	
<hr/>				
(Millions of dollars)				
GAS UTILITY:				
Natural gas system throughput--bcf	80.2	85.4	(5.2)	(6.1)%
Degree days--% colder (warmer) than normal	(4.8)	4.2	--	--
Revenues	\$389.1	\$391.0	\$ (1.9)	(.5)%
Total margin	\$168.7	\$169.7	\$ (1.0)	(.6)%
Operating income	\$ 74.8	\$ 72.9	\$ 1.9	2.6%
ELECTRIC UTILITY:				
Electric sales--gwh	868.5	884.7	(16.2)	(1.8)%
Revenues	\$ 72.1	\$ 69.5	\$ 2.6	3.7%
Total margin	\$ 35.2	\$ 33.0	\$ 2.2	6.7%
Operating income	\$ 10.7	\$ 8.6	\$ 2.1	24.4%

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

GAS UTILITY. Weather in Gas Utility's service territory was 4.8% warmer than normal in 1997 compared to 4.2% colder than normal in 1996. Total system throughput decreased 6.1% during 1997 principally reflecting the warmer weather's effect on core market sales as well as a decrease in low-margin interruptible delivery service volumes associated with the shut-down of a gas-fired cogeneration facility.

Gas Utility revenues were \$1.9 million lower in 1997 as a \$27.2 million increase in core market revenues principally due to higher average purchased gas cost (PGC) rates was offset by a \$21.2 million decrease in core market revenues from lower sales and an \$8.1 million decrease in revenues from off-system sales. Cost of gas sold by Gas Utility decreased \$1.1 million to \$205.2 million reflecting the lower off-system and core market sales offset by higher average PGC rates.

The decrease in Gas Utility total margin principally reflects a \$6.3 million decrease in total margin from core market customers resulting from the warmer weather partially offset by a \$5.5 million increase in total margin from interruptible customers.

Although total margin was slightly lower in 1997, Gas Utility operating income increased \$1.9 million principally as a result of a \$1.5 million decrease in operating and administrative expenses and higher miscellaneous income. Operating and administrative expenses during 1997 decreased \$1.5 million principally as a result of a decrease in distribution system expenses, lower accruals for uncollectible accounts, and lower general and administrative expenses partially offset by higher costs associated with environmental matters.

ELECTRIC UTILITY. Electric Utility sales decreased during 1997 reflecting weather which was 5.6% warmer than in the prior-year period. Electric Utility base rate revenues increased \$1.7 million as a \$2.8 million increase resulting from higher base rates was partially offset by a \$1.1 million decrease resulting from the lower sales. In addition, Electric Utility revenues include a \$.9 million increase in energy cost recoveries. Cost of sales increased to \$33.8 million in 1997 from \$33.4 million in the prior-year period as a result of the higher energy cost recoveries partially offset by the lower sales.

Electric Utility total margin and operating income increased during 1997 principally as a result of the higher base rates. Electric Utility operating and administrative expenses in 1997 were essentially unchanged from the prior-year period.

ENERGY MARKETING

Year Ended September 30,	1997	1996	Increase (Decrease)	

(Millions of dollars)				
Revenues	\$103.0	\$ 83.9	\$ 19.1	22.8%
Total margin	\$ 3.6	\$ 6.2	\$ (2.6)	(41.9)%
Operating income	\$ 1.7	\$ 4.4	\$ (2.7)	(61.4)%

ENERGY MARKETING. Total revenues from energy marketing in 1997 increased significantly as a result of higher billed volumes principally from increased sales and higher natural gas prices. Notwithstanding the increase in billed volumes, total margin for 1997 was lower than in the prior-year period due to the warmer winter weather's effect on natural gas prices and the value of pipeline capacity. Operating income from energy marketing was \$1.7 million in 1997 compared with \$4.4 million in the prior-year period principally as a result of the lower total margin.

1996 COMPARED WITH 1995

CONSOLIDATED RESULTS				
Year Ended September 30,	1996	1995	Increase	

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

N.M.-Not Meaningful.

The Company's results in 1996 reflect the full-year consolidation of the Partnership, colder heating-season weather, and the full-year impact of Gas Utility's 1995 base rate increase. Results in 1995 include after-tax charges of \$24.9 million associated with the formation of AmeriGas Partners (see Note 14 to Consolidated Financial Statements) and \$3.1 million from a change in accounting for postemployment benefits (see Note 6 to Consolidated Financial Statements).

PROPANE

Year Ended September 30,	1996	1995	Increase	

(Millions of dollars)				
ACTUAL:				
Retail gallons sold--				
millions	855.4	468.6	386.8	82.5%
Revenues	\$1,013.2	\$ 511.7	\$ 501.5	98.0%
Total margin	\$ 443.5	\$ 250.7	\$ 192.8	76.9%
Operating income	\$ 80.8	\$ 21.8	\$ 59.0	270.6%
EBITDA(1)	\$ 144.9	\$ 62.6	\$ 82.3	131.5%

PRO FORMA:

Retail gallons sold--

millions	855.4	788.0	67.4	8.6%
Degree days--% colder (warmer) than normal	1.4	(12.1)	--	--
Revenues	\$1,013.2	\$ 878.6	\$ 134.6	15.3%
Total margin	\$ 443.5	\$ 419.6	\$ 23.9	5.7%
Operating income	\$ 80.8	\$ 73.7	\$ 7.1	9.6%
EBITDA(1)	\$ 144.9	\$ 138.0	\$ 6.9	5.0%

(1) EBITDA (earnings before interest expense, income taxes, depreciation and amortization) should not be considered as an alternative to 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 generally accepted accounting principles.

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

Total revenues from retail propane sales increased \$94.2 million to \$786.9 million during 1996 reflecting a \$59.2 million increase as a result of the greater volumes sold and a \$35.0 million increase as a result of higher average retail propane selling prices. Total cost of sales increased \$110.7 million as a result of the higher volumes of propane sold and higher average propane product costs. The Partnership's propane product cost averaged approximately five cents a gallon higher in 1996 than in pro forma 1995. The spot price of propane at Mont Belvieu, Texas, increased dramatically in August and September 1996, rising to 50.5 cents per gallon on September 30, 1996 compared to 31.63 cents per gallon a year earlier.

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

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

UTILITIES

Year Ended September 30,	1996	1995	Increase (Decrease)	

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

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

The increase in Gas Utility total revenues reflects a \$68.4 million increase in revenues from core market customers (reflecting higher sales and the full-year effect of higher base rates), greater off-system sales, and lower refunds of producer settlement charges. Cost of gas sold was \$206.3 million during 1996, an increase of \$67.7 million from 1995, reflecting principally the greater sales to core market customers, higher off-system sales, and lower refunds of producer settlement charges.

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

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

ELECTRIC UTILITY. Electric Utility sales increased during 1996 principally from colder heating-season weather. The \$3.4 million increase in Electric Utility revenues reflects a \$1.7 million increase in base revenues and a \$1.7 million increase in energy cost recoveries. Electric Utility cost of sales was \$33.4 million, an increase of \$2.3 million from the prior year. The increase in the cost of sales resulted from higher sales and higher energy cost recoveries.

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

ENERGY MARKETING

Year Ended September 30,	1996	1995	Increase	

(Millions of dollars)				
Total margin	\$ 6.2	\$ 2.4	\$ 3.8	158.3%
Operating income	\$ 4.4	\$ 1.8	\$ 2.6	144.4%

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

FINANCIAL CONDITION AND LIQUIDITY

CAPITALIZATION AND LIQUIDITY

The Company's consolidated cash and short-term investments totaled \$129.4 million at September 30, 1997 compared with \$97.1 million at September 30, 1996. These amounts include \$94.8 million and \$74.5 million, respectively, of cash and short-term investments held by UGI. As a holding company, the sources of UGI's cash and short-term investment balances are cash dividends from its principal operating subsidiaries, AmeriGas and UGI Utilities. AmeriGas's ability to pay dividends is dependent upon distributions paid by the Partnership. During 1997, 1996 and 1995, AmeriGas and UGI Utilities paid cash dividends to UGI as follows:

Year Ended September 30, 1997	1996	1995

(Millions of dollars)		
AmeriGas	\$51.7	\$61.9
UGI Utilities	24.1	32.9

Total dividends to UGI	\$75.8	\$94.8
		\$22.1

AMERIGAS PARTNERS. The Partnership's principal sources of funds are those generated by its operations and borrowings under its Bank Credit Agreement. Cash generated by operating activities in 1997 was sufficient to fund maintenance capital expenditures (which represent capital expenditures to maintain the operating capacity of the capital assets of the Partnership) and the Minimum Quarterly Distribution (MQD) of \$.55 for each quarter on all Partnership units.

Effective September 15, 1997, the Operating Partnership amended and restated its Bank Credit Agreement. The Bank Credit Agreement consists of a Revolving Credit Facility and an Acquisition Facility. Obligations under the Bank Credit Agreement are collateralized by substantially all of the Operating Partnership's assets.

The Operating Partnership's Revolving Credit Facility provides for borrowings of up to \$100 million (including a \$35 million sublimit for letters of credit). The Revolving Credit Facility may be used to fund working capital, capital expenditures, and interest and distribution payments. The Revolving Credit Facility expires September 15, 2002 but may, under certain conditions, be extended. The Operating Partnership's bank loans outstanding totaled \$28 million at September 30, 1997 compared with \$15 million at September 30, 1996. At September 30, 1997, the Partnership had \$72 million available under the Revolving Credit Facility. The Partnership's cash needs are generally greatest during the first fiscal quarter due to increased working capital needs and interest and distribution payments.

The Bank Credit Agreement also includes a \$75 million Acquisition Facility to finance propane business acquisitions. This facility operates as a revolving facility through September 15, 2000 at which time amounts then outstanding will convert to a quarterly amortizing four-year term loan. At September 30, 1997, borrowings under the Acquisition Facility totaled \$37 million.

The ability of the Operating Partnership to borrow under the Bank Credit Agreement is subject to provisions which require, among other things, minimum interest coverage and maximum debt to EBITDA ratios, as defined. Based upon the calculation of such ratios as of September 30, 1997, the Operating Partnership had the ability to borrow the maximum amount available.

The Operating Partnership also has a revolving credit agreement with the General Partner under which it may borrow up to \$20 million to fund working capital, capital expenditures, and interest and distribution payments. The General Partner Facility is coterminous with, and generally comparable to, the Revolving Credit Facility except that borrowings under the General Partner Facility are unsecured and subordinated to all senior debt of the Operating Partnership. UGI has agreed to contribute on an as needed basis through its subsidiaries up to \$20 million to the General Partner to fund such borrowings.

Management believes that the Partnership's cash flow from operations and available borrowings under credit facilities will be sufficient to meet the Partnership's liquidity needs for the foreseeable future.

The Partnership has assumed certain lease guarantees and scheduled claim obligations relating to certain former businesses of Petrolane Incorporated (Petrolane), a predecessor company of the Partnership. The Partnership succeeded to Petrolane's agreements with third parties for payment indemnification relating to such obligations. At September 30, 1997, the lease guarantee obligations totaled approximately \$67 million and scheduled claims of at least \$68 million were pending. To date, the Partnership has not paid any amounts under the lease guarantee and scheduled claim obligations (for a more detailed description, see Note 11 to Consolidated Financial Statements).

UGI UTILITIES. UGI Utilities' principal sources of funds are those generated by its operations and borrowings under its revolving credit agreements. In addition, UGI Utilities has a shelf registration for the issuance, from time to time, of up to \$75 million of debt securities of which \$20 million of 7.17% ten-year notes was issued during 1997. UGI Utilities' revolving credit agreements provide for borrowings of up to \$82 million under committed lines through June 30, 2000. At September 30, 1997, borrowings under these credit agreements totaled \$67 million. Certain of UGI Utilities' debt agreements contain limitations with respect to incurring additional debt, require the maintenance of consolidated net tangible worth of at least \$125 million, and restrict the amount of payments for investments, redemptions of capital stock, prepayments of subordinated indebtedness, and dividends.

Management believes that UGI Utilities' cash flow from operations and available borrowings under its shelf registration and credit facilities will be sufficient to meet UGI Utilities' liquidity needs for the foreseeable future.

CASH FLOWS

OPERATING ACTIVITIES. Cash flow from operating activities was \$172.0 million in 1997 compared with \$111.2 million in 1996. Cash flow from operating activities before changes in operating working capital was \$158.4 million in 1997 compared with \$138.3 million in 1996. During 1997, AmeriGas Partners and UGI Utilities provided \$109.9 million and \$64.1 million, respectively, of operating cash flow before changes in working capital compared with \$68.4 million and \$71.7 million, respectively, in 1996. The significant increase in AmeriGas Partners' 1997 operating cash flow before changes in working capital reflects the Partnership's improved results. Changes in operating working capital in 1997 reflect net cash inflows of \$13.6 million principally from an increase in accounts payable and accrued income taxes partially offset by an increase in inventories and accounts receivable. In 1996, changes in operating working capital required \$27.1 million in operating cash flows.

INVESTING ACTIVITIES. Expenditures for property, plant and equipment totaled \$68.8 million in 1997 compared with \$62.7 million in 1996. The increase in capital expenditures reflects a \$2.1 million increase in Gas Utility capital expenditures and a \$4.1 million increase in propane capital expenditures. During 1997, the Company paid an aggregate \$11.6 million for propane business acquisitions. The Company also increased its short-term investments \$42.3 million in 1997.

FINANCING ACTIVITIES. During 1997, the Company paid cash dividends of \$47.2 million compared with \$46.4 million in the prior year. In addition, the Partnership paid distributions of \$38.8 million to public unitholders (and \$54.1 million to the General Partner) representing the MQD on all Partnership units. Net borrowings during 1997 under UGI Utilities' and the Operating Partnership's working capital facilities were \$16.5 million and \$6 million, respectively. During 1997, UGI Utilities issued \$20 million of notes under its Series B Medium-Term Note program and the Partnership borrowed \$7 million under its Acquisition Facility. Pursuant to its stock buy-back program, UGI repurchased \$19.2 million of its Common Stock.

DIVIDENDS AND DISTRIBUTIONS

In April 1997, 1996 and 1995, UGI increased the annual dividend rate on its Common Stock to \$1.44, \$1.42 and \$1.40, respectively. The ability of UGI to declare and pay cash dividends is substantially dependent upon its cash balances and the receipt of cash dividends from its wholly owned operating subsidiaries.

The Company's 58.5% effective interest in the Partnership comprises 4.3 million Common Units, 19.8 million Subordinated Units and a 2% general partner interest. The remaining 41.5% effective interest, comprising 17.7 million Common Units, is publicly held. The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in an amount equal to its Available Cash (as defined in the Amended and Restated Agreement of Limited Partnership) for such quarter, subject to limitations under its loan agreements. (For a description of Available Cash and the priority of its distribution to unitholders, see Note 3 to Consolidated Financial Statements). During 1997, 1996 and 1995, the Partnership paid the MQD on all limited partner units outstanding. The amount of Available Cash needed during 1997 to distribute the MQD on all such units as well as the distribution on the 2% general partner interest was approximately \$93.9 million (\$48.5 million for the Common Units; \$43.5 million for the Subordinated Units; and \$1.9 million for the general partner interests). A reasonable estimate of the amount of distributable cash actually generated by the Partnership can be determined by subtracting cash interest expense and maintenance capital expenditures from the Partnership's EBITDA. Distributable cash flow is not a measure of performance or financial condition under generally accepted accounting principles. Distributable cash flow as calculated during the Partnership's two full fiscal years since its inception is as follows:

Year Ended September 30,	1997	1996

(Millions of dollars)		
EBITDA	\$172.4	\$134.5
Cash interest expense	(66.8)	(63.6)
Maintenance capital expenditures	(10.0)	(7.9)

Distributable cash flow	\$ 95.6	\$ 63.0

Although the level of distributable cash generated in 1996 was less than the full MQD, the Partnership had cash and short-term investment balances of \$48.6 million at the beginning of the year. Due to the seasonality of its operating cash flows and working capital needs, the Partnership uses the Revolving Credit Facility on a short-term basis to fund a portion of distribution payments. The

ability of the Partnership to continue to pay the full MQD on its Subordinated Units will depend upon a number of factors including the level of Partnership earnings, the cash needs of the Partnership's operations (including cash needed for maintenance and growth capital), and the Partnership's ability to finance externally such cash needs. Some of these factors are affected by conditions such as weather, competition in the markets served by the Partnership, and the cost of propane, which are beyond the control of the Partnership.

As further described in Note 3 to Consolidated Financial Statements, the Subordinated Units' period of subordination will generally extend until the first day of any quarter beginning on or after April 1, 2000 in respect of which certain cash performance and distribution measurements are attained. In addition, if the Partnership attains certain cash performance and distribution measurements, 4.9 million Subordinated Units may convert to Common Units on or after March 31, 1998 and an additional 4.9 million Subordinated Units may convert on or after March 31, 1999. Based upon such cash performance measurements to date, it is unlikely that the cash performance measurements required for conversion will be attained during fiscal 1998.

CAPITAL EXPENDITURES

The following table presents capital expenditures (other than acquisitions) by business segment for 1997, 1996 and 1995, as well as expected amounts for fiscal 1998. The Company expects to finance 1998 capital expenditures with internally generated cash and borrowings under UGI Utilities' and the Partnership's credit facilities.

Year Ended September 30,	1998	1997	1996	1995

(Millions of dollars)(estimate)				
Propane	\$33.0	\$27.0	\$22.9	\$17.2
Gas Utility	37.3	36.7	34.6	45.3
Electric Utility	5.9	5.0	5.0	6.0
Other	.6	.1	.2	.3

	\$76.8	\$68.8	\$62.7	\$68.8

YEAR 2000 MATTERS

The Company has a number of information system improvement initiatives under way that will require increased expenditures during the next several years. These initiatives include the modification of certain computer software systems to be Year 2000 compliant. Although final cost estimates to modify current systems have yet to be determined, the Company does not expect such costs, which will be expensed when incurred, will have a material effect on the Company's results of operations.

UTILITY BASE RATES

During the three-year period ended September 30, 1997, the following Gas and Electric utility base rate increases became effective:

		Increase in Annual Revenues	
Division	Effective Date	Requested	Granted

(Millions of dollars)			
Electric Utility	July 19, 1996	\$ 6.2	\$ 3.1
Gas Utility	August 31, 1995	41.3	19.5

CUSTOMER CHOICE ACT

On January 1, 1997, the Customer Choice Act became effective. The Customer Choice Act permits all Pennsylvania retail electric customers to choose their electric generation supplier over a three-year phase-in period commencing January 1, 1999. The Customer Choice Act requires all electric utilities to file restructuring plans with the PUC which, among other things, include 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 transmission and 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 Customer Choice Act, Electric Utility's rates for transmission and distribution services provided through June 30, 2001 are capped at levels in effect on January 1, 1997. In addition, Electric Utility generally may not increase the generation component of prices as long as stranded costs are being recovered through the CTC. 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 August 7, 1997, Electric Utility filed its restructuring plan with the PUC. The restructuring plan includes a claim for the recovery of \$34.4 million for stranded costs during the period January 1, 1999 through December 31, 2002. The claim is primarily for the recovery of: (1) plant investments in excess of estimated competitive market value and electric generation facility retirement costs; (2) potential costs associated with existing power purchase agreements; and (3) regulatory assets (principally income taxes) recoverable from ratepayers

under current regulatory practice. The claim also seeks to establish a recovery mechanism that would permit the recovery of up to an additional \$28 million of costs associated with the buyout or implementation of a December 1993 agreement to purchase power from an independent power producer. The PUC is expected to take action on Electric Utility's filing in May 1998.

Given the changing regulatory environment in the electric utility industry, the Company continues to evaluate its ability to apply the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71), as it relates to its electric generation operations. SFAS 71 permits the recording of costs (regulatory assets) that have been, or are expected to be, allowed in the ratesetting process in a period different from the period in which such costs would be charged to expense by an unregulated enterprise. The Company believes its electric generation assets and related regulatory assets continue to satisfy the criteria of SFAS 71. If such electric generation assets no longer meet the criteria of SFAS 71, any related regulatory assets would be written off unless some form of transition cost recovery is established by the PUC which would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. Any generation-related, long-lived fixed and intangible assets would be evaluated for impairment under the provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

Based upon an evaluation of the various factors and conditions affecting future cost recovery, the Company does not expect the Customer Choice Act to have a material adverse effect on its financial condition or results of operations.

On March 27, 1997, proposed gas customer choice legislation was introduced in the Pennsylvania General Assembly that would, among other things, extend the availability of gas transportation service to residential and small commercial customers of local gas distribution companies. It would permit all customers of natural gas distribution utilities to transport their natural gas supplies through the distribution systems of Pennsylvania gas utilities by April 1, 1999 and would also require Pennsylvania gas utilities to exit the merchant function of selling natural gas. Legislative committees have conducted public hearings on the proposed legislation and the Company has provided testimony on such issues as the recovery of costs associated with its existing gas supply assets and the need for standards to assure reliability of future gas supplies. The Company will continue to monitor the proposed legislation.

MANUFACTURED GAS PLANTS

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

One of the ways UGI Utilities initially expanded its business was by entering into agreements with other gas companies to operate their businesses. After 1888, the principal means by which UGI Utilities expanded its gas business was to acquire all or a portion of the stock of companies engaged in this business. UGI Utilities also provided management and administrative services to some of these companies. UGI Utilities grew to become one of the largest public utility holding companies in the U.S. Pursuant to the Public Utility Holding Company Act of 1935, by 1954 UGI Utilities divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

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

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

Management believes, after consultation with counsel, that future costs of investigation and remediation, if any, will not have a material adverse effect on the Company's financial position but could be material to operating results and cash flows depending on the nature and timing of future developments and the amounts of future operating results and cash flows. For a more detailed discussion of environmental matters related to MGP sites, see Note 11 to Consolidated Financial Statements.

ACCOUNTING PRINCIPLES NOT YET ADOPTED

The Financial Accounting Standards Board recently issued SFAS No. 128, "Earnings Per Share" (SFAS 128) and SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 128 establishes standards for computing and presenting earnings per share and simplifies the previous standards for computing earnings per share found in Accounting Principles Board Opinion No. 15. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997. SFAS 130 establishes standards for reporting and displaying comprehensive income and its components in financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997. In addition, the American Institute of Certified Public Accountants issued Statement of Position No. 96-1, "Environmental Remediation Liabilities" (SOP 96-1) in October 1996. SOP 96-1 provides guidance on the recognition, measurement, display and disclosure of environmental remediation liabilities. SOP 96-1 is effective for fiscal years beginning after December 15, 1996. The adoption of these standards is not expected to have a material effect on the Company's financial position or results of operations.

IMPACT OF INFLATION

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

Inflation also impacts the Company's gas and electric utility operations primarily in the prices they pay for labor, materials and services. Because

Electric Utility's base rates are capped and Gas Utility's base rates can be adjusted only through general rate filings with the PUC, increased costs, absent timely rate relief, can have a significant impact on the utilities' results. Under current tariffs, Gas Utility is permitted, after annual PUC review, to recover certain costs of purchased gas, fuel and power which comprise a substantial portion of Gas Utility's costs and expenses.

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

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements that are subject to risks and uncertainties. The factors that could cause actual results to differ materially include those discussed herein as well as those listed in Exhibit 99 to the Company's Annual Report on Form 10-K for the year ended September 30, 1997. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. The Company undertakes no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of this Report.

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

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

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

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

/s/ Lon R. Greenberg	/s/ Charles L. Ladner	/s/ Michael J. Cuzzolina
-----	-----	-----
Lon R. Greenberg	Charles L. Ladner	Michael J. Cuzzolina
Chief Executive Officer	Chief Financial Officer	Chief Accounting Officer

INDEX TO FINANCIAL AND OTHER INFORMATION
UGI CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT	19
SEGMENT INFORMATION	20
CONSOLIDATED STATEMENTS OF INCOME	21
CONSOLIDATED BALANCE SHEETS	22
CONSOLIDATED STATEMENTS OF CASH FLOWS	24
CONSOLIDATED STATEMENTS OF	
STOCKHOLDERS' EQUITY	25
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	26
REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS	39
FINANCIAL STATISTICS	40
OPERATING STATISTICS	42
SHAREHOLDER INFORMATION	44

SEGMENT INFORMATION
(Millions of dollars)
UGI CORPORATION AND SUBSIDIARIES

		Year Ended September 30,		
		1997	1996	1995
REVENUES	Propane	\$ 1,077.8	\$ 1,013.2	\$ 511.7
	Gas utility	389.1	391.0	291.3
	Electric utility	72.1	69.5	66.1
	Energy marketing (a)	103.0	83.9	8.5
	Total consolidated operations	\$ 1,642.0	\$ 1,557.6	\$ 877.6
	Petrolane (b)	--	--	372.1
OPERATING INCOME (LOSS)	Propane	\$ 117.1	\$ 80.8	\$ 21.8
	Gas utility	74.8	72.9	51.9
	Electric utility	10.7	8.6	9.1
	Energy marketing	1.7	4.4	1.8
	Petrolane management fee	--	--	6.8
	Corporate general and other	(4.4)	(7.0)	(13.1)
	Total consolidated operations	\$ 199.9	\$ 159.7	\$ 78.3
	Petrolane (b)	--	--	41.5
IDENTIFIABLE ASSETS	Propane	\$ 1,335.6	\$ 1,388.3	\$ 1,446.1
	Gas utility	593.7	561.1	553.7
	Electric utility	86.2	83.9	86.6
	Energy marketing	10.0	13.5	6.2
	Corporate general and other	126.2	86.2	59.7
	Total consolidated operations	\$ 2,151.7	\$ 2,133.0	\$ 2,152.3
DEPRECIATION AND AMORTIZATION	Propane -- depreciation	\$ 38.6	\$ 38.3	\$ 23.8
	Propane -- amortization	25.7	25.8	17.0
	Gas utility	17.1	17.6	16.1
	Electric utility	4.3	4.0	3.7
	Corporate general and other	.4	.3	.3
	Total consolidated operations	\$ 86.1	\$ 86.0	\$ 60.9
	Petrolane -- depreciation (b)	--	--	13.1
	Petrolane -- amortization (b)	--	--	14.3
CAPITAL EXPENDITURES	Propane	\$ 27.0	\$ 22.9	\$ 17.2
	Gas utility	36.7	34.6	45.3
	Electric utility	5.0	5.0	6.0
	Corporate general and other	.1	.2	.3
	Total consolidated operations	\$ 68.8	\$ 62.7	\$ 68.8
	Petrolane (b)	--	--	7.3

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

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

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

		Year Ended September 30,		
		1997	1996	1995
REVENUES (note 1)	Propane	\$ 1,077.8	\$ 1,013.2	\$ 511.7
	Utilities	461.2	460.5	357.4
	Energy marketing	103.0	83.9	8.5
		1,642.0	1,557.6	877.6
COSTS AND EXPENSES	Propane cost of sales	600.4	569.7	261.0
	Utilities -- gas, fuel and purchased power (note 1)	239.0	239.7	169.7
	Energy marketing cost of sales	99.4	77.7	8.0
	Operating and administrative expenses	439.8	437.5	331.6
	Depreciation and amortization (note 1)	86.1	86.0	60.9
	Petrolane fee income (note 15)	--	--	(20.5)
	Miscellaneous income, net (note 13)	(22.6)	(12.7)	(11.4)
		1,442.1	1,397.9	799.3
OPERATING INCOME		199.9	159.7	78.3
	Interest expense	(83.1)	(79.5)	(59.3)
	Minority interest in AmeriGas Partners (note 1)	(18.3)	(4.3)	19.7
INCOME BEFORE INCOME TAXES, SUBSIDIARY PREFERRED STOCK DIVIDENDS AND EQUITY IN PETROLANE		98.5	75.9	38.7
	Income taxes (notes 1, 5 and 14)	(43.6)	(33.6)	(22.7)
	Dividends on UGI Utilities Series Preferred Stock	(2.8)	(2.8)	(2.8)
	Equity in Petrolane (notes 1, 14 and 15)	--	--	(5.3)
INCOME BEFORE EXTRAORDINARY LOSS AND ACCOUNTING CHANGE		52.1	39.5	7.9
	Extraordinary loss -- propane debt restructuring (note 14)	--	--	(13.2)
	Change in accounting for postemployment benefits (note 6)	--	--	(3.1)
Net Income (Loss)		\$ 52.1	\$ 39.5	\$ (8.4)
EARNINGS (LOSS) PER COMMON SHARE	Earnings before extraordinary loss and accounting change	\$ 1.57	\$ 1.19	\$.24
	Extraordinary loss -- propane debt restructuring	--	--	(.40)
	Change in accounting for postemployment benefits	--	--	(.10)
Net earnings (loss)		\$ 1.57	\$ 1.19	\$ (.26)

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

13
CONSOLIDATED BALANCE SHEETS
(Millions of dollars)
UGI CORPORATION AND SUBSIDIARIES

ASSETS		September 30,	
		1997	1996
CURRENT ASSETS			
	Cash and cash equivalents (note 1)	\$64.0	\$ 74.0
	Short-term investments, at cost which approximates market value	65.4	23.1
	Accounts receivable (less allowances for doubtful accounts of \$11.3 and \$10.6, respectively)	110.6	113.3
	Accrued utility revenues (note 1)	7.7	8.6
	Inventories (notes 1 and 7)	95.6	99.9
	Prepaid propane purchases (note 1)	21.7	13.3
	Deferred income taxes (notes 1 and 5)	20.3	17.4
	Insurance indemnification receivable	2.4	19.0
	Prepaid expenses and other current assets	16.2	12.1
	Total current assets	403.9	380.7
PROPERTY, PLANT AND EQUIPMENT			
	Propane	620.6	602.0
	Utilities	765.6	729.9
	Other	11.1	10.9
(notes 1 and 4)		1,397.3	1,342.8
	Less accumulated depreciation and amortization	410.1	368.2
	Net property, plant and equipment	987.2	974.6
OTHER ASSETS			
	Intangible assets (less accumulated amortization of \$116.7 and \$94.9, respectively) (note 1)	677.9	692.5
	Regulatory income tax asset (notes 1 and 5)	44.4	42.9
	Other assets (note 1)	38.3	42.3
	Total assets	\$2,151.7	\$2,133.0

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

LIABILITIES AND STOCKHOLDERS' EQUITY		September 30,	
		1997	1996
CURRENT LIABILITIES	Current maturities of long-term debt -- Propane (note 4)	\$ 6.7	\$ 5.2
	Current maturities of long-term debt -- Utilities (note 4)	17.1	25.5
	Current maturities of long-term debt -- other (note 4)	.4	.4
	Current portion of UGI Utilities Series Preferred Stock (note 8)	3.0	--
	Bank loans -- Propane (note 4)	28.0	15.0
	Bank loans -- Utilities (note 4)	67.0	50.5
	Accounts payable	103.2	94.7
	Employee compensation and benefits accrued	27.8	32.4
	Dividends and interest accrued	43.2	44.8
	Income taxes accrued	27.4	14.4
	Insured property and casualty liability	1.0	19.0
	Refunds and deposits	24.0	17.7
	Other current liabilities	55.7	48.7
	Total current liabilities	404.5	368.3
DEBT AND OTHER LIABILITIES	Long-term debt -- Propane (note 4)	684.4	687.3
	Long-term debt -- Utilities (note 4)	152.2	149.3
	Long-term debt -- other (note 4)	8.2	8.6
	Deferred income taxes (notes 1 and 5)	152.5	148.6
	Deferred investment tax credits (notes 1 and 5)	10.4	10.8
	Other noncurrent liabilities	64.7	62.9
	Commitments and contingencies (note 11)		
MINORITY INTEREST	Minority interest in AmeriGas Partners (note 1)	266.5	284.4
PREFERRED AND PREFERENCE STOCK	UGI Utilities Series Preferred Stock Subject to Mandatory Redemption, without par value (note 8)	32.2	35.2
	Preference Stock, without par value (note 9) (authorized -- 5,000,000 shares)	--	--
COMMON STOCKHOLDERS' EQUITY	Common Stock, without par value (notes 9 and 10) (authorized -- 100,000,000 shares; issued -- 33,198,731 shares)	393.7	391.9
	Accumulated deficit	(9.2)	(12.8)
		384.5	379.1
	Less treasury stock, at cost (note 10)	8.4	1.5
	Total common stockholders' equity	376.1	377.6
	Total liabilities and stockholders' equity	\$ 2,151.7	\$ 2,133.0

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

		Year Ended September 30,		
		1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES	Net income (loss)	\$ 52.1	\$ 39.5	\$ (8.4)
	Reconcile to net cash provided by operating activities:			
	Depreciation and amortization	86.1	86.0	60.9
	Minority interest in AmeriGas Partners	18.3	4.3	(19.7)
	Deferred income taxes, net	(2.2)	12.0	5.1
	Extraordinary loss	--	--	13.2
	Change in accounting	--	--	3.1
	Equity in Petrolane	--	--	5.3
	Other, net	4.1	(3.5)	7.4
		158.4	138.3	66.9
	Net change in:			
	Receivables and accrued utility revenues	(6.8)	(37.1)	7.1
	Inventories and prepaid propane purchases	(3.6)	(10.2)	(14.3)
	Deferred fuel adjustments	4.6	(10.7)	(.1)
	Pipeline transition and producer settlement recoveries (costs), net	(1.8)	1.1	(7.6)
	Accounts payable	8.5	25.1	2.6
	Other current assets and liabilities	12.7	4.7	22.2
	Net cash provided by operating activities	172.0	111.2	76.8
CASH FLOWS FROM INVESTING ACTIVITIES	Expenditures for property, plant and equipment	(68.8)	(62.7)	(68.8)
	Acquisitions of businesses, net of cash acquired	(11.6)	(28.0)	(4.1)
	Acquisitions of Petrolane Class B shares, net of \$18.7 of cash acquired	--	--	(90.9)
	Short-term investments increase	(42.3)	(12.1)	(11.0)
	Proceeds from disposals of assets	14.4	4.2	1.6
	Other, net	(2.2)	(.3)	1.0
	Net cash used by investing activities	(110.5)	(98.9)	(172.2)
CASH FLOWS FROM FINANCING ACTIVITIES	Dividends on Common Stock	(47.2)	(46.4)	(45.2)
	Distributions on Partnership public Common Units	(38.8)	(38.7)	(7.9)
	Issuance of long-term debt	28.9	57.1	48.0
	Repayment of long-term debt	(29.4)	(59.7)	(20.0)
	Propane bank loans increase	6.0	15.0	--
	Utilities bank loans increase	16.5	8.5	25.0
	Issuance of Common Stock	11.7	11.3	10.1
	Repurchases of Common Stock	(19.2)	(7.1)	--
	Issuance of AmeriGas Partners Common Units	--	--	346.4
	Issuance of long-term debt associated with Partnership Formation	--	--	208.5
	Repayment of long-term debt and related interest associated with Partnership Formation	--	--	(408.9)
	Partnership Formation fees and expenses	--	--	(16.3)
	Net cash provided (used) by financing activities	(71.5)	(60.0)	139.7
	Cash and cash equivalents increase (decrease)	\$ (10.0)	\$ (47.7)	\$ 44.3
CASH AND CASH EQUIVALENTS	End of period	\$ 64.0	\$ 74.0	\$ 121.7
	Beginning of period	74.0	121.7	77.4
	Increase (decrease)	\$ (10.0)	\$ (47.7)	\$ 44.3

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

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

		Common Stock	Retained Earnings (Accumulated Deficit)	Treasury Stock
YEAR ENDED SEPTEMBER 30, 1995	Balance September 30, 1994	\$ 376.0	\$ 48.4	\$ (.1)
	Net loss		(8.4)	
	Cash dividends on Common Stock (\$1.39 per share)		(45.5)	
	Common Stock issued (note 10):			
	Employee and director plans	.8		
	Dividend reinvestment plan	9.3		
YEAR ENDED SEPTEMBER 30, 1996	Balance September 30, 1995	386.1	(5.5)	(.1)
	Net income		39.5	
	Cash dividends on Common Stock (\$1.41 per share)		(46.7)	
	Common Stock issued (note 10):			
	Employee and director plans	3.6	(.1)	3.1
	Dividend reinvestment plan	2.2		2.6
	Common Stock repurchased			(7.1)
YEAR ENDED SEPTEMBER 30, 1997	Balance September 30, 1996	391.9	(12.8)	(1.5)
	Net income		52.1	
	Cash dividends on Common Stock (\$1.43 per share)		(47.3)	
	Common Stock issued (note 10):			
	Employee and director plans	.7	(1.2)	9.2
	Dividend reinvestment plan			3.1
	Stock-based compensation expense	1.1		
	Common Stock repurchased			(19.2)
	Balance September 30, 1997	\$ 393.7	\$ (9.2)	\$ (8.4)

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

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

UGI CORPORATION AND SUBSIDIARIES

NOTE 1.	ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES.....	26
NOTE 2.	UTILITY REGULATORY MATTERS.....	28
NOTE 3.	PARTNERSHIP DISTRIBUTIONS.....	29
NOTE 4.	DEBT.....	29
NOTE 5.	INCOME TAXES.....	31
NOTE 6.	PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS.....	31
NOTE 7.	INVENTORIES.....	33
NOTE 8.	SERIES PREFERRED STOCK.....	33
NOTE 9.	PREFERENCE STOCK PURCHASE RIGHTS...	33
NOTE 10.	COMMON STOCK AND INCENTIVE STOCK AWARD PLANS.....	34
NOTE 11.	COMMITMENTS AND CONTINGENCIES.....	35
NOTE 12.	FINANCIAL INSTRUMENTS.....	36
NOTE 13.	MISCELLANEOUS INCOME.....	37
NOTE 14.	FORMATION OF AMERIGAS PARTNERS....	37
NOTE 15.	INVESTMENT IN PETROLANE.....	37
NOTE 16.	SEGMENT INFORMATION.....	38
NOTE 17.	QUARTERLY DATA (UNAUDITED).....	38

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. UGI Corporation (UGI) is a holding company with two principal businesses. UGI's utility business is conducted through a wholly owned subsidiary, UGI Utilities, Inc. (UGI Utilities), which owns and operates a natural gas distribution utility (Gas Utility) in parts of eastern and southeastern Pennsylvania and an electric utility (Electric Utility) in northeastern Pennsylvania (together referred to herein as "Utilities"). Commencing with the April 19, 1995 Partnership Formation (see Note 14), UGI conducts a national propane distribution business through AmeriGas Partners, L.P. (AmeriGas Partners) and its operating subsidiary, AmeriGas Propane, L.P. (the "Operating Partnership"), both of which are Delaware limited partnerships. The Operating Partnership is the largest retail propane distributor in the United States serving residential, commercial, industrial, motor fuel and agricultural customers from locations in 45 states, including Alaska and Hawaii. UGI also conducts an energy marketing business principally through its wholly owned subsidiary, UGI Energy Services, Inc. (UGI Energy Services).

At September 30, 1997, UGI, through wholly owned subsidiaries, held an effective 2% general partner interest and a 56.5% limited partnership interest in the Operating Partnership. This limited partner interest is evidenced by AmeriGas Partners Common Units (Common Units) and AmeriGas Partners Subordinated Units (Subordinated Units) representing limited partner interests in AmeriGas Partners. The remaining 41.5% effective interest in the Operating Partnership comprises publicly held Common Units. AmeriGas Partners and the Operating Partnership are collectively referred to as "the Partnership." A wholly owned second-tier subsidiary of UGI (the "General Partner") serves as the general partner of AmeriGas Partners and the Operating Partnership. The Company does not receive management fees or other compensation in connection with its management of the Partnership but is reimbursed at cost for direct and indirect expenses incurred on behalf of the Partnership, including a portion of UGI employee compensation and overhead costs. Although operating income of the Partnership comprised more than half of UGI's fiscal 1997 consolidated operating income, its impact on consolidated net income was considerably less due to the Partnership's significant minority interest, higher relative interest charges and a higher effective income tax rate associated with the Partnership's pre-tax income.

Prior to the Partnership Formation, UGI's AmeriGas, Inc. subsidiary (AmeriGas) conducted a national propane distribution business principally through its wholly owned subsidiaries AmeriGas Propane, Inc. and AmeriGas Propane-2, Inc. (collectively, "AmeriGas Propane") and its 35%-owned equity investee Petrolane Incorporated (Petrolane).

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

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

RECLASSIFICATIONS. Certain prior-period balances have been reclassified to conform with the current period presentation.

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

REGULATED UTILITY OPERATIONS. Gas Utility and Electric Utility are subject to regulation by the PUC. Gas Utility and Electric Utility account for their

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

Given the changing regulatory environment in the electric utility industry (see Note 2), the Company continues to evaluate its ability to apply the provisions of SFAS 71 as it relates to its electric generation operations. The Company believes its electric generation assets and related regulatory assets continue to satisfy the criteria of SFAS 71. If

such electric generation assets no longer meet the criteria of SFAS 71, any related regulatory assets would be written off unless some form of transition cost recovery is established by the PUC which would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. Any generation-related, long-lived fixed and intangible assets would be evaluated for impairment under the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121).

DERIVATIVE INSTRUMENTS. The Company utilizes derivative commodity instruments, including futures contracts, to reduce market risk associated with fluctuations in the price of natural gas sold under firm commitments with certain of its customers. The Company also utilizes derivative commodity instruments including price swap agreements, call and put option contracts and futures contracts, to manage market risk associated with a portion of its anticipated propane supply requirements. Additionally, the Company, from time to time, utilizes a managed program of derivative instruments including natural gas and oil futures contracts to preserve margin associated with certain of the Company's customer segments, which margin otherwise could be affected by major commodity price movements.

Gains or losses on derivative commodity instruments associated with firm commitments are recognized as an adjustment to cost of sales when the associated transactions affect earnings. Gains or losses on derivative instruments associated with forecasted transactions are recognized when such forecasted transactions affect earnings. If a derivative instrument is terminated early because it is probable that a transaction or forecasted transaction will not occur, any gain or loss as of such date is immediately recognized in earnings. If such derivative instrument is terminated early for other economic reasons, any gain or loss as of the termination date is deferred and recorded when the associated transaction or forecasted transaction affects earnings.

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

Interest paid during 1997, 1996 and 1995 was \$85.3 million, \$79.8 million and \$39.4 million, respectively. Income taxes paid during 1997, 1996 and 1995 were \$32.0 million, \$20.3 million and \$22.0 million, respectively. On April 19, 1995, the Company acquired the approximately 65% of Petrolane common shares it did not already own for \$109.6 million. In conjunction with this acquisition, proportionate liabilities in the amount of \$535.1 million were assumed.

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

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

The Partnership also enters into contracts with certain of its suppliers under which it prepays the purchase price of a fixed volume of propane for future delivery. The amount of such prepayments is included in the consolidated balance sheets as "prepaid propane purchases."

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

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

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

EARNINGS (LOSS) PER COMMON SHARE. Primary earnings (loss) per common share are computed by dividing net income (loss) by the weighted average number of common and dilutive common equivalent shares outstanding during each period. Common equivalent shares included in the computations represent shares issuable upon assumed exercise of stock options. Shares used in the earnings (loss) per common share computations were 33,132,000, 33,142,000 and 32,710,000 for 1997, 1996 and 1995, respectively. Fully diluted earnings (loss) per share are not materially different from primary earnings (loss) per share and therefore are not presented.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 establishes standards for computing and presenting earnings per share and simplifies the previous standards for computing earnings per share found in Accounting Principles Board (APB) Opinion No. 15. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997. After the effective date, prior-period earnings per share data presented must be restated. The adoption of SFAS 128 is not expected to have a material effect on the Company's computation of earnings per share.

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

Depreciation of Utilities' plant and equipment is computed using the straight-line method over the estimated average remaining lives of the various classes of depreciable property. Depreciation as a percentage of the related average depreciable base for 1997, 1996 and 1995 was 2.7%, 2.9% and 2.8%; and 3.6%, 3.6% and 3.4%, for Gas Utility and Electric Utility, respectively. Depreciation of Propane plant and equipment is computed using the straight-line method over estimated service lives ranging from two to 40 years.

Depreciation expense during 1997, 1996 and 1995 was \$59.8 million, \$59.4 million and \$43.1 million, respectively.

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

	1997	1996
Goodwill (less accumulated amortization of \$79.4 million and \$64.1 million, respectively)	\$538.2	\$546.2
Excess reorganization value (less accumulated amortization of \$35.9 million and \$27.4 million, respectively)	135.1	143.4
Other (less accumulated amortization of \$1.4 million and \$3.4 million, respectively)	4.6	2.9
Total intangible assets	\$677.9	\$692.5

Goodwill recognized as a result of business combinations accounted for as purchases is being amortized on a straight-line basis over 40 years. Excess reorganization value (which represents reorganization value in excess of amounts allocable to identifiable assets of Petrolane resulting from Petrolane's July 15, 1993 reorganization under Chapter 11 of the United States Bankruptcy Code) is being amortized on a straight-line basis over the 20-year period commencing July 15, 1993. Other intangible assets are being amortized over the estimated periods of benefit which do not exceed ten years. Amortization expense of intangible assets during 1997, 1996 and 1995 was \$24.5 million, \$24.6 million and \$16.1 million, respectively.

The Company evaluates the impairment of long-lived assets, including intangibles, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability is evaluated based upon undiscounted future cash flows expected to be generated by such assets.

STOCK-BASED COMPENSATION. The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) in 1997. SFAS 123 encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options, and other equity instruments to employees based upon fair value. Alternatively, it permits them to continue to apply the existing accounting rules contained in APB No. 25, "Accounting for Stock Issued to Employees" (APB 25). Companies choosing not to adopt the expense recognition provisions of SFAS 123 are required to disclose certain pro forma net income and earnings per share data as if such provisions had been applied (see Note 10). The Company has elected to continue to account for stock-based compensation in accordance with APB 25.

OTHER ASSETS. Included in other assets at September 30, 1997 and 1996 are net deferred financing costs of \$13.7 million and \$15.0 million, respectively. These costs are being amortized over the term of the related debt.

DEFERRED FUEL ADJUSTMENTS. Gas Utility's tariffs contain, and prior to January 1, 1997, Electric Utility's tariffs contained, clauses which permit recovery of certain gas, fuel and purchased power costs in excess of the level of such costs included in base rates. The clauses provide for a periodic adjustment for the difference between the total amount collected under each clause and the recoverable costs incurred. Accordingly, the difference between amounts recognized in revenues and the applicable gas, fuel and purchased power costs incurred is deferred until subsequently billed or refunded to customers.

In accordance with the provisions of the Customer Choice Act (see Note 2), the rates Electric Utility can charge its customers, including amounts pertaining to the recovery of fuel and purchased power costs, were capped effective January 1, 1997. The difference between amounts collected and costs actually incurred as of January 1, 1997 is being considered by the PUC in conjunction with Electric Utility's Customer Choice Act restructuring plan. Such amount was not material.

2. UTILITY REGULATORY MATTERS

ELECTRICITY GENERATION CUSTOMER CHOICE AND COMPETITION ACT. On January 1, 1997, the Electricity Generation Customer Choice and Competition Act (Customer Choice Act) became effective. The Customer Choice Act permits all Pennsylvania retail electric customers to choose their electric generation supplier over a three-year phase-in period commencing January 1, 1999. The Customer Choice Act requires all electric utilities to file restructuring plans with the PUC which, among other things, include 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 transmission and 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 Customer Choice Act, Electric Utility's rates for transmission and distribution services provided through June 30, 2001 are capped at levels in effect on January 1, 1997. In addition, Electric Utility generally may not increase the generation component of prices as long as stranded costs are being recovered through the CTC. 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 August 7, 1997, Electric Utility filed its restructuring plan with the PUC. The restructuring plan includes a claim for the recovery of \$34.4 million for

stranded costs during the period January 1, 1999 through December 31, 2002. The claim is primarily for the recovery of: (1) plant investments in excess of estimated competitive market value and electric generation facility retirement costs; (2) potential costs associated with existing power purchase agreements; and (3) regulatory assets (principally income taxes) recoverable from ratepayers under current regulatory practice. The claim also seeks to establish a recovery mechanism that would permit the recovery of up to an additional \$28 million of costs associated with the buyout or implementation of a December 1993 agreement to purchase power from an independent power producer. The PUC is expected to take action on Electric Utility's filing in May 1998.

Based upon an evaluation of the various factors and conditions affecting future cost recovery, the Company does not expect the Customer Choice Act to have a material adverse effect on its financial condition or results of operations.

BASE RATE CASES. On January 27, 1995, Gas Utility filed with the PUC for a \$41.3 million increase in base rates to be effective March 28, 1995. In accordance with normal PUC practice, the effective date was suspended pending further investigation. On August 31, 1995, the PUC approved a settlement of this proceeding (Gas Utility Base Rate Settlement) authorizing a \$19.5 million increase in annual revenues. The increase in base rates became effective on August 31, 1995.

On January 26, 1996, Electric Utility filed with the PUC for a \$6.2 million increase in base rates. On July 18, 1996, the PUC approved a settlement of this proceeding authorizing a \$3.1 million increase in annual revenues, effective July 19, 1996.

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

	1997	1996
Regulatory income tax asset	\$44.4	\$42.9
Other postretirement benefits	3.8	4.3
Refundable state taxes	(3.1)	(4.2)
Deferred fuel costs (recoveries)	(3.6)	1.1
Deferred producer settlement and pipeline transition recoveries	(3.8)	(5.9)
Deferred environmental costs	.7	.7

3. PARTNERSHIP DISTRIBUTIONS

The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in an aggregate amount equal to its Available Cash for such quarter. Available Cash generally means, with respect to any fiscal quarter of the Partnership, all cash on hand at the end of such quarter plus all additional cash on hand as of the date of determination resulting from borrowings after the end of such quarter less the amount of cash reserves established by the General Partner in its reasonable discretion. These reserves may be retained for the proper conduct of the Partnership's business and for distributions during the next four quarters. In addition, reserves for the payment of debt principal and interest are required under the provisions of certain of the Partnership's debt agreements.

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

The Subordination Period will generally extend until the first day of any quarter beginning on or after April 1, 2000 in respect of which (a) distributions of Available Cash from Operating Surplus (generally defined as \$40 million plus \$42.9 million of cash on hand as of April 19, 1995 plus all operating cash receipts less all operating cash expenditures and cash reserves) equal or exceed the MQD on each of the outstanding Common and Subordinated units for each of the four consecutive four-quarter periods immediately preceding such date; (b) the Adjusted Operating Surplus (generally defined as Operating Surplus adjusted to exclude working capital borrowings, reductions in cash reserves and \$40 million plus \$42.9 million of cash on hand as of April 19, 1995 and to include increases in reserves to provide for distributions resulting from Operating Surplus generated during such period) generated during both (i) each of the two immediately preceding four-quarter periods and (ii) the immediately preceding sixteen-quarter period, equals or exceeds the MQD on each of the Common and Subordinated units outstanding during those periods; and (c) there are no arrearages on the Common Units.

Prior to the end of the Subordination Period but not before March 31, 1998, 4,945,537 Subordinated Units will convert into Common Units for any quarter ending on or after March 31, 1998, and an additional 4,945,537 Subordinated Units will convert into Common Units for any quarter ending on or after March 31, 1999, if (a) distributions of Available Cash from Operating Surplus on each of the outstanding Common and Subordinated units equal or exceed the MQD for each of the three consecutive four-quarter periods immediately preceding such date; (b) the Adjusted Operating Surplus generated during the immediately preceding twelve-quarter period equals or exceeds the MQD on all of the Common and Subordinated units outstanding during that period; (c) the General Partner makes a good faith determination that the Partnership will, with respect to the four-quarter period commencing with such date, generate Adjusted Operating Surplus in an amount equal to or exceeding the MQD on all of the outstanding Common and Subordinated units; and (d) there are no arrearages on the Common Units.

4. DEBT

Long-term debt comprises the following at September 30:

	1997	1996
Propane:		
First Mortgage Notes:		
Series A, 9.34%-11.71%, due April 2000 through April 2009 (including unamortized premium of \$14.8 and \$16.0, respectively, calculated at an 8.91% effective rate)	\$222.8	\$224.0
Series B, 10.07%, due April 2001 through April 2005 (including unamortized premium of \$11.5 and \$13.1, respectively, calculated at an 8.74% effective rate)	211.5	213.1
Series C, 8.83%, due April 2003 through April 2010	110.0	110.0
AmeriGas Partners Senior Notes, 10.125%, due April 2007	100.0	100.0
Acquisition Facility	37.0	30.0
Special Purpose Facility	-	7.0
Other	9.8	8.4
Total Propane	691.1	692.5
Utilities:		
First Mortgage Bonds:		
7.85% Series due November 1996	-	8.4
Other long-term debt:		
7.17% Series B Medium-Term Notes, due June 2007	20.0	-
7.37% Medium-Term Notes, due October 2015	22.0	22.0
6.73% Medium-Term Notes, due October 2002	26.0	26.0
6.62% Medium-Term Notes, due May 2005	20.0	20.0

6.50% Senior Notes, due August 2003 (less unamortized discount of \$.1 and \$.2, respectively)	49.9	49.8
8.70% Notes, due March 1997 and 1998 in annual installments of \$10.0	10.0	20.0
9.71% Notes, due through September 2000 in annual installments of \$7.1	21.4	28.6
Total Utilities	169.3	174.8
Other:		
7.83% Senior Secured Notes, due through March 2008	8.6	9.0
Total long-term debt	869.0	876.3
Less current maturities	(24.2)	(31.1)
Total long-term debt due after one year	\$844.8	\$845.2

Long-term debt maturities during the fiscal years 1998 to 2002 follow:

	1998	1999	2000	2001	2002
Propane	\$ 6.7	\$ 5.6	\$16.6	\$71.2	\$72.6
Utilities	17.1	7.1	7.1	-	-
Other	.4	.4	.5	.5	.5
Total	\$24.2	\$13.1	\$24.2	\$71.7	\$73.1

PROPANE

AMERIGAS PARTNERS' SENIOR NOTES. The 10.125% Senior Notes of AmeriGas Partners contain covenants which restrict the ability of the Partnership to, among other things, incur additional indebtedness, incur liens, issue preferred interests, and effect mergers, consolidations and sales of assets. The Senior Notes are not redeemable prior to April 15, 2000. Thereafter, AmeriGas Partners has the option to redeem the Senior Notes, in whole or in part, at a premium. In addition, AmeriGas Partners may, under certain circumstances following the disposition of assets, be required to prepay the Senior Notes. Pursuant to the Indenture under which the Senior Notes were issued, AmeriGas

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

Partners is generally permitted to make cash distributions in an amount equal to available cash, as defined, as of the end of the immediately preceding quarter, as long as no event of default exists or would exist upon making such distributions and if the Partnership's consolidated fixed charge coverage ratio, as defined, is at least 1.75-to-1. If such ratio is not met, cash distributions may be made in an aggregate amount not to exceed \$24 million less the aggregate of all distributions made during the immediately preceding 16 fiscal quarters. At September 30, 1997, such ratio was 2.57-to-1.

FIRST MORTGAGE NOTES. The Operating Partnership's obligations under the First Mortgage Notes, as amended, are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of the First Mortgage Notes. The Operating Partnership may, at its option, and under certain circumstances following the disposition of assets be required to, prepay the First Mortgage Notes, in whole or in part. Certain of these prepayments will be at a premium.

BANK CREDIT AGREEMENT. Effective September 15, 1997, the Operating Partnership amended and restated its bank credit agreement (Bank Credit Agreement). At September 30, 1997, the credit facilities under the Bank Credit Agreement consist of a Revolving Credit Facility and an Acquisition Facility. The Operating Partnership's obligations under the Bank Credit Agreement are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of the bank credit facilities.

The Revolving Credit Facility provides for borrowings of up to \$100 million (including a \$35 million sublimit for letters of credit). The Revolving Credit Facility expires September 15, 2002, but may be extended, upon timely notice, for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. The Revolving Credit Facility permits the Operating Partnership to borrow at the Base Rate, defined as the higher of the Federal Funds Rate plus .50% per annum or the agent bank's reference rate (6.31% and 8.50%, respectively, at September 30, 1997), or at prevailing one-, two-, three-, or six-month offshore interbank borrowing rates, plus a margin (.50% per annum as of September 30, 1997). The applicable margin on such offshore interbank borrowing rates, and the Revolving Credit Facility commitment fee rate (.20% per annum as of September 30, 1997), are dependent upon the Operating Partnership's ratio of funded debt to earnings before interest, income taxes, depreciation and amortization (EBITDA), each as defined in the Bank Credit Agreement. The Operating Partnership is also required to pay letter of credit fees on the undrawn amount of outstanding letters of credit equal to the applicable margin on offshore interbank borrowings under the Revolving Credit Facility and on the face amount of outstanding letters of credit equal to .125% per annum. At September 30, 1997 and 1996, borrowings under the Revolving Credit Facility totaled \$28 million and \$15 million, respectively, and are classified as bank loans. The weighted-average interest rates on the Operating Partnership's bank loans outstanding as of September 30, 1997 and 1996 were 6.44% and 6.00%, respectively. Issued outstanding letters of credit under the Revolving Credit Facility totaled \$2.3 million at September 30, 1996. There were no issued outstanding letters of credit under the Revolving Credit Facility at September 30, 1997.

The Acquisition Facility provides the Operating Partnership with the ability to borrow up to \$75 million to finance propane business acquisitions. The Acquisition Facility operates as a revolving facility through September 15, 2000 at which time any amount then outstanding will convert to a quarterly amortizing four-year term loan. The Acquisition Facility permits the Operating Partnership to borrow at the Base Rate or prevailing one-, two-, three-, or six-month offshore interbank borrowing rates, plus a margin (.50% as of September 30, 1997). The applicable margin on such offshore interbank borrowing rates, and the Acquisition Facility commitment fee rate (.20% per annum at September 30, 1997), are dependent upon the Operating Partnership's ratio of funded debt to EBITDA, as defined. The weighted-average interest rates on the Operating Partnership's Acquisition loans outstanding as of September 30, 1997 and 1996 were 6.32% and 6.34%, respectively.

Prior to September 15, 1997, the Bank Credit Agreement included a Special Purpose Facility comprising a \$30 million nonrevolving line of credit to be used for the payment of certain liabilities of the Operating Partnership. On September 15, 1997, borrowings under the Special Purpose Facility of \$7 million were converted to borrowings under the Revolving Credit Facility.

RESTRICTIVE COVENANTS. The Bank Credit Agreement and the First Mortgage Notes contain restrictive covenants which include restrictions on the incurrence of additional indebtedness and restrictions on certain liens, guarantees, loans and advances, payments, mergers, consolidations, sales of assets and other transactions. They also require the ratio of total indebtedness, as defined, to EBITDA, as defined (and as calculated on a rolling four-quarter basis or eight-quarter basis divided by two), to be less than or equal to 5.25-to-1. In addition, the Bank Credit Agreement requires that the Operating Partnership maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. Generally, as long as no default exists or would result, the Operating Partnership is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter.

GENERAL PARTNER FACILITY. The Operating Partnership also has a revolving credit agreement with the General Partner under which it may borrow up to \$20 million to fund working capital, capital expenditures, and interest and distribution payments. This agreement is coterminous with, and generally comparable to, the Operating Partnership's Revolving Credit Facility except that

borrowings under the General Partner Facility are unsecured and subordinated to all senior debt of the Partnership. Interest rates on borrowings are based upon one-month offshore interbank borrowing rates. Facility fees are determined in the same manner as fees under the Revolving Credit Facility. UGI has agreed to contribute on an as needed basis through its subsidiaries up to \$20 million to the General Partner to fund such borrowings.

UTILITIES

REVOLVING CREDIT AGREEMENTS. At September 30, 1997, UGI Utilities had revolving credit agreements with five banks providing for borrowings of up to \$102 million through December 1997 and \$82 million through June 2000. The commitments expiring in June 2000 may be extended for one-year periods, upon timely notice, unless the banks elect not to renew. The agreements provide UGI Utilities with the option to borrow at various prevailing interest rates, including the prime rate. A commitment fee at an annual rate of 3/16 of 1% is payable quarterly on the unused available committed credit lines. At September 30, 1997 and 1996, borrowings under these agreements totaled \$67 million and \$50.5 million, respectively, and are classified as bank loans. The weighted-average interest rates on UGI Utilities' bank loans at September 30, 1997 and 1996 were 6.26% and 5.93%, respectively.

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

The mortgage collateralizing UGI Utilities First Mortgage Bonds constitutes a first lien on UGI Utilities' plant.

5. INCOME TAXES

The provisions for income taxes consist of the following:

	1997	1996	1995
Current:			
Federal	\$36.7	\$16.6	\$14.0
State	9.1	5.0	3.6
Deferred	45.8	21.6	17.6
Investment credit amortization	(1.8)	12.4	5.5
	(.4)	(.4)	(.4)
	\$43.6	\$33.6	\$22.7

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

	1997	1996	1995
Statutory federal tax rate	35.0%	35.0%	35.0%
Difference in tax rate due to:			
State income taxes, net of federal benefit	6.1	6.6	8.8
Nondeductible amortization of goodwill	4.9	6.5	9.7
Adjustment to Utilities deferred state income taxes	-	-	(11.0)
Adjustment to deferred tax benefits resulting from Partnership Formation	-	-	15.3
Other, net	(1.7)	(3.8)	.9
Effective tax rate	44.3%	44.3%	58.7%

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

	1997	1996
Excess book basis over tax basis of property, plant and equipment	\$158.4	\$154.6
Regulatory income tax asset	18.4	17.8
Other	8.8	9.8
Gross deferred tax liabilities	185.6	182.2
Self-insured property and casualty liability	(11.2)	(8.2)
Employee-related benefits	(9.3)	(10.6)
Premium on long-term debt	(6.0)	(6.7)
Deferred investment tax credits	(4.3)	(4.5)
Environmental accrual	(4.0)	(2.8)
Allowance for doubtful accounts	(3.2)	(3.2)
Other	(15.6)	(15.3)
Gross deferred tax assets	(53.6)	(51.3)
Deferred tax assets valuation allowance	.2	.3
Net deferred tax liabilities	\$132.2	\$131.2

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

During 1995, UGI Utilities recorded a regulatory income tax asset of \$12.6 million related to \$11.3 million of existing deferred state income taxes expected to be recovered in the future through the ratemaking process. Pursuant to the Gas Utility Base Rate Settlement, UGI Utilities recorded a regulatory

liability of \$5.3 million associated with a five-year flowback to ratepayers of approximately \$4.8 million in previously recovered deferred state income taxes. The net effect of these adjustments increased 1995 income from continuing operations by \$4.3 million or \$.13 per share.

As of September 30, 1997 and 1996, UGI Utilities had recorded approximately \$30.3 million and \$29.6 million, respectively, of deferred tax liabilities pertaining to utility temporary differences, principally a result of accelerated tax depreciation, the tax benefits of which previously were or will be flowed through to ratepayers. These deferred tax liabilities have been reduced by deferred tax assets of \$4.3 million and \$4.5 million at September 30, 1997 and 1996, respectively, pertaining to utility deferred investment tax credits. As of September 30, 1997 and 1996, UGI Utilities had recorded a regulatory income tax asset related to these net deferred taxes of \$44.4 million and \$42.9 million, respectively, representing future revenues expected to be recovered through the ratemaking process. This regulatory income tax asset will be recognized in deferred tax expense as the corresponding temporary differences reverse and additional income taxes are incurred.

6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

	1997	1996	1995
Service cost -- benefits earned during the period	\$ 2.8	\$ 3.1	\$ 2.4
Interest cost on projected benefit obligation	10.6	10.2	10.0
Actual return on plan assets	(40.3)	(16.3)	(28.1)
Net amortization and deferral	25.8	2.5	15.3
Net pension income	\$ (1.1)	\$ (.5)	\$ (.4)

The following table sets forth the funded status of the UGI Utilities Plan and amounts recognized in the consolidated balance sheet at September 30:

	1997	1996
Projected benefit obligation:		
Vested benefits	\$(118.2)	\$(106.9)
Nonvested benefits	(6.7)	(5.9)
Accumulated benefit obligation	(124.9)	(112.8)
Effect of projected future salary levels	(24.2)	(21.4)
Projected benefit obligation	(149.1)	(134.2)
Plan assets at fair value	189.5	157.3
Excess of plan assets over projected benefit obligation	40.4	23.1
Unrecognized net gain	(26.9)	(9.6)
Unrecognized prior service cost	6.0	6.7
Unrecognized transition asset	(11.1)	(12.8)
Prepaid pension cost	\$ 8.4	\$ 7.4

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

The major actuarial assumptions used in determining the funded status of the UGI Utilities Plan as of September 30, 1997, 1996 and 1995, and net pension income for each of the years then ended, are as follows:

	1997	1996	1995
Funded status at September 30:			
Discount rate	7.4%	8.0%	7.5%
Rate of increase in salary levels	4.5	4.75	4.5
Net pension income for the year:			
Discount rate	8.0	7.5	8.7
Rate of increase in salary levels	4.75	4.5	5.0
Expected return on plan assets	9.5	9.5	9.5

UGI Utilities Plan's assets at September 30, 1997 consist principally of equity and fixed income mutual funds and investment-grade corporate and U.S. Government obligations.

The Company also has unfunded nonqualified retirement benefit plans for certain key employees. At September 30, 1997 and 1996, the projected benefit obligations of these nonqualified plans were not material. During 1997, 1996 and 1995, the Company recorded expense for these plans of \$1.6 million, \$1.1 million and \$1.2 million, respectively.

During 1997, 1996 and 1995, substantially all employees of Propane were eligible to participate in 401(k) savings plans (Propane Savings Plans). Participants in these plans could contribute a portion of their compensation on a before-tax basis. Effective October 1, 1996, employee contributions are matched on a dollar-for-dollar basis up to 5% of eligible compensation. Prior to October 1, 1996, the Company, in its sole discretion, could match a portion of employees' contributions. In addition, prior to October 1, 1996, substantially all employees of Propane participated in noncontributory defined contribution pension plans (Propane Pension Plans). Company contributions to the Propane Pension Plans represented a percentage of each covered employee's salary. Effective October 1, 1996, the Company ceased to contribute to the Propane Pension Plans and the assets were merged into the Propane Savings Plans. UGI Utilities sponsors a 401(k) savings plan (Utilities Savings Plan) for eligible employees of UGI Utilities and UGI. Generally, participants in the Utilities Savings Plan may contribute a portion of their compensation on a before-tax and after-tax basis. The Company may, at its discretion, match a portion of participants' contributions to the Utilities Savings Plan. The cost of benefits under the Propane Pension Plans, the Propane Savings Plans and the Utilities Savings Plan totaled \$5.8 million, \$5.9 million and \$5.2 million in 1997, 1996 and 1995, respectively.

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

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

	1997	1996	1995
Service cost -- benefits earned during the period	\$.1	\$.1	\$.1
Interest cost on accumulated postretirement benefit obligation	1.9	2.2	2.1
Actual return on assets	(.1)	-	-
Net amortization and deferral	1.2	1.6	1.2
Net periodic postretirement benefit cost	3.1	3.9	3.4
Decrease (increase) in regulatory asset	.5	(.1)	(1.0)
Net expense	\$3.6	\$3.8	\$ 2.4

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

	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$(21.0)	\$(22.7)
Fully eligible active participants	(2.8)	(5.0)
Other active participants	(1.9)	(1.6)

	(25.7)	(29.3)
Plan assets at fair value	3.5	1.9
Unrecognized net gain	(3.4)	(4.3)
Unrecognized prior service cost	-	2.2
Unrecognized transition obligation	19.3	23.1

Accrued postretirement benefit cost	\$ (6.3)	\$ (6.4)

The major actuarial assumptions used in determining the funded status of the Company's postretirement health care and life insurance benefit plans at September 30, 1997, 1996 and 1995, and net periodic postretirement benefit costs for the years then ended, are as follows:

	1997	1996	1995

Funded status at September 30:			
Discount rate	7.4%	8.0%	7.5%
Health care cost trend rate	6.0-5.5	6.5-5.5	7.0-5.5
Net periodic postretirement benefit cost for the year:			
Discount rate	8.0	7.5	8.7
Health care cost trend rate	6.5-5.5	7.0-5.5	10.0-5.5

The ultimate health care cost trend rate of 5.5% in the table above is assumed for all years after 2007. Increasing the health care cost trend rate one percent increases the September 30, 1997 and 1996 accumulated postretirement benefit obligations by \$1.8 million and \$2.4 million, respectively, and increases the net periodic postretirement benefit costs for 1997, 1996 and 1995 by \$.1 million, \$.2 million and \$.1 million, respectively.

UGI Utilities has established an Employee Benefit Trust (VEBA) to pay retiree health care and life insurance benefits and to fund the UGI Utilities' postretirement benefit liability. At September 30, 1997, the VEBA balance totaled \$3.5 million and was primarily invested in money market funds.

Effective August 31, 1995, Gas Utility is permitted to recover in its rates approximately \$2.4 million in ongoing annual costs incurred under the provisions of SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). Gas Utility is required to defer the difference between the amount of SFAS 106 costs included in rates and the actuarially determined annual SFAS 106 costs for recovery or refund to ratepayers in future rate proceedings. Also effective August 31, 1995, Gas Utility was permitted the recovery over 17.25 years of approximately \$4.0 million in deferred excess SFAS 106 costs. These deferred costs represent the difference between costs incurred under SFAS No. 106, comprising principally deferred transition obligation amortization, and costs incurred on a pay-as-you-go basis for periods prior to August 31, 1995. Gas Utility's 1995 Base Rate Settlement, however, reserved the right of any party to challenge the prospective recovery of these deferred excess SFAS 106 costs in future rate proceedings. The Company continues to monitor administrative and judicial proceedings involving deferred excess SFAS 106 costs and recognizes that, based on applicable law, it is possible that in future rate proceedings Utilities could prospectively be denied recovery of some or all of its deferred excess SFAS 106 costs. Electric Utility's rates generally permit the recovery of costs determined under the provisions of SFAS 106.

Effective October 1, 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). SFAS 112 requires, among other things, the accrual of benefits provided to former or inactive employees (who are not retirees) and to their beneficiaries and covered dependents. Prior to the adoption of SFAS 112, the Company accounted for these postemployment benefits on a pay-as-you-go basis. The cumulative effect of SFAS 112 on the Company's results of operations for periods prior to October 1, 1994 of \$5.2 million pre-tax (\$3.1 million after-tax) has been reflected in the 1995 Consolidated Statement of Income as "Change in accounting for postemployment benefits."

7. INVENTORIES

Inventories comprise the following at September 30:

	1997	1996
Propane gas	\$47.6	\$47.8
Utility fuel and gases	26.0	26.0
Materials, supplies and other	15.4	18.4
Appliances for sale	6.6	7.7
	\$95.6	\$99.9

8. SERIES PREFERRED STOCK

The UGI Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 5,000,000 shares authorized for issuance. There were no shares of UGI Series Preferred Stock outstanding at September 30, 1997 or 1996.

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

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

	1997	1996
\$1.80 Series, stated at involuntary liquidation value of \$23.50 per share, cumulative (issued and outstanding -- 7,963 shares)	\$.2	\$.2
\$8.00 Series, stated at involuntary liquidation value of \$100 per share, cumulative (issued and outstanding -- 150,000 shares)	15.0	15.0
\$7.75 Series, stated at involuntary liquidation value of \$100 per share, cumulative (issued and outstanding -- 200,000 shares)	20.0	20.0
Total UGI Utilities Series Preferred Stock subject to mandatory redemption	35.2	35.2
Less current portion	(3.0)	-
Total UGI Utilities Series Preferred Stock due after one year	\$32.2	\$35.2

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

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

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

Mandatory sinking fund requirements on UGI Utilities Series Preferred Stock during each of the fiscal years 1998 to 2002 is \$3 million.

9. PREFERENCE STOCK PURCHASE RIGHTS

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

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

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

10. COMMON STOCK AND INCENTIVE STOCK AWARD PLANS

Common Stock share activity for 1995, 1996, and 1997 follows:

	Issued	Treasury	Outstanding
Balance September 30, 1994	32,397,740	(4,366)	32,393,374
Issued:			
Employee and director plans	41,918	-	41,918
Dividend reinvestment plan	482,172	-	482,172
Balance September 30, 1995	32,921,830	(4,366)	32,917,464
Issued:			
Employee and director plans	164,961	143,385	308,346
Dividend reinvestment plan	111,940	120,175	232,115
Reacquired	-	(321,700)	(321,700)
Balance September 30, 1996	33,198,731	(62,506)	33,136,225
Issued:			
Employee and director plans	-	396,378	396,378
Dividend reinvestment plan	-	130,313	130,313
Reacquired	-	(800,900)	(800,900)
Balance September 30, 1997	33,198,731	(336,715)	32,862,016

1997 STOCK OPTION AND DIVIDEND EQUIVALENT PLAN (1997 PLAN). On February 25, 1997, the Company's shareholders approved the 1997 Plan, effective December 10, 1996. Under the 1997 Plan, the Company may grant options to acquire shares of Common Stock to key employees. The number of shares of Common Stock which may be made the subject of options under the 1997 Plan may not exceed 1,500,000. Generally, all options are fully vested and immediately exercisable on the date of grant. Options can be exercised no later than ten years from the date of grant. The exercise price for options granted under the 1997 Plan may not be less than the fair market value of the Common Stock on the date of grant. The 1997 Plan will remain in effect until all stock subject to it has been purchased pursuant to the exercise of options or until all options have terminated without exercise. No options may be granted after December 31, 2006. At September 30, 1997, 985,000 shares under the 1997 Plan were available for future option grants. In addition, the 1997 Plan provides for the crediting of dividend equivalents to optionees' accounts during a specified three-year period. Actual payment of the dividend equivalents is contingent upon the Company's total shareholder return as compared to that of a group of peer companies during the specified three-year period.

1992 STOCK OPTION AND DIVIDEND EQUIVALENT PLAN (1992 PLAN). As a result of the adoption of the 1997 Plan, the 1992 Plan was terminated for all purposes except the exercise of options previously granted. Under the 1992 Plan, the Company could grant options to acquire shares of Common Stock to key employees. Upon the completion of one year of service after the date of grant and on each anniversary of that date, options were exercisable in proportion to the number of years expired after the date of grant within a specified five-year period. Options can be exercised no later than ten years from the date of grant. The exercise price for options granted under the 1992 Plan could be more or less than the fair market value of the Common Stock on the date of grant. The 1992 Plan also provided for the payment of dividend equivalents to optionees contingent upon the Company's total shareholder return as compared to that of a group of peer companies during the five-year period ended December 31, 1996. No such payments were made pursuant to the 1992 Plan.

UGI CORPORATION DIRECTORS' EQUITY COMPENSATION PLAN (1997 DIRECTORS' PLAN). On February 25, 1997, the Company's shareholders approved the 1997 Directors' Plan, effective January 1, 1997. The 1997 Directors' Plan provides for annual awards to each of the Company's nonemployee Board Directors of (i) 630 Units, each representing an interest equivalent to one share of Common Stock, and (ii) Common Stock in lieu of cash for a portion of their annual retainer fee. Participants may also elect to receive any portion of their meeting fees and the cash portion of their annual retainer in the form of Units. Directors with accrued benefits under the former Retirement Plan for Outside Directors, which was terminated effective December 31, 1996, were awarded a total of 36,140 Units on January 1, 1997 equal in value to such accrued benefits. In addition, the 1997 Directors' Plan provides for the crediting of dividend equivalents to Unit holders' accounts which amounts are converted to Units at the end of each calendar year based upon the fair market value of Common Stock on that date. All Units and dividend equivalents are fully vested when credited to a Director's account. Generally, Units will be converted to shares of Common Stock upon retirement or termination of service. During 1997, the Company awarded 7,255 Units under the 1997 Directors' Plan relating to annual awards and deferred compensation.

1992 DIRECTORS' STOCK PLAN (1992 DIRECTORS' PLAN). The 1992 Directors' Plan expired December 31, 1996 for all purposes except the exercise of options previously granted. Under the 1992 Directors' Plan, an option to purchase 1,000 shares of Common Stock was granted to each of the Company's nonemployee Board

Directors during the years 1992 to 1996. The exercise price for options granted was the fair market value of the Common Stock on the date of grant. Options expire no later than ten years from the date of grant and may, in certain circumstances, expire earlier. One-fifth of each Director's options are exercisable for each full year of service as a Director, whether before, at or after the date of grant. In addition, Common Stock was paid to nonemployee Directors in lieu of a portion of their annual retainer fees.

1992 NON-QUALIFIED STOCK OPTION PLAN (1992 NON-QUALIFIED PLAN). Under the 1992 Non-Qualified Plan, as amended effective December 10, 1996, the Company may grant options to acquire Common Stock to key employees who do not participate in the 1992 Plan or the 1997 Plan. The number of shares of Common Stock which may be made the subject of options under the 1992 Non-Qualified Plan may not exceed 500,000. The exercise price for options granted under the 1992 Non-Qualified Plan is the fair market value of the Common Stock on the date of grant. For options granted prior to December 10, 1996, one-fifth of an optionee's options are exercisable for each full year of service completed after the date of grant. Generally, options granted on and after December 10, 1996, are fully vested and immediately exercisable. Options can be exercised no later than ten years from the date of grant. At September 30, 1997, 136,825 shares of Common Stock were available for future option grants under the 1992 Non-Qualified Plan.

1997 AMERIGAS PROPANE, INC. LONG-TERM INCENTIVE PLAN (1997 PROPANE PLAN). On October 28, 1996, the General Partner adopted the 1997 Propane Plan, effective October 1, 1996. Under the 1997 Propane Plan, the General Partner may grant to key employees the right to receive AmeriGas Partners Common Units, or cash generally equivalent to the fair market value of such Common Units, on the payment date. In addition, the 1997 Propane Plan provides for the crediting of distribution equivalents to participants' accounts from the grant date through the date of payment. Distribution equivalents will be paid in cash, and such payment may, at the participant's request, be deferred. The number of Common Units which may be made the subject of grants under the 1997 Propane Plan may not exceed 500,000. Generally, each grant, to the extent it has not previously been paid, will terminate when the participant ceases to be employed by the General Partner.

The actual number of Common Units (or their cash equivalent) that may be delivered pursuant to the 1997 Propane Plan, as well as the amount of the distribution equivalent, are contingent upon the date on which the requirements for early conversion of Subordinated Units are met. If the requirements for early conversion are not met by September 30, 2001, no payments under the 1997 Propane Plan will be made. During 1997, 84,500 Common Units were made the subject of grants under the 1997 Propane Plan. At September 30, 1997, 415,500 Common Units were available for future grants.

FAIR VALUE INFORMATION. The per share weighted-average fair value of stock options granted under all stock plans during fiscal years 1997 and 1996 was \$2.96 and \$2.67, respectively. 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 used for option grants during 1997 and 1996 are as follows:

	1997	1996
Expected life of option	6 YEARS	6 years
Expected volatility	16.6%	19.2%
Expected dividend yield	6.5%	6.3%
Risk free interest rate	6.0%	5.9%

The Company applies APB 25 and related interpretations in accounting for its stock-based employee compensation plans. Total stock-based compensation expense (income) recognized under the provisions of APB 25 was \$3.6 million, \$(3.7) million and \$1.5 million during 1997, 1996 and 1995, respectively. If compensation cost had been determined under the fair value method prescribed by SFAS 123, net income and earnings per share for 1997 and 1996 would have been as follows:

	1997	1996
Net earnings:		
As reported	\$52.1	\$39.5
Pro forma	51.7	39.5
Earnings per share:		
As reported	1.57	1.19
Pro forma	1.56	1.19

STOCK OPTION ACTIVITY. Stock Option transactions under all plans for 1995, 1996, and 1997 follow:

	Shares	Average Option Price
Shares under option -- September 30, 1994	1,172,534	\$20.218
Granted	62,667	20.317
Exercised	(16,200)	20.125
Forfeited	(8,000)	21.125
Shares under option -- September 30, 1995	1,211,001	20.225
Granted	31,000	20.673
Exercised	(274,700)	20.123
Forfeited	(90,000)	20.125
Shares under option -- September 30, 1996	877,301	20.307
Granted	653,750	22.686
Exercised	(348,050)	20.131
Forfeited	(8,000)	21.422
Shares under option -- September 30, 1997	1,175,001	21.670
Options exercisable 1995	677,980	20.289
Options exercisable 1996	647,868	20.326
Options exercisable 1997	1,140,958	21.432

For options outstanding as of September 30, 1997, the exercise prices range from \$18.625 to \$26.250. The weighted-average remaining contractual life of these options is 7.3 years.

11. COMMITMENTS AND CONTINGENCIES

The Company leases various buildings and transportation, data processing and office equipment under operating leases. Certain of the leases contain renewal and purchase options and also contain escalation clauses. The aggregate rental expense for such leases was \$27.8 million, \$27.1 million and \$21.9 million during 1997, 1996 and 1995, respectively.

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

	1998	1999	2000	2001	2002	After 2002
Propane	\$20.7	\$16.8	\$13.0	\$10.2	\$6.4	\$15.3
Utilities	4.2	3.5	2.9	2.4	2.1	1.6
Other	.1	.1	-	-	-	-
	\$25.0	\$20.4	\$15.9	\$12.6	\$8.5	\$16.9

Gas Utility has gas supply agreements with producers and marketers that expire at various dates through 2000 and has agreements for pipeline transportation and storage capacity that expire at various dates through 2017 and 2014, respectively. In addition, Gas Utility has short-term gas supply agreements which permit it to purchase certain of its gas supply needs at spot prices.

Electric Utility has a power supply agreement with Pennsylvania Power and Light, Inc. (PP&L) pursuant to which PP&L supplies all the electric power required by Electric Utility, above that provided from other sources. The cost of such electricity supplied by PP&L is based on PP&L's actual system costs. During 1997, 1996 and 1995, approximately 53%, 52% and 50%, respectively, of Electric Utility's total electric system output was supplied by PP&L. Electric Utility has provided notice to PP&L of its intention to terminate this agreement as of March 2001.

The Partnership enters into contracts to purchase propane and UGI Energy Services enters into contracts to purchase natural gas to meet a portion of their supply requirements. Generally, such contracts have terms of less than one year 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 nonpropane operations prior to its 1989 acquisition by QFB Partners. These leases are currently estimated to aggregate approximately \$67.0 million. 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. To date, Texas Eastern has directly satisfied defaulted lease obligations without the Partnership's having to honor its guarantee. The Partnership believes the probability that it will be required to directly satisfy such lease obligations is remote.

In addition, the Partnership has succeeded to Petrolane's agreement to indemnify Shell Petroleum N.V. (Shell) for various scheduled claims that were pending against Tropigas de Puerto Rico (Tropigas). This indemnification agreement had been entered into by Petrolane in conjunction with Petrolane's sale of the international operations of Tropigas to Shell in 1989. The Partnership also succeeded to Petrolane's right to seek indemnity on these claims first from International Controls Corp., which sold Tropigas to Petrolane, and

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

then from Texas Eastern. To date, neither the Partnership nor Petrolane has paid any sums under this indemnity, but several claims by Shell, including claims related to certain antitrust actions aggregating at least \$68 million, remain pending.

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

With respect to a manufactured gas plant site in Concord, New Hampshire, EnergyNorth Natural Gas, Inc. (EnergyNorth) filed suit against UGI Utilities alone seeking UGI Utilities' allocable share of response costs associated with remediating gas plant related contaminants at that site. In September 1997, UGI Utilities reached a settlement pursuant to which it agreed to pay EnergyNorth a portion of its remediation costs. The settlement did not materially affect the Company's results of operations.

At a manufactured gas plant site in Burlington, Vermont, the United States Environmental Protection Agency has named 19 parties, including UGI Utilities, as PRPs for gas plant contamination that resulted from the operations of a former subsidiary of UGI Utilities. In September 1997, after several years of study, a coordinating council of community groups and PRPs recommended a remedial plan consisting of capping and monitoring the site. In December 1997, Green Mountain Power Company, the lead PRP at the site, agreed in principle to relieve UGI Utilities of any liability at the site on terms that would not materially affect the Company's results of operations.

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

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

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

12. FINANCIAL INSTRUMENTS

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

	Carrying Amount	Estimated Fair Value
- - - - -		

1997:		
Long-term debt:		
Propane	\$691.1	\$737.0
Utilities	169.3	173.0
Other	8.6	9.2
UGI Utilities Series Preferred Stock	35.2	36.0
1996:		
Long-term debt:		
Propane	\$692.5	\$720.0
Utilities	174.8	174.0
Other	9.0	9.0
UGI Utilities Series Preferred Stock	35.2	37.0

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

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of short-term investments and trade accounts receivable. The Company invests available cash in investment-grade commercial paper of industrial and other companies and in obligations of the U.S. Government. The risk associated with trade accounts receivable is limited due to the Company's large customer base and its dispersion across many different U.S. markets. At September 30, 1997 and 1996, the Company had no significant concentrations of credit risk.

UGI Energy Services utilizes natural gas futures contracts to manage price risk associated with fluctuations in the price of natural gas. At September 30, 1997, UGI Energy Services held futures contracts representing hedges of 6.4 million dekatherms of natural gas sold under firm commitments expiring through March 1999. The unrealized gain on such contracts totaled \$2.1 million at September 30, 1997.

13. MISCELLANEOUS INCOME

Miscellaneous income comprises the following:

	1997	1996	1995
Interest income	\$ 6.3	\$ 4.0	\$ 5.2
Gain on sales of investments	8.2	-	-
Gain on sales of fixed assets	1.1	1.9	.7
Gas brokerage income	-	-	1.4
Other	7.0	6.8	4.1
	\$22.6	\$12.7	\$11.4

14. FORMATION OF AMERIGAS PARTNERS

On April 19, 1995, a wholly owned subsidiary of AmeriGas acquired by merger (the "Petrolane Merger") the approximately 65% of Petrolane common shares outstanding not already owned by UGI and AmeriGas. Under the terms of the Petrolane Merger approved by Petrolane's Class B Common Stock (Class B Stock) shareholders (other than UGI), the 6,850,562 shares of Petrolane's Class B Stock not held by UGI were converted into the right to receive \$16 per share in cash. The Petrolane Merger consideration of approximately \$109.6 million was financed with the proceeds of a private placement of \$110 million of First Mortgage Notes of the Operating Partnership. On April 19, 1995, immediately after the Petrolane Merger, the Company combined the propane distribution businesses of Petrolane, AmeriGas Propane and AGP-2 into the Operating Partnership. On April 19, 1995 and May 17, 1995, as part of an initial public offering, AmeriGas Partners sold to the public a total of 17,602,000 Common Units at a price of \$21.25 a unit. AmeriGas Partners' capital at September 30, 1997 consists of 22,060,407 Common Units and 19,782,146 Subordinated Units representing limited partner interests, and a 1% general partner interest. The Company owns 4,347,272 Common Units, all 19,782,146 Subordinated Units, and an aggregate 2% general partner interest in the Partnership.

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

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

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

Significant pro forma adjustments reflected in the data above include (a) the consolidation of the operations of Petrolane for periods prior to April 19, 1995 and the elimination of intercompany revenues and expenses; (b) a net reduction

in amortization expense resulting from the longer-term (40-year) amortization of the excess purchase price over fair value of 65% of the net identifiable assets of Petrolane, compared with the amortization of 65% of Petrolane's excess reorganization value over 20 years; (c) an adjustment to interest expense resulting from the retirement of approximately \$377 million of Petrolane term loans, the restructuring of Petrolane and AmeriGas Propane senior debt, and the issuance of an aggregate \$210 million face value of notes of AmeriGas Partners and the Operating Partnership; (d) an adjustment to income taxes to reflect income taxes on the Company's share of the Partnership's taxable income; and (e) an adjustment to reflect the public unitholders' interest in the results of the Partnership as minority interest.

15. INVESTMENT IN PETROLANE

The following table includes summarized condensed consolidated financial information of Petrolane for the period September 24, 1994 to April 19, 1995:

	September 24, 1994 to April 19, 1995

Revenues	\$ 372.1
Cost of sales	(203.2)
Depreciation and amortization	(27.4)
Other costs and expenses	(100.0)

Operating income	41.5
Interest expense	(30.0)
Income taxes	(10.1)

Income before change in accounting	1.4
Change in accounting for postemployment benefits	(.9)

Net income	\$.5

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

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

Prior to the Partnership Formation, UGI provided Petrolane with certain financial, accounting, human resources, risk management, insurance, legal, corporate communications, investor relations, treasury and corporate development services. During 1995, UGI recorded management fee income of \$6.8 million for such services which amount is included in Petrolane fee income.

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

16. SEGMENT INFORMATION

Reference is made to the schedule on page 20 for information on revenues, operating income, identifiable assets, depreciation and amortization, and capital expenditures for the Company's business segments for 1997, 1996 and 1995.

17. QUARTERLY DATA (UNAUDITED)

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

	December 31,		March 31,		June 30,		September 30,	
	1996	1995	1997(a)	1996(b)	1997(c)	1996	1997(d)	1996(e)
Revenues	\$529.6	\$426.9	\$576.4	\$582.6	\$284.1	\$283.9	\$251.9	\$264.2
Operating income (loss)	89.6	62.7	107.7	111.7	13.1	3.8	(10.5)	(18.5)
Net income (loss)	27.9	18.2	35.8	37.6	(1.2)	(3.7)	(10.4)	(12.6)
Net income (loss) per share	.84	.55	1.08	1.13	(.04)	(.11)	(.32)	(.38)

- (a) Includes gain from the sale of the Partnership's 50% equity interest in Atlantic Energy, Inc., which owns and operates a liquefied petroleum gas storage terminal in Chesapeake, Virginia. The gain increased operating income by \$4.7 million and net income by \$1.6 million or \$.05 per share.
- (b) Includes reductions in operating expenses of \$4.4 million from the refund of insurance premium deposits and \$3.3 million from a reduction in accrued environmental costs which increased net income by \$2.7 million or \$.08 per share.
- (c) Includes gain from sale of UTI Energy Corp. Common Stock which increased operating income by \$2.1 million and decreased net loss by \$1.4 million or \$.04 per share.
- (d) Includes gain from sale of UTI Energy Corp. Common Stock which decreased operating loss by \$1.4 million and net loss by \$.9 million or \$.03 per share.
- (e) Includes income from adjustments to incentive compensation accruals of \$4.0 million which decreased net loss by \$2.1 million or \$.06 per share.

To the Board of Directors and Stockholders of
UGI Corporation

We have audited the accompanying consolidated balance sheet of UGI Corporation and subsidiaries as of September 30, 1997 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. 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 in accordance with generally accepted auditing standards. 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 audit provides 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, 1997 and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

[Arthur Anderson LLP LOGO]

Chicago, Illinois
November 14, 1997

To the Board of Directors and Stockholders of
UGI Corporation

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

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

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

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for postemployment benefits in 1995.

[COOPERS & LYBRAND L.L.P. LOGO]

Philadelphia, Pennsylvania
November 22, 1996

Appendix to Exhibit 13.1 - Description of Graphic Material

Financial Review - page 10

Photograph of Mr. Charles L. Ladner, Senior Vice President Finance, UGI Corporation.

Financial Review - page 10

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

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

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

The chart also reflects Enterprises' wholly owned subsidiary, UGI Energy Services, Inc. (UGI Energy Services).

Financial Review - page 11

Quotation of Mr. Charles L. Ladner

"To best build shareholder value, UGI's historic record of strong cash flows and dividend growth must be accompanied by increased earnings. This goal was achieved in 1997--and it remains our focus for the future."

Financial Review - page 15

Pie Chart of AmeriGas Partners capitalization reflecting the following proportions:

Long-term debt - 61.6% of total capitalization;
Partners' capital - 35.9% of total capitalization;
Bank loans - 2.5% of total capitalization.

Financial Review - page 15

Pie Chart of UGI Utilities capitalization reflecting the following proportions:

Long-term debt - 35.8% of total capitalization;
Common equity - 42.5% of total capitalization;
Bank loans - 14.2% of total capitalization;
Preferred stock - 7.5% of total capitalization.

Financial Review - page 16

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

cash provided by operations of \$172.0;
cash provided by debt issue of \$51.4;
cash provided by disposals of assets of \$14.4;
cash provided by common stock issued of \$11.7.

Financial Review - page 16

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

cash used for dividends and distributions of \$86.0;
cash used for capital expenditures of \$68.8;
cash used for short-term investments of \$42.3;
cash used for debt repayments of \$29.4;
cash used for common stock repurchased of \$19.2;
cash used for acquisitions of \$11.6;
cash used for other uses of \$2.2.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K/A

AMENDMENT NO. 1 TO
CURRENT REPORT DATED JULY 11, 1997

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

JULY 11, 1997
(DATE OF REPORT)

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

PENNSYLVANIA	1-11071	23-2668356
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

460 N. GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

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

ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

In May 1996, Coopers & Lybrand L.L.P. ("C&L") was appointed by the Audit Committee of the Board of Directors as the Company's independent public accountants for the year ending September 30, 1997. That appointment was approved by the Board of Directors and subsequently ratified by the Company's shareholders at the Annual Meeting of Shareholders on February 25, 1997.

In May 1997, the staff of the Securities and Exchange Commission (the "Commission"), notified the Company that for the year ending September 30, 1997, the Company's principal auditor must audit and assume the responsibility for reporting on at least 50% of the assets and revenues of the Company on a consolidated basis. As stated in their reports on the consolidated financial statements of UGI Corporation and subsidiaries for each of the two most recent fiscal years, C&L did not audit the consolidated financial statements of AmeriGas Propane, Inc. and subsidiaries ("AmeriGas Propane") as of September 30, 1996 and 1995 and for the year ended September 30, 1996 and the period from April 19, 1995 to September 30, 1995, which statements reflected total assets and revenues constituting 65 and 68 percent, and 65 and 31 percent, respectively, of the related consolidated totals of the Company. Those AmeriGas Propane financial statements were audited by Arthur Andersen LLP ("AA"). AA furnished its reports on those financial statements to C&L. C&L's reports on the Company's consolidated financial statements for the two most recent fiscal years, in so far as they relate to amounts included for AmeriGas Propane, are based solely on the reports of AA. The reports contained no adverse opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Relying on the reports of AA, C&L was satisfied that it was qualified to act as the Company's principal auditor.

In response to the comments of the staff of the Commission, management engaged AA as the Company's independent public accountant (principal auditor), effective July 11, 1997, to examine and report on the consolidated financial statements of the Company for fiscal year 1997, and the prior engagement of C&L as the Company's independent auditor was terminated. The decision to change accountants was not recommended or approved by the Audit Committee of the Board of Directors, however, it was ratified by the Board of Directors at the July 29, 1997 Board meeting.

The Company is not aware of any disagreements with C&L during the Company's two most recent fiscal years and through the date of this report on any matters of accounting principles or practices, financial statement disclosures, or auditing scope and procedures which, if not resolved to the satisfaction of C&L, would have caused C&L to make reference to the matters in their reports.

During the Company's two most recent fiscal years and through the date of this report, the Company has had no reportable events as defined in Item 304 (a) (1)(v) of Regulation S-K.

The Company has requested that C&L furnish it with a letter addressed to the Securities and Exchange Commission stating whether C&L agrees with the above statements. A copy of that letter dated August 1, 1997 is filed as Exhibit 16 to this Amendment No. 1 on Form 8-K/A.

During the Company's two most recent fiscal years ended September 30, 1996 and September 30, 1995 and through the date of engagement of AA, the Company has not consulted with AA regarding any of the matters specified in Item 304 (a) (2) of Regulation S-K.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS
(c) Exhibits

(16) Letter to the Securities and Exchange Commission from Coopers & Lybrand L.L.P., dated August 1, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,
the registrant has duly caused this report to be signed on its behalf by the
undersigned hereunto duly authorized.

UGI CORPORATION
(REGISTRANT)

By: /s/ Brendan P. Bovaird

Brendan P. Bovaird
Vice President and General Counsel

Date: August 4, 1997

EXHIBIT INDEX

Exhibit No. -----	Description -----
(16)	Letter to the Securities and Exchange Commission from Coopers & Lybrand L.L.P. dated August 1, 1997

Coopers & Lybrand L.L.P. 101 East Kennedy Boulevard telephone (813)229-0221
Suite 1500
Tampa, Florida 33602-5194 facsimile (813)229-3646

a professional services firm

August 1, 1997

Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549

Gentlemen:

We have read the statements made by UGI Corporation (copy attached), which we understand will be filed with the Commission, pursuant to Item 4 of Form 8-K, as part of the Company's Report on Form 8-K/A dated July 11, 1997. We agree with the statements concerning our Firm in such Form 8-K/A.

Very truly yours,

/s/ Coopers & Lybrand L.L.P.

7
,
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K/A

AMENDMENT NO. 1 TO
CURRENT REPORT DATED JULY 11, 1997

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

JULY 11, 1997
(DATE OF REPORT)

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

PENNSYLVANIA	1-11071	23-2668356
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

460 N. GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

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

ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

In May 1996, Coopers & Lybrand L.L.P. ("C&L") was appointed by the Audit Committee of the Board of Directors as the Company's independent public accountants for the year ending September 30, 1997. That appointment was approved by the Board of Directors and subsequently ratified by the Company's shareholders at the Annual Meeting of Shareholders on February 25, 1997.

In May 1997, the staff of the Securities and Exchange Commission (the "Commission"), notified the Company that for the year ending September 30, 1997, the Company's principal auditor must audit and assume the responsibility for reporting on at least 50% of the assets and revenues of the Company on a consolidated basis. As stated in their reports on the consolidated financial statements of UGI Corporation and subsidiaries for each of the two most recent fiscal years, C&L did not audit the consolidated financial statements of AmeriGas Propane, Inc. and subsidiaries ("AmeriGas Propane") as of September 30, 1996 and 1995 and for the year ended September 30, 1996 and the period from April 19, 1995 to September 30, 1995, which statements reflected total assets and revenues constituting 65 and 68 percent, and 65 and 31 percent, respectively, of the related consolidated totals of the Company. Those AmeriGas Propane financial statements were audited by Arthur Andersen LLP ("AA"). AA furnished its reports on those financial statements to C&L. C&L's reports on the Company's consolidated financial statements for the two most recent fiscal years, in so far as they relate to amounts included for AmeriGas Propane, are based solely on the reports of AA. The reports contained no adverse opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Relying on the reports of AA, C&L was satisfied that it was qualified to act as the Company's principal auditor.

In response to the comments of the staff of the Commission, management engaged AA as the Company's independent public accountant (principal auditor), effective July 11, 1997, to examine and report on the consolidated financial statements of the Company for fiscal year 1997, and the prior engagement of C&L as the Company's independent auditor was terminated. The decision to change accountants was not recommended or approved by the Audit Committee of the Board of Directors, however, it was ratified by the Board of Directors at the July 29, 1997 Board meeting.

The Company is not aware of any disagreements with C&L during the Company's two most recent fiscal years and through the date of this report on any matters of accounting principles or practices, financial statement disclosures, or auditing scope and procedures which, if not resolved to the satisfaction of C&L, would have caused C&L to make reference to the matters in their reports.

During the Company's two most recent fiscal years and through the date of this report, the Company has had no reportable events as defined in Item 304 (a) (1)(v) of Regulation S-K.

The Company has requested that C&L furnish it with a letter addressed to the Securities and Exchange Commission stating whether C&L agrees with the above statements. A copy of that letter dated August 1, 1997 is filed as Exhibit 16 to this Amendment No. 1 on Form 8-K/A.

During the Company's two most recent fiscal years ended September 30, 1996 and September 30, 1995 and through the date of engagement of AA, the Company has not consulted with AA regarding any of the matters specified in Item 304 (a) (2) of Regulation S-K.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS
(c) Exhibits

(16) Letter to the Securities and Exchange Commission from Coopers & Lybrand L.L.P., dated August 1, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934,
the registrant has duly caused this report to be signed on its behalf by the
undersigned hereunto duly authorized.

UGI CORPORATION
(REGISTRANT)

By: /s/ Brendan P. Bovaird

Brendan P. Bovaird
Vice President and General Counsel

Date: August 4, 1997

UGI CORPORATION SUBSIDIARIES

SUBSIDIARY -----	STATE OF INCORPORATION -----	OWNERSHIP -----
AMERIGAS, INC.	PA	100%
FOUR FLAGS DRILLING COMPANY, INC.	PA	100%
Four Flags Holding Company	DE	100%
AMERIGAS PROPANE, INC.(1)	PA	100%
AmeriGas Partners, L.P.	DE	(2)
AmeriGas Finance Corp.	DE	100%
AmeriGas Propane, L.P.	DE	(3)
AmeriGas Propane Parts & Service, Inc.	PA	100%
Northwest LPG Supply Ltd.	Canada	100%
Petrolane Offshore Limited	Bermuda	100%
Petrolane Incorporated	PA	100%
AmeriGas Technology Group, Inc.	PA	100%

ASHTOLA PRODUCTION COMPANY	PA	100%
CRYOTEX, INCORPORATED	DE	100%
KEYSTONE OILFIELD SUPPLY CO.	PA	100%
UGI ETHANOL DEVELOPMENT CORPORATION	PA	100%

NORTHFIELD HOLDING COMPANY	DE	100%

UGI ENTERPRISES, INC.	PA	100%
UGI ENERGY SERVICES, INC.	PA	100%
Energy Services Holding Company	DE	100%
UGI INTERNATIONAL ENTERPRISES, INC.	PA	100%
UGI BLACK SEA ENTERPRISES, INC.	PA	100%
UGI POWER SUPPLY, INC.	PA	100%
UGI INTERNATIONAL (CHINA), INC.	DE	100%
UGI INTERNATIONAL (ROMANIA), INC.	PA	100%
UGI ROMANIA, INC.	PA	100%

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

- (1) General Partner of AmeriGas Partners, L.P. and AmeriGas Propane, L.P., Delaware limited partnerships.
- (2) AmeriGas Propane, Inc. owns 100% of the general partnership interest and 38.5% of the limited partnership interest in AmeriGas Partners, L.P.; Petrolane Incorporated owns 18.5% of the limited partnership interest in AmeriGas Partners, L.P.
- (3) AmeriGas Propane, Inc. owns 100% of the general partnership interest in AmeriGas Propane, L.P.; AmeriGas Partners, L.P. owns 100% of the limited partnership interest in AmeriGas Propane, L.P.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated November 14, 1997, on the consolidated financial statements and financial statement schedules of UGI Corporation and subsidiaries for the year ended September 30, 1997, included (or incorporated by reference) in UGI Corporation's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, into UGI Corporation's previously filed S-8 Registration Statement No. 33-47319; Form S-3 Registration Statement No. 33-78776; and Form S-8 Registration Statement Nos. 33-61722, 333-22305 and 333-37093.

Arthur Andersen LLP
Chicago, Illinois
December 22, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated November 22, 1996, on the consolidated financial statements of AmeriGas Propane, Inc. and subsidiaries for the fiscal year ended September 30, 1996 and the period April 19, 1995 to September 30, 1995, included in UGI Corporation's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, into UGI Corporation's previously filed S-8 Registration Statement No. 33-47319; Form S-3 Registration Statement No. 33-78776; and Form S-8 Registration Statement Nos. 33-61722, 333-22305 and 333-37093.

Arthur Andersen LLP
Chicago, Illinois
December 22, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of UGI Corporation on Form S-8 (File No. 33-47319), Form S-3 (File No. 33-78776), Form S-8 (File No. 33-61722), Form S-8 (File No. 333-22305) and Form S-8 (File No. 333-37093) of our reports dated November 22, 1996 on our audits of the consolidated financial statements and financial statement schedules of UGI Corporation and subsidiaries for the years ended September 30, 1996 and 1995, which reports are included (or incorporated by reference) in UGI Corporation's Annual Report on Form 10-K for the year ended September 30, 1997.

COOPERS & LYBRAND L.L.P

2400 Eleven Penn Center
Philadelphia, Pennsylvania
December 22, 1997

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT OF UGI CORPORATION AND SUBSIDIARIES AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS INCLUDED IN UGI CORPORATION'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1997.

0000884614
UGI CORPORATION
1,000

12-MOS	
	SEP-30-1997
	OCT-01-1996
	SEP-30-1997
	64,000
	65,400
	129,600
	11,300
	95,600
	403,900
	1,397,300
	410,100
	2,151,700
404,500	
	844,800
32,200	
	0
	393,700
	(17,600)
2,151,700	
	1,642,000
1,642,000	
	938,800
	938,800
	0
	0
83,100	
98,500	
	43,600
52,100	
	0
	0
	0
	52,100
	1.57
	1.57

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

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

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