

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, 2001

Commission file number 1-11071

UGI CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2668356
(I.R.S. Employer Identification No.)

460 North Gulph Road, King of Prussia, PA 19406 (Address of
principal executive offices) (Zip Code)

(610) 337-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each Exchange on which registered
Common Stock, without par value	New York Stock Exchange, Inc. Philadelphia Stock Exchange, Inc.

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

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

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

The aggregate market value of UGI Corporation Common Stock held by nonaffiliates of the registrant on November 30, 2001 was \$789,940,796.

At November 30, 2001 there were 27,339,684 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, 2001 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 26, 2002 are incorporated by reference into Part III of this Form 10-K.

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PART I: BUSINESS

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

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

We conduct our domestic propane distribution business through AmeriGas Partners, L.P., ("AmeriGas Partners" or the "Partnership"), which is the nation's largest retail propane distributor. AmeriGas Partners conducts its business through its direct and indirect subsidiaries, AmeriGas Propane, L.P. and AmeriGas Eagle Propane, L.P. (together, the "Operating Partnership"). AmeriGas Eagle Propane, L.P. has a less-than-one percent minority limited partner. The Partnership's sole general partner is our subsidiary, AmeriGas Propane, Inc. ("AmeriGas Propane" or the "General Partner"). The common units of AmeriGas Partners, which represent limited partner interests in a Delaware limited partnership, are traded on the New York Stock Exchange under the symbol "APU." We have a 50.7% ownership interest in the Partnership; the remaining interest is publicly held. See Note 1 to the Company's Consolidated Financial Statements.

Our subsidiary UGI Utilities, Inc. ("UGI Utilities," or "Utilities") owns and operates a natural gas distribution utility and an electric distribution utility in eastern Pennsylvania. Utilities is the successor to a business founded in 1882. It serves 277,000 natural gas customers and 61,000 electric customers. In response to state deregulation legislation, effective October 1, 1999, Utilities' transferred its electric generation assets to a non-utility subsidiary, UGI Development Company ("UGID"). UGID contributed certain electric generation assets to a non-utility generation joint venture with a subsidiary of Allegheny Energy, Inc. in December 2000.

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

UGI was incorporated in Pennsylvania in 1991. UGI Corporation is not subject to regulation by the Pennsylvania Public Utility Commission ("PUC"). It is also exempt from registration as a holding company and not otherwise subject to the Public Utility Holding Company Act of 1935, except for Section 9(a)(2), which regulates the acquisition of voting securities of an electric or gas utility company. Our executive offices are located at 460 North Gulph Road, King of Prussia,

Pennsylvania 19406, and our telephone number is (610) 337-1000. In this report, the terms "Company" and "UGI," as well as the terms "our," "we," and "its," are sometimes used as abbreviated references to UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries. Similarly, the terms "AmeriGas Partners" and the "Partnership" are sometimes used as abbreviated references to AmeriGas Partners, L.P. or, collectively, AmeriGas Partners, L.P. and its subsidiaries, including the Operating Partnership.

Business Strategy

In July 1999, following a comprehensive study, we announced our intention to refocus our strategic direction on growing our existing natural gas, electric and propane businesses while seeking additional related and complementary growth opportunities. We are employing our core competencies from our existing businesses, as well as using our national scope, extensive asset base and access to customers, to accelerate growth in related and complementary businesses, both domestic and international. During fiscal year 2001, we completed a number of transactions in pursuit of this strategy.

AMERIGAS PROPANE BUSINESS

Our domestic propane distribution business is conducted through AmeriGas Partners. Upon completion of the Columbia Propane acquisition described below, we became the largest retail propane distributor in the United States, based on retail volume. The Partnership operates from over 700 district locations in 46 states. AmeriGas Propane manages the Partnership. Although our consolidated financial statements include 100% of the Partnership's revenues, assets and liabilities, our net income reflects only our majority interest in the income or loss of the Partnership, due to the publicly-owned limited partner interest. See Note 1 to the Company's Consolidated Financial Statements.

On August 21, 2001, AmeriGas Propane, L.P. acquired the propane distribution businesses of Columbia Energy Group for approximately \$202 million in cash. These businesses were conducted through Columbia Propane Corporation and its 99% owned subsidiary, Columbia Propane, L.P. Prior to the acquisition, Columbia Propane, based in Richmond, Virginia, was the seventh largest retail propane marketer in the United States, selling approximately 308 million gallons annually from 186 locations in 29 states. Following the acquisition, Columbia Propane, L.P. changed its name to AmeriGas Eagle Propane, L.P. and Columbia Propane Corporation changed its name to AmeriGas Eagle Propane, Inc. Both entities do business under the trade name AmeriGas(R). AmeriGas Propane, L.P. owns more than 99% of AmeriGas Eagle Propane, L.P. and an unaffiliated third party retains the remaining interest. See Note 2 to the Company's Consolidated Financial Statements.

General Industry Information

Propane is separated from crude oil during the refining process and also extracted from natural gas or oil wellhead gas at processing plants. Propane is normally transported and stored in a

liquid state under moderate pressure or refrigeration for economy and ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow its detection. Propane is clean burning, producing negligible amounts of pollutants when properly consumed.

The primary customers for propane are residential, commercial, agricultural, motor fuel and industrial users to whom natural gas is not readily available. Propane is typically more expensive than natural gas, competitive with fuel oil when operating efficiencies are taken into account and, in most areas, cheaper than electricity on an equivalent energy basis.

PRODUCTS, SERVICES AND MARKETING

As of September 30, 2001, the Partnership distributed propane to approximately 1.3 million customers from over 700 district locations. The Partnership's operations are located primarily in the East Coast, Southeast, Midwest, Mountain Central and West Coast regions of the United States. The Partnership also sells, installs and services propane appliances, including heating systems. In certain markets, the Partnership also installs and services propane fuel systems for motor vehicles. Typically, district locations are found in suburban and rural areas where natural gas is not available. Districts generally consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. As part of its overall transportation and distribution infrastructure, the Partnership operates as an interstate carrier in 48 states throughout the United States. It is also licensed as a carrier in Canada.

The Partnership sells propane primarily to five markets: residential, commercial/industrial, motor fuel, agricultural and wholesale. Approximately 74% of the Partnership's fiscal year 2001 sales (based on gallons sold) were to retail accounts and approximately 26% were to wholesale customers. Sales to residential customers in fiscal 2001 represented approximately 41% of retail gallons sold, industrial/commercial customers 37%, motor fuel customers 14%, and agricultural customers 8%. Residential customers represented 51% 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 manufactured housing, propane is used primarily for home heating, water heating and cooking purposes. Commercial users, which include motels, hotels, restaurants and retail stores, generally use propane for the same purposes as residential customers. The PPX Prefilled Propane Xchange program ("PPX (R)") enables consumers to exchange their empty 20-pound propane grill cylinders for filled cylinders at various retail locations such as home center and convenience stores. Sales of our PPX (R) grill cylinders to retailers are included in the commercial/industrial market. Industrial customers use propane to fire furnaces, as a cutting gas and in other process applications. Other industrial customers are large-scale heating accounts and local gas utility customers who use propane as a supplemental fuel to meet peak load deliverability requirements. As a motor fuel, propane is burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines. Agricultural uses include tobacco curing, chicken brooding and crop drying. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,400 to 3,000 gallons of propane, into a stationary storage tank on the customer's premises. The Partnership owns most of these storage tanks and leases them to its customers. The capacity of these tanks ranges from approximately 100 gallons to approximately 1,200 gallons.

The Partnership also delivers propane to retail customers in portable cylinders with capacities of 4 to 24 gallons. Some of these deliveries are made to the customer's location, where empty cylinders are either picked up for replenishment or filled in place. The Partnership continues to expand its PPX (R) program. At September 30, 2001, PPX (R) was available at approximately 16,500 retail locations throughout the country, including approximately 2,200 locations from Columbia Propane's cylinder exchange business.

PROPANE SUPPLY AND STORAGE

Supplies of propane from the Partnership's sources historically have been readily available. During the year ended September 30, 2001, the Partnership purchased approximately 81% of its propane from 10 suppliers, including Dynegy, Inc. (approximately 22%), Enterprise Products Operating LP (approximately 21%), and BP (approximately 15%). The availability of propane supply is dependent upon, among other things, the severity of winter weather and the price and availability of competing fuels such as natural gas and heating oil. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate supplies during fiscal year 2002. If supply from major sources were interrupted, however, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, margins could be affected. Aside from Dynegy, Enterprise Products and BP, no single supplier provided more than 10% of the Partnership's total propane supply in fiscal year 2001. 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 200 sources of supply, and it also makes purchases on the spot market. The Partnership purchases its propane supplies from domestic and international suppliers. Over 90% of propane purchases by the Partnership in fiscal year 2001 were on a contractual basis. These contracts are generally one- or two-year agreements subject to annual review. More than 90% of those contracts provided 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 provided maximum and minimum seasonal purchase volume guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year as determined by the General Partner. The Partnership uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges, to transport propane from suppliers to storage and distribution facilities. The Partnership stores propane at facilities in Arizona, Pennsylvania, Virginia and several other states.

Because the Partnership's profitability is sensitive to changes in wholesale propane costs, the Partnership generally seeks to pass on increases in the cost of propane to customers. There is no

assurance, however, that the Partnership will always be able to pass on product cost increases fully, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, or other unforeseen events. The General Partner has adopted supply acquisition and product price risk management practices to reduce the effect of price volatility on product costs. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments such as options and propane price swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

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The following graph shows the average 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

[AVERAGE PROPANE SPOT MARKET PRICES LINE GRAPH]

LP History

Mont Belvieu

Conway		
1996 October Avg. 51.53	Oct-96	51.57
1996 November Avg. 63.41	Nov-96	58.05
1996 December Avg. 84.29	Dec-96	61.04
1997 January Avg. 63.39	Jan-97	47.45
1997 February Avg. 39.02	Feb-97	38.71
1997 March Avg. 37.26	Mar-97	38.50
1997 April Avg. 35.26	Apr-97	34.88
1997 May Avg. 36.48	May-97	35.31
1997 June Avg. 35.86	Jun-97	34.43
1997 July Avg. 34.63	Jul-97	34.91
1997 August Avg. 36.53	Aug-97	37.03
1997 September Avg. 37.95	Sep-97	38.68
1997 October Avg. 37.32	Oct-97	39.83
1997 November Avg. 35.00	Nov-97	35.95
1997 December Avg. 31.36	Dec-97	33.57
1998 January Avg. 28.21	Jan-98	30.07
1998 February Avg. 28.32	Feb-98	29.79
1998 March Avg. 27.84	Mar-98	27.39
1998 April Avg. 29.47	Apr-98	29.06
1998 May Avg. 27.82	May-98	27.42
1998 June Avg. 24.84	Jun-98	24.42
1998 July Avg. 24.55	Jul-98	24.54
1998 August Avg. 23.87	Aug-98	24.12
1998 September Avg. 24.04	Sep-98	24.83
1998 October Avg. 24.57	Oct-98	25.72
1998 November Avg. 23.20	Nov-98	24.79
1998 December Avg. 18.72	Dec-98	20.89
1999 January Avg. 19.61	Jan-99	21.75
1999 February Avg. 20.58	Feb-99	22.43
1999 March Avg. 23.40	Mar-99	24.10
1999 April Avg. 27.58	Apr-99	28.26
1999 May Avg. 26.88	May-99	28.31
1999 June Avg. 28.68	Jun-99	30.95
1999 July Avg. 34.62	Jul-99	37.26
1999 August Avg. 37.56	Aug-99	40.51
1999 September Avg. 37.56	Sep-99	42.18

COMPETITION

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers against suppliers of electricity, fuel oil and natural gas, principally on the basis of price, service, availability and portability. Electricity is a major competitor of propane, but propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Operating efficiencies and other factors such as air quality and environmental advantages, however, generally make propane competitive with fuel oil as a heating source. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Natural gas is generally a less expensive source of energy than propane, although in areas where natural gas is available, propane

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

The domestic propane retail distribution business is highly competitive. The Partnership competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. In recent years, some rural electric cooperatives and fuel oil distributors have expanded their businesses to include propane distribution and the Partnership competes with them as well. The ability to compete effectively depends on supplying customer service, maintaining competitive retail prices and controlling operating expenses.

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 may experience greater than normal customer losses in certain years when competitive conditions reflect any of these factors.

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

PROPERTIES

As of September 30, 2001, the Partnership owned approximately 75% 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. In Virginia, the Partnership has a 50% indirect equity interest in a 476,000 barrel refrigerated, above-ground import terminal.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 30, 2001, the Partnership operated a fleet of approximately 158 transport trucks, approximately 40% of which were leased. It owned approximately 320 transport trailers and leased 260 railroad tank cars. In addition, the Partnership fleet included approximately 3,200 bobtail and rack trucks, and approximately 2,200 other delivery and service vehicles. The vehicle fleet is 65% leased. Other assets owned at September 30, 2001 included approximately 1.2 million stationary storage tanks with typical capacities of 100 to 1,000 gallons and approximately 1.9 million portable propane cylinders with typical capacities of 4 to 100 gallons. The Partnership also

owned more than 9,000 large volume tanks which are used for its own storage requirements. AmeriGas Propane, L.P. has debt secured by liens and mortgages on its real and personal property. AmeriGas Propane, L.P. owns approximately 70% of the Partnership's property, plant and equipment.

TRADE NAMES, TRADE AND SERVICE MARKS

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

SEASONALITY

Because many customers use propane for heating purposes, the Partnership's retail sales volume is seasonal, with approximately 59% of the Partnership's fiscal year 2001 retail sales volume and approximately 85% of its earnings before interest expense, income taxes, depreciation and amortization occurring during the five-month peak heating season from November through March. As a result of this seasonality, sales are concentrated in the Partnership's first and second fiscal quarters (October 1 through March 31). Cash receipts are greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season.

Sales volume for the Partnership traditionally fluctuates from year-to-year in response to variations in weather, prices, competition, customer mix and other factors, such as conservation efforts and general economic conditions. For historical information on national weather statistics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

The Partnership is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane. These laws include, among others, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or, the "Superfund Law"), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes.

CERCLA imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment without regard to fault or the legality of the original conduct. Propane is not a hazardous substance within the meaning of federal and state environmental laws. However, the Partnership owns and operates real property where such hazardous substances may exist. See Notes 1 and 13 to the Company's Consolidated Financial Statements.

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

With respect to the transportation of propane by truck, the Partnership is subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation ("DOT"). The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety code applies to, among other things, a propane gas system which supplies 10 or more customers from a single source and a propane gas system any portion of which is located in a public place. The code requires operators of all gas systems to provide training and written instructions for employees, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and keep records of inspections and testing.

EMPLOYEES

The Partnership does not directly employ any persons responsible for managing or operating the Partnership. The General Partner provides these services and is reimbursed for its direct and indirect costs and expenses, including all compensation and benefit costs. At September 30, 2001, the General Partner had approximately 6,300 employees, including approximately 300 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 and expenses.

UTILITY OPERATIONS

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

GAS UTILITY

NATURAL GAS CHOICE AND COMPETITION ACT

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

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

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

Since October 1, 2000, all of Gas Utility's customers have had the option to purchase their gas supplies from an alternative gas supplier. Large commercial and industrial customers of Gas Utility have been able to purchase their gas from other suppliers since 1982. During fiscal year 2001, no third party supplier qualified to serve any residential or small commercial customer in Gas Utility's service territory. Management believes neither the Gas Competition Act nor the Gas Restructuring Order will have a material adverse impact on the Company's financial condition or results of operations.

SERVICE AREA; REVENUE ANALYSIS

Gas Utility distributes natural gas to approximately 277,000 customers in portions of 14 eastern and southeastern Pennsylvania counties through its distribution system of approximately 4,600 miles of gas mains. The service area consists of approximately 3,000 square miles and includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon and Reading, Pennsylvania. Located in Gas Utility's service area are major production centers for basic industries such as specialty metals, aluminum and glass. For the fiscal years ended September 30, 2001, 2000 and 1999, revenues of Gas Utility accounted for approximately 20%, 20% and 25%, respectively, of our total consolidated revenues.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility's distribution system) for the 2001 fiscal year was approximately 77.3 billion cubic feet ("bcf"). System sales of gas accounted for approximately 45% of system throughput, while gas transported for commercial and industrial customers (who bought their gas from others) accounted for approximately 55% of system throughput. Based on industry data for 1999, residential customers account for approximately 33% of total system throughput by local gas distribution companies in the United States. By contrast, for the 2001 fiscal year, Gas Utility's residential customers represented 26% of its total system throughput.

SOURCES OF SUPPLY AND PIPELINE CAPACITY

Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with producers and marketers, and storage and transportation service contracts. These arrangements enable Gas Utility to purchase gas from Gulf Coast, Mid-Continent, Appalachian and Canadian sources. For the transportation and storage function, Utilities has agreements with a number of pipeline companies, including Texas Eastern Transmission Corporation, Columbia Gas Transmission Corporation and Transcontinental Gas Pipeline Corporation.

GAS SUPPLY CONTRACTS

During fiscal year 2001, Gas Utility purchased approximately 37 bcf of natural gas for sale to customers. Approximately 92% of the volumes purchased were supplied under agreements with nine major suppliers of natural gas. The remaining 8% of gas purchased was supplied by 30 producers and marketers. Gas supply contracts are generally no longer than one year.

SEASONAL VARIATION

Because many of its customers use gas for heating purposes, Gas Utility's sales are seasonal. Approximately 61% of fiscal year 2001 throughput and approximately 71% of earnings before interest expense, income taxes, depreciation and amortization occurred during the winter season from November through March.

COMPETITION

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

In substantially all of its service territory, Gas Utility is the only regulated gas distribution utility having the right, granted by the PUC or by law, to provide gas distribution services. Under the Gas Competition Act, retail customers may purchase their natural gas from a supplier other than Gas Utility. Commercial and industrial customers in Gas Utility's service territory have been able to do this since 1982. Gas Utility will provide transportation services for residential and small commercial retail customers who purchase natural gas from others, however, as of December 1, 2001, no marketer had qualified to serve those customers.

Many of Gas Utility's commercial and industrial customers have the ability to switch to an alternate fuel at any time and, therefore, are served on an interruptible basis under rates which are competitively priced with respect to their alternate fuel. Gas Utility's profitability from these customers, therefore, is affected by the difference, or "spread," between the customers' delivered cost of gas and the customers' delivered alternate fuel cost. See "Utility Regulation and Rates - Gas Utility Rates." Commercial and industrial customers representing 17% of total system throughput have locations which afford them the option, although none has exercised it, of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility. The majority of customers in this group are served under transportation contracts having three- to twenty-year terms. Included in these two groups are Utilities' ten largest customers in terms of annual volume. All of these customers have contracts with Utilities, eight of which extend into fiscal year 2004. No single customer represents, or is anticipated to represent, more than 1% of the total revenues of Gas Utility.

OUTLOOK FOR GAS SERVICE AND SUPPLY

Gas Utility anticipates having adequate pipeline capacity and sources of supply available to it to meet the full requirements of all firm customers on its system through fiscal year 2002. Supply mix is diversified, market priced, and delivered pursuant to a number of long- and short-term firm transportation and storage arrangements, including transportation contracts held by some of Utilities' larger customers.

During fiscal year 2001, Gas Utility supplied transportation service to two major cogeneration installations and two utility generation sites. Gas Utility continues to pursue opportunities to supply natural gas to electric generation projects located in its service territory. Gas Utility also continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In the residential market sector, Gas Utility connected approximately

8,300 residential heating customers during fiscal year 2001, a 5% increase from the previous year. Of those new customers, new home construction accounted for over 6,000 heating customers. 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, accounted for the balance of the additions. The number of new commercial and industrial customers was over 1,000.

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

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

ELECTRIC UTILITY

ELECTRICITY GENERATION CUSTOMER CHOICE AND COMPETITION ACT

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

On June 19, 1998, the PUC entered its Opinion and Order (the "Restructuring Order") in Electric Utility's restructuring proceeding under the ECC Act. The Restructuring Order authorized Electric Utility to recover from its customers approximately \$32.5 million in stranded costs (on a full revenue requirements basis, which includes all income and gross receipts taxes) over a four-year period which commenced January 1, 1999 through a CTC, together with carrying charges on unrecovered balances of 7.94%. Electric Utility's recoverable stranded costs include approximately \$8.7 million for the termination of a 1993 power purchase agreement with Foster Wheeler Penn Resources, Inc., an independent power producer. Since January 1, 1999, all of Electric Utility's customers have been permitted to select an alternative electric generation supplier. Customers choosing another supplier currently receive an average generation "shopping credit" (developed from system-wide generation rates) of 4.3 cents per kilowatt hour ("kwh"), which will remain in effect until recovery of the CTC is complete.

Electric Utility estimates that its power generation rates will remain capped for commercial and industrial customers until September 2002 and for all other customers until May 2003. Because Electric Utility has discontinued regulatory accounting, which permitted it to adjust customer charges to reflect changes in Electric Utility's power costs, quarterly results have been, and future results are likely to be, more volatile than they were prior to deregulation, due in large part to seasonal variations in such costs. Results will also be affected by the number of customers who choose to purchase their power from other suppliers during any given time period.

SERVICE AREA; REVENUE ANALYSIS

Electric Utility supplies electric service to approximately 61,400 customers in portions of Luzerne and Wyoming Counties in northeastern Pennsylvania through a system consisting of approximately 2,100 miles of transmission and distribution lines and 14 transmission substations. For fiscal year 2001, about 51% of sales volume came from residential customers, 32% from commercial customers and 9% from industrial customers. Non-tariff sales of electricity and miscellaneous income accounted for 8% of sales volume. Electricity transported for customers who purchased their power from others pursuant to the ECC Act represented approximately 2% of fiscal year 2001 sales volume. For the 2001, 2000 and 1999 fiscal years, revenues of Electric Utility accounted for approximately 3%, 5% and 5%, respectively, of our total consolidated revenues.

SOURCES OF SUPPLY

Effective October 1, 1999, Utilities transferred its electric generation assets to its non-utility subsidiary, UGI Development Company ("UGID"). These generation assets consisted principally of Utilities' Hunlock generating station ("Hunlock Station"), located near Kingston, Pennsylvania and its 1.11% interest in the Conemaugh generating station ("Conemaugh Station"), located near Johnstown, Pennsylvania. Effective December 8, 2000, UGID entered into a partnership with a subsidiary of Allegheny Energy, Inc. for the purpose of owning and operating electric generation facilities. UGID contributed Hunlock Station, coal inventory and \$6 million to the partnership and Allegheny contributed a 44 megawatt gas combustion electric generator. UGID has the right to purchase half the output of the partnership's generation at cost.

During fiscal year 2001, Electric Utility purchased approximately 30% of its energy requirements from UGID. Electric Utility has contracts in place or control over generation representing most of its expected on-peak energy requirements for fiscal year 2002. It plans to meet the balance of its energy needs with short-term contracts and spot market purchases.

Electric Utility distributes both electricity that it purchases from others (including UGID) and electricity that customers purchase from other suppliers. At September 30, 2001, alternate suppliers served customers representing less than 2% of system load. Electric Utility expects to continue to provide energy to the great majority of its customers.

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, UGID has a permit from the DER to discharge water from Hunlock Station into the North Branch of the Susquehanna River. The Federal Clean Air Act Amendments of 1990 (the "Clean Air Act Amendments") impose emissions limitations for certain compounds, including sulfur dioxide and nitrous oxides. Both the Conemaugh Station and the Hunlock Station are in material compliance with these emission standards.

SEASONALITY

Sales and distribution of electricity for residential heating purposes accounted for approximately 21% of the total sales of Electric Utility during fiscal year 2001. Electricity competes with natural gas, oil, propane and other heating fuels in this use. Approximately 54% of volume occurred during the six coldest months of fiscal year 2001 (November through April), demonstrating modest seasonality favoring winter due to the use of electricity for residential heating purposes.

UTILITY REGULATION AND RATES

PENNSYLVANIA PUBLIC UTILITY COMMISSION JURISDICTION

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

FERC ORDERS 888 AND 889

In April 1996, FERC issued Orders No. 888 and 889, which established rules for the use of electric transmission facilities for wholesale transactions. FERC has also asserted jurisdiction over

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

GAS UTILITY RATES

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

Beginning December 1, 2001, Gas Utility must reduce its purchased gas cost rates by an amount equal to the margin it receives from customers served under interruptible rates to the extent they use capacity contracted for by Gas Utility for core-market customers. As a result of these changes in its regulated rates, Gas Utility expects that the risk to operating results associated with year- to- year fluctuations in interruptible revenues will be mitigated and that operating results will be more sensitive to heating season weather and less sensitive to the market prices of alternative fuel than in the past.

BASE RATES

As stated above, Gas Utility's current base rates went into effect October 1, 2000 pursuant to The Gas Restructuring Order. See Note 2 to the Company's Consolidated Financial Statements.

PURCHASED GAS COST RATES

Gas Utility's gas service tariff contains Purchased Gas Cost ("PGC") rates which provide for annual increases or decreases in the rate per thousand cubic feet ("mcf") which Gas Utility charges for natural gas sold by it, to reflect Utilities' projected cost of purchased gas. PGC rates may also be adjusted quarterly, or monthly, to reflect purchased gas costs. Each proposed annual PGC rate is required to be filed with the PUC six months prior to its effective date. During this period the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels which meet that standard. The PGC mechanism also provides for an annual reconciliation. Utilities has two PGC rates. PGC (1) is applicable to small, firm, core market customers consisting of the residential and small commercial and industrial classes; PGC (2) is applicable to firm, contractual, high-load factor customers served on three separate rates. In addition, residential customers maintaining a high load factor may qualify for the PGC (2) rate. The Gas Restructuring Order provided for initial adjustments to Gas Utility's PGC rates as described above, as well as ongoing adjustments, commencing December 1, 2001, to reflect margins, if any, from interruptible rate customers who do not obtain their own pipeline capacity.

ELECTRIC UTILITY RATES

Electric Utility's rates for electric generation are capped through approximately September 2002 for commercial and industrial customers and approximately May 2003 for all other customers. See "Electricity Generation Customer Choice and Competition Act." The ECC Act obligates Electric Utility to act as "provider of last resort" to customers who do not choose alternate generation suppliers. Electric Utility is actively participating in the regulatory process to ensure that Electric Utility recovers all its costs of providing generation when the rate cap period ends.

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, however, any increase in Electric Utility's state tax surcharge is generally subject to the rate caps discussed above.

UTILITY FRANCHISES

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

OTHER GOVERNMENT REGULATION

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

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

EMPLOYEES

At September 30, 2001, Utilities and its subsidiaries had approximately 1,100 employees.

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UGI ENTERPRISES, INC.

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

DOMESTIC BUSINESSES

NATURAL GAS AND ELECTRICITY MARKETING

UGI Energy Services, Inc. ("Energy Services"), conducts an energy marketing business under the trade names GASMARK(R) and POWERMARK(R) ("GASMARK"). GASMARK(R) sells natural gas directly to approximately 4,000 commercial and industrial customers in the Mid-Atlantic region through the transportation systems of 15 utility systems. Energy Services also sells electricity to over 200 commercial and industrial customers in Pennsylvania. During fiscal year 2001, GASMARK(R) significantly increased its size by acquiring the gas marketing operations of PG Energy, a unit of Southern Union Corp., and Conectiv Energy. These acquisitions added approximately 900 customers to GASMARK(R) customer base and increased its natural gas sales volume over 50%.

HVAC SERVICE

UGI HVAC Enterprises, Inc. ("HVAC") was acquired by Enterprises in September 2000. HVAC conducts a heating, ventilation and air-conditioning service business serving portions of Utilities' gas service area and adjacent market areas, including portions of northern Delaware. It serves more than 70,000 customers in residential, commercial and new construction markets. During fiscal year 2001, HVAC generated over \$38 million in revenues and employed over 300 people.

RETAIL HEARTH PRODUCTS

Enterprises opened its first Hearth USA(TM) retail store in September 1999. The store was the nation's first large-scale retailer of hearth, grill and spa products together with installation services. In September 2001, after evaluating prospects for Hearth USA(TM) in light of the weak retail environment and the amount of capital required to expand beyond the pilot phrase, we committed to close the two Hearth USA(TM) stores and cease all operations by the end of October 2001. See Note 15 to the Company's Consolidated Financial Statements.

INTERNATIONAL BUSINESSES

FLAGA GMBH

In September 1999, subsidiaries of Enterprises acquired all of the stock of Flaga GmbH, a privately-held company founded in 1947. FLAGA distributes propane, butane and

propane/butane mix ("LPG") in Austria, the Czech Republic and Slovakia for residential, commercial and autogas applications. During fiscal year 2001, FLAGA distributed approximately 36.3 million gallons of LPG. FLAGA operates from 6 distribution locations in Austria, 1 in the Czech Republic and 2 in Slovakia. In addition, FLAGA has 7 sales offices in the Czech Republic. As of September 30, 2001, FLAGA had a total of 350 employees of which 166 were located in Austria, 161 in the Czech Republic and 23 in Slovakia.

FLAGA has the largest propane distribution market position in Austria with an estimated 30% market share, serving residential and commercial customers. Residential customers generally commit to prepaid tank rental agreements. Competition for new customer installations is based on the terms and conditions of tank leases as well as on product prices. Much of FLAGA's Austrian cylinder business is conducted through approximately 600 neighborhood resellers with whom FLAGA has a long business relationship.

The Czech market for LPG, which currently represents about 35% of FLAGA's total volume, is growing approximately 4 to 6% per year. FLAGA entered the Czech market in 1994 when it purchased a portion of the formerly state-run LPG company from the Czech government as part of its privatization plan. FLAGA's main facility in the Czech Republic is its cylinder filling and repair plant in Hustopece, located in the southeast quadrant of the Czech Republic. FLAGA estimates its market share in the Czech Republic at approximately 18%, ranking it third in the country.

CHINAGAS PARTNERS

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

ANTARGAZ

In March 2001, UGI France, Inc., together with Paribas Affaires Industrielles ("PAI") and Medit Mediterranea GPL, S.r.l. ("Medit"), acquired the stock of Elf Antargaz, S.A. ("Antargaz"), one of the largest distributors of LPG in France. We acquired an approximate 20% interest, PAI an approximate 68% interest, Medit an approximate 10% interest and certain members of Antargaz management, the remaining interest. PAI is a leading private equity fund manager in Europe with strong management and financial skills and Medit is a supplier of logistics services to the LPG industry in Europe, primarily Italy. Antargaz sells approximately 350 to 400 million gallons of LPG annually. Due, in part, to our membership on the Board of Directors of Antargaz,

we believe we have significant influence over the company's operating and financial policies.

Antargaz has an approximate 25% market share in France. The French LPG market is characterized by modest growth, about 1% per year, and stable marketing conditions. Antargaz serves nearly one million customers using a logistical system that includes ten major import/storage facilities, 30 bulk storage depots and 16 cylinder filling plants. Antargaz's customer base consists of residential, commercial, agricultural and motor fuel accounts who use LPG for space heating, cooking, water heating, process heat and transportation.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's business segments for the 2001, 2000 and 1999 fiscal years appears in Note 19 to the Consolidated Financial Statements contained in our 2001 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 2001, UGI and its subsidiaries had approximately 8,300 employees.

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ITEM 3. LEGAL PROCEEDINGS

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

ENVIRONMENTAL MATTERS - MANUFACTURED GAS PLANTS

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

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

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

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

plants prior to 1904. The complaint also seeks a declaration that Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd has not stated the amount of the costs it has incurred to date and has provided no information on which Utilities could make an estimate. Utilities is currently investigating its involvement at these sites.

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

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

RELATED MATTER

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

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

No matter was submitted to a vote of security holders during the last fiscal quarter of fiscal year 2001.

EXECUTIVE OFFICERS

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

PART II: SECURITIES AND FINANCIAL INFORMATION

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

MARKET INFORMATION

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

2001 FISCAL YEAR	HIGH	LOW
4th Quarter	\$29.480	\$25.120
3rd Quarter	27.900	24.200
2nd Quarter	25.375	22.500
1st Quarter	26.312	21.375

2000 FISCAL YEAR	HIGH	LOW
4th Quarter	\$24.313	\$20.563
3rd Quarter	22.625	19.750
2nd Quarter	22.313	18.188
1st Quarter	24.000	19.125

DIVIDENDS

Quarterly dividends on our Common Stock were paid in the 2001 and 2000 fiscal years as follows:

2001 FISCAL YEAR AMOUNT

4th Quarter
\$0.4000
3rd Quarter
0.3875
2nd Quarter
0.3875
1st Quarter
0.3875

2000 FISCAL YEAR AMOUNT

4th Quarter
\$0.3875
3rd Quarter
0.375
2nd Quarter
0.375
1st Quarter
0.375

HOLDERS

On November 30, 2001, UGI had 10,627 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended September 30,				
	2001	2000	1999	1998	1997
(Millions of dollars, except per share amounts)					
FOR THE PERIOD:					
INCOME STATEMENT DATA:					
Revenues	\$ 2,468.1	\$ 1,761.7	\$ 1,383.6	\$ 1,439.7	\$ 1,642.0
Income before accounting changes	\$ 52.0	\$ 44.7	\$ 55.7	\$ 40.3	\$ 52.1
Cumulative effect of accounting changes (a)	4.5	--	--	--	--
Net income (b)	\$ 56.5	\$ 44.7	\$ 55.7	\$ 40.3	\$ 52.1
Earnings per common share - basic					
Income before accounting changes	\$ 1.91	\$ 1.64	\$ 1.74	\$ 1.22	\$ 1.58
Cumulative effect of accounting changes, net	0.17	--	--	--	--
Net income - basic	\$ 2.08	\$ 1.64	\$ 1.74	\$ 1.22	\$ 1.58
Earnings per common share - diluted					
Income before accounting changes	\$ 1.90	\$ 1.64	\$ 1.74	\$ 1.22	\$ 1.57
Cumulative effect of accounting changes, net	0.16	--	--	--	--
Net income - diluted (b)	\$ 2.06	\$ 1.64	\$ 1.74	\$ 1.22	\$ 1.57
Cash dividends declared per common share	\$ 1.575	\$ 1.525	\$ 1.47	\$ 1.45	\$ 1.43
AT PERIOD END:					
BALANCE SHEET DATA:					
Total assets	\$ 2,550.2	\$ 2,275.8	\$ 2,140.5	\$ 2,074.6	\$ 2,151.7
Capitalization:					
Debt:					
Bank loans - AmeriGas Propane	\$ --	\$ 30.0	\$ 22.0	\$ 10.0	\$ 28.0
Bank loans - UGI Utilities	57.8	100.4	87.4	68.4	67.0
Bank loans - other	10.0	4.3	11.6	--	--
Long-term debt (including current maturities):					
AmeriGas Propane	1,005.9	857.2	744.7	709.0	691.1
UGI Utilities	208.5	172.9	180.0	187.2	169.3
Other	80.8	85.5	91.6	8.2	8.6
Total debt	1,363.0	1,250.3	1,137.3	982.8	964.0
Minority interests in AmeriGas Partners	246.2	177.1	209.9	236.5	266.5
UGI Utilities preferred stock subject to mandatory redemption	20.0	20.0	20.0	20.0	35.2
Common stockholders' equity	255.6	247.2	249.2	367.1	376.1
Total capitalization	\$ 1,884.8	\$ 1,694.6	\$ 1,616.4	\$ 1,606.4	\$ 1,641.8
RATIO OF CAPITALIZATION:					
Total debt	72.3%	73.8%	70.4%	61.2%	58.7%
Minority interest	13.1%	10.5%	13.0%	14.7%	16.3%
UGI Utilities preferred stock	1.1%	1.2%	1.2%	1.2%	2.1%
Common stockholders' equity	13.5%	14.5%	15.4%	22.9%	22.9%
	100.0%	100.0%	100.0%	100.0%	100.0%

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

(b) Pro forma net income and diluted earnings per share after applying retroactively the Partnership's changes in accounting for tank installation costs and tank fee revenue are as follows: 2000 - \$44.6 and \$1.64; 1999 - \$55.9 and \$1.75; 1998 - \$39.7 and \$1.20; 1997 - \$51.8 and \$1.56, respectively.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 13 through 23 of UGI's 2001 Annual Report to Shareholders, is incorporated in this report by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

"Quantitative and Qualitative Disclosures About Market Risk" are contained in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk Disclosures" on pages 21 and 22 of the UGI 2001 Annual Report to Shareholders and are incorporated in this Report by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III: UGI MANAGEMENT AND SECURITY HOLDERS

ITEMS 10 THROUGH 13.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12 and 13 is incorporated in this Report by reference to the following portions of UGI's Proxy Statement, which will be filed with the Securities and Exchange Commission by January 28, 2001:

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
Item 13. Certain Relationships and Related Transactions.	Compensation of Executive Officers - Stock Ownership Policy and Indebtedness of Management

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

EXECUTIVE OFFICERS

NAME ----	AGE ---	POSITION -----
Lon R. Greenberg	51	Chairman, Director, President and Chief Executive Officer
Eugene V.N. Bissell	48	President and Chief Executive Officer, AmeriGas Propane, Inc.
Robert J. Chaney	59	President and Chief Executive Officer, UGI Utilities, Inc.
Brendan P. Bovaird	53	Vice President and General Counsel

Bradley C. Hall	48	Vice President - New Business Development
Anthony J. Mendicino	53	Vice President - Finance and Chief Financial Officer

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

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

Lon R. Greenberg

Mr. Greenberg was elected Chairman of UGI effective August 1, 1996, having been elected Chief Executive Officer effective August 1, 1995. He was elected Director and President of UGI and a Director of UGI Utilities in July 1994. He was elected a Director of AmeriGas Propane, Inc. in 1994 and has been Chairman since 1996. He also served as President and Chief Executive Officer of AmeriGas Propane (1996 to 2000). Mr. Greenberg was Senior Vice President - Legal and Corporate Development (1989 to 1994), and also served as Vice President - Legal and Corporate Development (1987 to 1989). Previously, he was Vice President - Legal (1984 to 1987), General Counsel (1983 to 1994) and Secretary (1982 to 1988). He joined the Company in 1980 as Corporate Development Counsel.

Eugene V.N. Bissell

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

Robert J. Chaney

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

Brendan P. Bovaird

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

Bradley C. Hall

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

Anthony J. Mendicino

Mr. Mendicino was elected Vice President - Finance and Chief Financial Officer on September 8, 1998. He previously served as President and Chief Operating Officer (July 1997 to June 1998) and as Senior Vice President (January 1997 to June 1997) of Eastwind Group, Inc., a holding company formed to acquire and consolidate middle-market manufacturing businesses. Mr. Mendicino was Senior Vice President and Chief Financial Officer and a director (1987 to 1996) of UTI Energy Corp., a diversified oil field service company. From 1981 to 1987 Mr. Mendicino held various positions with UGI, including Treasurer from 1984 to 1987.

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 27, 1998	UGI	Form 10-K (9/30/98)	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 long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K)			
4.1	Rights Agreement, as amended as of August 18, 2000, between the Company and Mellon Bank, N.A., successor to Mellon Bank (East) N.A., as Rights Agent, and Assumption Agreement dated April 7, 1992	UGI	Registration Statement No 333-49080	4.3
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI's (Second) Amended and Restated Articles of Incorporation and Bylaws referred to in 3.1 and 3.2 above			
4.4	Note Agreement dated as of April 12, 1995 among The Prudential Insurance Company of America, Metropolitan Life Insurance Company, and certain other institutional investors and AmeriGas Propane, L.P., New AmeriGas Propane, Inc. and Petrolane Incorporated	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.8
4.5	First Amendment dated as of September 12, 1997 to Note Agreement dated as of April 12, 1995 ("1995 Note Agreement")	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	4.5
4.6	Second Amendment dated as of September 15, 1998 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/98) Form 10-K (9/30/98)	4.6 4.6
4.7	Third Amendment dated as of March 23, 1999 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (3/31/99)	10.2
4.8	Fourth Amendment dated as of March 16, 2000 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (6/30/00)	10.2
4.9	Fifth Amendment dated as of August 1, 2001 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	4.8

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
4.9	Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P.	AmeriGas Partners, L.P.	Form 8-K (9/30/00)	1
4.10	Amended and Restated Agreement of Limited Partnership of AmeriGas Eagle Propane, L.P. dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	3.8
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERCP. 61,060 (1993), order on rehearing, 64 FERCP. 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 FERCP. 61,060 (1993), order on rehearing, 64 FERCP. 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)o.
10.3	Transportation Service Agreement (Rate FTS-1) dated November 1, 1989 between Utilities and Columbia Gulf Transmission Company, as modified pursuant to the orders of the Federal Energy Regulatory Commission in Docket No. RP93-6-000 reported at Columbia Gulf Transmission Co., 64 FERCP. 61,060 (1993), order on rehearing, 64 FERCP. 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)p.
10.4	Amended and Restated Sublease Agreement dated April 1, 1988 between Southwest Salt Co. and AP Propane, Inc. (the "Southwest Salt Co. Agreement")	UGI	Form 10-K (9/30/94)	10.35
10.5	Letter dated July 8, 1998 pursuant to Article 1, Section 1.2 of the Southwest Salt Co. Agreement re: option to renew for period of June 1, 2000 to May 31, 2005 and related extension notice	UGI	Form 10-K (9/30/99)	10.5

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.6**	UGI Corporation Directors Deferred Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.6
10.7**	UGI Corporation 1992 Stock Option and Dividend Equivalent Plan, as amended May 19, 1992	UGI	Form 10-Q (6/30/92)	(10)ee
10.8**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.9**	UGI Corporation Directors' Equity Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.9
10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan	UGI	Form 10-Q (3/31/97)	10.2
10.11**	UGI Corporation 1992 Directors' Stock Plan	UGI	Form 10-Q (6/30/92)	(10)ff
10.12**	UGI Corporation Senior Executive Employee Severance Pay Plan effective January 1, 1997	UGI	Form 10-K (9/30/97)	10.12
10.13**	UGI Corporation 2000 Directors' Stock Option Plan	UGI	Form 10-K (9/30/99)	10.13
10.14**	UGI Corporation 2000 Stock Incentive Plan	UGI	Form 10-Q (6/30/00)	10.1
10.15**	1997 Stock Purchase Loan Plan	UGI	Form 10-K (9/30/97)	10.16
10.16**	UGI Corporation Supplemental Executive Retirement Plan Amended and Restated effective October 1, 1996	UGI	Form 10-Q (6/30/98)	10
10.17**	Summary of Terms of UGI Corporation 1999 Restricted Stock Awards	UGI	Form 10-Q (6/30/99)	10
10.18	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
10.19	First Amendment dated as of September 15, 1998 to Amended and Restated Credit Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/98)	10.2
10.20	Second Amendment dated as of March 25, 1999 to Amended and Restated Credit Agreement	AmeriGas Partners, L.P.	Form 10-Q (3/31/99)	10.1

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.21	Third Amendment dated as of March 22, 2000 to Amended and Restated Credit Agreement	AmeriGas Partners, L.P.	Form 10-Q (6/30/00)	10.3
10.22	Fourth Amendment dated as of June 6, 2000 to Amended and Restated Credit Agreement	AmeriGas Partners, L.P.	Form 10-Q (6/30/00)	10.4
10.22(a)	Fifth Amendment dated as of July 31, 2001 to Amended and Restated Credit Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.6
10.23	Intercreditor and Agency Agreement dated as of April 19, 1995 among AmeriGas Propane, Inc., Petrolane Incorporated, AmeriGas Propane, L.P., Bank of America National Trust and Savings Association ("Bank of America") as Agent, Mellon Bank, N.A. as Cash Collateral Sub-Agent, Bank of America as Collateral Agent and certain creditors of AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.2
10.23(a)	First Amendment dated as of July 31, 2001 to Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.8
10.24	General Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association and Mellon Bank, N.A.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.3
10.24(a)	First Amendment dated as of July 31, 2001 to General Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.10
10.25	Subsidiary Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association as Collateral Agent and Mellon Bank, N.A. as Cash Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.4
10.25(a)	First Amendment dated as of July 31, 2001 to Subsidiary Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.12
10.26	Restricted Subsidiary Guarantee dated as of April 19, 1995 by AmeriGas Propane, L.P. for the benefit of Bank of America National Trust and Savings Association, as Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.5
10.27	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.6

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.28	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.7
10.29	Stock Purchase Agreement dated May 27, 1989, as amended and restated July 31, 1989, between Texas Eastern Corporation and QFB Partners	Petrolane Incorporated/. AmeriGas, Inc	Registration Statement No. 33-69450	10.16(a)
10.30	Pledge Agreement dated September 1999 between Eastfield International Holdings, Inc. and Reiffeisen Zentralbank Osterreich Aktiengesellschaft ("RZB")	UGI	Form 10-K (9/30/99)	10.28
10.31	Pledge Agreement dated September 1999 between EuroGas Holdings, Inc. and RZB	UGI	Form 10-K (9/30/99)	10.29
10.32	Form of Guarantee Agreement dated September 1999 between UGI Corporation and RZB relating to loan amount of EURO 74 million	UGI	Form 10-K (9/30/99)	10.30
10.33	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 14.9 million	UGI	Form 10-K (9/30/00)	10.33
10.34	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 9 million	UGI	Form 10-K (9/30/00)	10.34
10.34(a)	Amendments dated October 11, 2001 to September 1999 Guarantee Agreements between UGI Corporation and RZB			
10.35**	Description of Change of Control arrangements for Messrs. Greenberg, Bovaird and Mendicino	UGI	Form 10-K (9/30/99)	10.33
10.36**	Description of Change of Control arrangement for Mr. Chaney	UGI	Form 10-K (9/30/99)	10.34
10.37**	Description of Change of Control arrangement for Mr. Bissell	AmeriGas Partners, L.P.	Form 10-K (9/30/99)	10.31
10.38**	Consulting Services Agreement dated as of August 1, 2000 between Stephen D. Ban and UGI Corporation	UGI	Form 10-K (9/30/00)	10.38
10.39**	1992 Non-Qualified Stock Option Plan, as amended	UGI	Form 10-K (9/30/00)	10.39

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.40	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1998 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.40
10.41	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1999 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.41
10.42	Purchase Agreement dated January 30, 2001 and Amended and Restated on August 7, 2001 by and among Columbia Energy Group, Columbia Propane Corporation, Columbia Propane, L.P., CP Holdings, Inc., AmeriGas Propane, L.P., AmeriGas Partners, L.P., and AmeriGas Propane, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/8/01)	10.1
10.43	Partnership Agreement of Hunlock Creek Energy Ventures dated December 8, 2001 by and between UGI Hunlock Development Company and Allegheny Energy Supply Hunlock Creek LLC	Utilities	Form 10-K (9/30/01)	10.24
10.44	Agreement by Petrolane Incorporated and certain of its subsidiaries party thereto ("Subsidiaries") for the Sale of the Subsidiaries' Inventory and Assets to the Goodyear Tire & Rubber Company and D.C.H., Inc., as Purchaser, dated as of December 18, 1985	Petrolane Incorporated	Form 10-K (9/23/94)	10.13
10.45	Purchase Agreement by and among Columbia Propane, L.P., CP Holdings, Inc., Columbia Propane Corporation, National Propane Partners, L.P., National Propane Corporation, National Propane SPG, Inc., and Triarc Companies, Inc. dated as of April 5, 1999	National Propane Partners, L.P.	Form 8-K (4/19/99)	10.5
10.46	Capital Contribution Agreement dated as of August 21, 2001 by and between Columbia Propane, L.P. and AmeriGas Propane, L.P. acknowledged and agreed to by CP Holdings, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/21/01)	10.2
10.47	Promissory Note by National Propane L.P., a Delaware limited partnership in favor of Columbia Propane Corporation dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.39
10.48	Loan Agreement dated July 19, 1999, between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.40

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.49	First Amendment dated August 21, 2001 to Loan Agreement dated July 19, 1999 between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.41
10.50	Columbia Energy Group Payment Guaranty dated April 5, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.42
10.51	Keep Well Agreement by and between AmeriGas Propane, L.P. and Columbia Propane Corporation dated August 21, 2001	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.46
10.52	Management Services Agreement effective as of August 21, 2001 between AmeriGas Propane, Inc. and AmeriGas Eagle Holdings, Inc., the general partner of AmeriGas Eagle Propane, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.47
*13	Pages 13 through 47 of the 2001 Annual Report to Shareholders			
*21	Subsidiaries of the Registrant			
*23	Consent of Arthur Andersen LLP			

* Filed herewith.

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

(b) REPORTS ON FORM 8-K:

The Company filed the following Current Reports on Form 8-K during the fourth quarter of fiscal year 2001:

Date ----	Item Number(s) -----	Content -----
7/23/01	5	Advance notice of Webcast of regular earnings conference call
8/21/01	2,7	Acquisition of the propane distribution businesses of Columbia Propane Corporation

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 11, 2001

By: Anthony J. Mendicino

Anthony J. Mendicino
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 11, 2001, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE

TITLE

Lon R. Greenberg

Lon R. Greenberg

Chairman, President
and Chief Executive Officer
(Principal Executive Officer)
and Director

Anthony J. Mendicino

Anthony J. Mendicino
Officer)

Vice President - Finance
and Chief Financial Officer
(Principal Financial Officer
and Principal Accounting

Stephen D. Ban

Stephen D. Ban

Director

Thomas F. Donovan

Thomas F. Donovan

Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 11, 2001, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE

TITLE

Richard C. Gozon
Director

Richard C. Gozon

Anne Pol
Director

Anne Pol

Marvin O. Schlanger
Director

Marvin O. Schlanger

James W. Stratton
Director

James W. Stratton

UGI CORPORATION AND SUBSIDIARIES
FINANCIAL INFORMATION
FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K
YEAR ENDED SEPTEMBER 30, 2001

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UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements and supplementary data of UGI Corporation and subsidiaries, together with the report thereon of Arthur Andersen LLP dated November 16, 2001, listed in the following index, are included in UGI's 2001 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 2001 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		24
On Financial Statement Schedules	F-4	
Financial Statements:		
Consolidated Balance Sheets, September 30, 2001 and 2000		26 to 27
For the years ended September 30, 2001, 2000 and 1999:		
Consolidated Statements of Income		25
Consolidated Statements of Cash Flows		28
Consolidated Statements of Stockholders' Equity		29

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		30 to 47
Supplementary Data (unaudited):		
Quarterly Data for the years ended September 30, 2001 and 2000		46
Financial Statement Schedules:		
For the years ended September 30, 2001, 2000 and 1999:		
I - Condensed Financial Information of Registrant (Parent Company)	S-1 to S-3	
II - Valuation and Qualifying Accounts	S-4 to S-5	

Annual Reports on Form 10-K/A

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of UGI Corporation:

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

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
November 16, 2001

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

BALANCE SHEETS
(Millions of dollars)

	September 30,	
ASSETS	2001	2000
-----	-----	-----
Current assets:		
Cash and cash equivalents	\$ 0.6	\$ 1.1
Accounts and notes receivable	14.4	0.1
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	0.4	0.3
	-----	-----
Total current assets	15.6	1.7
Investments in subsidiaries	300.8	315.9
Other assets	2.6	2.4
	-----	-----
Total assets	\$ 319.0	\$ 320.0
	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	\$ 10.3	\$ 9.6
Accrued liabilities	1.2	12.4
	-----	-----
Total current liabilities	11.5	22.0
Noncurrent liabilities	51.4	50.3
Commitments and contingencies		
Common stockholders' equity:		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 shares)	395.0	394.5
Accumulated other comprehensive income	(13.5)	--
Retained earnings (accumulated deficit)	9.0	(4.9)
Unearned compensation - restricted stock	--	(0.7)
	-----	-----
Less treasury stock, at cost	390.5	388.9
	(134.4)	(141.2)
	-----	-----
Total common stockholders' equity	256.1	247.7
	-----	-----
Total liabilities and common stockholders' equity	\$ 319.0	\$ 320.0
	=====	=====

Commitments and Contingencies:

In addition to the guarantees of FLAGA debt described in Note 5 to Consolidated Financial Statements, UGI Corporation is authorized to guarantee up to \$100 million of supplier obligations of its wholly owned second-tier subsidiary UGI Energy Services, Inc., and \$4.4 million of lease obligations of its wholly owned second-tier subsidiary Hearth USA, Inc.

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,		
	2001	2000	1999
Revenues	\$ --	\$ --	\$ --
Costs and expenses:			
Operating and administrative expenses	10.8	8.1	10.4
Other income, net	(9.7)	(8.4)	(10.5)
	1.1	(0.3)	(0.1)
Operating income (loss)	(1.1)	0.3	0.1
Interest expense on intercompany debt	(2.4)	(2.0)	--
Income (loss) before income taxes	(3.5)	(1.7)	0.1
Income tax expense (benefit)	(0.7)	(1.1)	0.3
Loss before equity in income of unconsolidated subsidiaries	(2.8)	(0.6)	(0.2)
Equity in income before accounting changes of unconsolidated subsidiaries	54.8	45.3	55.9
Income before equity in accounting changes of unconsolidated subsidiaries	52.0	44.7	55.7
Equity in accounting changes of unconsolidated subsidiaries	4.5	--	--
Net income	\$ 56.5	\$ 44.7	\$ 55.7
Earnings per common share:			
Basic:			
Income before accounting changes	\$ 1.91	\$ 1.64	\$ 1.74
Cumulative effect of accounting changes, net	0.17	--	--
Net income	\$ 2.08	\$ 1.64	\$ 1.74
Diluted:			
Income before accounting changes	\$ 1.90	\$ 1.64	\$ 1.74
Cumulative effect of accounting changes, net	0.16	--	--
Net income	\$ 2.06	\$ 1.64	\$ 1.74
Average common shares outstanding (millions):			
Basic	27.163	27.219	31.954
Diluted	27.373	27.255	32.016

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

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2001	2000	1999
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	\$ 108.3	\$ 95.5	\$ 178.0
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in unconsolidated subsidiaries	(49.2)	(95.8)	(16.5)
Net advances to unconsolidated subsidiary	(13.0)	--	--
Net cash used by investing activities	(62.2)	(95.8)	(16.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(53.2)	(41.2)	(47.9)
Issuance of intercompany long-term debt	--	47.5	--
Issuance of Common Stock	7.6	3.8	4.7
Repurchases of Common Stock	(1.0)	(9.1)	(133.1)
Net cash used by financing activities	(46.6)	1.0	(176.3)
Cash and cash equivalents increase (decrease)	\$ (0.5)	\$ 0.7	\$ (14.8)
Cash and cash equivalents:			
End of period	\$ 0.6	\$ 1.1	\$ 0.4
Beginning of period	1.1	0.4	15.2
Increase (decrease)	\$ (0.5)	\$ 0.7	\$ (14.8)

(a) Includes dividends received from unconsolidated subsidiaries of \$110.4, \$96.2 and \$176.7 for the years ended September 30, 2001, 2000 and 1999, respectively.

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, 2001				

Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 9.3 =====	\$ 18.3	\$ (11.7)(1) (0.3)(2)	\$ 15.6 =====
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 8.8 =====	\$ 2.1	\$ --	\$ 10.9 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 1.0 =====	\$ 0.1	\$ --	\$ 1.1 =====
Other reserves:				
Self-insured property and casualty liability	\$ 37.1 =====	\$ 17.2	\$ (16.0)(3) 0.5 (2)	\$ 38.8 =====
Insured property and casualty liability	\$ 2.1 =====	\$ (0.6)		\$ 1.5 =====
Environmental, litigation and other	\$ 11.2 =====	\$ 0.5	\$ (1.8)(3) 0.4 (2)	\$ 10.3 =====
YEAR ENDED SEPTEMBER 30, 2000				

Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 8.0 =====	\$ 10.0	\$ (8.9)(1) 0.2 (2)	\$ 9.3 =====
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 7.1 =====	\$ 1.7	\$ --	\$ 8.8 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 2.1 =====	\$ 0.4	\$ (1.5)(2)	\$ 1.0 =====
Other reserves:				
Self-insured property and casualty liability	\$ 38.7 =====	\$ 14.1	\$ (15.8)(3) 0.1 (2)	\$ 37.1 =====
Insured property and casualty liability	\$ 5.1 =====	\$ (3.0)		\$ 2.1 =====
Environmental, litigation and other	\$ 12.5 =====		\$ (1.3)(3)	\$ 11.2 =====

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

YEAR ENDED SEPTEMBER 30, 1999

Reserves deducted from assets in
the consolidated balance sheet:

Allowance for doubtful accounts	\$ 7.9 =====	\$ 7.8	\$ (7.9)(1)	\$ 8.0 =====
			0.2 (2)	
Allowance for amortization of deferred financing costs - AmeriGas Propane	\$ 5.4 =====	\$ 1.7	\$ --	\$ 7.1 =====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 4.6 =====	\$ 1.0	\$ (3.5)(2)	\$ 2.1 =====
Other reserves:				
Self-insured property and casualty liability	\$ 48.5 =====	\$12.9	\$ (22.9)(3)	\$ 38.7 =====
			0.2 (2)	
Insured property and casualty liability	\$ 4.3 =====	\$ 0.8		\$ 5.1 =====
Environmental, litigation and other	\$ 13.9 =====		\$ (1.5)(3)	\$ 12.5 =====
			0.1 (2)	

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

(2) Other adjustments.

(3) Payments, net.

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EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
10.34(a) Guarantee	Amendments dated October 11, 2001 to September 1999 Agreements between UGI Corporation and RZB
13	Pages 13 to 47 of the 2001 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Consent of Arthur Andersen LLP

UGI Corporation 460 North Gulph Road King of Prussia Pennsylvania 19406
USA

Raiffeisen Zentralbank Osterreich
Aktiengesellschaft
Am Stadtpark 9
1030 Wien
Austria

Statement regarding Guarantee Agreement (A) dated 21 September 1999

Ladies and Gentlemen,

We have taken note of the attached amendment offer of Flaga GmbH (the "Offer").

We hereby irrevocably and unconditionally agree that the Offer be accepted by your bank.

Moreover, we hereby irrevocably and unconditionally agree and confirm that the Guarantee Agreement (A) as executed and concluded in Bratislava on 21 September 1999 by and between your bank as beneficiary and our company as guarantor shall remain in full force and effect and fully applicable in accordance with its terms in the event that you accept the Offer (such Guarantee Agreement (A) shall of course also remain in full force and effect and fully applicable in accordance with its terms in the event that you do not accept the Offer), subject to the following:

Clause 4.(l) of the Guarantee Agreement (A) shall be replaced by the following provision:

"(l) in the event that both Standard & Poor's and Moody's (or, if Standard & Poor's and/or Moody's no longer exist, other rating agency or rating agencies according to clause 4.(k)) decrease the rating of Utilities below A- (A minus), UGI shall grant RZB an additional security for the Secured Obligations either in form of a pledge over a cash deposit held with RZB in the amount of USD 10 million (United States Dollar ten million) or in form of a letter of credit (abstract bank guarantee under Austrian law) in the amount of USD 10 million (United States Dollar ten million) issued by a bank with a rating of at least A- (A minus); such pledge over a cash deposit shall be established in a legal, valid and binding manner within one month, and such letter of credit shall be issued in a legal, valid and binding

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manner within 45 calendar days, from the day on which UGI is informed about such decrease of rating. In the event additional security is granted as set forth in this clause 4.(l), UGI is deemed to be in compliance with this clause 4.(l). In addition, if any of the aforementioned agencies thereafter increases the rating of Utilities to at least A- (A minus), RZB shall be obligated to release the additional security as obtained under clause 4.(l), and UGI shall be deemed to be in compliance with this clause 4.(l); this clause 4.(l) cannot result in RZB receiving an additional security in excess of USD 10 million under Guarantee Agreements (A), (B) and (C) collectively; and".

dated 11. October 2001 UGI Corporation

1 Attachment: Offer of Flaga GmbH dated 11. October 2001

We hereby accept the above statement of UGI Corporation:

Bratislava, dated 11. October 2001 Raiffeisen Zentralbank Osterreich Aktiengesellschaft

page 2

FLAGA GmbH
An der Bundesstrasse 6
2100 Leobendorf
Austria

Raiffeisen Zentralbank
Osterreich Aktiengesellschaft
Am Stadtpark 9
1030 Vienna
Austria Bratislava, 11. October 2001

RE.: OFFER (A)

Dear Sirs,

we, FLAGA GmbH, An der Bundesstrasse 6, 2100 Leobendorf, Austria, herewith refer to our previous Offer (A) (hereinafter the "Offer (A)") and propose to amend the terms of Offer (A) as follows (Clauses referred to herein are Clauses of Offer (A)):

Clause 2.2. shall be replaced by the following:

"2.2. The Borrower shall draw the Loan either in EURO or in Austrian Schilling ("ATS") by giving the Bank notice in the form of Annex I hereto not later than 11:00 a.m. central European time ("CET") on the Business Day on which the Loan amount is required to be disbursed. As at the end of each interest period and before 31. December 2001, the Borrower shall have the right to convert a part of the Loan amount drawn hereunder equivalent to EUR 18.500.000 into USD. This right, however, can only be exercised once."

In Clause 4.2. the following provision shall be added:

"In the event that the Borrower exercises its conversion right stipulated in Clause 2.2., the following shall apply to the respective USD amount:

The rate of interest payable on the outstanding Loan amount in USD for each interest period shall be the rate per annum representing the aggregate of:

(a) the margin of 1.25% and

(b) the rate

(i) which is quoted for 1-, 2-, 3-, 4-, 5-, 6-, 7-, 8-, 9-, 10-, 11- or 12-month deposits in USD (depending on

Offer (A) page 1

four the interest period) on Telerate page 3750 (rounded up to
 decimal places) as at or about 11:00 a.m. (CET) on the second
 Business Day before the commencement of that Interest Period,
 or if no such rate is then available for USD deposits of 1-,
 2-, 3-, 4-, 5-, 6-, 7-, 8-, 9-, 10-, 11- or 12-month, the
 rate which is determined by the Bank to be the arithmetic mean
 (rounded up to four decimal places) of the offered rates per
 annum for 1-, 2-, 3-, 4-, 5-, 6-, 7-, 8-, 9-, 10-, 11- or
 12-month deposits which are advised to the Bank by three
 major banks active in the London inter-bank market selected by the
 Bank, or
 (ii) which is quoted by the Bank for interest periods starting at
 the date of the exercise of the conversion right stipulated
 in Clause 2.2. ("Conversion Date") until the following
 Repayment Dates: 10.03.2002, 10.09.2002, 10.03.2003,
 10.09.2003, 10.03.2004, 10.09.2004, 10.03.2005 and
 10.09.2005."

Clause 6.1 shall be replaced by the following:

"6.1

(a) In the event that the Borrower does not exercise its conversion right stipulated in Clause 2.2., it shall repay the Loan in accordance with the following repayment schedule:

on ("Repayment Date")	an EUR amount of ("Repayment Amount")

10.09.01	5,000,000
10.03.02	1,250,000
10.09.02	1,250,000
10.03.03	2,500,000
10.09.03	2,500,000
10.03.04	2,500,000
10.09.04	2,500,000
10.03.05	5,000,000
10.09.05	5,000,000
10.03.06	5,000,000
10.09.06	41,500,000

(b) In the event that the Borrower does exercise its conversion right stipulated in Clause 2.2., it shall repay the Loan in accordance with the following repayment schedule:

Offer (A) page 2

on ("Repayment Date")	an amount of USD ("Repayment Amount")	an amount of EUR ("Repayment Amount")
10.09.01		5,000,000
10.03.02	1,129,750	0
10.09.02	1,129,750	0
10.03.03	2,259,500	0
10.09.03	2,259,500	0
10.03.04	2,259,500	0
10.09.04	2,259,500	0
10.03.05	4,519,000	0
10.09.05	903,800	4,000,000
10.03.06		5,000,000
10.09.06		41,500,000"

In Clause 8.1. the following provision shall be added:

"In the event that the Borrower exercises its conversion right stipulated in Clause 2.2., payments of principal and interest relating to the respective USD amount shall be made in (a) USD for value on the due date and (b) in full without any deduction or withholding (whether in respect of set-off, counterclaim, duties, taxes, charges or otherwise whatsoever)."

All other clauses of Offer (A) shall remain unchanged.

You can accept the present proposal by debiting our account no. 1-00.640.763 with an account fee in the amount of ATS 350.00, not later than 11. October 2001. You are hereby irrevocably authorized to make such debit.

If you accept the present proposal, the respective amendments shall also apply to any agreement resulting from Offer (A).

With kind regards,

FLAGA GmbH

Offer (A) page 3

UGI Corporation
460 North Gulph
Road
King of Prussia
Pennsylvania 19406
USA

Raiffeisen Zentralbank Osterreich
Aktiengesellschaft
Am Stadtpark 9
1030 Wien
Austria

Statement regarding Guarantee Agreement (B) dated 21 September 1999

Ladies and Gentlemen,

We have taken note of the attached amendment offer of Flaga GmbH (the "Offer").

We hereby irrevocably and unconditionally agree that the Offer be accepted by your bank.

Moreover, we hereby irrevocably and unconditionally agree and confirm that the Guarantee Agreement (B) as executed and concluded in Bratislava on 21 September 1999 by and between your bank as beneficiary and our company as guarantor shall remain in full force and effect and fully applicable in accordance with its terms in the event that you accept the Offer (such Guarantee Agreement (B) shall of course also remain in full force and effect and fully applicable in accordance with its terms in the event that you do not accept the Offer), subject to the following:

Clause 4.(l) of the Guarantee Agreement (B) shall be replaced by the following provision:

"(l) in the event that both Standard & Poor's and Moody's (or, if Standard & Poor's and/or Moody's no longer exist, other rating agency or rating agencies according to clause 4.(k)) decrease the rating of Utilities below A- (A minus), UGI shall grant RZB an additional security for the Secured Obligations either in form of a pledge over a cash deposit held with RZB in the amount of USD 10 million (United States Dollar ten million) or in form of a letter of credit (abstract bank guarantee under Austrian law) in the amount of USD 10 million (United States Dollar ten million) issued by a bank with a rating of at least A- (A minus); such pledge over a cash deposit shall be established in a legal, valid and binding manner within one month, and such letter of credit shall be issued in a legal, valid and binding

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manner within 45 calendar days, from the day on which UGI is informed about such decrease of rating. In the event additional security is granted as set forth in this clause 4.(1), UGI is deemed to be in compliance with this clause 4.(1). In addition, if any of the aforementioned agencies thereafter increases the rating of Utilities to at least A- (A minus), RZB shall be obligated to release the additional security as obtained under clause 4.(1), and UGI shall be deemed to be in compliance with this clause 4.(1); this clause 4.(1) cannot result in RZB receiving an additional security in excess of USD 10 million under Guarantee Agreements (A), (B) and (C) collectively; and".

dated 19. October 2001 UGI Corporation

1 Attachment: Offer of Flaga GmbH dated 19. October 2001

We hereby accept the above statement of UGI Corporation:

Bratislava, dated 19. October 2001
Osterreich

Raiffeisen Zentralbank
Aktiengesellschaft

page 2

FLAGA GmbH
An der Bundesstrasse 6
2100 Leobendorf
Austria

Raiffeisen Zentralbank
Osterreich Aktiengesellschaft
Am Stadtpark 9
1030 Vienna
Austria Bratislava, 19. October 2001

RE.: OFFER (B)

Dear Sirs,

we, FLAGA GmbH, An der Bundesstrasse 6, 2100 Leobendorf, Austria, herewith refer to our previous Offer (B) as amended in September 2000 (hereinafter the "Offer (B)") and propose to amend the terms of Offer (B) as follows (Clauses referred to herein are Clauses of Offer (B)):

Clause 6.1 (a) and (b) shall be replaced by the following:

"6.1 Subject to clause 4.1 (e) and (f) as applicable to the respective Tranche, repayments shall be made as follows:

(a) in respect of Tranche I, repayments have to be made on the date and in amounts as follows:

Date	Amount in ATS	Amount in EUR
01.08.01	11,320,500	822,693
01.02.02	5,779,326	420,000
01.08.02	5,779,326	420,000
01.02.03	5,779,326	420,000
30.06.03	5,779,326	420,000
01.02.04	6,880,150	500,000
01.08.04	6,880,150	500,000
01.02.05	6,880,150	500,000
01.08.05	6,880,150	500,000
01.02.06	6,880,150	500,000
01.08.06	6,880,150	500,000
01.02.07	6,880,150	500,000
01.08.07	1,842,490	133,899

Offer (B) page 1

(b) in respect of Tranche II, repayment shall be made on the respective Final Maturity."

All other clauses of Offer (B) shall remain unchanged.

You can accept the present proposal by debiting our account no. 1-00.640.763 with an account fee in the amount of ATS 300.00, not later than 19. October 2001. You are hereby irrevocably authorized to make such debit.

If you accept the present proposal, the respective amendments shall also apply to any agreement resulting from Offer (B).

With kind regards,

FLAGA GmbH

Offer (B) page 2

UGI Corporation
460 North Gulph
Road
King of Prussia
Pennsylvania 19406
USA

Raiffeisen Zentralbank Osterreich
Aktiengesellschaft
Am Stadtpark 9
1030 Wien
Austria

Statement regarding Guarantee Agreement (C) dated 21 September 1999

Ladies and Gentlemen,

We have taken note of the attached amendment offer of Flaga GmbH (the "Offer").

We hereby irrevocably and unconditionally agree that the Offer be accepted by your bank.

Moreover, we hereby irrevocably and unconditionally agree and confirm that the Guarantee Agreement (C) as executed and concluded in Bratislava on 21 September 1999 by and between your bank as beneficiary and our company as guarantor shall remain in full force and effect and fully applicable in accordance with its terms in the event that you accept the Offer (such Guarantee Agreement (C) shall of course also remain in full force and effect and fully applicable in accordance with its terms in the event that you do not accept the Offer), subject to the following:

Clause 4.(l) of the Guarantee Agreement (C) shall be replaced by the following provision:

"(l) in the event that both Standard & Poor's and Moody's (or, if Standard & Poor's and/or Moody's no longer exist, other rating agency or rating agencies according to clause 4.(k)) decrease the rating of Utilities below A- (A minus), UGI shall grant RZB an additional security for the Secured Obligations either in form of a pledge over a cash deposit held with RZB in the amount of USD 10 million (United States Dollar ten million) or in form of a letter of credit (abstract bank guarantee under Austrian law) in the amount of USD 10 million (United States Dollar ten million) issued by a bank with a rating of at least A- (A minus); such pledge over a cash deposit shall be established in a legal, valid and binding manner within one month, and such letter of credit shall be issued in a legal, valid and binding

page 1

manner within 45 calendar days, from the day on which UGI is informed about such decrease of rating. In the event additional security is granted as set forth in this clause 4.(1), UGI is deemed to be in compliance with this clause 4.(1). In addition, if any of the aforementioned agencies thereafter increases the rating of Utilities to at least A- (A minus), RZB shall be obligated to release the additional security as obtained under clause 4.(1), and UGI shall be deemed to be in compliance with this clause 4.(1); this clause 4.(1) cannot result in RZB receiving an additional security in excess of USD 10 million under Guarantee Agreements (A), (B) and (C) collectively; and".

dated 28. September 2001 UGI Corporation

1 Attachment: Offer of Flaga GmbH dated 28. September 2001

We hereby accept the above statement of UGI Corporation:

Bratislava, dated 28. September 2001 Raiffeisen Zentralbank Osterreich Aktiengesellschaft

page 2

FLAGA GmbH
An der Bundesstrasse 6
2100 Leobendorf
Austria

Raiffeisen Zentralbank
Osterreich Aktiengesellschaft
Am Stadtpark 9
1030 Vienna
Austria Bratislava, 28. September 2001

RE.: OFFER (C)

Dear Sirs,

we, FLAGA GmbH, An der Bundesstrasse 6, 2100 Leobendorf, Austria, herewith refer to our previous Offer (C) as amended in September 2000 and December 2000 (hereinafter the "Offer (C)") and propose to amend the terms of Offer (C) as follows (Clauses referred to herein are Clauses of Offer (C)):

The date in Clause 2.1. shall be replaced by 28. September 2002.

In Clause 4.1.(d) the first date shall be replaced by 30. October 2002, and "August 2001" shall be replaced by September 2002.

All other clauses of the aforementioned offer shall remain unchanged.

You can accept the present proposal by debiting our account no. 1-00.640.763 with an account fee in the amount of ATS 250.00, not later than 28. September 2001. You are hereby irrevocably authorized to make such debit.

If you accept the present proposal, the respective amendments shall also apply to any agreement resulting from Offer (C).

With kind regards,

FLAGA GmbH

Offer (C) page 1

FINANCIAL REVIEW

BUSINESS OVERVIEW

We conduct a national propane distribution business through AmeriGas Partners, L.P. ("AmeriGas Partners") and its principal operating subsidiaries AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP"). We refer to AmeriGas Partners and its subsidiaries as "the Partnership." At September 30, 2001, UGI, through its wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the "General Partner"), held an effective approximate 53% interest in the Partnership.

Our utility business is conducted through UGI Utilities, Inc. ("UGI Utilities"). UGI Utilities owns and operates a natural gas distribution utility ("Gas Utility") in parts of eastern and southeastern Pennsylvania and an electricity distribution and electricity generation business (collectively referred to as "Electric Utility") in northeastern Pennsylvania.

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

This Financial Review should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements including the business segment information included in Note 19.

RESULTS OF OPERATIONS

**2001 COMPARED WITH 2000
CONSOLIDATED RESULTS**

	2001		2000		Variance - Favorable (Unfavorable)	
	NET INCOME (LOSS)	DILUTED EARNINGS (LOSS) PER SHARE	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share
(Millions of dollars, except per share)						
AmeriGas Propane	\$ 13.5	\$ 0.49	\$ --	\$ --	\$ 13.5	\$ 0.49
UGI Utilities	46.6	1.70	48.9	1.79	(2.3)	(0.09)
Energy Services	4.0	0.15	1.6	0.06	2.4	0.09
International Propane	(4.4)	(0.16)	(5.6)	(0.20)	1.2	0.04
Other Enterprises (a)	(9.3)	(0.34)	(3.8)	(0.14)	(5.5)	(0.20)
Corporate & Other	1.6	0.06	3.6	0.13	(2.0)	(0.07)
Changes in accounting (b)	4.5	0.16	--	--	4.5	0.16
Total	\$ 56.5	\$ 2.06	\$ 44.7	\$ 1.64	\$ 11.8	\$ 0.42

(a) Comprised principally of Hearth USA(TM), HVAC, and Enterprises corporate and general expenses. Net loss in 2001 includes after-tax shut-down costs of \$5.5 million or \$0.20 per share associated with closing the Company's two Hearth USA(TM) retail stores (see Note 15 to Consolidated Financial Statements).

(b) Includes cumulative effect of accounting changes associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs and (2) the Company's adoption of SFAS 133 (see "Changes in Accounting" below).

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

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

	2001	2000	Increase (Decrease)	
	----	----	-----	
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$1,418.4	\$1,120.1	\$ 298.3	26.6%
Total margin	\$ 582.4	\$ 491.8	\$ 90.6	18.4%
EBITDA (a)	\$ 209.3	\$ 158.6	\$ 50.7	32.0%
Operating income	\$ 133.8	\$ 90.2	\$ 43.6	48.3%
Retail gallons sold (millions)	820.8	771.2	49.6	6.4%
Degree days - % colder (warmer) than normal (b)	2.6%	(13.7)%	--	--
GAS UTILITY:				
Revenues	\$ 500.8	\$ 359.0	\$ 141.8	39.5%
Total margin	\$ 177.9	\$ 170.8	\$ 7.1	4.2%
EBITDA (a)	\$ 108.0	\$ 105.3	\$ 2.7	2.6%
Operating income	\$ 87.8	\$ 86.2	\$ 1.6	1.9%
System throughput - billions of cubic feet ("bcf")	77.3	79.7	(2.4)	(3.0)%
Degree days - % colder (warmer) than normal	2.0%	(9.9)%	--	--
ELECTRIC UTILITY:				
Revenues	\$ 83.9	\$ 77.9	\$ 6.0	7.7%
Total margin	\$ 28.6	\$ 40.5	\$ (11.9)	(29.4)%
EBITDA (a)	\$ 14.3	\$ 19.6	\$ (5.3)	(27.0)%
Operating income	\$ 10.7	\$ 15.1	\$ (4.4)	(29.1)%
Distribution sales - millions of kilowatt hours ("gwh")	945.5	907.2	38.3	4.2%
ENERGY SERVICES:				
Revenues	\$ 370.7	\$ 146.9	\$ 223.8	152.3%
Total margin	\$ 13.4	\$ 6.2	\$ 7.2	116.1%
EBITDA (a)	\$ 7.6	\$ 3.0	\$ 4.6	153.3%
Operating income	\$ 7.3	\$ 2.8	\$ 4.5	160.7%
INTERNATIONAL PROPANE:				
Revenues	\$ 50.9	\$ 50.5	\$ 0.4	0.8%
Total margin	\$ 22.5	\$ 20.8	\$ 1.7	8.2%
EBITDA (a)	\$ 3.6	\$ 1.9	\$ 1.7	89.5%
Operating loss	\$ (0.7)	\$ (2.7)	\$ (2.0)	(74.1)%

(a) 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 under accounting principles generally accepted in the United States.

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

FINANCIAL REVIEW (continued)

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

Total revenues from retail propane sales increased \$238.1 million reflecting (1) a \$182.1 million increase as a result of higher average selling prices and (2) a \$56.0 million increase as a result of the higher retail volumes sold. Wholesale propane revenues increased \$61.9 million principally reflecting higher average prices and greater sales associated with product cost management activities. Cost of sales increased \$207.7 million as a result of higher per unit propane product costs and the greater retail and wholesale volumes sold.

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

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

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

The significant increase in Gas Utility revenues is primarily a result of higher core-market revenues reflecting greater purchased gas cost ("PGC") rates and higher off-system sales revenues. Gas Utility's tariffs permit it to pass through prudently incurred gas costs to its core market customers through higher PGC rates.

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

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

Gas Utility EBITDA increased \$2.7 million as the previously mentioned increase in total margin and higher pension income resulting primarily from the impact of investment gains in prior years was partially offset by higher operating and administrative expenses. The increase in operating and administrative expenses includes, among other things, greater allowances for uncollectible accounts reflecting significantly higher Fiscal 2001 customer bills and lower income from environmental insurance litigation settlements. Such settlements totaled \$0.9 million in Fiscal 2001 compared with \$4.5 million in Fiscal 2000. Depreciation expense increased \$1.1 million reflecting greater depreciation associated with distribution system capital expenditures.

ELECTRIC UTILITY. Distribution system sales in Fiscal 2001 increased 4.2% on favorable weather. Revenues increased as a result of the higher distribution system sales as well as off-system sales of electricity generated by Energy Ventures, our joint-venture electricity generation business (see "Regulatory Matters" below). Cost of sales totaled \$51.9 million in Fiscal 2001 compared to \$33.9 million in the prior year. The increase reflects higher per-unit purchased power costs, the impact on cost of sales resulting from the formation of Energy Ventures, and the higher Fiscal 2001 sales.

Electric Utility total margin decreased \$11.9 million as a result of the higher purchased power costs. Because the generation component of Electric Utility's rates are currently subject to rate caps, increases in the cost of electricity purchased by Electric Utility negatively impacts

earnings. EBITDA declined less than the decline in total margin principally reflecting lower power production expenses subsequent to the formation of Energy Ventures and lower utility realty taxes. Depreciation expense decreased \$0.9 million reflecting the impact of the formation of Energy Ventures.

ENERGY SERVICES. Revenues from Energy Services increased significantly reflecting higher natural gas prices and acquisition-related volume growth. During Fiscal 2001, Energy Services acquired the energy marketing businesses of PG Energy Services, Inc. and Conectiv. Total margin, EBITDA and operating income were also

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substantially higher in Fiscal 2001 reflecting the greater acquisition-driven sales volumes and higher average unit margins.

INTERNATIONAL PROPANE. FLAGA's results in Fiscal 2001 were adversely impacted by weather that was approximately 12% warmer than normal. Propane volumes sold were 8.5% lower than in Fiscal 2000 reflecting the impact of the warm weather and price-induced conservation. The increase in total margin, notwithstanding the decline in sales volumes, reflects higher average unit margins partially offset by the impact of a weaker EURO in Fiscal 2001. International Propane EBITDA and operating loss in Fiscal 2001 also includes (1) a loss of \$1.1 million from the write-off of our propane joint-venture investment in Romania and (2) \$0.5 million of income associated with our investment in Antargaz (see "Investment in Antargaz" below).

CORPORATE & OTHER AND OTHER ENTERPRISES. Corporate & Other operating income in Fiscal 2001 declined \$1.9 million principally reflecting lower interest and investment income and greater incentive compensation costs. The increase in Other Enterprises' revenues is principally a result of HVAC, which was acquired in late Fiscal 2000. Other Enterprises' operating loss in Fiscal 2001 includes \$8.5 million of shut-down costs associated with Hearth USA(TM), our pilot retail hearth, spa and grill products business. In September 2001, after evaluating the prospects for Hearth USA(TM) in light of the weak retail environment and the capital required to expand beyond its two-store pilot phase, we committed to close both stores and cease operations in October 2001. Other Enterprises' operating loss in Fiscal 2001 also includes a \$2.0 million loss resulting from the write-down of an investment in a business-to-business e-commerce company.

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

2000 COMPARED WITH 1999 CONSOLIDATED RESULTS

	2000		1999		Variance - Favorable (Unfavorable)	
	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share
(Millions of dollars, except per share)						
AmeriGas Propane	\$ --	\$ --	\$ 4.5	\$ 0.14	\$ (4.5)	\$ (0.14)
UGI Utilities	48.9	1.79	37.4	1.17	11.5	0.62
Energy Services	1.6	0.06	1.5	0.05	0.1	0.01
International Propane	(5.6)	(0.20)	(0.1)	--	(5.5)	(0.20)
Other Enterprises	(3.8)	(0.14)	(3.6)	(0.11)	(0.2)	(0.03)
Corporate & Other	3.6	0.13	3.1	0.09	0.5	0.04
Merger termination fee, net (a)	--	--	12.9	0.40	(12.9)	(0.40)
Total	\$ 44.7	\$ 1.64	\$ 55.7	\$ 1.74	\$ (11.0)	\$ (0.10)

(a) Represents after-tax merger termination fee income, net of related expenses, associated with the Company's terminated merger agreement with Unisource Worldwide, Inc. See Note 17 to Consolidated Financial Statements.

Our Fiscal 2000 results reflect improved earnings from UGI Utilities partially offset by a decline in net income from AmeriGas Propane and International Propane losses. Excluding the effect of merger termination fee income in Fiscal 1999, earnings per share increased 22% in Fiscal 2000 reflecting a 15% decline in average shares outstanding and higher net income.

The following table presents certain financial and statistical information by business segment for Fiscal 2000 and Fiscal 1999:

	2000 ----	1999 ----	Increase (Decrease) -----	
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$1,120.1	\$ 872.5	\$ 247.6	28.4%
Total margin	\$ 491.8	\$ 481.7	\$ 10.1	2.1%
EBITDA	\$ 158.6	\$ 158.8	\$ (0.2)	(0.1)%
Operating income	\$ 90.2	\$ 92.5	\$ (2.3)	(2.5)%
Retail gallons sold (millions)	771.2	783.2	(12.0)	(1.5)%
Degree days - % (warmer) than normal	(13.7)%	(9.9)%	--	--
GAS UTILITY:				
Revenues	\$ 359.0	\$ 345.6	\$ 13.4	3.9%
Total margin	\$ 170.8	\$ 160.6	\$ 10.2	6.4%
EBITDA	\$ 105.3	\$ 87.0	\$ 18.3	21.0%
Operating income	\$ 86.2	\$ 68.0	\$ 18.2	26.8%
System throughput - billions of cubic feet ("bcf")	79.7	76.1	3.6	4.7%
Degree days - % (warmer) than normal	(9.9)%	(12.8)%	--	--
ELECTRIC UTILITY:				
Revenues	\$ 77.9	\$ 75.0	\$ 2.9	3.9%
Total margin	\$ 40.5	\$ 38.6	\$ 1.9	4.9%
EBITDA	\$ 19.6	\$ 16.7	\$ 2.9	17.4%
Operating income	\$ 15.1	\$ 12.7	\$ 2.4	18.9%
Distribution sales - millions of kilowatt hours ("gwh")	907.2	900.4	6.8	0.8%
ENERGY SERVICES:				
Revenues	\$ 146.9	\$ 90.4	\$ 56.5	62.5%
Total margin	\$ 6.2	\$ 6.0	\$ 0.2	3.3%
EBITDA	\$ 3.0	\$ 2.7	\$ 0.3	11.1%
Operating income	\$ 2.8	\$ 2.6	\$ 0.2	7.7%
INTERNATIONAL PROPANE:				
Revenues	\$ 50.5	\$ --	\$ 50.5	N.M.
Total margin	\$ 20.8	\$ --	\$ 20.8	N.M.
EBITDA	\$ 1.9	\$ (0.1)	\$ 2.0	N.M.
Operating loss	\$ (2.7)	\$ (0.1)	\$ 2.6	N.M.
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N.M. - Not Meaningful.

FINANCIAL REVIEW (continued)

AMERIGAS PROPANE. Based upon national heating degree day information, temperatures in Fiscal 2000 were 13.7% warmer than normal and 3.8% warmer than in Fiscal 1999. Retail volumes of propane sold were 12 million gallons lower, primarily a result of the warmer weather's effect on residential heating gallons and a decline in agricultural gallons as a result of a poor crop drying season. Partially offsetting these decreases were higher motor fuel sales, reflecting the continuing effects of our expanding National Accounts program, the volume impact of PPX(R), and acquisition-related volume increases.

Total revenues from retail propane sales increased \$160.5 million in Fiscal 2000 due to higher average selling prices. The higher average selling prices resulted from significantly higher propane product costs. Wholesale propane revenues increased \$77.4 million reflecting (1) a \$50.7 million increase as a result of higher average wholesale prices and (2) a \$26.7 million increase as a result of higher wholesale volumes sold. Nonpropane revenues increased \$9.7 million in Fiscal 2000 reflecting higher customer fees, hauling, and PPX(R) cylinder sales revenue. Cost of sales increased \$237.5 million primarily as a result of the higher propane product costs and greater wholesale volumes sold.

Total margin increased \$10.1 million in Fiscal 2000 due to (1) greater volumes sold to higher margin PPX(R) customers; (2) slightly higher average retail unit margins; and (3) an increase in total margin from customer fees, and ancillary sales and services.

EBITDA in Fiscal 2000 was comparable to Fiscal 1999 as the increases in total margin and higher other income were offset by higher operating expenses. Other income increased \$3.1 million due to, among other things, higher income from sales of assets and higher finance charge income. Operating expenses of the Partnership were \$342.7 million in Fiscal 2000 compared with \$329.6 million in Fiscal 1999 reflecting incremental expenses from growth and operational initiatives and higher vehicle fuel costs. Our growth and operational initiatives in Fiscal 2000 included significantly expanding PPX(R), acquiring retail propane businesses, and developing and implementing more efficient methods of operating the business. Although EBITDA in Fiscal 2000 was about equal to Fiscal 1999, operating income declined \$2.3 million reflecting higher PPX(R) and acquisition-related charges for depreciation and amortization.

GAS UTILITY. Weather in Gas Utility's service territory was 9.9% warmer than normal in Fiscal 2000 but 3.8% colder than in Fiscal 1999. The increase in system throughput during Fiscal 2000 resulted from higher interruptible delivery service volumes and higher sales to our core-market customers.

The increase in Gas Utility's revenues during Fiscal 2000 principally resulted from (1) a \$13.1 million increase in core-market revenues reflecting higher sales and higher average PGC rates partially offset by the impact of the elimination of gross receipts tax revenue effective January 1, 2000 pursuant to Pennsylvania's Gas Competition Act and (2) a \$5.9 million increase in revenues from interruptible customers. These increases in revenue were partially offset by lower off-system sales and firm delivery service revenues. Gas Utility cost of gas was \$184.2 million in Fiscal 2000 compared with \$172.0 million in Fiscal 1999. The increase reflects higher average PGC rates and higher core-market sales partially offset by lower costs associated with the decline in off-system sales.

Gas Utility total margin increased \$10.2 million reflecting (1) a \$4.2 million increase in total interruptible retail and interruptible delivery service margin; (2) a \$4.9 million increase in core-market margin; and (3) slightly higher firm delivery service total margin.

Gas Utility EBITDA and operating income increased \$18.3 million and \$18.2 million, respectively, as a result of (1) the higher total margin; (2) a \$5.0 million increase in other income; and (3) a decrease in net operating expenses. Other income in Fiscal 2000 includes, among other things, (1) income from the refund of revenue-related tax overpayments made in prior years (including associated interest); (2) interest income from PGC undercollections; and (3) higher income from a construction project and other activities. Gas Utility's net operating expenses declined \$3.1 million, despite an increase in distribution system maintenance expenses, principally reflecting (1) \$4.5 million in income from insurance litigation settlements and (2) \$0.9 million from adjustments to incentive compensation accruals.

ELECTRIC UTILITY. Electric sales for Fiscal 2000 increased 0.8% on weather that was slightly colder than in the prior year. Revenues increased as a result of the higher sales as well as an increase in transmission revenues from wholesale transmission services which have been unbundled as a result of electric customer choice. Cost of sales increased to \$33.9 million in Fiscal 2000 from \$33.2 million in Fiscal 1999 reflecting the higher sales and higher costs associated with wholesale transmission services.

Electric Utility total margin increased \$1.9 million principally reflecting the impact of lower average power costs and higher sales. EBITDA and operating income also increased reflecting higher total margin and a \$2.5 million increase in other income principally from the sale of pollution credits. These increases were partially offset by higher utility realty taxes and greater power production maintenance expenses.

ENERGY SERVICES. Revenues increased \$56.5 million during Fiscal 2000 primarily as a result of higher natural gas prices and to a lesser extent higher volumes sold. Total margin, EBITDA and operating income in Fiscal 2000 were slightly higher than in Fiscal 1999 due to the impact of the higher sales on total margin.

INTERNATIONAL PROPANE. International Propane results include equity in our joint venture projects in Romania and China and, in Fiscal 2000, the results of FLAGA. The results of FLAGA during Fiscal 2000 were adversely affected by weather that was 9.6% warmer than normal

and by higher propane supply costs. The higher propane supply costs resulted in lower than normal unit margins and price-induced conservation. Equity income in Fiscal 2000 from our China propane joint venture partnership was also negatively impacted by higher propane product costs and customer conservation.

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CORPORATE & OTHER AND OTHER ENTERPRISES. Corporate & Other operating income in Fiscal 2000 was \$5.1 million, a decrease of \$0.8 million from Fiscal 1999, primarily reflecting lower interest income on cash investments. Other Enterprises' results in Fiscal 2000 primarily reflect start-up costs and initial operating losses of Hearth USA(TM). Results in Fiscal 1999 include due diligence expenses associated with Enterprises' domestic and international new business activities and start-up expenses associated with Hearth USA(TM).

INTEREST EXPENSE AND INCOME TAXES. The higher interest expense in Fiscal 2000 is a result of an increase in the Partnership's long-term debt, higher interest under the Partnership's and UGI Utilities' bank credit agreements, and interest on FLAGA debt in Fiscal 2000. The effective income tax rate was 46.4% in Fiscal 2000 compared to 43.0% in Fiscal 1999 which rate reflected a lower tax rate on merger termination fee income.

FINANCIAL CONDITION AND LIQUIDITY

ACQUISITION OF COLUMBIA PROPANE

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

The purchase price of the Columbia Propane Businesses consisted of \$201.8 million in cash. In addition, AmeriGas OLP agreed to pay CEG for the amount of working capital, as defined, in excess of \$23 million. The Columbia Purchase Agreement also provided for the purchase by CEG of limited partnership interests in AmeriGas OLP valued at \$50 million for \$50 million in cash, which interests were exchanged for 2,356,953 Common Units of AmeriGas Partners having an estimated fair value of \$54.4 million. Concurrently with the acquisition, AmeriGas Partners issued \$200 million of 8 7/8% Senior Notes due 2011, the net proceeds of which were contributed to AmeriGas OLP to finance the acquisition of the Columbia Propane Businesses, to fund related fees and expenses, and to repay debt outstanding under AmeriGas OLP's Bank Credit Agreement.

The operating results of the Columbia Propane Businesses are included in our consolidated results subsequent to August 21, 2001. For further information on the acquisition of the Columbia Propane Businesses, see Note 2 to Consolidated Financial Statements.

INVESTMENT IN ANTARGAZ

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

Pursuant to the Shareholders' Funding Agreement, UGI France made a 29.8 million EURO (\$26.6 million U.S. dollar equivalent) investment comprising a 9.8 million EURO investment in shares of AGZ and a 20.0 million EURO investment in redeemable bonds of AGZ. The bonds are redeemable in the form of additional shares of AGZ on December 31, 2013. Under certain circumstances, the bonds may be redeemed earlier in the form of additional shares or in cash. Because we believe we have significant influence over operating and financial policies of Antargaz due, in part, to our membership on its Board of Directors, our investment in AGZ shares is accounted for by the equity method. Our investment in AGZ did not materially impact our Fiscal 2001 results of operations.

CAPITALIZATION AND LIQUIDITY

Our cash and short-term investments totaled \$91.1 million at September 30, 2001 compared with \$101.7 million at September 30, 2000. Included in these amounts are \$31.9 million and \$56.3 million, respectively, of cash and short-term investments held by UGI.

The primary sources of UGI's cash and short-term investments are the cash dividends it receives from its principal operating subsidiaries,

AmeriGas, Inc. and UGI Utilities. AmeriGas, Inc.'s ability to pay dividends to UGI is dependent upon the receipt of distributions on the Common and Subordinated units of AmeriGas Partners that we own. During Fiscal 2001, 2000 and 1999, AmeriGas, Inc. and UGI Utilities paid cash dividends to UGI as follows:

Year Ended September 30, 1999	2001	2000	
-----	----	----	

(Millions of dollars)			
AmeriGas	\$ 41.0	\$ 51.6	\$
47.6			
UGI Utilities	35.3	44.0	
29.0			
-----	-----	-----	
Total dividends to UGI	\$ 76.3	\$ 95.6	\$
76.6			
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FINANCIAL REVIEW (continued)

AMERIGAS PARTNERS. The Partnership's debt outstanding at September 30, 2001 totaled \$1,005.9 million. Included in this amount is \$20 million of debt outstanding under AmeriGas OLP's Acquisition Facility.

In October 2000, AmeriGas Partners issued 2,300,000 Common Units in a public offering. The net proceeds from the Common Unit offering and related capital contributions from the General Partner of \$40.2 million were used to reduce AmeriGas OLP Bank Credit Agreement indebtedness and for working capital purposes. On October 5, 2001, subsequent to year end, AmeriGas Partners sold 350,000 Common Units to the General Partner. On December 11, 2001, AmeriGas Partners sold 1,843,047 Common Units in an underwritten public offering. The proceeds of these sales and related capital contributions from the General Partner of approximately \$45.3 million were contributed to AmeriGas OLP and used to reduce Bank Credit Agreement borrowings and for working capital purposes. In November 2001, AmeriGas Partners redeemed \$15 million of its 10.125% Senior Notes at a redemption price of 103.375%.

On April 4, 2001, AmeriGas Partners issued \$60 million face value of 10% Senior Notes due April 2006. The proceeds of these notes were contributed to AmeriGas OLP and used to (1) repay revolving loans under AmeriGas OLP's Bank Credit Agreement and (2) fund a portion of AmeriGas OLP's scheduled April 2001 \$58 million principal repayment of its First Mortgage Notes. In August 2001, AmeriGas Partners issued \$200 million of 8 7/8% Senior Notes due 2011 to finance the acquisition of Columbia Propane and related fees and expenses, and to repay debt outstanding under AmeriGas OLP's Bank Credit Agreement.

AmeriGas OLP's Bank Credit Agreement consists of (1) a \$100 million Revolving Credit Facility and (2) a \$75 million Acquisition Facility. The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. There were no borrowings outstanding under this facility at September 30, 2001. AmeriGas OLP's borrowing needs are seasonal, and are typically greatest during the fall and early winter months due to higher working capital needs entering the winter heating season. AmeriGas OLP may borrow under its Acquisition Facility to finance the purchase of propane businesses or propane business assets. In addition, up to \$30 million of the Acquisition Facility may be used for working capital purposes. The Acquisition Facility operates like a revolving facility. Loans outstanding under the Acquisition Facility at September 30, 2001 were \$20 million. The Acquisition Facility and the Revolving Credit Facility expire September 15, 2002. The Partnership intends to renew these facilities prior to their expiration.

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

The Partnership must maintain certain financial ratios in order to borrow under the Bank Credit Agreement including a minimum interest coverage ratio and a maximum debt to EBITDA ratio. The Partnership's ratios calculated as of September 30, 2001 permit it to borrow up to the maximum amount available. For a more detailed discussion of the Partnership's credit facilities, see Note 5 to Consolidated Financial Statements.

The Partnership's management believes that cash flow from operations and Bank Credit Agreement borrowings will be sufficient to satisfy its liquidity needs in Fiscal 2002.

UGI UTILITIES. UGI Utilities debt outstanding totaled \$266.2 million at September 30, 2001. Included in this amount is \$57.8 million under revolving credit agreements.

UGI Utilities may borrow up to a total of \$97 million under its revolving credit agreements. The revolving credit agreements contain financial covenants including interest coverage ratios, minimum working capital, and minimum tangible net worth. In November 2001, UGI Utilities filed a shelf registration statement with the U.S. Securities and Exchange Commission covering a total of \$123 million of debt securities. The registration statement was declared effective on November 6, 2001.

Management believes that UGI Utilities' cash flow from operations and borrowings under its bank credit agreements will satisfy UGI Utilities' cash needs in Fiscal 2002. For a more detailed discussion of UGI Utilities' debt and credit facilities, see Note 5 to Consolidated Financial Statements.

ENERGY SERVICES. On November 30, 2001, Energy Services entered into an accounts receivable securitization facility with a major bank and its commercial paper conduit. In conjunction with this facility, on December 4, 2001, Energy Services initially received \$6 million in cash in exchange for the sale and contribution of \$14.7 million of its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation. Energy Services Funding Corporation then sold, and will from time to time thereafter sell, an undivided percentage ownership interest in its receivables to this bank's commercial paper conduit. During the term of this facility Energy Services will sell or contribute its receivables to Energy Services Funding Corporation. The level of funding available under this three-year facility is limited to \$50 million. Energy Services intends to use the proceeds of this facility principally for working capital purposes. Prior to the transaction, working capital was funded primarily through an intercompany loan agreement with UGI. The securitization transaction will be reflected in the Company's consolidated financial statements as a sale of accounts receivable and an investment in an unconsolidated subsidiary.

FLAGA. FLAGA has a 15 million EURO working capital loan commitment and a 15 million EURO special purpose facility from a foreign bank. Borrowings under the working capital facility totaled 11 million EURO (\$10 million U.S. dollar equivalent) at September 30, 2001. Borrowings under the special purpose facility totaled 11.8 million EURO (\$10.7 million U.S. dollar equivalent) at September 30, 2001. Management believes that cash flow from operations, as well as borrowings under these loan commitments, will satisfy FLAGA's cash needs in Fiscal 2002. Debt issued under these agreements, as well as \$62.7 million of additional U.S. dollar equivalent debt of FLAGA, is subject to guarantees of UGI. For a more detailed discussion, see Note 5 to Consolidated Financial Statements.

CASH FLOWS

OPERATING ACTIVITIES. Cash flow from operating activities was \$203.5 million in Fiscal 2001 compared to \$132.7 million in Fiscal 2000 reflecting increased cash flow from changes in working capital and the improved Fiscal 2001 results. In Fiscal 2001, changes in operating working capital provided \$23.7 million of operating cash flow. In Fiscal 2000, changes in operating working capital required \$34.8 million primarily reflecting changes in inventories and accounts receivable partially offset by changes in accounts payable. Cash flow before changes in operating working capital increased to \$179.8 million in Fiscal 2001 from \$167.5 million in Fiscal 2000 reflecting the improved operating performance partially offset principally by settlement payments associated with Energy Services' exchange-traded natural gas futures contracts.

INVESTING ACTIVITIES. Cash spent for property, plant and equipment totaled \$78.0 million in Fiscal 2001 compared with \$71.0 million in Fiscal 2000. The increase reflects greater Partnership capital expenditures including expenditures relating to tank installation costs resulting from the Partnership's change in accounting. During Fiscal 2001, the Company made a \$26.6 million investment in Antargaz and contributed \$6.0 million to Energy Ventures in conjunction with its formation. In Fiscal 2001, we spent \$209.1 million in conjunction with acquisitions, principally the Partnership's acquisition of Columbia Propane, compared to \$65.3 million in Fiscal 2000.

FINANCING ACTIVITIES. In Fiscal 2001 and 2000, we paid cash dividends on our Common Stock of \$53.2 million and \$41.2 million, respectively, and the Partnership paid the full minimum quarterly distribution of \$0.55 ("MQD") to its public unitholders (as well as on the Common and Subordinated units we own). The increase in dividends paid on Common Stock in Fiscal 2001 reflects the one-time impact of funding the quarterly dividend on the last day of the quarter rather than on the first day of the quarter. During 2001, the Partnership received \$39.8 million in cash from the sale of 2,300,000 Common Units in October 2000 and \$50.0 million from the sale of limited partner interests in AmeriGas OLP to CEG. These interests were then exchanged for 2,356,953 AmeriGas Partners Common Units in accordance with the Columbia Purchase Agreement. Concurrently with the acquisition, AmeriGas Partners issued \$200 million of 8 7/8% Senior Notes due 2011, the net proceeds of which were used to fund the acquisition of Columbia Propane and related costs and expenses, and to repay debt under AmeriGas OLP's Bank Credit Agreement. During Fiscal 2001, the Partnership and UGI Utilities issued \$60 million and \$50 million face value of long-term debt, respectively, and made long-term debt repayments of \$110.8 million and \$15 million, respectively.

DIVIDENDS AND DISTRIBUTIONS

In April 2001, our board of directors increased the annual dividend rate on UGI Common Stock to \$1.60 a share from \$1.55. Dividends declared on our Common Stock in 2001 totaled \$42.6 million.

At September 30, 2001, our approximate 53% effective ownership interest in the Partnership consisted of (1) 14.3 million Common Units; (2) 9.9 million Subordinated Units; and (3) a 2% general partner interest. The remaining approximate 47% effective interest consists of 22.5 million publicly held Common Units. Approximately 45 days after the end of each fiscal quarter, the Partnership distributes all of its Available Cash (as defined in the Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, the "Partnership Agreement") relating to such fiscal quarter. Common Unitholders receive the MQD, plus any arrearages, before a distribution of Available Cash can be made on the Subordinated Units.

Since its formation in 1995, the Partnership has paid the MQD on all limited partner units outstanding. The amount of Available Cash needed annually to pay the MQD on all units and the general partner interests in Fiscal 2001, 2000 and 1999 was approximately \$99 million, \$94 million and \$94 million, respectively. Based upon the number of Common and Subordinated units outstanding on September 30, 2001 as adjusted for the 350,000 Common Units issued to the General Partner on October 5, 2001 and the 1,843,047 Common Units sold to the public on December 11, 2001, the amount of Available Cash needed annually to pay the MQD on all units and the general partner interests is approximately \$110 million. A reasonable proxy for the amount of cash available for distribution that is generated by the Partnership can be calculated by subtracting from the Partnership's EBITDA (1) cash interest expense and (2) capital expenditures needed to maintain operating capacity. Partnership distributable cash flow as calculated for Fiscal 2001, 2000 and 1999 is as follows:

Year Ended September 30, ----- (Millions of dollars)	2001 -----	2000 -----	1999 -----
EBITDA	\$ 208.6	\$ 157.6	\$ 157.5
Cash interest expense(a) (68.3)	(82.0)	(76.7)	
Maintenance capital expenditures (11.1)	(17.8)	(11.6)	
Distributable cash flow	----- \$ 108.8 -----	----- \$ 69.3 -----	----- \$ 78.1 -----

(a) Interest expense adjusted for noncash items.

Although distributable cash flow is a reasonable estimate of the amount of cash generated by the Partnership, it does not reflect the impact of changes in working capital, which can significantly affect cash available for distribution, and is not a measure of performance or financial condition under accounting principles generally accepted in the United States but provides additional information for evaluating the Partnership's ability to declare and pay the MQD. Although the levels of distributable cash flow in Fiscal 2000 and 1999 were less than the full MQD, cash from borrowings in each of these years was more than sufficient to permit the Partnership to pay the full MQD. The ability of the Partnership to pay the MQD on all units depends upon a number of factors. These factors include (1) the level of Partnership earnings; (2) the cash needs of the Partnership's operations (including cash needed for maintaining and increasing operating capacity); (3) changes in operating working capital; and (4) the Partnership's ability to borrow under its Bank Credit Agreement, to refinance maturing debt and to increase its long-term debt. Some of these factors are affected by conditions beyond our control including weather, competition in markets we serve, and the cost of propane.

FINANCIAL REVIEW (continued)

The Partnership's ability to attain the cash-based performance and distribution requirements necessary to convert to Common Units the remaining 9,891,072 Subordinated Units held by the General Partner depends upon a number of factors, including highly seasonal operating results, changes in working capital, asset sales and debt refinancings. Due to the historical quarterly requirements of the conversion test, the possibility is remote that the Partnership will satisfy the cash-based performance requirements for conversion any earlier than in respect of the quarter ending September 30, 2002.

CAPITAL EXPENDITURES

In the following table, we present capital expenditures (which include expenditures for capital leases but exclude acquisitions) by business segment for Fiscal 2001, 2000 and 1999. We also provide amounts we expect to spend in Fiscal 2002. We expect to finance Fiscal 2002 capital expenditures principally from cash generated by operations and borrowings under our credit facilities.

Year Ended September 30, ----- (Millions of dollars)	2002 ----- (estimate)	2001 -----	2000 -----	1999 -----
AmeriGas Propane 34.6	\$ 52.9	\$ 39.2	\$ 30.4	\$
UGI Utilities 36.4	42.2	36.8	36.4	
International Propane --	2.7	2.7	1.8	
Other 2.7	1.6	0.6	2.4	
-----	-----	-----	-----	
Total 73.7	\$ 99.4	\$ 79.3	\$ 71.0	\$
-----	-----	-----	-----	

CHANGES IN ACCOUNTING

Effective October 1, 2000 (1) the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"); (2) the Partnership applied the guidance of SEC Staff Accounting Bulletin No. 101 entitled "Revenue Recognition" ("SAB 101") with respect to its nonrefundable tank fees; and (3) the Partnership changed its method of accounting for costs to install Partnership-owned tanks at customer locations. The net effect of these accounting changes on prior periods resulted in a \$4.5 million after-tax cumulative effect increase in 2001 net income (equal to \$0.16 per diluted share) which is reflected on the 2001 Consolidated Statement of Income as "Cumulative effect of accounting changes, net."

The adoption of SFAS 133 resulted in a cumulative effect decrease to net income of \$0.3 million and a cumulative effect increase to accumulated other comprehensive income of \$7.1 million. The increase to accumulated other comprehensive income represents the fair value of derivative instruments qualifying and designated as cash flow hedges on October 1, 2000.

The application of SAB 101 resulted in a cumulative effect decrease to net income of \$2.1 million representing the impact on prior periods resulting from the change in the Partnership's method of recognizing revenue associated with nonrefundable fees for installed Partnership-owned tanks. Prior to the change in accounting method, such fees, which are generally billed annually, were recorded as revenue when billed. The Partnership now records such nonrefundable fees as revenue on a straight-line basis over one year.

In order to better match the costs of installing Partnership-owned tanks at customer locations with their period of benefit, the Partnership changed its method of accounting for tank installation costs. Previously, costs to install Partnership-owned tanks were expensed as incurred. Under the new method of accounting, such costs are capitalized and amortized over the estimated period of benefit not exceeding ten years. The change in accounting for tank installation costs resulted in a cumulative effect increase to net income of \$6.9 million representing the impact on prior periods resulting from the accounting change. Although this change in accounting resulted in a \$5.1 million increase in Partnership EBITDA because costs to install such tanks are now capitalized and amortized, it did not have a material impact on operating income in Fiscal 2001. For a detailed discussion of these changes in accounting, see Note 3 to Consolidated Financial Statements.

UTILITY REGULATORY MATTERS

GAS RESTRUCTURING ORDER. On June 29, 2000, the Pennsylvania Public Utility Commission ("PUC") issued its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan filed by Gas Utility pursuant to Pennsylvania's Natural Gas Choice and Competition Act (see Note 4 to Consolidated Financial Statements). Among other things, the implementation of the Gas Restructuring Order resulted in an increase in Gas Utility's core-market base rates effective October 1, 2000. This base rate increase was designed to generate approximately \$16.7 million in additional net annual revenues. The Gas Restructuring Order also provided that effective October 1, 2000, Gas Utility must reduce its PGC rates by an annualized amount of \$16.7 million for the first 14 months following the base rate increase.

Beginning December 1, 2001, Gas Utility is required to reduce its PGC rates by an amount equal to the margin it receives from customers served under interruptible rates to the extent they use capacity contracted by Gas Utility for core-market customers. As a result, Gas Utility expects that beginning in Fiscal 2002 operating results will be less sensitive to the market prices of alternative fuels and more sensitive to the effects of heating-season weather.

TRANSFERS OF ASSETS. On September 30, 2001, pursuant to PUC authorization, Gas Utility transferred certain of its liquefied natural gas ("LNG") and propane air facilities to Energy Services. The reduction in Gas Utility's base rates resulting from the transfer, adjusted for the transfer's impact on net operating expenses, is not expected to have a material effect on Gas Utility's future results.

On December 8, 2000, UGI Utilities' wholly owned subsidiary, UGI Development Company, contributed its coal-fired Hunlock Creek generating station ("Hunlock") and certain related assets having a net book value of approximately \$4.2 million, and \$6 million in cash, to Hunlock Creek Energy Ventures ("Energy Ventures"), a general partnership jointly owned by the Company and a subsidiary of Allegheny Energy, Inc. ("Allegheny"). Also on December 8, 2000, Allegheny contributed a newly constructed, gas-fired combustion turbine generator to be operated at the Hunlock site. Under the terms of our arrangement with Allegheny, each partner is entitled to

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purchase 50% of the output of the joint venture at cost. Prior to the formation of Energy Ventures, Hunlock produced a significant portion of Electric Utility's electricity requirements. The contribution of Hunlock to Energy Ventures results in lower Electric Utility power production and depreciation expenses but higher cost of sales because Electric Utility must purchase a greater percentage of its electricity needs from others, including Energy Ventures.

MANUFACTURED GAS PLANTS

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

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

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

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

MARKET RISK DISCLOSURES

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

Price risk associated with fluctuations in the prices the Partnership and FLAGA pay for propane, and Energy Services pays for natural gas, are principally a result of market forces reflecting changes in supply and demand. The Partnership's profitability is sensitive to changes in propane supply costs, and the Partnership generally attempts to pass on increases in such costs to customers. The Partnership may not, however, always be able to pass through product cost increases fully, particularly when product costs rise rapidly. In order to manage a portion of the Partnership's propane market price risk, it uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements, and over-the-counter derivative commodity instruments including price swap and option contracts. FLAGA's profitability is also sensitive to changes in propane supply costs. FLAGA on occasion also uses derivative commodity instruments to reduce market risk associated with purchases of propane. In order to manage market price risk relating to substantially all of Energy Services' forecasted sales of natural gas, we purchase exchange-traded natural gas futures contracts. In addition, in the past we have, on occasion, utilized a managed program of derivative instruments, including natural gas and oil futures contracts, to preserve gross margin associated with certain of our natural gas customers. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. The change in market value of these contracts generally requires daily cash settlement in margin accounts with brokers. Over-the-counter derivative commodity instruments utilized by the Partnership and FLAGA to hedge forecasted purchases of propane are generally settled at expiration of the contract. In order to minimize credit risk associated with these contracts, we carefully monitor established credit limits with the contract counterparties.

Although Gas Utility is also subject to changes in the price of natural gas, the current regulatory framework allows Gas Utility to recover prudently incurred gas costs from its customers. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Gas Utility operations.

Electric Utility's electricity distribution business purchases most of its electric power needs under power supply arrangements of various lengths and on the spot market. Prices for electricity can be volatile especially during periods of high demand or tight supply. Because the generation component of Electric Utility's rates are subject to rate caps as a result of the Electricity Restructuring Order that are expected to extend through September 2002 in the case of its commercial and industrial customers and May 2003 in the case of its residential customers, any increase in the cost of electricity purchased by Electric Utility will

FINANCIAL REVIEW (continued)

negatively impact Electric Utility's results. Electric Utility has mitigated this electricity cost exposure by entering into power and capacity contracts for a substantial portion of these periods.

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

Our variable-rate debt includes borrowings under AmeriGas OLP's Bank Credit Agreement, borrowings under UGI Utilities' revolving credit agreements, and most of FLAGA's debt. These debt agreements have interest rates that are generally indexed to short-term market interest rates. At September 30, 2001 and 2000, combined borrowings outstanding under these agreements totaled \$162.3 million and \$282.1 million, respectively. Based upon weighted average borrowings outstanding under these agreements during Fiscal 2001 and Fiscal 2000, an increase in short-term interest rates of 100 basis points (1%) would have increased our interest expense by \$2.4 million and \$2.5 million, respectively.

The remainder of our debt outstanding is subject to fixed rates of interest. A 100 basis point increase in market interest rates would result in decreases in the fair value of this fixed-rate debt of \$57.9 million and \$42.2 million at September 30, 2001 and 2000, respectively. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of \$58.8 million and \$45.4 million at September 30, 2001 and 2000, respectively.

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

The primary currency for which the Company has exchange rate risk is the U.S. dollar versus the EURO. We do not currently use derivative instruments to hedge foreign currency exposure associated with our international propane operations and investments, principally FLAGA and Antargaz. As a result, the U.S. dollar value of our foreign denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates, principally the EURO. With respect to FLAGA, our exposure to changes in foreign currency exchange rates has been significantly limited because the purchase of FLAGA was financed with EURO denominated debt, and FLAGA's U.S. dollar denominated financial instrument assets and liabilities are substantially equal in amount. With respect to our debt and equity investments in Antargaz, a 10% decline in the value of the EURO would reduce the book value of these investments by approximately \$2.5 million, which amount would be reflected in other comprehensive income.

The following table summarizes the fair values of unsettled market risk sensitive derivative instruments held at September 30, 2001 and 2000. It also includes the changes in fair value that would result if there were an adverse change in (1) the market price of propane of 10 cents a gallon; (2) the market price of natural gas of 50 cents a dekatherm; and (3) interest rates on ten-year U.S. treasury notes of 100 basis points.

Value	Fair Value	Change in Fair
-----	-----	-----
(Millions of dollars)		
September 30, 2001:		
Propane commodity price risk (19.3)	\$ (10.5)	\$
Natural gas commodity price risk (2.2)	(1.5)	
Interest rate risk (2.1)	(3.0)	
September 30, 2000:		
Propane commodity price risk (10.5)	\$ 6.5	\$
Natural gas commodity price risk (3.5)	4.2	
Interest rate risk (3.9)	2.5	
	-----	-----

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") recently issued SFAS No. 141, "Business Combinations" ("SFAS 141"); SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"); SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"); and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 141 addresses financial accounting and reporting for business combinations. Under SFAS 141, all business combinations initiated after June 30, 2001 are required to be accounted for using the purchase method of accounting. Among other provisions, SFAS 141 establishes specific criteria for the recognition of intangible assets separate from goodwill acquired in a purchase business combination. Although SFAS 141 supersedes Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises," it does not change many of their provisions relating to the application of the purchase method. The Company has historically accounted for business combinations using the purchase method and, therefore, SFAS No. 141 is not expected to have a material impact on the Company.

SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." SFAS 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (excluding those acquired in a business combination) at acquisition and also addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS 142, an intangible asset will be amortized over its useful life unless that life is determined to be indefinite. Goodwill and other intangible assets with indefinite lives will be tested for impairment at least annually.

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The Company adopted SFAS 142 effective October 1, 2001. Although there is no effect on the Company's cash flows, the Company's amortization expense in Fiscal 2001 would have been approximately \$25.2 million lower, and its net income approximately \$14.0 million higher (after adjusting for the minority interests in AmeriGas Partners), if SFAS 142 had been effective October 1, 2000.

SFAS 142 requires the Company to test goodwill for impairment within six months of adoption. Based upon the fair value of AmeriGas Partners, we do not believe the Partnership's goodwill is impaired. We have not yet completed the evaluation of the impact, if any, of the goodwill impairment provisions of SFAS 142 on our other reporting units.

SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with a corresponding increase in the carrying value of the related asset. Entities shall subsequently charge the retirement cost to expense using a systematic and rational method over the related asset's useful life and adjust the fair value of the liability resulting from the passage of time through charges to interest expense. The Company is required to adopt SFAS 143 effective October 1, 2002. The Company is currently in the process of evaluating the impact SFAS 143 will have on its financial condition and results of operations.

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

FORWARD-LOOKING STATEMENTS

Information contained in this Financial Review and elsewhere in this Annual Report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements use forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will," or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

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

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

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REPORT OF MANAGEMENT

The Company's consolidated financial statements and other financial information contained in this Annual Report are prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with accounting principles generally accepted in the United States 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 overseeing the financial reporting process and the adequacy of controls, and for monitoring the independence of the Company's independent public accountants and the performance of the independent accountants and internal audit staff. The Committee recommends to the Board of Directors the engagement of the independent public accountants to conduct the annual audit of the Company's consolidated financial statements. The Committee is also responsible for maintaining direct channels of communication between the Board of Directors and both the independent public accountants and internal auditors.

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

/s/ Lon R. Greenberg

Lon R. Greenberg
Chief Executive Officer

/s/ Anthony J. Mendicino

Anthony J. Mendicino
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UGI CORPORATION:

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UGI Corporation and subsidiaries as of September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

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

/s/ Arthur Andersen LLP

Philadelphia, Pennsylvania
November 16, 2001

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CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2001	2000	1999
REVENUES			
AmeriGas Propane	\$ 1,418.4	\$ 1,120.1	\$ 872.5
UGI Utilities	584.7	436.9	420.6
International Propane	50.9	50.5	--
Energy Services and other	414.1	154.2	90.5
	2,468.1	1,761.7	1,383.6
COSTS AND EXPENSES			
AmeriGas Propane cost of sales	836.0	628.3	390.8
UGI Utilities - gas, fuel and purchased power	374.8	218.1	205.2
International Propane cost of sales	28.4	29.7	--
Energy Services and other cost of sales	382.2	145.5	84.4
Operating and administrative expenses	517.8	461.2	429.2
Utility taxes other than income taxes	9.2	17.1	25.2
Depreciation and amortization	105.2	97.5	89.7
Provision for exit costs - Hearth USA(TM)	8.5	--	--
Other income, net	(21.4)	(26.9)	(16.8)
	2,240.7	1,570.5	1,207.7
OPERATING INCOME	227.4	191.2	175.9
Merger fee income and expenses, net	--	--	19.9
Interest expense	(104.8)	(98.5)	(84.6)
Minority interests in AmeriGas Partners	(23.6)	(6.3)	(10.7)
	INCOME BEFORE INCOME TAXES, SUBSIDIARY PREFERRED STOCK DIVIDENDS AND ACCOUNTING CHANGES	99.0	100.5
Income taxes	(45.4)	(40.1)	(43.2)
Dividends on UGI Utilities Series Preferred Stock	(1.6)	(1.6)	(1.6)
	Income before accounting changes	52.0	55.7
Cumulative effect of accounting changes, net	4.5	--	--
NET INCOME	\$ 56.5	\$ 44.7	\$ 55.7
EARNINGS PER COMMON SHARE			
Basic:			
Income before accounting changes	\$ 1.91	\$ 1.64	\$ 1.74
Cumulative effect of accounting changes, net	0.17	--	--
Net income	\$ 2.08	\$ 1.64	\$ 1.74
Diluted:			
Income before accounting changes	\$ 1.90	\$ 1.64	\$ 1.74
Cumulative effect of accounting changes, net	0.16	--	--
Net income	\$ 2.06	\$ 1.64	\$ 1.74
AVERAGE COMMON SHARES OUTSTANDING (MILLIONS)			
Basic	27.163	27.219	31.954
Diluted	27.373	27.255	32.016

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

	September 30,	
	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 87.5	\$ 93.9
Short-term investments, at cost which approximates market value	3.6	7.8
Accounts receivable (less allowances for doubtful accounts of \$15.6 and \$9.3, respectively)	180.8	165.7
Accrued utility revenues	11.1	10.5
Inventories	128.6	117.4
Deferred income taxes	25.2	8.8
Utility regulatory assets	--	7.2
Prepaid expenses and other current assets	22.1	19.0
Total current assets	458.9	430.3
PROPERTY, PLANT AND EQUIPMENT		
AmeriGas Propane	984.0	722.1
UGI Utilities	855.2	857.8
Other	74.3	72.2
Accumulated depreciation and amortization	1,913.5 (645.5)	1,652.1 (578.9)
Net property, plant and equipment	1,268.0	1,073.2
OTHER ASSETS		
Intangible assets (less accumulated amortization of \$217.9 and \$190.2, respectively)	672.4	675.5
Utility regulatory assets	56.2	55.1
Investments and other assets	94.7	41.7
Total assets	\$2,550.2 =====	\$2,275.8 =====

See accompanying notes to consolidated financial statements.

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	September 30,	
LIABILITIES AND STOCKHOLDERS' EQUITY	2001	2000
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 98.3	\$ 85.9
AmeriGas Propane bank loans	--	30.0
UGI Utilities bank loans	57.8	100.4
Other bank loans	10.0	4.3
Accounts payable	167.0	156.7
Employee compensation and benefits accrued	39.4	26.5
Dividends and interest accrued	38.4	47.3
Income taxes accrued	11.6	10.3
Deposits and refunds	55.6	39.0
Other current liabilities	89.4	39.0
	567.5	539.4
DEBT AND OTHER LIABILITIES		
Long-term debt	1,196.9	1,029.7
Deferred income taxes	182.4	169.9
Deferred investment tax credits	8.8	9.2
Other noncurrent liabilities	72.8	83.3
Commitments and contingencies (note 13)		
MINORITY INTERESTS		
Minority interests in AmeriGas Partners	246.2	177.1
PREFERRED AND PREFERENCE STOCK		
UGI Utilities Series Preferred Stock Subject to Mandatory Redemption, without par value	20.0	20.0
Preference Stock, without par value (authorized - 5,000,000 shares)	--	--
COMMON STOCKHOLDERS' EQUITY		
Common Stock, without par value (authorized - 100,000,000 shares; issued - 33,198,731 shares)	395.0	394.5
Retained earnings (accumulated deficit)	9.0	(4.9)
Accumulated other comprehensive loss	(13.5)	--
Unearned compensation - restricted stock	--	(0.7)
	390.5	388.9
Treasury stock, at cost	(134.9)	(141.7)
	255.6	247.2
Total common stockholders' equity	255.6	247.2
Total liabilities and stockholders' equity	\$2,550.2	\$2,275.8

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

	Year Ended September 30,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 56.5	\$ 44.7	\$ 55.7
Reconcile to net cash provided by operating activities:			
Depreciation and amortization	105.2	97.5	89.7
Cumulative effect of accounting changes, net	(4.5)	--	--
Minority interests in AmeriGas Partners	23.6	6.3	10.7
Deferred income taxes, net	(5.5)	3.2	7.7
Hearth USA(TM) shut-down costs	8.5	--	--
Other, net	(4.0)	15.8	6.5
	179.8	167.5	170.3
Net change in:			
Accounts receivable and accrued utility revenues	(13.6)	(63.4)	(25.1)
Inventories and prepaid propane purchases	(4.2)	(26.1)	(5.0)
Deferred fuel costs	9.9	(3.8)	(5.1)
Accounts payable	5.8	52.0	17.4
Other current assets and liabilities	25.8	6.5	(10.6)
	203.5	132.7	141.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(78.0)	(71.0)	(70.2)
Acquisitions of businesses, net of cash acquired	(209.1)	(65.3)	(77.6)
Short-term investments decrease	4.2	7.3	66.7
Net proceeds from disposals of assets	4.2	8.4	4.9
Investments in joint venture entities	(32.6)	--	(4.9)
Other, net	(2.0)	(0.9)	(5.4)
	(313.3)	(121.5)	(86.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends on UGI Common Stock	(53.2)	(41.2)	(47.9)
Distributions on Partnership public Common Units	(44.3)	(39.1)	(39.0)
Issuance of long-term debt	308.2	209.7	173.7
Repayment of long-term debt	(137.0)	(95.4)	(70.9)
AmeriGas Propane bank loans increase (decrease)	(30.0)	8.0	12.0
UGI Utilities bank loans increase (decrease)	(42.6)	13.0	19.0
Other bank loans increase (decrease)	6.2	(6.8)	--
Issuance of AmeriGas Partners Common Units	39.8	--	--
Proceeds from sale of AmeriGas OLP interest	50.0	--	--
Issuance of UGI Common Stock	7.6	3.8	4.7
Repurchases of UGI Common Stock	(1.0)	(9.6)	(133.1)
	103.7	42.4	(81.5)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.3)	(0.2)	--
Cash and cash equivalents increase (decrease)	\$ (6.4)	\$ 53.4	\$(26.1)
CASH AND CASH EQUIVALENTS:			
End of year	\$ 87.5	\$ 93.9	\$ 40.5
Beginning of year	93.9	40.5	66.6
	\$ (6.4)	\$ 53.4	\$(26.1)

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Millions of dollars, except per share amounts)

	Common Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Unearned Compensation- Restricted Stock	Treasury Stock	Total
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 1998	\$394.3	\$(17.7)	\$ --	\$ --	\$ (9.5)	\$367.1
Net income		55.7				55.7
Net unrealized gains on available for sale securities (net of tax of \$.03)			0.5			0.5
		-----	-----			-----
Comprehensive income		55.7	0.5			56.2
Cash dividends on Common Stock (\$1.47 per share)		(45.8)				(45.8)
Common Stock issued:						
Employee and director plans	0.4	(0.1)			3.4	3.7
Dividend reinvestment plan	0.1	(0.3)			3.0	2.8
Common Stock repurchased					(133.1)	(133.1)
Issuance of restricted stock awards				(2.1)		(2.1)
Amortization of unearned compensation-restricted stock awards				0.4		0.4
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 1999	394.8	(8.2)	0.5	(1.7)	(136.2)	249.2
Net income		44.7				44.7
Reclassification of unrealized gains on available for sale securities (net of tax of \$.03)			(0.5)			(0.5)
		-----	-----			-----
Comprehensive income		44.7	(0.5)			44.2
Cash dividends on Common Stock (\$1.525 per share)		(41.4)				(41.4)
Common Stock issued:						
Employee and director plans	(0.1)				1.5	1.4
Dividend reinvestment plan	(0.2)				2.6	2.4
Common Stock repurchased					(9.6)	(9.6)
Amortization of unearned compensation-restricted stock awards				1.0		1.0
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 2000	394.5	(4.9)	--	(0.7)	(141.7)	247.2
Net income		56.5				56.5
Cumulative effect of change in accounting principle - SFAS No. 133 (net of tax of \$4.8)			7.1			7.1
Net loss on derivative instruments (net of tax of \$7.9)			(10.5)			(10.5)
Reclassification of net gains on derivative instruments (net of tax of \$6.5)			(10.3)			(10.3)
Foreign currency translation adjustments (net of tax of \$0.1)			0.2			0.2
		-----	-----			-----
Comprehensive income		56.5	(13.5)			43.0
Cash dividends on Common Stock (\$1.575 per share)		(42.6)				(42.6)
Common Stock issued:						
Employee and director plans	0.3				5.5	5.8
Dividend reinvestment plan	0.2				2.3	2.5
Common Stock repurchased					(1.0)	(1.0)
Amortization of unearned compensation-restricted stock awards				0.7		0.7
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 2001	\$395.0	\$ 9.0	\$(13.5)	\$ --	\$(134.9)	\$255.6
	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. UGI Corporation ("UGI") is a holding company that owns and operates natural gas and electric utility, propane distribution, energy marketing and related businesses in the United States. Through foreign subsidiaries and joint-venture affiliates, UGI also distributes propane in Austria, the Czech Republic, Slovakia, France and China.

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

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

At September 30, 2001, the General Partner and its wholly owned subsidiary Petrolane Incorporated ("Petrolane," a predecessor company of AmeriGas OLP) collectively held a 1% general partner interest and a 51.3% limited partner interest in AmeriGas Partners, and effective 52.8% and 52.7% ownership interests in AmeriGas OLP and Eagle OLP, respectively. Our limited partnership interest in AmeriGas Partners comprises 14,283,932 Common Units and 9,891,072 Subordinated Units. The remaining 47.7% interest in AmeriGas Partners comprises 22,477,307 publicly held Common Units representing limited partner interests. On October 5, 2001, subsequent to year end, AmeriGas Partners sold 350,000 Common Units to the General Partner. On December 11, 2001, AmeriGas Partners sold an additional 1,843,047 Common Units in an underwritten public offering. After these transactions, we held effective 51.2% and 51.1% ownership interests in AmeriGas OLP and Eagle OLP, respectively.

The Partnership has no employees. Employees of the General Partner conduct, direct and manage the activities of AmeriGas Partners and AmeriGas OLP. The General Partner also provides management and administrative services to AmeriGas Eagle Holdings, Inc., the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed for direct and indirect expenses incurred on behalf of the Partnership including all General Partner employee compensation costs and a portion of UGI employee compensation and administrative costs. Although the Partnership's operating income represents a significant portion of our consolidated operating income, the Partnership's impact on our consolidated net income is considerably less due to (1) the Partnership's significant minority interest; (2) higher relative interest charges; and (3) a higher effective income tax rate associated with the Partnership's pre-tax income.

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

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

CONSOLIDATION PRINCIPLES. The consolidated financial statements include the accounts of UGI and its majority-owned subsidiaries. We eliminate all significant intercompany accounts and transactions when we consolidate. We report the public's limited partner interests in the Partnership as minority interests. Investments in entities in which we own 50 percent or less and in which we exercise significant influence over operating and financial policies are accounted for by the equity method.

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

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

REGULATED UTILITY OPERATIONS. Gas Utility and Electric Utility's electricity distribution business are subject to regulation by the

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

On June 29, 2000, the PUC entered its order ("Gas Restructuring Order") in Gas Utility's restructuring plan filed by Gas Utility pursuant to Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act"). Based upon the provisions of the Gas Restructuring Order and the Gas Competition Act, we believe Gas Utility's regulatory assets continue to satisfy the criteria of SFAS 71. For further information on the impact of the Gas Competition Act and Pennsylvania's Electricity Customer Choice Act ("Electricity Choice Act"), see Note 4.

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

The adoption of SFAS 133 resulted in an after-tax cumulative effect charge to net income of \$0.3 million and an after-tax cumulative effect increase to accumulated other comprehensive income of \$7.1 million. The increase in accumulated other comprehensive income is attributable to net gains on derivative instruments designated and qualifying as cash flow hedges on October 1, 2000.

Prior to the adoption of SFAS 133, gains or losses on derivative instruments associated with forecasted transactions generally were recorded in net income when the forecasted transactions affected earnings. If it became probable that the original forecasted transactions would not occur, we immediately recognized in net income any gains or losses on the derivative instruments.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS. We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. We paid interest totaling \$103.9 million in 2001, \$96.9 million in 2000, and \$84.6 million in 1999. We paid income taxes totaling \$43.0 million in 2001, \$26.6 million in 2000, and \$36.2 million in 1999.

REVENUE RECOGNITION. We recognize revenues from the sale of propane and related equipment and supplies principally when shipped or delivered to customers. We record Utilities' regulated revenues for service provided to the end of each month which includes an accrual for certain unbilled amounts based upon estimated usage. We reflect Utilities' rate increases or decreases in revenues from effective dates permitted by the PUC. Energy Services records revenues when product is delivered to customers.

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

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

From time to time the Partnership enters into contracts with certain suppliers requiring it to prepay all or a portion of the purchase price of a fixed volume of propane for future delivery. These prepayments are included in prepaid expenses and other current assets in the Consolidated Balance Sheets.

EARNINGS PER COMMON SHARE. Basic earnings per share are based on the weighted-average number of common shares outstanding. Diluted earnings per share include the effects of dilutive stock options and awards. In the following table, we present the shares used in computing basic and diluted earnings per share for 2001, 2000 and 1999:

	2001	2000	1999

Denominator (millions of shares):			
Average common shares			
outstanding for basic computation	27.163	27.219	
31.954			
Incremental shares issuable for stock			
options and awards	0.210	0.036	
0.062			
	-----	-----	

Average common shares outstanding for			
diluted computation	27.373	27.255	
32.016			
	-----	-----	

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION. The amounts we assign to property, plant and equipment of businesses we acquire are based upon estimated fair value at date of acquisition. When we retire Utilities' plant, we charge its original cost and the net cost of its removal to accumulated depreciation for financial accounting purposes. When we retire or dispose of other plant and equipment, we remove from the accounts the cost and accumulated depreciation and include in income any gains or losses.

We record depreciation expense for Utilities' plant on a straight-line method over the estimated average remaining lives of the various classes of its depreciable property. Depreciation expense as a percentage of the related average depreciable base for Gas Utility was 2.6% in 2001 and 2000, and 2.7% in 1999. Depreciation expense as a percentage of the related average depreciable base for Electric Utility was 3.0% in 2001, 3.5% in 2000, and 3.2% in 1999. We compute depreciation expense on plant and equipment associated with our propane operations using the straight-line method over estimated service lives generally ranging from 15 to 40 years for buildings and improvements; 7 to 30 years for storage and customer tanks and cylinders; and 5 to 10 years for vehicles, equipment, and office furniture and fixtures. Depreciation expense was \$75.7 million in 2001, \$69.3 million in 2000, and \$63.6 million in 1999.

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

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

	2001	2000

Goodwill (less accumulated amortization of \$143.9 million and \$126.6 million, respectively)	\$547.8	\$566.8
Excess reorganization value (less accumulated amortization of \$68.2 million and \$60.2 million, respectively)	93.3	101.3
Other (less accumulated amortization of \$5.8 million and \$3.4 million, respectively)	31.3	7.4
	-----	-----
Total intangible assets	\$672.4	\$675.5
	-----	-----

Substantially all of our goodwill is a result of propane purchase business combinations. This goodwill is amortized on a straight-line basis over 40 years. We amortize excess reorganization value (resulting from Petrolane's July 15, 1993 reorganization under Chapter 11 of the U.S. Bankruptcy Code) on a straight-line basis over 20 years. We amortize other intangible assets, principally customer relationships and covenants not to compete, over the estimated periods of benefit, which do not exceed fifteen years. Amortization expense of intangible assets was \$27.7 million in 2001, \$26.5 million in 2000, and \$24.3 million in 1999.

We evaluate 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. We evaluate recoverability based upon undiscounted future cash flows expected to be generated by such assets.

STOCK-BASED COMPENSATION. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we apply the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for grants of stock, stock options, and other equity instruments to employees.

OTHER ASSETS. Included in other assets are net deferred debt issuance costs of \$15.9 million at September 30, 2001 and \$10.8 million at September 30, 2000. We are amortizing these costs over the term of the related debt.

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

DEFERRED FUEL COSTS. Gas Utility's tariffs contain clauses which permit recovery of certain purchased gas costs ("PGCs"). The clauses

provide for periodic adjustments for the difference between the total amount collected from customers under each clause and the recoverable costs incurred. We defer the difference between amounts recognized in revenues and the applicable gas costs incurred until they are subsequently billed or refunded to customers.

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

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

COMPREHENSIVE INCOME. Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) principally results from gains and losses on derivative instruments qualifying as cash flow hedges, unrealized gains and losses on available for sale securities, and foreign currency translation adjustments. The components of accumulated other comprehensive income (loss) at September 30, 1999, 2000 and 2001 follows:

	Unrealized Gains on Securities	Derivative Instruments Gains (Losses)	Foreign Currency Translation Adjustments	Total
Balance - September 30, 1999	\$ 0.5	\$ --	\$ --	\$ 0.5
Balance - September 30, 2000	\$ --	\$ --	\$ --	\$ --
Balance - September 30, 2001 (13.5)	\$ --	\$ (13.7)	\$ 0.2	\$

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS. The Financial Accounting Standards Board ("FASB") recently issued SFAS No. 141, "Business Combinations" ("SFAS 141"); SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"); SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"); and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 141 addresses financial accounting and reporting for business combinations. Under SFAS 141, all business combinations initiated after June 30, 2001 are required to be accounted for using the purchase method of accounting. Among other provisions, SFAS 141 establishes specific criteria for the recognition of intangible assets separate from goodwill acquired in a purchase business combination. Although SFAS 141 supersedes APB Opinion No. 16, "Business Combinations," and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises," it does not change many of their provisions relating to the application of the purchase method. The Company has historically accounted for business combinations using the purchase method and, therefore, SFAS 141 is not expected to have a material impact on the Company.

SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." SFAS 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (excluding those acquired in a business combination) at acquisition and also addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS 142, an intangible asset will be amortized over its useful life unless that life is determined to be indefinite. Goodwill and other intangible assets with indefinite lives will be tested for impairment at least annually.

The Company adopted SFAS 142 effective October 1, 2001. Although there is no effect on the Company's cash flows, the Company's amortization expense in 2001 would have been approximately \$25.2 million lower, and its net income approximately \$14.0 million higher (after adjusting for the minority interests in AmeriGas Partners), if SFAS 142 had been effective October 1, 2000.

SFAS 142 requires the Company to test goodwill for impairment within six months of adoption. Based upon the fair value of the Partnership, we do not believe the Partnership's goodwill is impaired. We have not yet completed the evaluation of the impact, if any, of the goodwill impairment provisions of SFAS 142 on our other reporting units.

SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred with a corresponding increase in the carrying value of the related asset. Entities shall subsequently charge the retirement cost to expense using a systematic and rational method over the related asset's useful life and adjust the fair value of the liability resulting from the passage of time through charges to interest expense. The Company is required to adopt SFAS 143 effective October 1, 2002. The Company is currently in the process of evaluating the impact SFAS 143 will have on its financial condition and results of operations.

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

NOTE 2 - ACQUISITIONS AND INVESTMENTS

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

The purchase price of the Columbia Propane Businesses consisted of \$201.8 million in cash. In addition, AmeriGas OLP agreed to pay CEG for the amount of working capital, as defined, in excess of \$23 million. The Columbia Purchase Agreement also provided for the purchase by CEG of limited partnership interests in AmeriGas OLP valued at \$50 million for \$50 million in cash, which interests were exchanged for 2,356,953 Common Units of AmeriGas Partners having an estimated fair value of \$54.4 million. Concurrently with the acquisition, AmeriGas Partners issued \$200 million of 8.875% Senior Notes due 2011, the net proceeds of which were contributed to AmeriGas OLP to finance the acquisition of the Columbia Propane Businesses, to fund related fees and expenses, and to repay debt outstanding under AmeriGas OLP's Bank Credit Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Working capital	\$ 23.2
Property, plant and equipment	181.4
Customer relationships and noncompete agreements (estimated useful life of 15 and 5 years, respectively)	21.0
Other assets and liabilities (1.0)	-----
Total	\$224.6 -----

The Partnership is currently in the process of completing the review and determination of the fair value of the Columbia Propane Businesses' assets acquired and liabilities assumed, principally the fair values of property, plant and equipment and identifiable intangible assets. Accordingly, the allocation of the purchase price is subject to revision. The operating results of the Columbia Propane Businesses are included in our consolidated results from August 21, 2001.

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

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

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

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

Pursuant to the Shareholders' Funding Agreement, UGI France made a 29.8 million EURO (\$26.6 million U.S. dollar equivalent) investment comprising a 9.8 million EURO investment in shares of AGZ and a 20.0 million EURO investment in redeemable bonds of AGZ. The bonds

are redeemable in the form of additional shares of AGZ on December 31, 2013. Under certain circumstances, the bonds may be redeemed earlier in the form of additional shares or in cash. Because we believe we have significant influence over operating and financial policies of Antargaz due, in part, to our membership on its Board of Directors, our investment in AGZ shares is being accounted for by the equity method.

During 2001, Energy Services acquired two energy marketing businesses and the Partnership acquired several small propane distribution businesses for total cash consideration of \$5.4 million. During 2000, the Partnership acquired several propane distribution businesses, and Enterprises acquired an HVAC business, for net cash consideration of \$65.3 million. The excess of the purchase price over the amount allocated to the net assets acquired for the 2000 acquisitions was approximately \$42 million. During 1999, the Partnership acquired several retail propane distribution businesses for net cash consideration of \$3.9 million. These acquisitions were recorded using the purchase method of accounting. The operating results of these businesses have been included in the consolidated results from their respective dates of acquisition. The pro forma effect of these transactions was not material to our 2001, 2000 and 1999 results of operations. In addition to these acquisitions, during 1999 we paid \$4.9 million for a 25% equity interest in a propane distribution business in Nantong, China, which is being accounted for by the equity method.

On September 21, 1999, Enterprises, through subsidiaries, acquired all of the outstanding stock of FLAGA for net cash consideration of \$73.7 million and the assumption of approximately \$18 million of debt. The cash purchase price was financed through the issuance of EURO denominated debt. The acquisition of FLAGA has been accounted for using the purchase method of accounting. The excess of the purchase price over the amount allocated to the net assets acquired totaled approximately \$58 million. For accounting convenience only, September 30, 1999 was deemed to be the acquisition date. As a result, the acquisition of FLAGA did not impact our 1999 results of operations.

NOTE 3 - CHANGES IN ACCOUNTING

TANK FEE REVENUE RECOGNITION. In order to comply with the provisions of SAB 101, effective October 1, 2000, the Partnership changed its method of accounting for annually billed nonrefundable tank fees. Historically, nonrefundable tank fees for installed Partnership-owned tanks were recorded as revenue when billed. Under the new accounting method, revenues from such fees are being recorded on a straight-line basis over one year. As a result of the new accounting method, on October 1, 2000, we recorded an after-tax charge of \$2.1 million representing the cumulative effect of the change in accounting method on prior years. The change in accounting method for nonrefundable tank fees did not have a material impact on reported revenues in 2001 and would not have materially impacted revenues in 2000 or 1999.

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At September 30, 2001, the deferred revenue balance relating to nonrefundable tank fees was \$6.2 million.

ACCOUNTING FOR TANK INSTALLATION COSTS. Effective October 1, 2000, the Partnership changed its method of accounting for tank installation costs which are not billed to customers. Prior to the change in accounting method, all such costs to install Partnership-owned tanks at a customer location were expensed as incurred. Under the new accounting method, all such costs, net of amounts billed to customers, are capitalized and amortized over the estimated period of benefit not exceeding ten years. The Partnership believes that the new accounting method better matches the costs of installing Partnership-owned tanks with the periods benefited. As a result of this change in accounting, we recorded after-tax income of \$6.9 million representing the cumulative effect of the change in accounting method on prior years. The effect on net income from the change in accounting for tank installation costs during the year ended September 30, 2001 was not material.

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

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

The following table reflects unaudited pro forma net income and net income per share after applying retroactively the changes in accounting for tank installation costs and nonrefundable tank fees:

Adjusted	As Reported	As

Year Ended September 30, 2000:		
Net income	\$44.7	
\$44.6		
Net income per share - basic	\$1.64	
\$1.64		
Net income per share - diluted	\$1.64	
\$1.64		
Year Ended September 30, 1999:		
Net income	\$55.7	
\$55.9		
Net income per share - basic	\$1.74	
\$1.75		
Net income per share - diluted	\$1.74	
\$1.75		

NOTE 4 - UTILITY REGULATORY MATTERS

GAS UTILITY

GAS COMPETITION ACT. On June 22, 1999, the Gas Competition Act was signed into law. The purpose of the Gas Competition Act is to provide all natural gas consumers in Pennsylvania with the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local gas distribution companies ("LDCs") may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to price regulation by the PUC. As of January 1, 2000, the Gas Competition Act, in conjunction with a companion bill, eliminated the gross receipts tax on sales of gas.

Generally, LDCs will serve as the supplier of last resort for all residential and small commercial and industrial customers unless the PUC approves another supplier of last resort. The Gas Competition Act requires energy marketers seeking to serve customers of LDCs to accept assignment of a portion of the LDC's pipeline capacity and storage contracts at contract rates, thus avoiding the creation of stranded costs. After July 1, 2002, a natural gas supplier may petition the PUC to avoid such contract release or assignment. However, such petition may be granted only if the LDC fully recovers the cost of contracts.

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

Beginning December 1, 2001, Gas Utility is required to reduce its PGC rates by an amount equal to the margin it receives from customers served under interruptible rates to the extent they use capacity contracted by Gas Utility for core-market customers. As a result, Gas Utility expects that beginning in Fiscal 2002 operating results will be less sensitive to the market prices of alternative fuels and more sensitive to the effects of heating-season weather.

TRANSFER OF ASSETS. On May 24, 2001, the PUC approved Gas Utility's application for approval to transfer its liquefied natural gas ("LNG") and propane air ("LP") facilities, along with related assets, to Energy Services. The associated reduction in Gas Utility's base rates, adjusted for the impact of the transfer on net operating expenses, is not expected to have a material effect on Gas Utility's or the Company's results of operations. Gas Utility transferred the LNG and LP assets, which are not material to its total assets, on September 30, 2001.

ELECTRIC UTILITY

ELECTRIC UTILITY RESTRUCTURING ORDER. On June 19, 1998, the PUC entered its Opinion and Order ("Electricity Restructuring Order") in Electric Utility's restructuring proceeding pursuant to the Electricity Choice Act. Under the terms of the Electricity Restructuring Order, commencing January 1, 1999, Electric Utility is authorized to recover \$32.5 million in stranded costs (on a full revenue requirements basis which includes all income and gross receipts taxes) over a four-year period through a Competitive Transition Charge ("CTC") (together with carrying charges on unrecovered balances of 7.94%) and to charge unbundled rates for

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generation, transmission and distribution services. Stranded costs are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. The recoverable stranded costs include \$8.7 million for the buy-out of a 1993 power purchase agreement with an independent power producer.

Under the terms of the Electricity Restructuring Order and in accordance with the Electricity Choice Act, Electric Utility generally may not increase the generation component of prices as long as stranded costs are being recovered through the CTC. This generation rate cap is expected to extend through September 2002 in the case of Electric Utility's commercial and industrial customers and May 2003 in the case of Electric Utility's residential customers. Since January 1, 1999, all of Electric Utility's customers have been permitted to select an alternative generation supplier. Customers choosing an alternative supplier receive a "shopping credit." As permitted by the Electricity Restructuring Order, on October 1, 1999, Electric Utility transferred its electric generation assets to its wholly owned nonregulated subsidiary, UGI Development Company ("UGIDC").

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

REGULATORY ASSETS AND LIABILITIES

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

	2001	2000
	----	----
Regulatory assets:		
Income taxes recoverable	\$ 51.8	\$
47.7		
Power agreement buy-out	1.3	
3.5		
Other postretirement benefits	2.6	
2.9		
Deferred fuel costs	--	
7.2		
Other	0.5	
1.0		

Total regulatory assets	\$ 56.2	\$
62.3		

Regulatory liabilities:		
Other postretirement benefits	\$ 4.3	\$
4.0		
Deferred fuel costs	2.8	
--		

Total regulatory liabilities	\$ 7.1	\$
4.0		

NOTE 5 - DEBT

Long-term debt comprises the following at September 30:

	2001 -----	2000 -----
AMERIGAS PROPANE:		
AmeriGas Partners Senior Notes:		
8.875%, due May 2011	\$ 200.0	\$ --
10%, due April 2006 (less unamortized discount of \$0.3, effective rate - 10.125%)	59.7	--
10.125%, due April 2007	100.0	100.0
AmeriGas OLP First Mortgage Notes:		
Series A, 9.34% - 11.71%, due April 2001 through April 2009 (including unamortized premium of \$9.2 and \$10.6, respectively, effective rate - 8.91%)	189.2	208.6
Series B, 10.07%, due April 2001 through April 2005 (including unamortized premium of \$3.9 and \$5.9, respectively, effective rate - 8.74%)	163.9	205.9
Series C, 8.83%, due April 2003 through April 2010	110.0	110.0
Series D, 7.11%, due March 2009 (including unamortized premium of \$2.4 and \$2.7, respectively, effective rate - 6.52%)	72.4	72.7
Series E, 8.50%, due July 2010 (including unamortized premium of \$0.2, effective rate - 8.47%)	80.2	80.2
AmeriGas OLP Acquisition Facility	20.0	70.0
Other	10.5	9.8
	-----	-----
Total AmeriGas Propane	1,005.9	857.2
	-----	-----
UGI UTILITIES:		
Medium-Term Notes:		
7.25% Notes, due November 2017	20.0	20.0
7.17% Notes, due June 2007	20.0	20.0
6.17% Notes, due March 2001	--	15.0
7.37% Notes, due October 2015	22.0	22.0
6.73% Notes, due October 2002	26.0	26.0
6.62% Notes, due May 2005	20.0	20.0
7.14% Notes, due December 2005 (including unamortized premium of \$0.5, effective rate - 6.64%)	30.5	--
7.14% Notes, due December 2005	20.0	--
6.50% Senior Notes, due August 2003 (less unamortized discount of \$0.1)	49.9	49.9
	-----	-----
Total UGI Utilities	208.4	172.9
	-----	-----
OTHER:		
FLAGA EURO Note, due September 2001 through September 2006	62.7	65.5
FLAGA EURO special purpose facility	10.7	11.9
Other	7.5	8.1
	-----	-----
Total long-term debt	1,295.2	1,115.6
Less current maturities	(98.3)	(85.9)
	-----	-----
Total long-term debt due after one year	\$1,196.9	\$1,029.7
	-----	-----

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Long-term debt due in fiscal years 2002 to 2006 follows:

	2002	2003	2004	2005
2006	-----	-----	-----	-----

AmeriGas Propane \$174.8	\$87.2	\$60.7	\$57.5	\$57.0
UGI Utilities 50.0	-	76.0	-	20.0
Other 0.8	11.1	16.7	9.9	15.7

Total \$225.6	\$98.3	\$153.4	\$67.4	\$92.7

AMERIGAS PROPANE

AMERIGAS PARTNERS SENIOR NOTES. The 10% Senior Notes generally cannot be redeemed at our option prior to their maturity. The 8.875% Senior Notes generally cannot be redeemed prior to May 20, 2006. A redemption premium applies thereafter through May 19, 2009. However, prior to May 20, 2004, AmeriGas Partners may use the proceeds of a public offering of Common Units to redeem up to 33% of the 8.875% Senior Notes at 108.875% plus accrued and unpaid interest. The 10.125% Senior Notes are redeemable prior to their maturity date. A redemption premium applies until April 15, 2004. AmeriGas Partners may, under certain circumstances following the disposition of assets or a change of control, be required to offer to prepay the Senior Notes.

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

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

Under the Revolving Credit Facility, AmeriGas OLP may borrow up to \$100 million (including a \$35 million sublimit for letters of credit) subject to restrictions in the AmeriGas Partners Senior Notes indenture (see "Restrictive Covenants" below). The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Revolving Credit Facility expires September 15, 2002, but may be extended 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 AmeriGas OLP to borrow at various prevailing interest rates, including the Base Rate, defined as the higher of the Federal Funds Rate plus 0.50% or the agent bank's reference rate (6.00% at September 30, 2001), or at two-week, one-, two-, three-, or six-month offshore interbank offering rates ("IBOR"), plus a margin. The margin on IBOR borrowings (which ranges from 0.50% to 1.75%) and the Revolving Credit Facility commitment fee rate are dependent upon AmeriGas OLP's ratio of funded debt to earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"), each as defined in the Bank Credit Agreement. There were no borrowings outstanding under the Revolving Credit Facility at September 30, 2001. AmeriGas OLP had borrowings under the Revolving Credit Facility totaling \$30 million at September 30, 2000, which we classify as bank loans. The weighted-average interest rates on the bank loans outstanding as of September 30, 2000 was 8.11%. Issued outstanding letters of credit under the Revolving Credit Facility totaled \$9.5 million and \$1.5 million at September 30, 2001 and 2000, respectively.

The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75 million to finance the purchase of propane businesses or propane business assets. In addition, up to \$30 million of the Acquisition Facility may be used for working capital purposes. The Acquisition Facility operates as a revolving facility through September 15, 2002, at which time amounts then outstanding will be immediately due and payable. The Acquisition Facility permits AmeriGas OLP to borrow at the base rate or at two-week, one-, two-, three-, or six-month IBOR, plus a margin. The margin on IBOR borrowings and the Acquisition Facility commitment fee rate are dependent upon AmeriGas OLP's ratio of

funded debt to EBITDA, as defined. The weighted-average interest rates on Acquisition Facility loans outstanding were 4.08% and 8.12% as of September 30, 2001 and 2000, respectively.

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

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

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

If the ratio in item 2 above is less than or equal to 1.75-to-1, the Partnership may make cash distributions in a total amount not to exceed \$24 million less the total amount of distributions made during the immediately preceding 16 fiscal quarters. At September 30, 2001, such ratio was 2.57-to-1.

The Bank Credit Agreement and the First Mortgage Notes restrict the incurrence of additional indebtedness and also restrict

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certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. They also require the ratio of total indebtedness, as defined, to EBITDA, as defined (calculated on a rolling four-quarter basis or eight-quarter basis divided by two), to be less than or equal to 5.25-to-1. In addition, the Bank Credit Agreement requires that AmeriGas OLP maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. Generally, as long as no default exists or would result, AmeriGas OLP is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter. At September 30, 2001, the Partnership was in compliance with its financial covenants.

UGI UTILITIES

REVOLVING CREDIT AGREEMENTS. At September 30, 2001, UGI Utilities had revolving credit agreements with four banks providing for borrowings of up to \$97 million. These agreements expire at various dates through June 2004. UGI Utilities may borrow at various prevailing interest rates, including LIBOR. UGI Utilities pays quarterly commitment fees on these credit lines. UGI Utilities had borrowings under these agreements totaling \$57.8 million at September 30, 2001 and \$100.4 million at September 30, 2000, which we classify as bank loans. The weighted-average interest rates on UGI Utilities bank loans were 5.69% at September 30, 2001 and 7.12% at September 30, 2000.

RESTRICTIVE COVENANTS. UGI Utilities' credit agreements have restrictions on such items as total debt, working capital, debt service, and payments for investments. They also require consolidated tangible net worth of at least \$125 million. At September 30, 2001, UGI Utilities had not satisfied the minimum working capital requirement under its revolving credit agreements. This default was cured within the thirty day period allowed under such agreements.

OTHER

FLAGA's EURO note bears interest at a rate of 1.25% over one- to twelve-month EURIBOR rates (as chosen by FLAGA from time to time). The effective interest rates on the EURO note at September 30, 2001 and September 30, 2000 were 5.42% and 5.71%, respectively. On or after September 10, 2003, FLAGA may prepay the EURO note, in whole or in part. Prior to March 11, 2005, such prepayments shall be at a premium. In October 2001, an 18.5 million EURO portion of the EURO note was converted to a \$16.7 million U.S. dollar denominated obligation.

At September 30, 2001, FLAGA has EURO loan commitments from a foreign bank in the form of (1) a 15 million EURO special purpose facility and (2) a 15 million EURO working capital facility. Borrowings under the FLAGA special purpose facility can be used to repay certain debt obligations of FLAGA existing at the acquisition date and for general business purposes. The working capital facility expires in September 2002, but may be extended with the bank's consent. Loans under the special purpose facility and the working capital facility bear interest at market rates. The weighted-average interest rates on FLAGA's working capital facility and special purpose facility at September 30, 2001 were 4.75% and 4.79%, respectively. Borrowings under the EURO working capital facility at September 30, 2001 and 2000 totaled \$10.0 million and \$4.3 million, respectively, and are classified as bank loans.

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

NOTE 6 - INCOME TAXES

Income before income taxes comprises the following:

	2001	2000	
1999			
-----	-----	-----	
Domestic	\$ 103.0	\$ 93.4	\$
100.5			
Foreign	(4.0)	(7.0)	
--			
-----	-----	-----	
Total income before income taxes	\$ 99.0	\$ 86.4	\$
100.5			
=====	=====	=====	

The provisions for income taxes consist of the following:

	2001	2000	1999
	-----	-----	-----
Current expense:			
Federal	\$ 39.2	\$ 28.6	\$ 29.2
State	11.7	8.3	6.3
	-----	-----	-----
Total current expense	50.9	36.9	35.5
Deferred (benefit) expense:			
Federal	(2.9)	5.7	6.8
State	(1.2)	(0.2)	1.3
Foreign	(1.0)	(1.9)	--
Investment tax credit amortization	(0.4)	(0.4)	
(0.4)			
	-----	-----	-----
Total deferred (benefit) expense	(5.5)	3.2	7.7
	-----	-----	-----
Total income tax expense	\$ 45.4	\$ 40.1	\$ 43.2
	-----	-----	-----

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

	2001	2000	1999
	-----	-----	-----
Statutory federal tax rate	35.0%	35.0%	
35.0%			
Difference in tax rate due to:			
State income taxes, net of federal	7.3	7.5	5.2
Goodwill amortization	4.4	5.8	4.6
Other, net	(0.8)	(1.9)	
(1.8)			
	-----	-----	-----
Effective tax rate	45.9%	46.4%	
43.0%			
	-----	-----	-----

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

	2001	2000
	----	----
Excess book basis over tax basis of property, plant and equipment	\$ 180.3	\$ 172.5
Regulatory assets	23.3	25.6
Other	15.5	13.7
	-----	-----
Gross deferred tax liabilities	219.1	211.8
	-----	-----
Self-insured property and casualty liability (8.2)	(8.0)	
Employee-related benefits (12.0)	(15.7)	
Premium on long-term debt (4.4)	(3.2)	
Deferred investment tax credits (3.8)	(3.6)	
Hearth USA(TM) shut-down costs	(3.0)	--
Accumulated comprehensive loss	(3.7)	--
Operating loss carryforwards (6.6)	(7.8)	
Allowance for doubtful accounts (2.6)	(2.9)	
Other (13.3)	(14.2)	
	-----	-----
Gross deferred tax assets (50.9)	(62.1)	
	-----	-----
Deferred tax assets valuation allowance	0.2	0.2
	-----	-----
Net deferred tax liabilities	\$ 157.2	\$ 161.1
	-----	-----

UGI Utilities had recorded deferred tax liabilities of approximately \$33.9 million as of September 30, 2001 and \$31.7 million as of September 30, 2000 pertaining to utility temporary differences, principally a result of accelerated tax depreciation, the tax benefits of which previously were or will be flowed through to ratepayers. These deferred tax liabilities have been reduced by deferred tax assets of \$3.6 million at September 30, 2001 and \$3.8 million at September 30, 2000, pertaining to utility deferred investment tax credits. UGI Utilities had recorded regulatory income tax assets related to these net deferred taxes of \$51.8 million as of September 30, 2001 and \$47.7 million as of September 30, 2000. These regulatory income tax assets represent future revenues expected to be recovered through the ratemaking process. We will recognize this regulatory income tax asset in deferred tax expense as the corresponding temporary differences reverse and additional income taxes are incurred.

Foreign net operating loss carryforwards of FLAGA totaled approximately \$26.2 million at September 30, 2001. These operating losses have no expiration date.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS. We sponsor a defined benefit pension plan ("UGI Utilities Pension Plan") for employees of UGI, UGI Utilities, and certain of UGI's wholly owned subsidiaries. In addition, we provide postretirement health care benefits to certain retirees and a limited number of active employees meeting certain age and service requirements, and postretirement life insurance benefits to nearly all domestic active and retired employees.

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

	Pension Benefits		Other Postretirement Benefits	
	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATIONS:				
Benefit obligations - beginning of year	\$ 150.9	\$ 149.5	\$ 19.7	\$ 16.8
Service cost	3.1	3.2	0.1	0.1
Interest cost	12.1	11.8	1.6	1.4
Actuarial (gain) loss	7.9	(4.4)	1.8	3.0
Benefits paid	(8.8)	(9.2)	(1.9)	(1.6)
Benefit obligations - end of year	\$ 165.2	\$ 150.9	\$ 21.3	\$ 19.7
CHANGE IN PLAN ASSETS:				
Fair value of plan assets - beginning of year	\$ 223.5	\$ 202.1	\$ 6.4	\$ 4.9
Actual return on plan assets	(31.0)	30.6	0.2	0.3
Employer contributions	--	--	2.2	2.2
Benefits paid	(8.8)	(9.2)	(1.8)	(1.0)
Fair value of plan assets - end of year	\$ 183.7	\$ 223.5	\$ 7.0	\$ 6.4
Funded status of the plans	\$ 18.5	\$ 72.6	\$ (14.3)	\$ (13.3)
Unrecognized net actuarial (gain) loss	4.2	(54.8)	(1.4)	(3.0)
Unrecognized prior service cost	3.3	4.0	--	--
Unrecognized net transition (asset) obligation	(4.6)	(6.3)	9.5	10.5
Prepaid (accrued) benefit cost - end of year	\$ 21.4	\$ 15.5	\$ (6.2)	\$ (5.8)
ASSUMPTIONS AS OF SEPTEMBER 30:				
Discount rate	7.7%	8.2%	7.7%	8.2%
Expected return on plan assets	9.5%	9.5%	6.0%	6.0%
Rate of increase in salary levels	4.5%	4.5%	4.5%	4.5%

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

	Pension Benefits			Other Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 3.1	\$ 3.2	\$ 3.8	\$ 0.1	\$ 0.1	\$ 0.1
Interest cost	12.1	11.8	11.2	1.6	1.4	1.2
Expected return on assets	(18.9)	(17.0)	(16.3)	(0.3)	(0.3)	(0.2)
Amortization of:						
Transition (asset) obligation	(1.6)	(1.6)	(1.6)	0.9	0.9	0.9
Prior service cost	0.6	0.6	0.6	--	--	--
Actuarial gain	(1.2)	--	--	(0.1)	(0.2)	(0.2)
Net benefit cost (income)	(5.9)	(3.0)	(2.3)	2.2	1.9	1.8
Change in regulatory assets and liabilities	--	--	--	1.4	1.4	1.7
Net expense (income)	\$ (5.9)	\$ (3.0)	\$ (2.3)	\$ 3.6	\$ 3.3	\$ 3.5

Pension plan assets are held in trust and consist principally of equity and fixed income mutual funds and investment grade corporate and U.S. government obligations. UGI Common Stock comprised less than 5% of trust assets at September 30, 2001 and 2000.

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Pursuant to orders issued by the PUC, UGI Utilities has established a Voluntary Employee Benefit Trust ("VEBA") to pay retiree health care and life insurance benefits and to fund the UGI Utilities' postretirement benefit liability. UGI Utilities is required to fund its postretirement benefit obligations by depositing into the VEBA the annual amount of postretirement benefits costs determined under SFAS 106, "Employers Accounting for Postretirement Benefits Other than Pensions." The difference between such amounts and amounts included in UGI Utilities' rates is deferred for future recovery from, or refund to, ratepayers. VEBA investments consist principally of money market funds.

The assumed health care cost trend rates are 9% for fiscal 2002, decreasing to 5.5% in fiscal 2005. A one percentage point change in the assumed health care cost trend rate would change the 2001 postretirement benefit cost and obligation as follows:

Decrease	1% Increase	1%
-----	-----	
Effect on total service and interest costs \$(0.1)	\$0.1	
Effect on postretirement benefit obligation \$(0.9)	\$1.0	
	----	-----

We also sponsor unfunded retirement benefit plans for certain key employees. At September 30, 2001 and 2000, the projected benefit obligations of these plans were not material. We recorded expense for these plans of \$1.2 million in 2001, \$0.9 million in 2000, and \$1.6 million in 1999.

DEFINED CONTRIBUTION PLANS. We sponsor 401(k) savings plans for eligible employees of UGI, UGI Utilities, AmeriGas Propane, HVAC and certain of UGI's other wholly owned domestic subsidiaries. Generally, participants in these plans may contribute a portion of their compensation on either a before-tax basis, or on both a before-tax and after-tax basis. These plans also provide for either mandatory or discretionary employer matching contributions, at various rates. The cost of benefits under the savings plans totaled \$6.2 million in 2001, \$5.9 million in 2000, and \$4.8 million in 1999.

NOTE 8 - INVENTORIES

Inventories comprise the following at September 30:

2000	2001	
-----	----	
Propane gas 47.3	\$ 54.8	\$
Utility fuel and gases 33.6	45.6	
Materials, supplies and other 36.5	28.2	
-----	-----	
Total inventories 117.4	\$ 128.6	\$
-----	-----	

NOTE 9 - SERIES PREFERRED STOCK

The UGI Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 5,000,000 shares

authorized for issuance. We had no shares of UGI Series Preferred Stock outstanding at September 30, 2001 or 2000.

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

At September 30, 2001 and 2000, UGI Utilities had outstanding 200,000 shares of \$7.75 Series cumulative preferred stock. UGI Utilities is required to establish a sinking fund to redeem on October 1 in each year, commencing October 1, 2004, 10,000 shares of its \$7.75 Series at a price of \$100 per share. The \$7.75 Series is redeemable, in whole or in part, at the option of UGI Utilities on or after October 1, 2004, at a price of \$100 per share. All outstanding shares of \$7.75 Series Preferred Stock are subject to mandatory redemption on October 1, 2009, at a price of \$100 per share.

NOTE 10 - COMMON STOCK AND INCENTIVE STOCK AWARD PLANS

Common Stock share activity for 1999, 2000 and 2001 follows:

Outstanding	Issued	Treasury	
-----	-----	-----	
Balance September 30, 1998 (32,823,262)	33,198,731	(375,469)	
Issued:			
Employee and director plans	--	175,040	175,040
Dividend reinvestment plan	--	136,587	136,587
Reacquired (a) (5,864,496)	--	(5,864,496)	
Balance at September 30, 1999 (27,270,393)	33,198,731	(5,928,338)	-----
Issued:			
Employee and director plans	--	62,525	62,525
Dividend reinvestment plan	--	114,430	114,430
Reacquired (453,639)	--	(453,639)	
Balance September 30, 2000	33,198,731	(6,205,022)	26,993,709
Issued:			
Employee and director plans	--	241,039	241,039
Dividend reinvestment plan	--	98,812	98,812
Reacquired (37,163)	--	(37,163)	
Balance September 30, 2001	33,198,731	(5,902,334)	27,296,397

(a) On September 7, 1999, pursuant to strategic and financial initiatives announced on July 28, 1999, we repurchased 4,500,000 shares of Common Stock through a "Dutch Auction" tender offer for \$109.1 million, or \$24.25 per share. The repurchased shares are held in treasury. In addition, during 1999, in conjunction with our proposed merger with Unisource (see Note 17), we purchased 1,364,496 shares of Common Stock for \$23.2 million.

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

Under the 2000 Stock Incentive Plan ("2000 Incentive Plan"), up to 1,100,000 shares of Common Stock may be issued in connection with stock options and grants of restricted stock. However, no more than 500,000 shares of restricted stock may be granted. In addition,

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the 2000 Incentive Plan provides that both option grants and restricted stock grants may provide for the crediting of Common Stock dividend equivalents to participants' accounts. Dividend equivalents will be paid in cash, and such payments may, at the participants' request, be deferred. Grants of restricted stock will be contingent upon the achievement of objective performance goals. During 2001, the Company made restricted stock awards representing 110,675 shares of UGI Common Stock under the 2000 Incentive Plan.

Under the 1997 Stock Option and Dividend Equivalent Plan ("1997 SODEP Plan"), we may grant options to acquire a total of 1,500,000 shares of Common Stock. Certain option grants under the 1997 SODEP Plan provided for the crediting of dividend equivalents subject to UGI's total shareholder return relative to a peer group of companies during the three-year period ended December 31, 1999. Based upon such performance, no dividend equivalent payments were made.

Under the 1992 Non-Qualified Stock Option Plan, we may grant options to acquire a total of 500,000 shares of Common Stock to key employees who do not participate in the 2000 Incentive Plan or the 1997 SODEP Plan.

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

Stock option transactions under all of our plans for 1999, 2000 and 2001 follow:

Price	Shares	Average Option
-----	-----	
Shares under option - September 30, 1998	1,029,755	\$21.905
Granted	231,806	20.406
Exercised	(27,250)	21.978
Forfeited	(18,750)	21.152
Shares under option - September 30, 1999	1,215,561	21.632
Granted	794,750	20.683
Exercised	(30,000)	22.625
Forfeited	(96,667)	22.302
Shares under option - September 30, 2000	1,883,644	21.181
Granted	33,600	25.875
Exercised	(202,673)	20.807
Shares under option - September 30, 2001	1,714,571	21.318
Options exercisable 1999	984,061	21.725
Options exercisable 2000	947,144	21.696
Options exercisable 2001	1,100,904	21.799

For options outstanding as of September 30, 2001, the exercise prices range from \$18.625 to \$26.250. The weighted-average remaining contractual life of these options is 8.5 years. At September 30, 2001, 1,205,828 shares of Common Stock were available for future option or restricted stock grants under all of our stock option and incentive plans.

OTHER STOCK-BASED COMPENSATION PLANS AND AWARDS. Under the AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan ("2000 Propane Plan"), the General Partner may grant to key employees the right to receive a total of 500,000 AmeriGas Partners Common Units, or cash equivalent to the fair market value of such Common Units, upon the achievement of performance goals. In addition, the 2000 Propane Plan may provide for the crediting of Partnership distribution equivalents to participants' accounts. Distribution equivalents will be paid in cash and such payments may, at the participants' request, be deferred. Generally, each grant,

unless paid, will terminate when the participant ceases to be employed by the General Partner. During 2001, the General Partner made awards under the 2000 Propane Plan representing 41,325 Common Units.

Under the 1997 AmeriGas Propane, Inc. Long-Term Incentive Plan ("1997 Propane Plan"), the General Partner granted to key employees the right to receive AmeriGas Partners Common Units, or cash generally equivalent to their fair market value, on the payment date. The 1997 Propane Plan also provided for the crediting of dividend equivalents to participants' accounts. The actual number of Common Units (or their cash equivalent) awarded, and the amount of the distribution equivalent, depended upon the date when the cash generation-based requirements for early conversion of AmeriGas Partners Subordinated Units were met. Because such requirements were achieved at March 31, 1999, 81,226 Common Units were issued, and \$1.1 million in cash payments were made, in May 1999.

Under the 1997 UGI Corporation Directors' Equity Compensation Plan ("1997 Directors' Plan"), we make annual awards to our nonemployee Directors of (1) "Units," each representing an interest equivalent to one share of Common Stock, and (2) Common Stock for a portion of their annual retainer. Directors may also elect to receive the cash portion of their retainer fee and all or a portion of their meeting fees in the form of Units. The 1997 Directors' Plan also provides for the crediting of dividend equivalents in the form of additional Units. Units and dividend equivalents are fully vested when credited to a Director's account and will be converted to shares of Common Stock and paid upon retirement or termination of service. Units issued relating to annual awards and deferred compensation totaled 11,556, 12,017, and 9,137 in 2001, 2000 and 1999, respectively. At September 30, 2001 and 2000, there were 53,736 and 53,294 Units, respectively, outstanding.

In June 1999, we awarded 103,000 shares of restricted stock to key executives. These awards vested in June 2001. During the restriction period, recipients had the right to vote the shares and to receive dividends.

FAIR VALUE INFORMATION. The per share weighted-average fair value of stock options granted under our option plans was \$4.35 in 2001, \$3.76 in 2000, and \$2.58 in 1999. 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

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the expected life of the option. The assumptions we used for option grants during 2001, 2000 and 1999 are as follows:

1999	2001	2000
-----	----	----
Expected life of option years	6 YEARS	6 years
Expected volatility 19.3%	29.1%	26.5%
Expected dividend yield 6.2%	6.6%	6.2%
Risk free interest rate 5.9%	5.0%	6.6%
-----	-----	-----

We use the intrinsic value method prescribed by APB 25 for our stock-based employee compensation plans. We recognized total stock-based compensation expense (income) of \$2.7 million in 2001, \$(0.8) million in 2000, and \$1.9 million in 1999. Stock-based compensation income in 2000 reflects the reversal of \$2.1 million of accrued dividend equivalent payments relating to the 1997 SODEP Plan. If we had determined compensation expense under the fair value method prescribed by SFAS 123, net income and diluted earnings per share for 2001, 2000 and 1999 would have been as follows:

1999	2001	2000
-----	----	----
Net earnings:		
As reported	\$56.5	\$44.7
\$55.7		
Pro forma	55.7	44.2
55.3		
Diluted earnings per share:		
As reported	\$2.06	\$1.64
\$1.74		
Pro forma	2.03	1.62
1.73		
-----	-----	-----

STOCK OWNERSHIP POLICY. Under the terms of our Stock Ownership Policy, executives and certain key employees are required to own UGI Common Stock having a fair value equal to approximately 40% to 450% of their base salaries. We offer full recourse, interest-bearing loans to employees in order to assist them in meeting the ownership requirements. Each loan may not exceed ten years and is collateralized by the Common Stock purchased. At September 30, 2001 and 2000, loans outstanding totaled \$4.6 million and \$5.2 million, respectively.

NOTE 11 - PREFERENCE STOCK PURCHASE RIGHTS

Holders of our Common Stock own one-half of one right (as described below) for each outstanding share of Common Stock. Each right entitles the holder to purchase one one-hundredth of a share of First Series Preference Stock, without par value, at an exercise price of \$120 per one one-hundredth of a share or, under the circumstances summarized below, to purchase the Common Stock described in the following paragraph. The rights are exercisable only if a person or group, other than certain underwriters:

1. acquires 20% or more of our Common Stock ("Acquiring Person") or

2. announces or commences a tender offer for 30% or more of our Common Stock.

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

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

Each holder of a right, other than an Acquiring Person, is entitled to purchase, at the exercise price of the right, Common Stock having a market value of twice the exercise price of the right if:

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

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

1. we are not the surviving corporation, or
2. we are the surviving corporation, but our Common Stock is changed or exchanged, or
3. 50% or more of our assets or earning power is sold or transferred, then each holder of a right is entitled to purchase, at the exercise price of the right, common stock of the acquiring company having a market value of twice the exercise price of the right.

The rights have no voting or dividend rights and, until exercisable, have no dilutive effect on our earnings.

NOTE 12 - PARTNERSHIP DISTRIBUTIONS

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

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

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

Distributions of Available Cash will generally be made 98% to the Common and Subordinated unitholders and 2% to the General Partner. The Partnership may pay an incentive distribution if Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 ("MQD") on all units. If there is sufficient Available Cash, the holders of Common Units have the right to receive the MQD, plus any arrearages, before the distribution of Available Cash to holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the Subordination Period (as defined below), and Subordinated Units will not accrue arrearages for any quarter.

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Pursuant to the Agreement of Limited Partnership of AmeriGas Partners ("Partnership Agreement"), because required cash generation-based objectives were achieved as of March 31, 1999, a total of 9,891,074 Subordinated Units held by the General Partner and Petrolane, were converted into Common Units on May 18, 1999. The remaining outstanding 9,891,072 Subordinated Units, all of which are held by the General Partner, are eligible to convert to Common Units on the first day after the record date for any quarter ending on or after March 31, 2000 in respect of which:

1. distributions of Available Cash from Operating Surplus (as defined in the Partnership Agreement) equal or exceed the MQD on each of the outstanding Common and Subordinated units for each of the four consecutive nonoverlapping four-quarter periods immediately preceding such date,
2. the Adjusted Operating Surplus (as defined in the Partnership Agreement) generated during both (i) each of the two immediately preceding nonoverlapping four-quarter periods and (ii) the immediately preceding sixteen-quarter period, equals or exceeds the MQD on each of the Common and Subordinated units outstanding during those periods, and
3. there are no arrearages on the Common Units.

The ability of the Partnership to attain the cash-based performance and distribution requirements will depend upon a number of factors including highly seasonal operating results, changes in working capital, asset sales and debt refinancings. Due to the historical quarterly requirements of the conversion test, the possibility is remote that the Partnership will satisfy the cash-based performance requirements for conversion any earlier than in respect of the quarter ending September 30, 2002.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

We lease various buildings and transportation, computer, and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain escalation clauses. Our aggregate rental expense for such leases was \$38.4 million in 2001, \$34.1 million in 2000, and \$35.3 million in 1999.

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

	2002	2003	2004	2005	2006	After 2006
	-----	-----	-----	-----	-----	-----
AmeriGas Propane	\$ 34.0	\$ 27.4	\$ 22.9	\$ 19.3	\$ 15.5	\$ 35.1
UGI Utilities	3.6	3.0	2.6	1.2	0.5	0.4
International Propane and other	1.2	0.9	0.5	0.3	0.2	0.3
Total	\$ 38.8	\$ 31.3	\$ 26.0	\$ 20.8	\$ 16.2	\$ 35.8
	-----	-----	-----	-----	-----	-----

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

Electric Utility's distribution operations purchase their capacity requirements and electric energy needs under contracts with power producers, including UGIDC, a partner in Energy Ventures, and on the spot market. Contracts with producers for capacity and energy needs expire at various dates through December 2002. In high usage months, Electric Utility meets its additional electric power needs through monthly market-based contracts and through spot purchases at market prices as delivered.

The Partnership enters into contracts to purchase propane and 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 non-propane operations

before its 1989 acquisition by QFB Partners. Future lease payments under these leases total approximately \$25.0 million at September 30, 2001. The leases expire through 2010, and some of them are currently in default. The Partnership has succeeded to the indemnity agreement of Petrolane by which Texas Eastern Corporation ("Texas Eastern"), a prior owner of Petrolane, agreed to indemnify Petrolane against any liabilities arising out of the conduct of businesses that do not relate to, and are not a part of, the propane business, including lease guarantees. In December 1999, Texas Eastern filed for dissolution under the Delaware General Corporation Law. In May 2001, Petrolane filed a declaratory judgment action in the Delaware Chancery Court seeking confirmation of Texas Eastern's indemnification obligations and judicial supervision of Texas Eastern's dissolution to ensure that its indemnification obligations to Petrolane are paid or adequately provided for in accordance with law. Those proceedings are pending. Notwithstanding the dissolution proceeding, and based on Texas Eastern previously having satisfied directly defaulted lease obligations without the Partnership's having to honor its guarantee, we believe that the probability that the Partnership will be required to directly satisfy the lease obligations subject to the indemnification agreement is remote.

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

CEG has agreed to indemnify AmeriGas Partners, AmeriGas OLP, the General Partner (collectively, the "Buyer Parties") and the Company Parties against any losses that they sustain under the 1999 Acquisition Agreement and related agreements ("Losses"), including claims asserted by the National General Partners

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("National Claims"), to the extent such claims are based on acts or omissions of CEG or the Company Parties prior to the acquisition of the Columbia Propane Businesses by AmeriGas OLP on August 21, 2001 (the "2001 Acquisition"). The Buyer Parties have agreed to indemnify CEG against Losses, including National Claims, to the extent such claims are based on acts or omissions of the Buyer Parties or the Company Parties after the 2001 Acquisition. The Seller and Buyer Parties have agreed to apportion certain losses resulting from a National Claim to the extent such losses result from the 2001 Acquisition itself.

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

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

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

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

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

NOTE 14 - FINANCIAL INSTRUMENTS

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

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

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

Gas Utility and Electric Utility are parties to a number of contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts which provide for the delivery of natural gas, and service contracts that require the

counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments. Although many of these contracts have the requisite elements of a derivative instrument, these contracts are not subject to the accounting requirements of SFAS 133 because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business or the value of the contract is directly associated with the price or value of a service. The adoption of SFAS 133 did not materially impact Gas Utility's and Electric Utility's results of operations or financial position during the year ended September 30, 2001.

We use fixed-rate long-term debt as a source of capital. When these long-term debt issues mature, we often refinance them with fixed-rate debt bearing then-existing market interest rates. On occasion, we enter into interest rate protection agreements

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

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

Gains and losses included in accumulated other comprehensive income at September 30, 2001 relating to cash flow hedges will be reclassified into (1) cost of sales when the forecasted purchase of propane or natural gas subject to the hedges impacts net income and (2) interest expense when interest on anticipated issuances of fixed-rate long-term debt is reflected in net income. Included in accumulated other comprehensive loss at September 30, 2001 are net losses of approximately \$0.7 million from IRPAs associated with forecasted issuances of ten-year debt. The amount of this net loss which is expected to be reclassified into net income during the next twelve months is not material. The remaining net loss on derivative instruments included in accumulated other comprehensive loss at September 30, 2001 of \$13.0 million is principally associated with future purchases of natural gas or propane generally anticipated to occur during the next twelve months. The actual amount of gains or losses on unsettled derivative instruments that ultimately is reclassified into net income will depend upon the value of such derivative contracts when settled. The fair value of derivative instruments is included in other current assets, other current liabilities and other noncurrent liabilities in the September 30, 2001 Consolidated Balance Sheet.

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

Value	Carrying Amount	Estimated Fair
-----	-----	-----
2001:		
Natural gas futures contracts	\$ (1.5)	\$ (1.5)
Propane swap, option and forward sales contracts	(10.5)	(10.5)
Interest rate protection agreements	(3.0)	(3.0)
Available for sale securities	18.3	18.3
Long-term debt	1,295.2	1,386.5
UGI Utilities Series Preferred Stock	20.0	21.4
2000:		
Natural gas futures contracts	\$ --	\$ 4.2
Propane swap, option and forward sales contracts	1.0	6.5
Interest rate protection agreements	--	2.5
Long-term debt	1,115.6	1,135.9
UGI Utilities Series Preferred Stock	20.0	21.0

We estimate the fair value of long-term debt by using current market prices and by discounting future cash flows using rates available for similar type debt. The estimated fair value of UGI Utilities Series Preferred Stock is based on the fair value of redeemable preferred stock with similar credit ratings and redemption features. Fair values of derivative instruments reflect the estimated amounts that we would receive or pay to terminate the contracts at the reporting date based upon quoted market prices of comparable contracts at September 30, 2001 and 2000.

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

NOTE 15 - PROVISION FOR EXIT COSTS - HEARTH USA(TM)

In September 2001, after evaluating the prospects for Hearth USA(TM) in light of the weak retail environment and the capital required to expand beyond its two-store pilot phase, we committed to close both of its stores and cease all operations by the end of October 2001. Hearth USA(TM) sold, installed and serviced hearth, grill and spa products and sold related accessories from two superstores located in Rockville, Maryland and Springfield, Virginia. As a result of this action, in September 2001 we recorded a pre-tax charge of \$8.5 million which is included in the 2001 Consolidated Statement of Income as "Provision for exit costs - Hearth USA(TM)." The pre-tax charge includes \$3.7 million associated with fixed asset write-downs, estimated lease commitment obligations of \$3.2 million, and other incremental costs totaling \$1.6 million. The charge decreased 2001 net income by \$5.5 million or \$0.20 per basic and diluted share.

NOTE 16 - OTHER INCOME, NET

Other income, net, comprises the following:

	2001 -----	2000 -----	1999 -----
Interest and interest-related income (8.5)	\$ (6.7)	\$ (9.3)	\$
Gain on sales of investments	--	(1.8)	--
Equity investment loss	2.1	0.9	0.3
Gain on sales of fixed assets (2.2)	(2.4)	(3.6)	
Pension income (2.3)	(5.9)	(3.0)	
Other (4.1)	(8.5)	(10.1)	
	-----	-----	-----
Total other income, net (16.8)	\$ (21.4)	\$ (26.9)	\$
	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 17 - TERMINATED MERGER - UNISOURCE WORLDWIDE, INC.

On May 25, 1999, we announced that Unisource Worldwide, Inc. ("Unisource") had entered into a merger agreement with Georgia-Pacific Corp. ("GP") and that it would allow Unisource to terminate the previously announced Agreement and Plan of Merger (the "Merger Agreement") among Unisource, UGI and Vulcan Acquisition Corp. (a wholly owned subsidiary of UGI) which would have provided for the merger of UGI and Unisource. Because the board of directors of Unisource decided to enter into a merger agreement with GP, Unisource was required to pay us a \$25 million merger termination fee pursuant to the terms of the Merger Agreement. We received the termination fee on May 28, 1999. The fee, net of related merger expenses, is classified as merger fee income and expenses, net, in the 1999 Consolidated Statement of Income.

NOTE 18 - QUARTERLY DATA (UNAUDITED)

	December 31,		March 31,		June 30,		September 30,	
	2000	1999	2001	2000(a)	2001	2000	2001(b)	2000(c)
Revenues	\$ 737.1	\$ 466.6	\$ 943.8	\$ 610.4	\$ 411.9	\$ 335.9	\$ 375.3	\$ 348.8
Operating income (loss)	\$ 92.0	\$ 70.7	\$ 142.6	\$ 117.9	\$ 8.4	\$ 8.7	\$ (15.6)	\$ (6.1)
Income (loss) before changes in accounting	\$ 27.1	\$ 21.1	\$ 45.5	\$ 38.8	\$ (4.3)	\$ (4.7)	\$ (16.3)	\$ (10.5)
Cumulative effect of accounting changes, net (d)	4.5	--	--	--	--	--	--	--
Net income (loss)	\$ 31.6	\$ 21.1	\$ 45.5	\$ 38.8	\$ (4.3)	\$ (4.7)	\$ (16.3)	\$ (10.5)
Earnings per share:								
Basic:								
Income (loss) before accounting changes	\$ 1.00	\$ 0.77	\$ 1.68	\$ 1.42	\$ (0.16)	\$ (0.17)	\$ (0.60)	\$ (0.39)
Cumulative effect of accounting changes, net (d)	0.17	--	--	--	--	--	--	--
Net income (loss)	\$ 1.17	\$ 0.77	\$ 1.68	\$ 1.42	\$ (0.16)	\$ (0.17)	\$ (0.60)	\$ (0.39)
Diluted:								
Income (loss) before accounting changes	\$ 1.00	\$ 0.77	\$ 1.67	\$ 1.42	\$ (0.16)	\$ (0.17)	\$ (0.60)	\$ (0.39)
Cumulative effect of accounting changes, net (d)	0.16	--	--	--	--	--	--	--
Net income (loss)	\$ 1.16	\$ 0.77	\$ 1.67	\$ 1.42	\$ (0.16)	\$ (0.17)	\$ (0.60)	\$ (0.39)

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

(a) Includes income from a litigation settlement which increased operating income by \$2.4 million and net income by \$1.4 million or \$0.05 per share.

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

(c) Includes income from a litigation settlement which decreased operating loss by \$2.1 million and net loss by \$1.2 million or \$0.04 per share.

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

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NOTE 19 - SEGMENT INFORMATION

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

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

The accounting policies of our reportable segments are the same as those described in Note 1. We evaluate our AmeriGas Propane and International Propane segments' performance principally based upon earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"). We evaluate the performance of our Gas Utility, Electric Utility and Energy Services segments principally based upon their earnings before income taxes.

No single customer represents more than ten percent of our consolidated revenues and there are no significant intersegment transactions. In addition, all of our reportable segments' revenues, other than those of our International Propane segment, are derived from sources within the U.S., and all of our reportable segments' long-lived assets, other than those of our International Propane segment, are located in the U.S.

Financial information by business segment follows:

	Total	Elimi- nations	AmeriGas Propane	Gas Utility	Electric Utility	Energy Services	Inter- national Propane	Other Enter- prises	Corp- orate & Other
2001									
Revenues	\$2,468.1	\$ (2.8)	\$1,418.4	\$ 500.8	\$ 83.9	\$ 370.7	\$ 50.9	\$ 43.4	\$ 2.8
EBITDA	\$ 332.6	\$ (1.1)	\$ 209.3	\$ 108.0	\$ 14.3	\$ 7.6	\$ 3.6	\$ (12.5) (a)	\$ 3.4
Depreciation and amortization	(105.2)	--	(75.5)	(20.2)	(3.6)	(0.3)	(4.3)	(1.1)	(0.2)
Operating income (loss)	227.4	(1.1)	133.8	87.8	10.7	7.3	(0.7)	(13.6)	3.2
Interest expense	(104.8)	1.1	(80.3)	(16.3)	(2.7)	(0.4)	(4.9)	(0.7)	(0.6)
Minority interest	(23.6)	--	(23.6)	--	--	--	--	--	--
Income (loss) before income taxes	\$ 99.0	\$ --	\$ 29.9	\$ 71.5	\$ 8.0	\$ 6.9	\$ (5.6)	\$ (14.3)	\$ 2.6
Total assets	\$2,550.2	\$ (43.3)	\$1,522.3	\$ 678.9	\$ 105.5	\$ 44.7	\$ 141.2	\$ 23.7	\$ 77.2
Capital expenditures	\$ 79.3	\$ --	\$ 39.2 (b)	\$ 31.8	\$ 5.0	\$ 0.2	\$ 2.7	\$ 0.4	\$ --
Investments in equity investees	\$ 41.6	\$ --	\$ --	\$ --	\$ 10.8	\$ --	\$ 30.8	\$ --	\$ --
2000									
Revenues	\$1,761.7	\$ (3.1)	\$1,120.1	\$ 359.0	\$ 77.9	\$ 146.9	\$ 50.5	\$ 7.3	\$ 3.1
EBITDA	\$ 288.7	\$ --	\$ 158.6	\$ 105.3	\$ 19.6	\$ 3.0	\$ 1.9	\$ (5.0)	\$ 5.3
Depreciation and amortization	(97.5)	--	(68.4)	(19.1)	(4.5)	(0.2)	(4.6)	(0.5)	(0.2)
Operating income (loss)	191.2	--	90.2	86.2	15.1	2.8	(2.7)	(5.5)	5.1
Interest expense	(98.5)	--	(74.7)	(16.2)	(2.2)	--	(4.8)	--	(0.6)
Minority interest	(6.3)	--	(6.3)	--	--	--	--	--	--
Income (loss) before income taxes	\$ 86.4	\$ --	\$ 9.2	\$ 70.0	\$ 12.9	\$ 2.8	\$ (7.5)	\$ (5.5)	\$ 4.5
Total assets	\$2,275.8	\$ (19.0)	\$1,281.7	\$ 653.7	\$ 97.4	\$ 36.2	\$ 113.7	\$ 28.2	\$ 83.9
Capital expenditures	\$ 71.0	\$ --	\$ 30.4	\$ 31.7	\$ 4.7	\$ 0.1	\$ 1.8	\$ 2.3	\$ --
Investments in equity investees	\$ 5.5	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5.5	\$ --	\$ --
1999									
Revenues	\$1,383.6	\$ (2.3)	\$ 872.5	\$ 345.6	\$ 75.0	\$ 90.4	\$ --	\$ 0.1	\$ 2.3
EBITDA	\$ 265.6	\$ --	\$ 158.8	\$ 87.0	\$ 16.7	\$ 2.7	\$ (0.1)	\$ (5.7)	\$ 6.2
Depreciation and amortization	(89.7)	--	(66.3)	(19.0)	(4.0)	(0.1)	--	--	(0.3)
Operating income (loss)	175.9	--	92.5	68.0	12.7	2.6	(0.1)	(5.7)	5.9
Merger fee income, net	19.9	--	--	--	--	--	--	--	19.9
Interest expense	(84.6)	--	(66.5)	(15.2)	(2.3)	--	--	--	(0.6)
Minority interest	(10.7)	--	(10.7)	--	--	--	--	--	--
Income (loss) before income taxes	\$ 100.5	\$ --	\$ 15.3	\$ 52.8	\$ 10.4	\$ 2.6	\$ (0.1)	\$ (5.7)	\$ 25.2
Total assets	\$2,140.5	\$ (15.6)	\$1,221.9	\$ 620.4	\$ 95.3	\$ 17.4	\$ 143.2	\$ 3.7	\$ 54.2
Capital expenditures	\$ 73.7	\$ --	\$ 34.6 (b)	\$ 31.9	\$ 4.5	\$ 0.2	\$ --	\$ 2.5	\$ --
Investments in equity investees	\$ 6.3	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6.3	\$ --	\$ --

(a)Includes Hearth USA(TM) shut-down costs of \$8.5 million.

(b)Includes capital leases of \$1.3 million and \$3.5 million in 2001 and 1999, respectively.

UGI CORPORATION SUBSIDIARIES EXHIBIT 21

SUBSIDIARY -----	OWNERSHIP -----	STATE OF INCORPORATION -----
AMERIGAS, INC.	100%	PA
FOUR FLAGS DRILLING COMPANY, INC.	100%	PA
Four Flags Holding Company	100%	DE
AMERIGAS PROPANE, INC. *	100%	PA
AmeriGas Partners, L.P.	(1)	DE
AmeriGas Finance Corp.	100%	DE
AmeriGas Propane L.P.	98.9899%	DE
AmeriGas Eagle Propane, L.P.	99%	DE
AmeriGas Eagle Parts & Service, Inc.	100%	PA
AmeriGas Propane Parts & Service, Inc.	100%	PA
AmeriGas Eagle Propane, Inc.	100%	DE
AmeriGas Eagle Holdings, Inc. **	100%	DE
AmeriGas Eagle Finance Corp.	100%	DE
AP Eagle Finance Corp.	100%	DE
AmeriGas Technology Group, Inc.	100%	PA
Petrolane Incorporated	100%	PA
ASHTOLA PRODUCTION COMPANY	100%	PA
UGI ETHANOL DEVELOPMENT CORPORATION	100%	PA
NORTHFIELD HOLDING COMPANY	100%	DE
UGI ENTERPRISES, INC.	100%	PA
CFN ENTERPRISES, INC.	100%	DE
CF Networks LLC	60%	DE
EASTFIELD INTERNATIONAL HOLDINGS, INC.	100%	DE
Flaga GmbH	100%	AUSTRIA
Flaga Energievorsorgung	100%	GERMANY
Flaga Plyn, spol. s r.o.	100%	CZECH REPUBLIC
Flaga Slovplyn, spol. s r.o.	100%	SLOVAKIA
Flaga Tech Trade GmbH	100%	AUSTRIA
Osterreichische Flussiggas-Gesellschaft m.b.H.	40%	AUSTRIA
T.S.G.- Transport - und Speditionsgesellschaft m.b.H.	50%	AUSTRIA
G.T.P. Gas Trans Praha spol. s r.o.	60%	CZECH REPUBLIC
GTE Gastrans-Erfurt-GmbH	90%	GERMANY
EUROGAS HOLDINGS, INC.	100%	DE
UGI ENERGY SERVICES, INC.	100%	PA
Energy Services Holding Company	100%	DE
UGI POWER SUPPLY, INC.	100%	PA
UGI INTERNATIONAL ENTERPRISES, INC.	100%	PA
UGI France, Inc.	100%	DE
UGI BLACK SEA ENTERPRISES, INC.	100%	PA
UGI INTERNATIONAL (ROMANIA), INC.	100%	PA
UGI ROMANIA, INC.	100%	PA
UGI INTERNATIONAL (CHINA), INC.	100%	DE
UGI CHINA, INC.	100%	DE
UGI SOUTHWEST CHINA DEVELOPMENT COMPANY, LLC	100%	DE
HEARTH USA, INC.	100%	DE
UGI HVAC ENTERPRISES, INC.	100%	DE
UGI PROPERTIES, INC.	100%	PA
UGI UTILITIES, INC.	100%	PA
UGI DEVELOPMENT COMPANY	100%	PA
UGID Holding Company	100%	DE
UGI Hunlock Development Company	100%	PA
UNITED VALLEY INSURANCE COMPANY	100%	VT
VULCAN ACQUISITION CORP.	100%	DE

(1) AmeriGas Propane, Inc. and its subsidiary, Petrolane Incorporated, hold a combined 50.7% interest in AmeriGas Partners, L.P.

*Sole General Partner of each of AmeriGas Partners, L.P. and AmeriGas Propane, L.P.

** Sole General Partner of AmeriGas Eagle Propane, L.P.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UGI Corporation:

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into this Company's previously filed S-8 Registration Statement Nos. 33-47319, 33-61722, 333-22305, 333-37093, 333-49080 and Form S-3 Registration Statement Nos. 33-78776 and 333-42296.

Arthur Andersen LLP
Philadelphia, Pennsylvania
December 21, 2001

End of Filing