

UGI CORP /PA/

FORM 10-K (Annual Report)

Filed 12/11/06 for the Period Ending 09/30/06

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Symbol	UGI
SIC Code	4932 - Gas and Other Services Combined
Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

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FORM 10-K (Annual Report)

Filed 12/11/2006 For Period Ending 9/30/2006

Address	460 N GULPH RD P O BOX 858 KING OF PRUSSIA, Pennsylvania 19406
Telephone	610-337-1000
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Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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 Each 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value of UGI Corporation Common Stock held by nonaffiliates of the registrant on March 31, 2006 was \$2,174,882,441.

At December 1, 2006 there were 105,816,035 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, 2006 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 27, 2007 are incorporated by reference into Part III of this Form 10-K.

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PART I:

ITEMS 1. AND 2. BUSINESS AND PROPERTIES

CORPORATE OVERVIEW

UGI Corporation is a holding company that distributes and markets energy products and related services through subsidiaries and joint venture affiliates. We are a domestic and international retail distributor of propane and butane (which are liquefied petroleum gases (“LPG”)); a provider of natural gas and electric service through regulated local distribution utilities; a generator of electricity; a regional marketer of energy commodities; and a provider of heating and cooling services. Our subsidiaries and joint venture affiliates operate principally in the following five business segments:

- AmeriGas Propane
- International Propane
- Gas Utility
- Electric Utility
- Energy Services

The AmeriGas Propane segment consists of the propane distribution business of AmeriGas Partners, L.P. (“AmeriGas Partners” or the “Partnership”), which is the nation’s largest retail propane distributor. The Partnership’s sole general partner is our subsidiary, AmeriGas Propane, Inc. (“AmeriGas Propane” or the “General Partner”). The common units of AmeriGas Partners represent limited partner interests in a Delaware limited partnership; they trade on the New York Stock Exchange under the symbol “APU.” We have an effective 44% ownership interest in the Partnership; the remaining interest is publicly held. See Note 1 to the Company’s Consolidated Financial Statements.

The International Propane segment consists of the LPG distribution businesses of our wholly owned subsidiaries Antargaz, a French société anonyme (“Antargaz”), and Flaga GmbH, an Austrian limited liability company (“Flaga”), and our joint venture in China. Antargaz is one of the largest retail distributors of LPG in France. Flaga is the largest retail LPG distributor in Austria and through its joint venture company is one of the largest retail distributors in the Czech Republic and Slovakia. In China, we participate in an LPG joint venture business in the Nantong region.

On August 24, 2006, we acquired a Pennsylvania natural gas utility business from Southern Union Company which significantly increased our natural gas distribution business. The Gas Utility segment (“Gas Utility”) consists of the regulated natural gas distribution businesses of our subsidiary, UGI Utilities, Inc. (“UGI Utilities”) and UGI Utilities’ subsidiary, UGI Penn Natural Gas, Inc. (“UGIPNG”). Gas Utility serves approximately 473,000 customers in eastern and northeastern Pennsylvania. The Electric Utility segment (“Electric Utility”) consists of the regulated electric distribution business of UGI Utilities, serving approximately 62,000 customers in northeastern Pennsylvania. Gas Utility and Electric Utility are regulated by the Pennsylvania Public Utility Commission (“PUC”).

The Energy Services segment consists of energy-related businesses conducted by a number of subsidiaries. These businesses include (i) energy marketing in the eastern region of the United States under the trade names GASMARK[®] and POWERMARK[®], (ii) operating or owning interests in electric generation assets in Pennsylvania, (iii) operating liquefied natural gas and propane storage and peak-shaving facilities in eastern Pennsylvania, and (iv) operating a propane import and storage facility in Chesapeake, Virginia.

UGI Corporation also owns and operates heating, ventilation, air conditioning, refrigeration and electrical contracting service businesses serving customers in the Mid-Atlantic region.

Business Strategy

Since 1999, our business strategy has been to grow the Company by focusing on our core competencies as a marketer and distributor of energy products and services. We are employing our core competencies from our existing businesses and using our national scope, international experience, extensive asset base and access to customers to accelerate both internal growth and growth through acquisitions in our existing businesses, as well as in related and complementary businesses. During fiscal year 2006, we completed a number of transactions in pursuit of this strategy, including the acquisition of a natural gas utility business in Pennsylvania, the formation of a joint venture company distributing LPG in the Czech Republic, Slovakia, Poland, Hungary and Romania, and the formation of a Dutch private limited liability company as a vehicle to facilitate the management and continued growth of our international business.

Corporate Information

UGI Corporation was incorporated in Pennsylvania in 1991. UGI Corporation is not subject to regulation by the PUC. UGI Corporation is a “holding company” under the Public Utility Holding Company Act of 2005 (“PUHCA 2005”). PUHCA 2005 and the implementing regulations of the Federal Energy Regulatory Commission (“FERC”) give FERC access to certain holding company books and records and impose certain accounting, record-keeping, and reporting requirements on holding companies. PUHCA 2005 also provides state utility regulatory commissions with access to holding company books and records in certain circumstances. Pursuant to a waiver granted in accordance with FERC’s regulations on the basis of UGI Corporation’s status as a single-state holding company system, UGI Corporation is not subject to certain of the accounting, record-keeping, and reporting requirements prescribed by FERC’s regulations.

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 and the term “UGI Utilities” is sometimes used as an abbreviated reference to UGI Utilities, Inc. or, collectively, UGI Utilities, Inc. and its subsidiaries.

The Company's corporate website can be found at www.ugicorp.com. The Company makes available free of charge at this website (under the "Investor Relations and Corporate Governance-SEC filings" caption) copies of its reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, including its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K. The Company's Principles of Corporate Governance, Code of Ethics for the Chief Executive Officer and Senior Financial Officers, Code of Business Conduct and Ethics for Directors, Officers and Employees, and charters of the Corporate Governance, Audit and Compensation and Management Development Committees of the Board of Directors are also available on the Company's website, under the caption "Investor Relations and Corporate Governance-Corporate Governance." All of these documents are also available free of charge by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P.O. Box 858, Valley Forge, PA 19482.

Forward-Looking Statements

Information contained in this Annual Report on Form 10-K 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) cost volatility and availability of propane and other LPG, oil, electricity and natural gas and the capacity to transport product to our market areas; (3) changes in domestic and foreign laws and regulations, including safety, tax and accounting matters; (4) competitive pressures from the same and alternative energy sources; (5) failure to acquire new customers thereby reducing or limiting any increase in revenues; (6) liability for environmental claims; (7) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (8) adverse labor relations; (9) large customer, counterparty or supplier defaults; (10) liability in excess of insurance coverage for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas, propane and other LPG; (11) political, regulatory and economic conditions in the United States and in foreign countries, including foreign currency rate fluctuations, particularly in the euro; (12) reduced access to capital markets and interest rate fluctuations; (13) reduced distributions from subsidiaries; and (14) the timing and success of the Company's efforts to develop new business opportunities.

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

AMERIGAS PROPANE

Our domestic propane distribution business is conducted through AmeriGas Partners. As of September 30, 2006, the Partnership operated from approximately 600 district locations in 46 states. The reduction in district locations from approximately 650 district locations as of September 30, 2005 is primarily a result of the combination of district locations situated in close geographic proximity to each other. 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 44% effective interest in the income or loss of the Partnership, due to the outstanding publicly-owned limited partnership interests. See Note 1 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, industrial, motor fuel and agricultural users to whom natural gas is not readily available. Propane is typically more expensive than natural gas and fuel oil and, in most areas, cheaper than electricity on an equivalent energy basis.

Products, Services and Marketing

As of September 30, 2006, the Partnership served approximately 1.3 million customers from district locations in 46 states. In addition to distributing propane, 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 readily 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 the Canadian Provinces of Alberta, British Columbia and Quebec.

The Partnership sells propane primarily to five markets: residential, commercial/industrial, motor fuel, agricultural and wholesale. The Partnership distributed over one billion gallons of propane in fiscal year 2006. Approximately 89% of the Partnership's fiscal year 2006 sales (based on gallons sold) were to retail accounts and approximately 11% were to wholesale customers. Sales to residential customers in fiscal year 2006 represented approximately 39% of retail gallons sold; commercial/industrial customers 35%; motor fuel customers 15%; and agricultural customers 5%. Transport gallons, which are large-scale deliveries to retail customers other than residential, accounted for 6% of 2006 retail gallons. No single customer represents, or is anticipated to represent, more than 5% of the Partnership's consolidated revenues.

The Partnership continues to expand its AmeriGas Cylinder Exchange ("ACE") program (formerly, PPX Prefilled Propane Xchange[®] program or PPX). At September 30, 2006, ACE was available at approximately 21,900 retail locations throughout the United States. Sales of our ACE grill cylinders to retailers are included in the commercial/industrial market. The ACE program enables consumers to exchange their empty 20-pound propane grill cylinders for filled cylinders or to purchase filled cylinders at various retail locations such as home centers, gas stations, mass merchandisers, grocery and convenience stores.

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. 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 120 gallons to approximately 1,200 gallons. The Partnership also delivers propane to retail customers in portable cylinders with capacities of 4 to 24 gallons. Some of these deliveries are made to the customer's location, where empty cylinders are either picked up for replenishment or filled in place.

Propane Supply and Storage

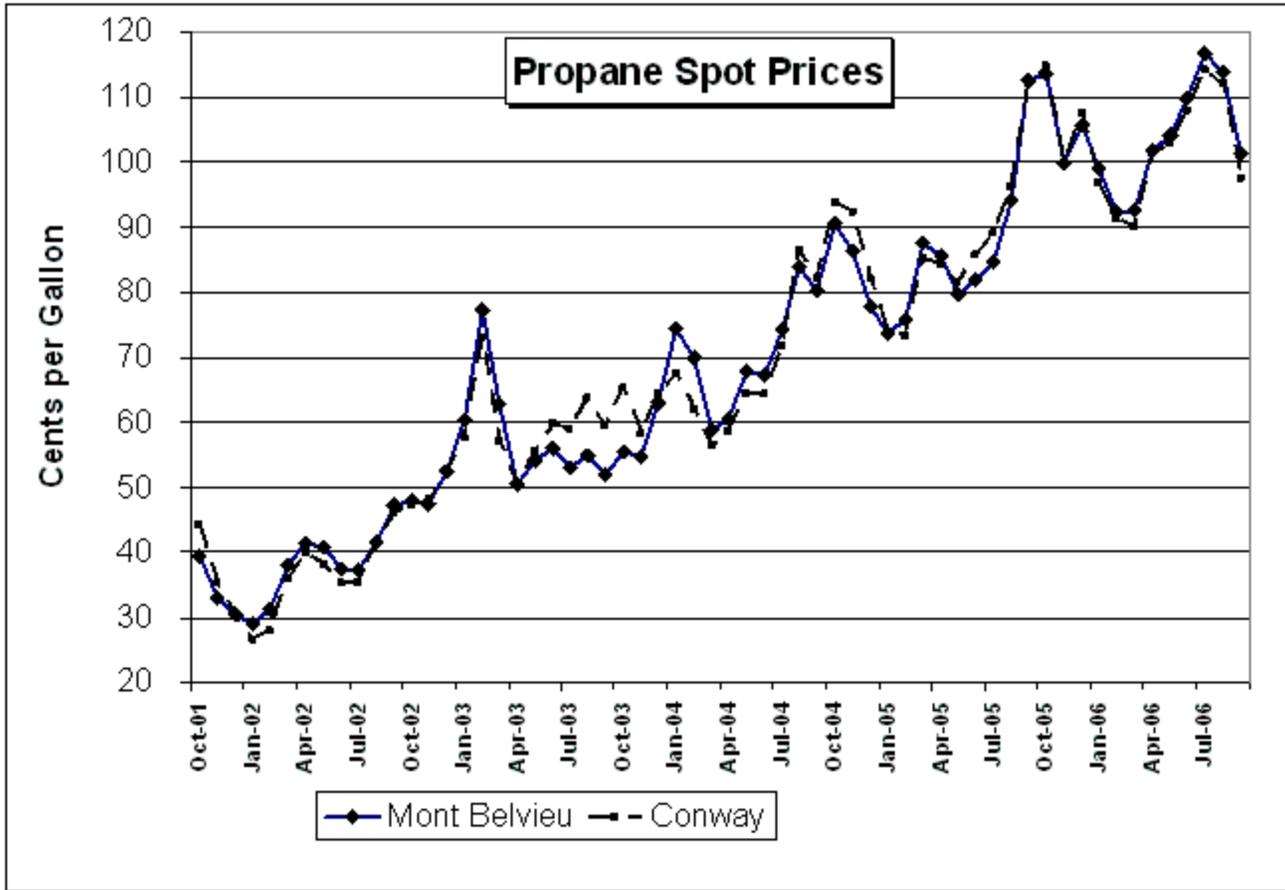
The Partnership has over 250 domestic and international sources of supply, including the spot market. Supplies of propane from the Partnership's sources historically have been readily available. During the year ended September 30, 2006, over 90% of the Partnership's propane supply was purchased under supply agreements with terms of 1 to 3 years. The availability of propane supply is dependent upon, among other things, the severity of winter weather, the price and availability of competing fuels such as natural gas and crude oil, and the availability of imported supply. 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 2007. 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 BP Products North America Inc. and BP Canada Energy Marketing Corp. (collectively), Enterprise Products Operating LP and Targa Midstream Services LP, no single supplier provided more than 10% of the Partnership's total propane supply in fiscal year 2006. In certain market areas, however, some suppliers provide more than 50% of the Partnership's requirements. Disruptions in supply in these areas could also have an adverse impact on the Partnership's margins.

The Partnership's supply contracts typically provide for pricing based upon (i) index formulas using the current prices established at major storage points such as Mont Belvieu, Texas, or Conway, Kansas, or (ii) posted prices at the time of delivery. In addition, some agreements provide maximum and minimum seasonal purchase volume guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year as determined by the General Partner. The Partnership uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges, to transport propane from suppliers to storage and distribution facilities. The Partnership stores propane at large storage facilities in Arizona and Pennsylvania, as well as at smaller facilities in 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, increases in the prices of base commodities such as crude oil and natural gas, or other unforeseen events. The General Partner has adopted supply acquisition and product cost risk management practices to reduce the effect of volatility on selling prices. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments such as options and propane price swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Disclosures."

The following graph shows the average prices of propane on the propane spot market during the last 5 fiscal years at Mont Belvieu, Texas and Conway, Kansas.

Average Propane Spot Market Prices



Competition

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers with 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. 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.

In the motor fuel market, propane competes with gasoline and diesel fuel as well as electric batteries and fuel cells. 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.

The retail propane industry is mature, with only modest growth in total demand for the product foreseen. Therefore, the Partnership's ability to grow within the industry is dependent on its ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the ACE program and the Strategic Accounts program (through which the Partnership encourages large, multi-location propane users to enter into a supply agreement with it rather than with many small suppliers), as well as the success of its sales and marketing programs designed to attract and retain customers. The failure of the Partnership to retain and grow its customer base would have an adverse effect on its results.

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

Based on the most recent annual survey by the American Petroleum Institute, 2004 domestic retail propane sales (annual sales for other than chemical uses) totaled approximately 11.1 billion gallons and, based on LP-GAS magazine rankings, 2005 sales volume of the ten largest propane companies (including AmeriGas Partners) represented approximately 40% of domestic retail sales. Based upon 2004 sales data, management believes the Partnership's 2006 retail volume represents approximately 9% of domestic retail sales.

Properties

As of September 30, 2006, the Partnership owned approximately 83% of its district locations. The Partnership subleases 3 one-million barrel underground storage caverns in Arizona to store propane and butane for itself and third parties, and it leases a 1.3 million gallon storage terminal in Pennsylvania. In addition, the Partnership also owns a 600,000 barrel refrigerated, above-ground storage facility located on leased property in California. The California facility, which the Partnership operates, is currently leased to several refiners for the storage of butane.

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, 2006, the Partnership operated a transportation fleet with the following assets:

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Approximate Quantity & Equipment Type		% Owned	% Leased
530	Trailers	93	7
280	Tractors	34	66
180	Railroad tank cars	0	100
2,520	Bobtail trucks	10	90
310	Rack trucks	8	92
2,130	Service and delivery trucks	12	88

Other assets owned at September 30, 2006 included approximately 847,000 stationary storage tanks with typical capacities ranging from 121 to 2,000 gallons and approximately 2.4 million portable propane cylinders with typical capacities of 1 to 120 gallons. The Partnership also owned approximately 5,200 large volume tanks which are used for its own storage requirements.

Trade Names, Trade and Service Marks

The Partnership markets propane principally under the “AmeriGas[®]” and “America’s Propane Company[®]” trade names and related service marks. UGI owns, directly or indirectly, all the right, title and interest in the “AmeriGas” name and related trade and service marks. The General Partner owns all right, title and interest in the “America’s Propane Company” trade name 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. Approximately 55% to 60% of the Partnership’s retail sales volume occurs, and substantially all of the Partnership’s operating income is earned, during the five-month peak heating season from November through March. As a result of this seasonality, sales are higher 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 and the operation of bulk storage LPG terminals. 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 Homeland Security Act of 2002, 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. See Note 10 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 (“NFPA”) Pamphlets No. 54 and No. 58, which establish a set of rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted by all states in which the Partnership operates. The latest version of NFPA Pamphlet No. 58, adopted by a majority of states, requires certain stationary cylinders that are filled in place to be re-qualified periodically, depending on the age of the cylinders. Management believes that the policies and 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 federal legislation, including the Federal Motor Carrier Safety Act and the Homeland Security Act of 2002. Regulations under these statutes cover the security and 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 residential customers or 2 or more commercial 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 to conduct and keep records of inspections and testing. Operators are subject to the Pipeline Safety Improvement Act of 2002, which, among other things, protects from adverse employment actions employees who provide information to their employers or to the federal government as to pipeline safety.

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, 2006, the General Partner had approximately 5,900 employees, including approximately 433 part-time, seasonal and temporary employees, working on behalf of the Partnership. UGI also performs certain financial and administrative services for the General Partner on behalf of the Partnership and is reimbursed by the Partnership.

INTERNATIONAL BUSINESSES

We conduct our international LPG distribution business principally in Europe through our wholly owned subsidiaries, Antargaz and Flaga. During fiscal year 2006, we formed a Dutch private limited liability company, UGI International Holdings, B.V., to hold our interests in Antargaz and Flaga. On February 15, 2006, Flaga entered into a joint venture with a subsidiary of Progas GmbH & Co KG (“Progas”) to combine their central European LPG operations. The new joint venture company, Zentraleuropa LPG Holding GmbH (“ZLH”), is owned and controlled equally by Flaga and Progas. Flaga contributed the shares of its operating subsidiaries in the Czech Republic and Slovakia to ZLH and Progas contributed the shares of its operating subsidiaries in the Czech Republic, Slovakia, Poland, Hungary and Romania to ZLH. Antargaz operates in France; Flaga operates in Austria and Switzerland; and ZLH operates through subsidiaries in the Czech Republic, Slovakia, Poland, Hungary and Romania. In a related transaction during fiscal year 2006, Flaga expanded its LPG distribution business in Austria by acquiring Progas Flüssiggas Handelsgesellschaft GmbH. During fiscal year 2006, Antargaz sold approximately 315 million gallons of LPG and Flaga sold approximately 27 million gallons of LPG. Since the formation of ZLH in February of 2006, ZLH, through its subsidiaries, sold approximately 38 million gallons of LPG. Our joint venture in China sold approximately 16 million gallons of LPG during fiscal year 2006.

ANTARGAZ

Products, Services and Marketing

Antargaz’ customer base consists of residential, commercial, agricultural and motor fuel customer accounts that use LPG for space heating, cooking, water heating, process heat and transportation. Antargaz sells LPG in cylinders, and in small, medium and large bulk volumes stored in tanks. Sales of LPG are also made to service stations to accommodate vehicles that run on LPG. Antargaz sells LPG in cylinders sold to approximately 23,000 retail outlets, such as supermarkets, individually owned stores and gas stations. At September 30, 2006, Antargaz had approximately 210,000 bulk customers and approximately 5 million cylinders in circulation. Approximately 64% of Antargaz’ fiscal year 2006 sales (based on volumes) were cylinder and small bulk, 14% medium bulk, 20% large bulk, and 2% to service stations for automobiles. Antargaz also engages in wholesale sales of LPG and provides logistic, storage and other services to third-party LPG distributors. No single customer represents, or is anticipated to represent, more than 5% of total revenues for Antargaz.

Sales to small bulk customers represent the largest segment of Antargaz’ business in terms of volume, revenue and margin. Small bulk customers are primarily residential and small business users, such as restaurants, that use LPG mainly for heating and cooking. Small bulk customers also include municipalities, which use LPG for heating sports arenas and swimming pools, and the poultry industry for use in chicken brooding.

The principal end-users of cylinders are residential customers who use LPG supplied in this form for domestic applications such as cooking and heating. Butane-filled cylinders accounted for approximately 60% of LPG cylinders for fiscal year 2006, with propane-filled cylinders accounting for the remainder. Propane-filled cylinders are also used to supply fuel for forklift trucks. The market demand for filled cylinders has been declining, due primarily to customers gradually changing to other household energy sources for heating and cooking, such as natural gas. Antargaz is seeking to increase demand for butane and propane-filled cylinders through marketing and product innovations.

Medium bulk customers use propane only, and consist mainly of large residential developments such as housing projects, hospitals, municipalities and medium-sized industrial and agricultural enterprises. Large bulk customers are primarily companies that use LPG in their industrial processes and large agricultural companies.

LPG Supply and Storage

Antargaz has an agreement with Totalgaz for the supply of butane and propane, with pricing based on internationally quoted market prices. Under this agreement, 80% of Antargaz' requirements for butane are guaranteed until June 2009 and 50% of its requirements for propane are guaranteed until June 2007. Requirements are fixed annually; Antargaz can develop other sources of supply. For the 2006 fiscal year, Antargaz purchased almost 100% of its butane needs and approximately 23% of its propane needs from Totalgaz. Antargaz also purchases propane on the international market and, to a lesser degree, purchases butane on the domestic market, under term agreements with international oil and gas trading companies such as SHV Gas Supply and Trading, Den Norske Stats Oldeselshap ("Statoil"), Norsk Hydro Produksjon AS ("Norsk Hydro") and Morgan Stanley Capital Group Inc. In addition, purchases are made on the spot market from international oil and gas companies such as Total Oil Trading SA ("Total Trading") and to a lesser extent from domestic refineries, including those operated by BP France and Esso SAF.

Antargaz has 4 primary storage facilities in operation, including 3 that are located at deep sea harbor facilities, and 25 secondary storage facilities. It also manages an extensive logistics and transportation network. Access to seaborne facilities allows Antargaz to diversify its LPG supplies through imports. LPG stored in primary storage facilities is transported to smaller storage facilities by rail, sea and road. At secondary storage facilities, LPG is filled into cylinders or trucks equipped with tanks and then delivered to customers.

Competition

The LPG market in France is mature, with limited future growth expected. Sales volumes are affected principally by the severity of the weather and customer migration to alternative energy forms, including natural gas and electricity. Antargaz competes in all of its product markets on a national level principally with three LPG distribution companies, Totalgaz (owned by Total France), Butagaz (owned by Societe des Petroles Shell, "Shell") and Compagnie des Gaz de Petrole Primagaz (an independent supplier owned by SHV Holding NV), as well as with regional competitors, Vitogaz and Repsol. Competitive conditions in the French LPG market are undergoing change. Some supermarket chain stores and a joint venture company of Vitogaz and BP are competing in the cylinder market. As a result of these changes, we have experienced an intensified level of competition in the French LPG market. Antargaz' competitors are generally affiliates of its LPG suppliers. As a result, its competitors may obtain product at more competitive prices. During fiscal year 2005, Antargaz received an inquiry from the French competition authority, the General Division of Competition, Consumption and Fraud Punishment. For more information on the inquiry, see "RISK FACTORS — *The expansion of our international business means that we will face increased risks, which may negatively affect our business results.*"

Seasonality

Because a significant amount of LPG is used for heating, demand is typically higher during the colder months of the year. Approximately 65% to 70% of Antargaz' retail sales volume occurs, and approximately 90% to 95% of Antargaz' operating income is earned, during the 6 months from October through March.

Government Regulation

Antargaz' business is subject to various laws and regulations at the national and European levels with respect to protection of the environment, the storage and handling of hazardous materials and flammable substances, the discharge of contaminants into the environment and the safety of persons and property.

Properties

Antargaz has 4 primary storage facilities in operation. Two of these storage facilities are underground caverns, one is a refrigerated facility, and one is an aerial pressure facility. The table below sets forth details of each of these facilities.

	Ownership %	Antargaz Storage Capacity - Propane (m3)(1)	Antargaz Storage Capacity - Butane (m3)(1)
Norgal	52.7%	22,600	8,900
Geogaz Lavera	16.7	17,400	32,500
Donges	50.0(2)	30,000	0
Cobogal	15.0	1,300	900

(1) Cubic meters.

(2) Pursuant to a contractual arrangement with the owner.

Antargaz is evaluating whether to close a fifth storage facility, Geovexin. Antargaz has 25 secondary storage facilities, 14 of which are wholly-owned. The others are partially-owned, through joint ventures.

Employees

At September 30, 2006, Antargaz had approximately 1,100 employees.

FLAGA

Flaga distributes LPG in Austria and Switzerland, and ZLH's subsidiaries distribute LPG in the Czech Republic, Slovakia, Poland, Hungary and Romania for residential, commercial, industrial and auto gas applications. During fiscal year 2006, Flaga sold approximately 27 million gallons of LPG and ZLH's subsidiaries sold approximately 38 million gallons of LPG.

During fiscal year 2006, Flaga sold approximately 18 million gallons of LPG in Austria and Switzerland and 9 million gallons of LPG in the Czech Republic and Slovakia prior to the formation of ZLH. Flaga is the largest distributor of LPG in Austria, serving residential, commercial and industrial customers. The retail propane industry in Austria is mature, with slight declines in overall demand in recent years, due primarily to the expansion of natural gas and renewable energy sources. Competition for customers is based on contract terms as well as on product prices. Flaga has 6 sales offices in Austria. Much of Flaga's cylinder business is conducted through approximately 500 local resellers with whom Flaga has a long business relationship. Flaga utilizes approximately 21 storage facilities in Austria and Switzerland. Flaga competes with other propane marketers, including competitors located in other eastern European countries. Flaga also competes with providers of other sources of energy, principally natural gas, electricity and wood. As of September 30, 2006, Flaga had approximately 150 employees.

Since the formation of ZLH in February of 2006, ZLH's subsidiaries sold approximately 38 million gallons of LPG in the Czech Republic, Slovakia, Poland, Hungary and Romania. ZLH utilizes approximately 36 storage facilities and has approximately 12 sales offices in these countries. As of September 30, 2006, ZLH had approximately 550 employees. ZLH is one of the leading distributors of LPG in both the Czech Republic and Slovakia.

Flaga's and ZLH's businesses are subject to various laws and regulations at both the national and European levels with respect to protection of the environment, the storage and handling of hazardous materials and flammable substances, the discharge of contaminants into the environment and the safety of persons and property.

GAS UTILITY

Acquisition of PG Energy

On August 24, 2006, UGI Utilities, through its subsidiary UGIPNG, completed the acquisition of the natural gas utility business of PG Energy ("PG Energy"), an operating division of Southern Union Company ("SU"), and all of the capital stock of PG Energy Services, Inc. from SU. Prior to the acquisition, PG Energy served approximately 158,000 customers in 13 counties in northeastern Pennsylvania.

Service Area; Revenue Analysis

Gas Utility is authorized to distribute natural gas to approximately 473,000 customers in portions of 27 eastern and northeastern Pennsylvania counties through its distribution system of approximately 7,700 miles of gas mains. The service area includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon, Reading, Scranton, Wilkes-Barre and Williamsport, Pennsylvania, and the boroughs of Honesdale and Milford, Pennsylvania. Located in Gas Utility's service area are major production centers for basic industries such as specialty metals, aluminum, glass and paper product manufacturing.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility's distribution system) for the 2006 fiscal year was approximately 82.7 billion cubic feet ("bcf"). System sales of gas accounted for approximately 40% of system throughput, while gas transported for residential, commercial and industrial customers (who bought their gas from others) accounted for approximately 60% of system throughput. Gas Utility's system throughput reflects UGIPNG's throughput for the period since the PG Energy acquisition on August 24, 2006 through September 30, 2006.

Sources of Supply and Pipeline Capacity

Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with marketers and producers, along with 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, Gas Utility has agreements with a number of pipeline companies, including Texas Eastern Transmission Corporation, Columbia Gas Transmission Corporation, Transcontinental Gas Pipeline Corporation and Tennessee Gas Pipeline.

Gas Supply Contracts

During fiscal year 2006, UGI Utilities' natural gas distribution utility excluding UGIPNG ("UGI Gas") purchased approximately 44 bcf of natural gas for sale to retail core market and off-system sales customers. Approximately 76% of the volumes purchased were supplied under agreements with 10 suppliers. The remaining 24% of gas purchased by UGI Gas was supplied by approximately 20 producers and marketers. Gas supply contracts for UGI Gas and UGIPNG are generally no longer than 1 year.

Seasonality

Because many of its customers use gas for heating purposes, Gas Utility sales are seasonal. Approximately 55% to 60% of Gas Utility's throughput occurs, and approximately 85% to 90% of Gas Utility's operating income is earned, during the five-month peak heating 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 their service territories, UGI Gas and UGIPNG are the only regulated gas distribution utilities having the right, granted by the PUC or by law, to provide gas distribution services. Since the 1980s, larger commercial and industrial customers have been able to purchase gas supplies from entities other than natural gas distribution utility companies. As a result of Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act"), effective July 1, 1999 all of Gas Utility's customers, including residential and smaller commercial and industrial customers ("Core Market Customers"), have been afforded this opportunity. As of September 30, 2006, one marketer provides gas supplies to approximately 4,200 of Gas Utility's Core Market Customers. Gas Utility provides transportation services for its customers who purchase natural gas from others.

A number 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 the alternate fuel. Margin from these customers, therefore, is affected by the difference or "spread" between the customers' delivered cost of gas and the customers' delivered cost of the alternate fuel, as well as the frequency and duration of interruptions. See "Gas Utility and Electric Utility Regulation and Rates — Gas Utility Rates." In accordance with the PUC's June 29, 2000 Gas Restructuring Order applicable to UGI Gas, margin from certain of these customers (who use pipeline capacity contracted by UGI Gas to serve retail customers) is used to reduce purchased gas cost rates for retail customers. Approximately 28% of UGI Gas' commercial and industrial customers, including certain customers served under interruptible rates, have locations which afford them the opportunity, although none have exercised it, of seeking transportation service directly from interstate pipelines, thereby bypassing UGI Gas. The majority of customers in this group are served under transportation contracts having 3 to 20 year terms. Included in these two customer groups are UGI Gas' 10 largest customers in terms of annual volumes. All of these customers have contracts, 7 of which extend beyond Fiscal 2007. No single customer represents, or is anticipated to represent, more than 5% of Gas Utility's total revenues.

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 2007. Supply mix is diversified, market priced, and delivered pursuant to a number of long-term and short-term firm transportation and storage arrangements, including transportation contracts held by some of Gas Utility's larger customers.

During fiscal year 2006, Gas Utility supplied transportation service to 2 major co-generation installations and 5 electric generation facilities. Gas Utility continues to pursue opportunities to supply natural gas to electric generation projects located in its service area. Gas Utility also continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In the residential market sector, UGI Gas connected approximately 9,900 residential heating customers during fiscal year 2006. Of those new customers, new home construction accounted for over 7,300 heating customers. Customers converting from other energy sources, primarily oil and electricity, 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 UGI Gas customers was approximately 1,400. UGIPNG customer growth for the period since the PG Energy acquisition on August 24, 2006 through September 30, 2006 was not significant.

UGI Utilities continues to monitor and participate, where appropriate, in rulemaking and individual rate and tariff proceedings before 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.

UGI Utilities' objective in negotiations with interstate pipeline and natural gas suppliers, and in proceedings 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, UGI Utilities negotiates the terms of firm transportation capacity on all pipelines serving it, 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

Service Area; Sales Analysis

Electric Utility supplies electric service to approximately 62,000 customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania through a system consisting of approximately 2,150 miles of transmission and distribution lines and 13 transmission substations. For fiscal year 2006, about 53% of sales volume came from residential customers, 35% from commercial customers and 12% from industrial customers. There was no electricity transported for customers who purchased their power from other suppliers during fiscal year 2006.

Sources of Supply

Electric Utility has third-party generation supply contracts in place for substantially all of its expected energy requirements for fiscal years 2007, 2008 and 2009. Electric Utility distributes electricity that it purchases from others and electricity that customers purchase from other suppliers, if any. As of September 30, 2006, none of Electric Utility's customers have selected an alternative electricity generation supplier. Electric Utility expects to continue to provide energy to the great majority of its distribution customers for the foreseeable future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk Disclosures" for a discussion of risks related to Electric Utility's supply contracts.

Competition

As a result of the Electricity Generation Customer Choice and Competition Act ("ECC Act"), all Pennsylvania retail electric customers have the ability to choose their electric generation supplier. Electric Utility remains the provider of last resort ("POLR") for its customers who do not choose an alternate electric generation supplier. The terms and conditions under which Electric Utility provides POLR service, and rules governing the rates that may be charged for such service, have been established in a series of PUC-approved settlements (collectively, the "POLR Settlement"). Consistent with the terms of the POLR Settlement, Electric Utility's POLR rates were increased in January 2006 and Electric Utility is permitted, but not required, to further increase its POLR rates in January 2007, 2008 and 2009. Electric Utility is the only regulated electric utility having the right, granted by the PUC or by law, to distribute electricity in its service territory. Sales of electricity for residential heating purposes accounted for approximately 19% of total sales of electricity during fiscal year 2006. Electricity competes with natural gas, oil, propane and other heating fuels for this use. For current POLR rates see "Gas Utility and Electric Utility Regulation and Rates — Electric Utility Rates."

GAS UTILITY AND ELECTRIC UTILITY REGULATION AND RATES

Pennsylvania Public Utility Commission Jurisdiction

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

Electric Transmission and Wholesale Power Sale Rates

FERC has jurisdiction over the rates and terms and conditions of service of electric transmission facilities used for wholesale or retail choice transactions. Electric Utility owns electric transmission facilities that are within the control area of the PJM Interconnection, LLC ("PJM") and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. Electric Utility receives certain revenues collected by PJM when its transmission facilities are used by third parties.

FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy. Electric Utility has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates.

Gas Utility Rates

The most recent general base rate increase for UGI Gas became effective in 1995. In accordance with a statutory mechanism, a rate increase for firm- residential, commercial and industrial customers ("retail core-market") became effective October 1, 2000 along with Purchased Gas Cost ("PGC") variable credit equal to a portion of the margin received from customers served under interruptible rates to the extent such interruptible customers use capacity contracted for by UGI Gas for retail core-market customers.

In an order entered on November 30, 2006, the PUC approved a settlement of the base rate proceeding of UGIPNG. The settlement provides for an increase in natural gas distribution base rates of approximately 4.0% or \$12.5 million annually, effective December 2, 2006. In addition, the settlement provides UGIPNG the ability to recover up to \$1.0 million of additional corporate franchise tax through the state tax adjustment surcharge mechanism.

Gas Utility's gas service tariffs contain PGC rates applicable to firm retail rate schedules. These PGC rates permit recovery of substantially all of the prudently incurred costs of natural gas that Gas Utility sells to its customers. PGC rates are reviewed and approved annually by the PUC. UGI Utilities and UGIPNG may request quarterly, or, under certain conditions monthly, adjustments to reflect the actual cost of gas. Quarterly adjustments become effective on 1 day's notice to the PUC and are subject to review during the next annual PGC filing. Each proposed annual PGC rate is required to be filed with the PUC 6 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.

UGI Gas has two PGC rates. PGC (1) is applicable to small, firm, retail core-market customers consisting of the residential and small commercial and industrial classes; PGC (2) is applicable to firm, contractual, high-load factor customers served on three separate rates. In addition, residential customers maintaining a high load factor may qualify for the PGC (2) rate. As described above, UGI Gas' PGC rates are adjusted to reflect margins, if any, from interruptible rate customers who do not obtain their own pipeline capacity. UGIPNG has one PGC rate applicable to all customers.

Electric Utility Rates

The most recent general base rate increase for Electric Utility became effective in 1996. Consistent with the terms of the POLR Settlement, Electric Utility increased its POLR rates for all metered customers by a total of 4.5% effective January 2005, and an additional 3% effective January 2006, above the total rates in effect on December 31, 2004. Pursuant to the POLR Settlement, Electric Utility is permitted, but not required, to further increase its POLR rates in January 2007, 2008 and 2009. Electric Utility has announced it will increase electric generation rates effective January 1, 2007 and that this increase will affect all metered customers. This increase is expected to raise the average cost to residential customers by approximately 35% over costs in effect during calendar year 2006. Pursuant to the requirements of the ECC Act, the PUC is currently developing POLR regulations that are expected to further define POLR service obligations and pricing. As of September 30, 2006, none of Electric Utility's customers have selected an alternative electricity generation supplier.

FERC Market Manipulation Rules and Other FERC Enforcement and Regulatory Powers

Both Gas Utility and Electric Utility, and our subsidiaries UGI Energy Services, Inc. and UGI Development Company, are subject to FERC regulations governing the manner in which certain jurisdictional sales or transportation are conducted. Section 4A of the Natural Gas Act and Section 222 of the Federal Power Act prohibit the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of natural gas, electric energy, or natural gas transportation or electric transmission services subject to the jurisdiction of FERC. FERC has adopted regulations to implement these statutory provisions which apply to interstate transportation and sales by the Electric Utility, and to a much more limited extent, to certain sales and transportation by the Gas Utility that are subject to FERC's jurisdiction. Gas Utility and Electric Utility are subject to certain other regulations and obligations for FERC-regulated activities. FERC has substantial authority to impose civil penalties for the violation of any regulations, orders or provisions under the Federal Power Act and Natural Gas Act.

In addition, Section 203 of the Federal Power Act expressly requires utility holding companies like UGI to obtain prior FERC approval for certain utility or holding company mergers or acquisitions of electric utilities or electric transmitting utility property valued at \$10 million or more.

State Tax Surcharge Clauses

UGI 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 UGI Utilities from the effects of increases in most of the Pennsylvania taxes to which it is subject.

Utility Franchises

UGI Utilities and UGIPNG hold 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 each of them believes are adequate to authorize them to carry on their business in substantially all of the territories to which they now render gas or electric service. Under applicable Pennsylvania law, UGI Utilities and UGIPNG also have certain rights of eminent domain as well as the right to maintain their facilities in streets and highways in their territories.

Other Government Regulation

In addition to regulation by the PUC and FERC, the gas and electric utility operations of UGI Utilities are subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. UGI 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 UGI Utilities. See ITEM 3. "LEGAL PROCEEDINGS — Environmental Matters-Manufactured Gas Plants."

Employees

At September 30, 2006, UGI Utilities had approximately 1,400 employees.

ENERGY SERVICES

We operate the energy-related businesses described below through various subsidiaries.

Natural Gas and Electricity Marketing

UGI Energy Services, Inc. ("ESI") conducts our energy marketing business under the trade names GASMARK[®] and POWERMARK[®]. ESI sells natural gas directly to approximately 11,000 commercial and industrial customers in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, New York, Ohio, North Carolina and the District of Columbia through the use of the transportation systems of 31 utility systems. ESI also sells fuel oil, electricity and LPG to commercial and industrial customers in Pennsylvania, New Jersey and Maryland.

The gas marketing business is a high revenue, low margin business. A majority of ESI's commodity sales are made under fixed-price agreements. ESI manages supply cost volatility related to these agreements by (i) entering into exchange-traded natural gas futures contracts which are guaranteed by the New York Mercantile Exchange and have nominal credit risk, (ii) entering into fixed-price supply arrangements with a diverse group of natural gas producers and holders of interstate pipeline capacity, (iii) trading over-the-counter natural gas derivatives with a major international bank and (iv) utilizing supply assets that it owns or manages. ESI also bears the risk for balancing and delivering natural gas to its customers under various pipelines and utility company tariffs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk Disclosures."

Credit is another risk factor in the commodity marketing business. ESI bears the risks of customer defaults and supplier non-performance on commodity and pipeline capacity contracts. ESI seeks to mitigate risk of supplier defaults by diversifying its supply and pipeline transportation purchases across a number of suppliers. ESI uses credit insurance to mitigate a portion of the risk of customer defaults. ESI also requires credit support from certain customers in higher-risk transactions. This credit support can take the form of prepayments, electronic fund transfers, bonds and letters of credit.

Peaking and Asset Management Services

ESI operates a natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania, and propane storage and propane-air mixing stations in Bethlehem, Reading and Steelton, Pennsylvania. It also operates a propane storage and rail trans-shipment terminal in Steelton, Pennsylvania. These assets are used in ESI's energy peaking business that provides supplemental energy, primarily liquefied natural gas and propane-air mixtures, to gas utilities at times of peak demand. ESI also manages natural gas pipeline and storage contracts for UGI Gas.

In November 2004, ESI acquired a propane import and trans-shipment facility located in Chesapeake, Virginia. ESI sells propane from this facility to large multi-state retailers including AmeriGas Partners, and to smaller local dealers throughout Virginia and northeast North Carolina.

Electric Generation

We have an approximate 6% (102 megawatts) ownership interest in the Conemaugh generating station ("Conemaugh"), a 1,711 megawatt, coal-fired generation station located near Johnstown, Pennsylvania. Conemaugh is owned by a consortium of energy companies and operated by a unit of Reliant Resources, Inc. In March 2006, our subsidiary, UGI Development Company ("UGID"), sold its 50% ownership interest in Hunlock Creek Energy Ventures ("Energy Ventures") to Allegheny Energy Supply Hunlock Creek, LLC. Energy Ventures' assets primarily comprised a 44-megawatt gas-fired combustion turbine electric generator and the Hunlock Station 48-megawatt coal-fired electric generation facility. As part of the consideration in this sale, Energy Ventures transferred the Hunlock Station 48-megawatt coal-fired electric generation facility to UGID. The output from these generation assets is sold by UGID on the spot market and under fixed-term contracts. UGID has FERC authority to sell power at market-based rates.

Government Regulation

FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy, as well as the purchase or sale of natural gas and transportation services. As stated above, UGID has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates. UGID is also subject to FERC market manipulation rules and enforcement and regulatory powers. See “Gas Utility and Electric Utility Regulation and Rates-FERC Market Manipulation Rules and Other FERC Enforcement and Regulatory Powers.”

The operation of Hunlock Station complies with the air quality standards of the Pennsylvania Department of Environmental Protection (“DEP”) with respect to stack emissions. Under the Federal Water Pollution Control Act, Hunlock Station has a permit from the DEP to discharge water 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

ESI is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage LPG terminals. 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 Homeland Security Act of 2002, 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.

Employees

At September 30, 2006, ESI and its subsidiaries had approximately 185 employees.

HVAC/R

We conduct a heating, ventilation, air-conditioning, refrigeration and electrical contracting service business through UGI HVAC Enterprises, Inc. (“HVAC/R”) serving portions of eastern Pennsylvania and the Mid-Atlantic region, including the Philadelphia suburbs and portions of New Jersey and northern Delaware. This business serves more than 100,000 customers in residential, commercial, industrial and new construction markets. During fiscal year 2006, HVAC/R generated approximately \$72 million in revenues and employed approximately 400 people.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's reportable business segments, and to the geographic areas in which we operate, for the 2006, 2005 and 2004 fiscal years appears in Note 17 to the Consolidated Financial Statements contained in our 2006 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 2006, UGI and its subsidiaries had approximately 9,800 employees.

ITEM 1A. RISK FACTORS

Decreases in the demand for our energy products and services because of warmer-than-normal heating season weather adversely affect our results of operations.

Because many of our customers rely on our energy products and services to heat their homes and businesses, our results of operations are adversely affected by warmer-than-normal heating season weather. Weather conditions have a significant impact on the demand for our energy products and services for both heating and agricultural purposes. Accordingly, the volume of our energy products sold is at its highest during the five-month peak heating season of November through March and is directly affected by the severity of the winter weather. For example, historically, approximately 55% to 60% of AmeriGas Partners' annual retail propane volume has been sold during these months and approximately 55% to 60% of our natural gas throughput (the total volume of gas sold to or transported for customers within our distribution system) occurs during these months. Antargaz' sales volume is similarly seasonal. There can be no assurance that normal winter weather in our market areas will occur in the future.

Our holding company structure could limit our ability to pay dividends or debt service.

We are a holding company whose material assets are the stock of our subsidiaries and interests in joint ventures. Accordingly, we conduct all of our operations through our subsidiaries and joint venture affiliates. Our ability to pay dividends on our common stock and to pay principal and accrued interest on our debt, if any, depends on the payment of dividends to us by our principal subsidiaries, AmeriGas, Inc., UGI Utilities, Inc. and UGI Enterprises, Inc. (including Antargaz). Payments to us by those subsidiaries, in turn, depend upon their consolidated results of operations and cash flows and, in the case of AmeriGas Partners, the provisions of its partnership agreement. The operations of our subsidiaries are affected by conditions beyond our control, including weather, competition in national and international markets we serve, the costs and availability of propane, butane, natural gas, electricity and other energy sources and changes in capital market conditions. The ability of our subsidiaries to make payments to us is also affected by the level of indebtedness of our subsidiaries, which is substantial, and the restrictions on payments to us imposed under the terms of such indebtedness.

Our profitability is subject to propane pricing and inventory risk.

The retail propane business is a “margin-based” business in which gross profits are dependent upon the excess of the sales price over the propane supply costs. Propane is a commodity, and, as such, its unit price is subject to volatile fluctuations in response to changes in supply or other market conditions. We have no control over these market conditions. Consequently, the unit price of the propane that our subsidiaries and other marketers purchase can change rapidly over a short period of time. Most of our domestic propane product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major U.S. storage points such as Mont Belvieu, Texas or Conway, Kansas. Most of our international propane supply contracts are based on internationally quoted market prices. Because our subsidiaries’ profitability is sensitive to changes in wholesale propane supply costs, it will be adversely affected if we cannot pass on increases in the cost of propane to our customers. Due to competitive pricing in the propane industry, our subsidiaries, may not be able to pass on product cost increases to our customers when product costs rise rapidly, or when our competitors do not raise their product prices. Finally, market volatility may cause our subsidiaries to sell propane at less than the price at which they purchased it, which could adversely affect our operating results.

High commodity costs can lead to customer conservation, resulting in reduced demand for our energy products and services.

Prices for propane and natural gas are subject to volatile fluctuations in response to changes in supply and other market conditions. During periods of high energy commodity costs such as those experienced in fiscal years 2006 and 2005, our prices generally increase. High prices can lead to customer conservation, resulting in reduced demand for our energy products and services.

Supplier defaults may have a negative effect on our operating results.

When the Company enters into fixed price sales contracts with customers, it also enters into fixed price purchase contracts with suppliers. Depending on changes in the market prices of products compared to the prices secured in our contracts with suppliers of LPG, electricity and natural gas, a default of one or more of our suppliers under such contracts could cause us to purchase LPG, electricity and natural gas at higher prices which would have a negative impact on our operating results.

Changes in commodity market prices may have a negative effect on our liquidity.

Depending on the terms of our contracts with suppliers and some large customers, and for all of our contracts with the NYMEX, a change in the market price of LPG, electricity or natural gas could create a margin payment obligation by the Company or one of its subsidiaries and expose us to an increased liquidity risk.

Our operations may be adversely affected by competition from other energy sources.

Our energy products and services face competition from other energy sources, some of which are less costly for equivalent energy value. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Our propane businesses compete for customers against suppliers of electricity, fuel oil and natural gas. 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. Furnaces and appliances that burn propane will not operate on fuel oil and vice versa, so a conversion from one fuel to the other requires the installation of new equipment. Our customers generally have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because natural gas is generally a less expensive source of energy than propane. The gradual expansion of natural gas distribution systems in our service areas has resulted in the availability of natural gas in some areas that previously depended upon propane. As long as natural gas remains a less expensive energy source than propane, our propane business will lose customers in each region into which natural gas distribution systems are expanded. In France, the state-owned natural gas monopoly, Gaz de France, has in the past extended France's natural gas grid.

Our natural gas businesses compete primarily with electricity and fuel 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. There can be no assurance that our natural gas revenues will not be adversely affected by this competition.

Our ability to increase revenues is adversely affected by the maturity of the retail propane industry.

The retail propane industry in the U.S., France and Austria is mature, with only modest growth in total demand for the product foreseen. Given this limited growth, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, our ability to grow within the propane industry is dependent on our ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the AmeriGas Cylinder Exchange and Strategic Accounts programs, as well as the success of our sales and marketing programs designed to attract and retain customers. Any failure to retain and grow our customer base would have an adverse effect on our results.

Our ability to grow our businesses will be adversely affected if we are not successful in making acquisitions or in integrating the acquisitions we have made.

One of our strategies is to grow through acquisitions in the United States and in international markets. We may choose to finance future acquisitions with debt, equity, cash or a combination of the three. We can give no assurances that we will find attractive acquisition candidates in the future, that we will be able to acquire such candidates on economically acceptable terms, that any acquisitions will not be dilutive to earnings or that any additional debt incurred to finance an acquisition will not affect our ability to pay dividends.

In addition, the restructuring of the energy markets in the United States and internationally, including the privatization of government-owned utilities and the sale of utility-owned assets, is creating opportunities for, and competition from, well-capitalized competitors, which may affect our ability to achieve our business strategy.

To the extent we are successful in making acquisitions, such acquisitions involve a number of risks, including, but not limited to, the assumption of material liabilities, the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and practices, as well as in the assimilation of broad and geographically dispersed personnel and operations. The failure to successfully integrate acquisitions could have an adverse affect on our business, financial condition and results of operations.

Our need to comply with comprehensive, complex, and sometimes unpredictable government regulations may increase our costs and limit our revenue growth, which may result in reduced earnings.

While we generally refer to our Gas Utility and Electric Utility segments as our "regulated segments," there are many governmental regulations that have an impact on our businesses. Existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to the Company which may affect our businesses in ways that we cannot predict.

In our Gas Utility and Electric Utility segments, our operations are subject to regulation by the PUC. The PUC, among other things, approves the rates that UGI Utilities and UGIPNG may charge to its utility customers, thus impacting the returns that UGI Utilities and UGIPNG may earn on the assets that are dedicated to those operations. If UGI Utilities or UGIPNG are required in a rate proceeding to reduce the rates they charge their utility customers, or if UGI Utilities or UGIPNG are unable to obtain approval for rate increases from the PUC, particularly when necessary to cover increased costs, UGI Utilities' and UGIPNG's revenue growth will be limited and their earnings may decrease.

We are subject to operating and litigation risks that may not be covered by insurance.

Our business operations in the U.S. and other countries are subject to all of the operating hazards and risks normally incidental to the handling, storage and distribution of combustible products, such as LPG, propane and natural gas, and the generation of electricity. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. We believe that we are adequately insured for claims in excess of our self-insurance; however, certain types of damages, such as punitive damages and penalties, if any, may not be covered by insurance. There can be no assurance that our insurance will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance will be available in the future at economical prices.

We may be unable to respond effectively to competition, which may adversely affect our operating results.

We may be unable to timely respond to changes within the energy and utility sectors that may result from regulatory initiatives to further increase competition within our industry. Such regulatory initiatives may create opportunities for additional competitors to enter our markets and, as a result, we may be unable to maintain our revenues or continue to pursue our current business strategy.

Our net income will decrease if we are required to incur additional costs to comply with new governmental safety, health, transportation and environmental regulation.

We are subject to extensive and changing international, federal, state and local safety, health, transportation and environmental laws and regulations governing the storage, distribution and transportation of our energy products.

New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. In addition, for many of our operations, we are required to obtain permits from regulatory authorities. Failure to comply with these permits or applicable laws could result in civil and criminal fines or the cessation of the operations in violation.

We are investigating and remediating contamination at a number of present and former operating sites in the U.S., including former sites where we or our former subsidiaries operated manufactured gas plants. We have also received claims from third parties that allege that we are responsible for costs to clean up properties where we or our former subsidiaries operated a manufactured gas plant or conducted other operations. Costs we incur to remediate sites outside of Pennsylvania cannot be recovered in future UGI Utilities' rate proceedings, and insurance may not cover all or even part of these costs. Our actual costs to clean up these sites may exceed our current estimates due to factors beyond our control, such as:

- the discovery of presently unknown conditions;
- changes in environmental laws and regulations;
- judicial rejection of our legal defenses to the third-party claims; or
- the insolvency of other responsible parties at the sites at which we are involved.

In addition, if we discover additional contaminated sites, we could be required to incur material costs, which would reduce our net income.

The expansion of our international business means that we will face increased risks, which may negatively affect our business results.

Our acquisition of Antargaz in March of 2004 significantly increased our international presence. As we continue to add new subsidiaries and enter into new joint ventures in countries around the world, we face risks in doing business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- longer payment cycles;
- local political and economic conditions;
- potentially adverse tax consequences, including restrictions on repatriating earnings and the threat of “double taxation;”
- fluctuations in currency exchange rates, which can affect demand and increase our costs; and
- regulatory requirements and changes in regulatory requirements, including French and EU competition laws that may adversely affect the terms of contracts with customers, and strict regulations applicable to the storage and handling of LPG.

On June 14, 2005, officials from France’s General Division of Competition, Consumption and Fraud Punishment (“DGCCRF”) conducted an unannounced inspection of, and obtained documents from, Antargaz’ headquarters building. Management believes that the DGCCRF performed similar unannounced inspections and document seizures at the locations of other distributors of LPG in France, as well as the industry association, Comite Francais du Butane et du Propane (“CFBP”). The investigation apparently sought evidence of unlawful anticompetitive activities affecting the packaged LP gas (i.e., cylinder) business in northern France. Management intends to cooperate with the investigation, if it should receive any further inquiries.

In an apparently unrelated matter, on October 17, 2005, the DGCCRF, with Antargaz’ knowledge and cooperation, interviewed Antargaz’ director of supply and director of logistics regarding the purchase of LP gas by Antargaz and Antargaz’ distribution network. The agency’s questions appeared to focus solely on the auto gas (i.e., motor fuel) market in France. The DGCCRF indicated at that time that it also intended to interview other industry participants (the agency interviewed CFBP on the same topic in January of 2006). The agency also indicated that it should not require any further interviews of Antargaz personnel and no further inquiries have been received regarding this matter.

In the event Antargaz were found to have violated the competition laws in France, it would be subject to civil penalties up to a maximum of 10% of the total revenues of UGI.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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 other than claims arising in the ordinary course of business.

Environmental Matters — 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 UGI Gas and Electric Utility by the early 1950s.

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 (excluding UGIPNG) is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites.

As a result of the acquisition of PG Energy by UGI Utilities’ wholly owned subsidiary, UGIPNG, UGIPNG became party to a Multi-site Remediation Consent Order and Agreement between PG Energy and the Pennsylvania Department of Environmental Protection dated March 31, 2004 (“Multi-Site Agreement”). The Multi-Site Agreement requires UGIPNG to perform annually a specified level of activities associated with environmental investigation and remediation work at 11 currently owned properties on which MGP-related facilities were operated (“Properties”). Under the Multi-Site Agreement, environmental expenditures, including costs to perform work on the Properties, are capped at \$1.1 million in any calendar year. Costs related to investigation and remediation of one property formerly owned by UGIPNG are also included in this cap. The Multi-Site Agreement terminates at the end of 15 years but may be terminated by either party at the end of any two-year period beginning with the effective date. In accordance with existing regulatory practices of the PUC, UGIPNG currently amortizes as removal cost over a five-year period site-specific environmental investigation and remediation costs.

UGI Utilities has been notified of several sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by its former subsidiaries. Such parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating four claims against it relating to out-of-state sites.

City of Bangor, Maine v. Citizens Communications Co. In April 2003, Citizens Communications Company (“Citizens”) served a complaint naming UGI Utilities as a third-party defendant in a civil action pending in the United States District Court for the District of Maine. In that action, the plaintiff, City of Bangor, Maine (“City”), sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens’ predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third-party defendants alleging that the third-party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. Citizens alleges that UGI Utilities and its predecessors owned and operated the plant from 1901 to 1928. Studies conducted by the City and Citizens suggest that it could cost up to \$18 million to clean up the river. Citizens’ third-party claims have been stayed pending a resolution of the City’s suit against Citizens, which was tried in September 2005. Maine’s Department of Environmental Protection (“DEP”) informed UGI Utilities in March of 2005 that it considers UGI Utilities to be a potentially responsible party for costs incurred by the State of Maine related to gas plant contaminants at this site. On June 27, 2006, the court issued an order finding Citizens responsible for 60% of the cleanup costs. The amount of Citizens’ liability has not been finally determined. The court has stayed further proceedings while Citizens and the City discuss settlement. UGI Utilities believes that it has good defenses to Citizens’ claim and to any claim that the DEP may bring to recover its costs.

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 in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities “owned and operated” the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70 million.

The trial court granted UGI Utilities’ motion for summary judgment and dismissed ConEd’s complaint. The grant of summary judgment was entered April 1, 2004. ConEd appealed and on September 9, 2005 a panel of the Second Circuit Court of Appeals affirmed in part and reversed in part the decision of the trial court. The appellate panel affirmed the trial court’s decision dismissing claims that UGI Utilities was liable under CERCLA as an operator of MGPs owned and operated by its former subsidiaries. The appellate panel reversed the trial court’s decision that UGI Utilities was released from liability at three sites where UGI Utilities operated MGPs under lease. On October 7, 2005, UGI Utilities filed for reconsideration of the panel’s order, which was denied by the Second Circuit Court of Appeals on January 17, 2006. On April 14, 2006, UGI Utilities filed a petition requesting that the United States Supreme Court review the decision of the Second Circuit Court of Appeals. On October 2, 2006, the United States Supreme Court entered an order inviting the Solicitor General to file a brief expressing the views of the United States in this case.

Atlanta Gas Light Company v. UGI Utilities, Inc. By letter dated July 29, 2003, Atlanta Gas Light Company (“AGL”) served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8 million incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. On March 22, 2005, the trial court granted UGI Utilities’ motion for summary judgment. AGL appealed, and on September 6, 2006, the Eleventh Circuit Court of Appeals affirmed the trial court’s entry of summary judgment, effectively terminating the case.

Savannah, Georgia Matter. AGL previously informed UGI Utilities that it was investigating contamination that appeared to be related to MGP operations at a site owned by AGL in Savannah, Georgia. A former subsidiary of UGI Utilities operated the MGP in the early 1900s. AGL informed UGI Utilities that it has begun remediation of MGP wastes at the site and believes that the total cost of remediation could be as high as \$55 million. AGL has not filed suit against UGI Utilities for a share of these costs. UGI Utilities believes that it will have good defenses to any action that may arise out of this site.

Sag Harbor, New York Matter. By letter dated June 24, 2004, KeySpan Energy (“KeySpan”) informed UGI Utilities that KeySpan has spent \$2.3 million and expects to spend another \$11 million to clean up an MGP site it owns in Sag Harbor, New York. KeySpan believes that UGI Utilities is responsible for approximately 50% of these costs as a result of UGI Utilities’ alleged direct ownership and operation of the plant from 1885 to 1902. By letter dated June 6, 2006, KeySpan reported that the New York Department of Environmental Conservation has approved a remedy for the site that is estimated to cost approximately \$10 million. KeySpan believes that the cost could be as high as \$20 million. UGI Utilities is in the process of reviewing the information provided by KeySpan and is investigating this claim.

Yankee Gas Services Company and Connecticut Light and Power Company v. UGI Utilities, Inc. On September 11, 2006, UGI Utilities received a complaint filed by Yankee Gas Services Company and Connecticut Light and Power Company, subsidiaries of Northeast Utilities, (together the “Northeast Companies”) in the United States District Court for the District of Connecticut seeking contribution from UGI Utilities for past and future remediation costs related to MGP operations on thirteen sites owned by the Northeast Companies in nine cities in the State of Connecticut. The Northeast Companies allege that UGI Utilities controlled operations of the plants from 1883 to 1941. The Northeast Companies estimate that remediation costs for all of the sites would total approximately \$215 million and assert that UGI Utilities is responsible for approximately \$103 million of this amount. Based on information supplied by the Northeast Companies and UGI Utilities’ own investigation, UGI Utilities believes that it may have operated one of the sites, Waterbury North, under lease for a portion of its operating history. UGI Utilities is reviewing the Northeast Companies’ estimate that remediation costs at Waterbury North could total \$23 million. UGI Utilities believes that it has good defenses to the claim.

South Carolina Electric & Gas Company v. UGI Utilities, Inc. On September 22, 2006, South Carolina Electric & Gas Company (“SCE&G”), a subsidiary of SCANA Corporation, filed a lawsuit against UGI Utilities in the United States District Court for the District of South Carolina seeking contribution from UGI Utilities for past and future remediation costs related to the operations of a former MGP located in Charleston, South Carolina. SCE&G asserts that the plant operated from 1855 to 1954 and alleges that UGI Utilities controlled operations of the plant from 1910 to 1926 and is liable for 47% of the costs associated with the site. SCE&G asserts that it has spent approximately \$22 million in remediation costs and \$26 million in third-party claims relating to the site and estimates that future remediation costs could be as high as \$2.5 million. SCE&G further asserts that it has received a demand from the United States Justice Department for natural resource damages. UGI Utilities believes that it has good defenses to the claim.

Other Matters

Swiger, et al. v. UGI/AmeriGas, Inc. et al. Plaintiffs Samuel and Brenda Swiger and their son (the “Swigers”) sustained personal injuries and property damage as a result of a fire that occurred when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as “UGI/AmeriGas, Inc.”), in the Circuit Court of Monongalia County, West Virginia (Civil Action No. 98-C-298), in which they sought to recover an unspecified amount of compensatory and punitive damages and attorney’s fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, allegedly resulting from the defendants’ failure to install underground propane lines at depths required by applicable safety standards. In 2003, AmeriGas Propane, L.P. settled the individual personal injury and property damage claims of the Swigers. In 2004, the court granted the plaintiffs’ motion to include customers acquired from Columbia Propane in August 2001 as additional potential class members, and the plaintiffs amended their complaint to name additional parties pursuant to such ruling. Subsequently, in March 2005, AmeriGas Propane, L.P. filed a cross-claim against Columbia Energy Group, former owner of Columbia Propane, seeking indemnification for conduct undertaken by Columbia Propane prior to AmeriGas Propane, L.P.’s acquisition. Class counsel has indicated that the class is seeking compensatory damages in excess of \$12 million plus punitive damages, civil penalties and attorneys’ fees. The defendants believe they have good defenses to the claims of the class members and intend to vigorously defend against the remaining claims in this lawsuit.

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 2006.

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:

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock is traded on the New York and Philadelphia Stock Exchanges under the symbol “UGI.” On April 26, 2005, our Board of Directors approved a 2 for 1 split of our Common Stock, effective May 24, 2005. Sales prices and dividends paid for all periods presented in the following tables are reflected on a post-split basis. 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:

2006 Fiscal Year	High	Low
4th Quarter	\$ 25.73	\$ 23.74
3rd Quarter	24.75	20.93
2nd Quarter	22.85	20.60
1st Quarter	28.64	20.21
2005 Fiscal Year	High	Low
4th Quarter	\$ 29.98	\$ 24.25
3rd Quarter	27.95	21.925
2nd Quarter	23.605	19.205
1st Quarter	20.70	18.45

Dividends

Quarterly dividends on our Common Stock were paid in the 2006 and 2005 fiscal years as follows:

2006 Fiscal Year	Amount
4th Quarter	\$ 0.17625
3rd Quarter	0.16875
2nd Quarter	0.16875
1st Quarter	0.16875

2005 Fiscal Year	Amount
4th Quarter	\$ 0.16875
3rd Quarter	0.15625
2nd Quarter	0.15625
1st Quarter	0.15625

Record Holders

On December 1, 2006, UGI had 8,848 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended September 30,				
	2006	2005	2004	2003	2002
(Millions of dollars, except per share amounts)					
FOR THE PERIOD:					
Income statement data:					
Revenues	\$ 5,221.0	\$ 4,888.7	\$ 3,784.7	\$ 3,026.1	\$ 2,213.7
Net income	\$ 176.2	\$ 187.5	\$ 111.6	\$ 98.9	\$ 75.5
Earnings per common share					
Basic net income	\$ 1.67	\$ 1.81	\$ 1.18	\$ 1.17	\$ 0.92
Diluted net income	\$ 1.65	\$ 1.77	\$ 1.16	\$ 1.15	\$ 0.90
Cash dividends declared per common share	\$ 0.690	\$ 0.650	\$ 0.584	\$ 0.565	\$ 0.542
AT PERIOD END:					
Balance sheet data:					
Total assets	\$ 5,080.5	\$ 4,571.5	\$ 4,242.6	\$ 2,795.2	\$ 2,628.0
Capitalization:					
Debt:					
Bank loans — AmeriGas					
Propane	\$ —	\$ —	\$ —	\$ —	\$ 10.0
Bank loans — UGI Utilities	216.0	81.2	60.9	40.7	37.2
Bank loans — other	9.4	16.2	17.2	15.9	8.6
Long-term debt (including current maturities):					
AmeriGas Propane	933.7	913.5	901.4	927.3	945.8
Antargaz	483.5	431.1	474.5	—	—
UGI Utilities	512.0	237.0	217.2	217.3	248.4
Other	67.7	62.9	76.9	78.9	81.5
Total debt	2,222.3	1,741.9	1,748.1	1,280.1	1,331.5
Minority interests, principally in AmeriGas Partners	139.5	206.3	178.4	134.6	276.0
UGI Utilities preferred shares subject to mandatory redemption	—	—	20.0	20.0	20.0
Common stockholders' equity	1,099.6	997.6	834.1	498.7	313.8
Total capitalization	\$ 3,461.4	\$ 2,945.8	\$ 2,780.6	\$ 1,933.4	\$ 1,941.3
Ratio of capitalization:					
Total debt	64.2%	59.1%	62.9%	66.2%	68.6%
Minority interests, principally in AmeriGas Partners	4.0%	7.0%	6.4%	7.0%	14.2%
UGI Utilities preferred shares subject to mandatory redemption	—	—	0.7%	1.0%	1.0%
Common stockholders' equity	31.8%	33.9%	30.0%	25.8%	16.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

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

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 13 through 29 of UGI's 2006 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 26 and 27 of the UGI 2006 Annual Report to Shareholders and are incorporated in this Report by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Annual Report on Internal Control Over Financial Reporting and 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.

ITEM 9A. CONTROLS AND PROCEDURES

- (a) The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this Report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

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- (b) For “Management’s Annual Report on Internal Control Over Financial Reporting” and the related report of PricewaterhouseCoopers LLP, our Independent Registered Public Accounting Firm, see Item 8 of this Report (which information is incorporated herein by reference).
- (c) No change in the Company’s internal control over financial reporting occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III:

ITEMS 10 THROUGH 14.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12, 13 and 14 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 29, 2007.

	Information	Captions of Proxy Statement Incorporated by Reference
Item 10.	Directors and Executive Officers of Registrant The Code of Ethics for the Chief Executive Officer and Senior Financial Officers of UGI Corporation is available without charge on the Company's website, www.ugicorp.com or by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.	Election of Directors — Nominees; Corporate Governance; Communications with the Board; Board Committees and Meeting Attendance; Securities Ownership of Management — Section 16(a) — Beneficial Ownership Reporting Compliance
Item 11.	Executive Compensation	Compensation of Directors; Compensation of Executive Officers
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Securities Ownership of Certain Beneficial Owners; Securities Ownership of Management Approval of Amended and Restated 2004 Omnibus Equity Compensation Plan — Equity Compensation Table
Item 13.	Certain Relationships and Related Transactions	None
Item 14.	Principal Accountant Fees and Services	The Independent Registered Public Accountants

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

EXECUTIVE OFFICERS

Name	Age	Position
Lon R. Greenberg	56	Chairman and Chief Executive Officer
John L. Walsh	51	President and Chief Operating Officer
Eugene V.N. Bissell	53	President and Chief Executive Officer, AmeriGas Propane, Inc.
Michael J. Cuzzolina	61	Vice President — Accounting and Financial Control and Chief Risk Officer
Bradley C. Hall	53	Vice President - New Business Development
Robert H. Knauss	53	Vice President and General Counsel and Assistant Secretary
Anthony J. Mendicino	58	Senior Vice President - Finance and Chief Financial Officer
David W. Trego	48	President and Chief Executive Officer, UGI Utilities, Inc.
François Varagne	51	Chairman of the Board and Chief Executive Officer of Antargaz

All officers, except Mr. Varagne, are elected for a one-year term at the organizational meetings of the respective Boards of Directors held each year. Mr. Varagne was appointed as Chairman of the Board of Antargaz on January 26, 2005. His term of office is five years.

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 held the office of President of UGI from 1994 to 2005. He was elected Director of UGI and 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). He joined the Company in 1980 as Corporate Development Counsel. Mr. Greenberg is also a director of Aqua America, Inc.

John L. Walsh

Mr. Walsh is President and Chief Operating Officer and a Director (since April 2005). He is also Vice Chairman and Director of both AmeriGas Propane, Inc. and UGI Utilities, Inc. (since April 2005). He previously served as Chief Executive of the Industrial and Special Products division and executive director of BOC Group PLC, an industrial gases company (2001-2005). From 1986 to 2001, he held various senior management positions with the BOC Group. Prior to joining BOC Group, Mr. Walsh was a Vice President of UGI's industrial gas division prior to its sale to BOC Group in 1989. From 1981 until 1986, Mr. Walsh held several management positions with affiliates of UGI.

Eugene V.N. Bissell

Mr. Bissell is President, Chief Executive Officer and a Director 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 a member of the Board of Directors of the National Propane Gas Association and a member of the Kalamazoo College Board of Trustees.

Michael J. Cuzzolina

Mr. Cuzzolina was elected Vice President — Accounting and Financial Control and Chief Risk Officer of the Company in July 2003. He served as President and Chief Operating Officer of Flaga GmbH from 1999 to 2004. Mr. Cuzzolina joined the Company in 1974 and previously served as Vice President — Accounting and Financial Control (1984 to 1999).

Bradley C. Hall

Mr. Hall is Vice President — New Business Development (since October 1994). He also serves as President of UGI Enterprises, Inc. (since 1994). He joined the Company in 1982 and held various positions in UGI Utilities, Inc., including Vice President — Marketing and Rates.

Robert H. Knauss

Mr. Knauss was elected Vice President and General Counsel and Assistant Secretary on September 30, 2003. He previously served as Vice President — Law and Associate General Counsel of AmeriGas Propane, Inc. (1996 to 2003), and Group Counsel — Propane of UGI (1989 to 1996). He joined the Company in 1985. Previously, Mr. Knauss was an associate at the firm of Ballard, Spahr, Andrews & Ingersoll in Philadelphia.

Anthony J. Mendicino

Mr. Mendicino is Senior Vice President — Finance and Chief Financial Officer (since December 2002). He previously served as Vice President — Finance and Chief Financial Officer (September 1998 to December 2002). Mr. Mendicino served as President and Chief Operating Officer (July 1997 to June 1998) and as Senior Vice President (January 1997 to June 1997) of Eastwind Group, Inc., a holding company formed to acquire and consolidate middle-market manufacturing businesses. Mr. Mendicino was Senior Vice President and Chief Financial Officer and a director (1987 to 1996) of UTI Energy Corp., a diversified oil field service company. From 1981 to 1987, Mr. Mendicino held various positions with UGI, including Treasurer. Mr. Mendicino serves as a director of Superior Well Services, Inc.

David W. Trego

Mr. Trego is President and Chief Executive Officer of UGI Utilities, Inc. (since October 2004). He previously served as Vice President-Electric Distribution (2002 to 2004). Prior to that assignment, Mr. Trego served in a number of capacities in the Gas Utility Division, including marketing, operations, customer relations and engineering. He joined UGI Utilities in 1987.

François Varagne

Mr. Varagne is Chairman of the Board and Chief Executive Officer of Antargaz (since 2001). Before joining Antargaz, Mr. Varagne was Chairman of the Board and Chief Executive Officer of VIA GTI, a common carrier in France (1998-2001). Prior to that, Mr. Varagne was Chairman of the Board and Chief Executive Officer of Brink's France, a funds carrier (1997 to 1998).

PART IV:

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

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

(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):

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Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
3.1	(Second) Amended and Restated Articles of Incorporation of the Company as amended through June 6, 2005	UGI	Form 10-Q (6/30/05)	3.1
3.2	Bylaws of UGI as amended through September 28, 2004	UGI	Form 8-K (9/28/04)	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	[Intentionally Omitted]			
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	Third Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of December 1, 2004	AmeriGas Partners, L.P.	Form 8-K (12/1/04)	3.1
4.5	Indenture, dated May 3, 2005, by and among AmeriGas Partners, L.P., a Delaware limited partnership, AmeriGas Finance Corp., a Delaware corporation, and Wachovia Bank, National Association, as trustee	AmeriGas Partners, L.P.	Form 8-K (5/3/05)	4.1
4.6	Indenture, dated January 26, 2006, by and among AmeriGas Partners, L.P., a Delaware limited partnership, AP Eagle Finance Corp., a Delaware corporation, and U.S. Bank National Association, as trustee	AmeriGas Partners, L.P.	Form 8-K (1/26/06)	4.1
4.7	Indenture, dated as of August 1, 1993, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, as successor trustee, incorporated by reference to the Registration Statement on Form S-3 filed on April 8, 1994	Utilities	Registration Statement No. 33-77514 (4/8/94)	4(c)
4.8	Supplemental Indenture, dated as of September 15, 2006, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, successor trustee to Wachovia Bank, National Association	Utilities	Form 8-K (9/12/06)	4.2
4.9	Form of Fixed Rate Medium-Term Note	Utilities	Form 8-K (8/26/94)	4(i)
4.10	Form of Fixed Rate Series B Medium-Term Note	Utilities	Form 8-K (8/1/96)	4(i)

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
4.11	Form of Floating Rate Series B Medium-Term Note	Utilities	Form 8-K (8/1/96)	4(ii)
4.12	Officer’s Certificate establishing Medium-Term Notes Series	Utilities	Form 8-K (8/26/94)	4(iv)
4.13	Form of Officer’s Certificate establishing Series B Medium-Term Notes under the Indenture	Utilities	Form 8-K (8/1/96)	4(iv)
4.14	Form of Officers’ Certificate establishing Series C Medium-Term Notes under the Indenture	Utilities	Form 8-K (5/21/02)	4.2
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC ¶61,060 (1993), order on rehearing, 64 FERC ¶61,365 (1993)	UGI	Form 10-K (9/30/95)	10.5
10.2**	UGI Corporation 2004 Omnibus Equity Compensation Plan Directors Stock Unit Grant Letter dated as of January 2006	UGI	Form 8-K (12/6/05)	10.2
10.3**	UGI Corporation 2004 Omnibus Equity Compensation Plan Directors Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.3
*10.4**	UGI Corporation 2004 Omnibus Equity Compensation Plan Utilities Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.5**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Stock Unit Grant Letter	UGI	Form 8-K (12/6/05)	10.9
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 2004 Omnibus Equity Compensation Plan UGI Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.8**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.9**	UGI Corporation 2004 Omnibus Equity Compensation Plan AmeriGas Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.6
*10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan Amended and Restated as of May 24, 2005			

10.11**	AmeriGas Propane, Inc. Executive Employee Severance Pay Plan, as amended December 6, 2004	AmeriGas Partners, L.P.	Form 10-K (9/30/04)	10.4
10.11(a)**	Description of AmeriGas Propane, Inc. Executive Employee Severance Pay Plan, amended July 24, 2006	AmeriGas Partners, L.P.	Form 10-Q (6/30/06)	10.1

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.12**	UGI Corporation Senior Executive Employee Severance Pay Plan as amended December 7, 2004	UGI	Form 10-K (9/30/04)	10.12
10.12(a)**	Description of UGI Corporation Senior Executive Employee Severance Pay Plan, as amended July 25, 2006	UGI	Form 10-Q (6/30/06)	10.1
*10.13**	UGI Corporation 2000 Directors' Stock Option Plan Amended and Restated as of May 24, 2005			
*10.14**	UGI Corporation 2000 Stock Incentive Plan Amended and Restated as of May 24, 2005			
10.15**	Letter Agreement dated May 15, 2002 regarding severance arrangement for Mr. Varagne	UGI	Form 10-K (9/30/05)	10.15
10.16**	UGI Corporation Supplemental Executive Retirement Plan Amended and Restated effective October 1, 1996	UGI	Form 10-Q (6/30/98)	10
10.16(a)**	Description of July 25, 2006 Amendment to the UGI Corporation Supplemental Executive Retirement Plan	UGI	Form 10-Q (6/30/06)	10.2
*10.17**	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended May 24, 2005			
10.17(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended December 7, 2004 — Terms and Conditions as amended December 6, 2005	UGI	Form 8-K (12/6/05)	10.10
10.18	Credit Agreement dated as of November 6, 2006 among AmeriGas Propane, L.P., as Borrower, AmeriGas Propane, Inc., as Guarantor, Petrolane Incorporated, as Guarantor, Citigroup Global Markets Inc., as Syndication Agent, J.P. Morgan Securities Inc. and Credit Suisse Securities (USA) LLC, as Co- Documentation Agents, Wachovia Bank, National Association, as Agent, Issuing Bank and Swing Line Bank, and the other financial institutions party thereto	AmeriGas Partners, L.P.	Form 8-K (11/6/06)	10.1
10.19	Credit Agreement, dated as of August 11, 2006, among UGI Utilities, Inc., as borrower, and Citibank, N.A., as agent, Wachovia Bank, National Association, as syndication agent, and Citizens Bank of Pennsylvania, Credit Suisse, Cayman Islands Branch, Deutsche Bank AG New York Branch, JPMorgan Chase Bank, N.A., Mellon Bank, N.A., PNC Bank, National Association, and the other financial institutions from time to time parties thereto	Utilities	Form 8-K (8/11/06)	10.1
10.20**	Form of Confidentiality and Post-	AmeriGas Partners, L.P.	Form 10-Q	10.3

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Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.21**	Confidentiality and Post-Employment Activities Agreement with AmeriGas Propane, Inc., in its own right and as general partner of AmeriGas Partners, L.P., for Mr. Sheridan	AmeriGas Partners, L.P.	Form 8-K (8/15/05)	10.1
*10.22**	Summary of Director Compensation as of October 1, 2006			
10.23	[Intentionally Omitted]			
10.24	Restricted Subsidiary Guarantee by the Restricted Subsidiaries of AmeriGas Propane, L.P., as Guarantors, for the benefit of Wachovia Bank, National Association and the Banks dated as of November 6, 2006	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.2
10.25	Release of Liens and Termination of Security Documents dated as of November 6, 2006 by and among AmeriGas Propane, Inc., Petrolane Incorporated, AmeriGas Propane, L.P., AmeriGas Propane Parts & Service, Inc. and Wachovia Bank, National Association, as Collateral Agent for the Secured Creditors, pursuant to the Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.3
10.26	[Intentionally Omitted]			
10.27	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.6
10.28	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.7
10.29	Stock Purchase Agreement dated May 27, 1989, as amended and restated July 31, 1989, between Texas Eastern Corporation and QFB Partners	Petrolane Incorporated/AmeriGas Partners, L.P.	Registration Statement No. 33-69450	10.16(a)
10.30**	Description of oral employment at-will arrangements for Messrs. Greenberg, Mendicino, Varagne and Walsh	UGI	Form 10-K (9/30/05)	10.30
10.31**	Description of oral employment at-will arrangement for Mr. Bissell	AmeriGas Partners, L.P.	Form 10-K (9/30/05)	10.30
10.32**	AmeriGas Propane, Inc. Supplemental Executive Retirement Plan, Amended and Restated as of March 1, 2005	AmeriGas Partners, L.P.	Form 10-Q (3/31/05)	10.1
10.32(a)**	Description of AmeriGas Propane, Inc. Supplemental Executive Retirement Plan, amended July 24, 2006	AmeriGas Partners, L.P.	Form 10-Q (6/30/06)	10.2

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.33**	AmeriGas Propane, Inc. Annual Bonus Plan effective October 1, 1998	AmeriGas Partners, L.P.	Form 10-K (9/30/99)	10.17
10.34**	UGI Utilities, Inc. Annual Bonus Plan dated March 8, 1996	Utilities	Form 10-Q (6/30/96)	10.4
10.35**	Form of Change in Control Agreement for Messrs. Greenberg, Mendicino and Walsh	UGI	Form 8-K (12/6/05)	10.1
10.36**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.4
10.36(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Utilities Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.5
10.37**	Form of Change in Control Agreement for Mr. Bissell	AmeriGas Partners, L.P.	Form 8-K (12/5/05)	10.1
*10.38**	2002 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005			
*10.39**	1992 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005			
10.40 **	AmeriGas Propane, Inc. Discretionary Long-Term Incentive Plan for Non-Executive Key Employees	AmeriGas Partners, L.P.	Form 10-K (9/30/02)	10.2
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**	UGI Corporation 2004 Omnibus Equity Compensation Plan, Sub-Plan for French Employees Stock Option Grant Letter dated as of 2004	UGI	Form 10-K (9/30/04)	10.43
10.44	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
10.45	Capital Contribution Agreement dated as of August 21, 2001 by and between Columbia Propane, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 8-K (8/21/01)	10.2

acknowledged and agreed to by CP
Holdings, Inc.

10.46	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
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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.47	Loan Agreement dated July 19, 1999, between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.40
10.48	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
10.49	Columbia Energy Group Payment Guaranty dated April 5, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.42
10.50	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
10.51**	AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P., as amended December 15, 2003 (“AmeriGas 2000 Plan”).	AmeriGas Partners, L.P.	Form 10-Q (6/30/04)	10.2
10.51(a)**	AmeriGas 2000 Plan Restricted Unit Grant Letter dated as of January 1, 2006	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.20
10.52	Storage Transportation Service Agreement (Rate Schedule SST) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.25
10.53	Gas Service Delivery and Supply Agreement between Utilities and UGI Energy Services, Inc. dated August 1, 2004	Utilities	Form 10-K (9/30/04)	10.32
10.54	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.27
10.55	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.28
10.56	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.29
10.57	Amendment No. 1 dated November 1, 2004, to the 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	Utilities	Form 10-K (9/30/04)	10.26

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.58	Firm Transportation Service Agreement (Rate Schedule FT) between Utilities and Transcontinental Gas Pipe Line dated October 1, 1996, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.31
10.59	Amendment No. 1 dated November 1, 2004, to the No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/04)	10.30
10.60	Amendment No. 1 dated November 1, 2004, to the Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/04)	10.33
10.61	Firm Transportation Service Agreement (Rate Schedule FTS) between Utilities and Columbia Gas Transmission dated November 1, 2004	Utilities	Form 10-K (9/30/04)	10.34
10.62	Purchase and Sale Agreement by and between Southern Union Company, as Seller, and UGI Corporation, as Buyer, dated as of January 26, 2006 (See Exhibit No. 10.64)	UGI	Form 8-K (1/26/06)	10.1
10.63	Employee Agreement by and between Southern Union Company and UGI Corporation dated as of January 26, 2006 (See Exhibit No. 10.64)	UGI	Form 8-K (1/26/06)	10.2
10.64	First Amendment Agreement, dated August 24, 2006, by and between Southern Union Company, as Seller, and UGI Corporation, as Buyer	Utilities	Form 8-K (8/24/06)	10.2
10.65	Tax Consolidation Agreement, dated June 18, 2004, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (6/30/04)	10.8
10.65(a)	Amendment No. 1 dated as of June 24, 2004, to Tax Consolidation Agreement, dated June 18, 2004, as amended, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (12/31/05)	10.5
10.65(b)	Amendment No. 2 dated as of December 7, 2005 to Tax Consolidation Agreement, dated June 18, 2004, as amended, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (12/31/05)	10.6
*10.66**	UGI Corporation 2004 Omnibus Equity			

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
*10.66(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.67	Senior Facilities Agreement dated December 7, 2005 by and among AGZ Holding, as Borrower and Guarantor, Antargaz, as Borrower and Guarantor, Calyon, as Mandated Lead Arranger, Facility Agent and Security Agent and the Financial Institutions named therein	UGI	Form 10-Q (12/31/05)	10.1
10.68	Pledge of Financial Instruments Account relating to Financial Instruments held by AGZ Holding in Antargaz, dated December 7, 2005, by and among AGZ Holding, as Pledgor, Calyon, as Security Agent, and the Lenders	UGI	Form 10-Q (12/31/05)	10.2
10.69	Pledge of Financial Instruments Account relating to Financial Instruments held by Antargaz in certain subsidiary companies, dated December 7, 2005, by and among Antargaz, as Pledgor, Calyon, as Security Agent, and the Revolving Lenders	UGI	Form 10-Q (12/31/05)	10.3
10.70	Letter of Undertakings dated December 7, 2005, by UGI Bordeaux Holding to AGZ Holding, the Parent of Antargaz, and Calyon, the Facility Agent, acting on behalf of the Lenders, (as defined within the Senior Facilities Agreement)	UGI	Form 10-Q (12/31/05)	10.4
10.71	Seller's Guarantee dated February 16, 2001 among Elf Antar France, Elf Aquitaine and AGZ Holding	UGI	Form 10-Q (3/31/04)	10.5
10.72	Security Agreement for the Assignment of Receivables dated as of December 7, 2005 by and among AGZ Holding, as Assignor, Calyon, as Security Agent, and the Lenders named therein	UGI	Form 10-Q (12/31/05)	10.7
10.73	Security Agreement for the Assignment of Receivables dated as of December 7, 2005 by and among Antargaz, as Assignor, Calyon, as Security Agent, and the Lenders named therein	UGI	Form 10-Q (12/31/05)	10.8
10.74	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and Raiffeisen Zentralbank Osterreich Aktiengesellschaft ("RZB"), as Beneficiary, relating to the Multi Currency Working Capital Facility dated July 26, 2006 between Zentraleuropa LPG Holding GmbH ("ZLH") and RZB	UGI	Form 10-Q (6/30/06)	10.5
10.75	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and RZB, as Beneficiary, relating to the Working	UGI	Form 10-Q (6/30/06)	10.6

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Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.76	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and RZB, as Beneficiary, relating to the Term Loan Agreement dated July 26, 2006 between Flaga GmbH and RZB	UGI	Form 10-Q (6/30/06)	10.7
10.77	Term Loan Agreement, dated July 26, 2006, between Flaga GmbH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.8
10.78	Working Capital Facility Agreement, dated July 26, 2006, between Flaga GmbH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.9
10.79	Multi Currency Working Capital Facility Agreement, dated July 26, 2006, between ZLH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.10
10.80	Assignment and Assumption Agreement, dated August 24, 2006, by and between UGI Corporation, as Assignor, and UGI Penn Natural Gas, Inc., as Assignee	Utilities	Form 8-K (8/24/06)	10.1
10.81	Transition Services Agreement, dated August 24, 2006, by and between UGI Corporation and Southern Union Company	UGI	Form 8-K (8/24/06)	10.1
10.82	Assignment and Assumption Agreement, dated August 24, 2006, by and between UGI Corporation, as Assignor, and UGI Utilities, Inc., as Assignee with respect to the Southern Union Company Pension	Utilities	Form 8-K (8/24/06)	10.3
10.83	Service Agreement (Rate FSS) dated August 16, 2004 between Columbia Gas Transmission Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.4
10.84	Service Agreement (Rate SST) dated August 16, 2004 between Columbia Gas Transmission Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.5
10.85	Firm Transportation Service Agreement (Rate FT) dated February 1, 1992 between Transcontinental Gas Pipe Line Corporation and PG Energy (as successor to Pennsylvania Gas and Water Company).	Utilities	Form 8-K (8/24/06)	10.6
10.86	Firm Transportation Service Agreement (Rate FT) dated July 10, 1997 between Transcontinental Gas Pipe Line Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.7
10.87	Firm Storage and Delivery Service Agreement (Rate GSS) dated July 1, 1996 between Transcontinental Gas Pipe Line Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.8
*13	Pages 13 through 59 of the 2006 Annual Report to Shareholders			
14	Code of Ethics for principal executive, financial and accounting officers	UGI	Form 10-K (9/30/03)	14

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Incorporation by Reference

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Registrant</u>	<u>Filing</u>	<u>Exhibit</u>
*21	Subsidiaries of the Registrant			
*23	Consent of PricewaterhouseCoopers LLP			
*31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			

* Filed herewith.

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

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 5, 2006

By: /s/ Anthony J. Mendicino
Anthony J. Mendicino
Senior Vice President - Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 5, 2006, by the following persons on behalf of the Registrant in the capacities indicated.

Signature	Title
<u>/s/ Lon R. Greenberg</u> Lon R. Greenberg	Chairman and Chief Executive Officer (Principal Executive Officer) and Director
<u>/s/ John L. Walsh</u> John L. Walsh	President and Chief Operating Officer (Principal Operating Officer) and Director
<u>/s/ Anthony J. Mendicino</u> Anthony J. Mendicino	Senior Vice President — Finance and Chief Financial Officer (Principal Financial Officer)
<u>/s/ Michael J. Cuzzolina</u> Michael J. Cuzzolina	Vice President — Accounting and Financial Control and Chief Risk Officer (Principal Accounting Officer)
<u>/s/ Stephen D. Ban</u> Stephen D. Ban	Director
<u>/s/ Richard C. Gozon</u> Richard C. Gozon	Director

Table of Contents

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 5, 2006, by the following persons on behalf of the Registrant in the capacities indicated.

Signature	Title
<u>/s/ Ernest E. Jones</u> Ernest E. Jones	Director
<u>/s/ Anne Pol</u> Anne Pol	Director
<u>/s/ Marvin O. Schlanger</u> Marvin O. Schlanger	Director
<u>/s/ James W. Stratton</u> James W. Stratton	Director
<u>/s/ Roger B. Vincent</u> Roger B. Vincent	Director

UGI CORPORATION AND SUBSIDIARIES

FINANCIAL INFORMATION

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

YEAR ENDED SEPTEMBER 30, 2006

UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements and supplementary data of UGI Corporation and subsidiaries, together with the report thereon of PricewaterhouseCoopers LLP dated December 8, 2006, and Management’s Report on Internal Control over Financial Reporting listed in the following index, are included in UGI’s 2006 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 7, 7A, 8 and 9A(b), the 2006 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)
Management’s Report on Internal Control over Financial Reporting	Exhibit 13	30
Report of Independent Registered Public Accounting Firm:		
On Consolidated Financial Statements and Internal Control over Financial Reporting	Exhibit 13	31
On Financial Statement Schedules	F-4	
Financial Statements:		
Consolidated Balance Sheets, September 30, 2006 and 2005	Exhibit 13	32 to 33
For the years ended September 30, 2006, 2005 and 2004:		
Consolidated Statements of Income	Exhibit 13	34
Consolidated Statements of Cash Flows	Exhibit 13	35
Consolidated Statements of Stockholders’ Equity	Exhibit 13	36

UGI CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES (continued)

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Notes to Consolidated Financial Statements	Exhibit 13	37 to 59
Supplementary Data (unaudited):		
Quarterly Data for the years ended September 30, 2006 and 2005	Exhibit 13	58
Financial Statement Schedules:		
For the years ended September 30, 2006, 2005 and 2004:		
I — Condensed Financial Information of Registrant (Parent Company)	S-1 to S-3	
II — Valuation and Qualifying Accounts	S-4 to S-5	

Annual Report on Form 10-K/A

An annual Report on Form 10-K/A for the UGI Utilities, Inc., AmeriGas Propane, Inc. and UGI HVAC Enterprises, 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 Registered Public Accounting Firm on
Financial Statement Schedules**

To the Board of Directors and Stockholders
of UGI Corporation:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated December 8, 2006 appearing in the 2006 Annual Report to Shareholders of UGI Corporation (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Philadelphia, Pennsylvania
December 8, 2006

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

BALANCE SHEETS
(Millions of dollars)

	September 30,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ —	\$ 0.3
Accounts and notes receivable	5.8	14.0
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	1.7	0.5
Total current assets	7.7	15.0
Investments in subsidiaries	1,117.8	1,111.8
Other assets	8.8	8.4
Total assets	<u>\$ 1,134.3</u>	<u>\$ 1,135.2</u>
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	\$ 11.3	\$ 10.3
Accrued liabilities	4.9	7.7
Total current liabilities	16.2	18.0
Noncurrent liabilities	18.5	119.6
Commitments and contingencies		
Common stockholders' equity:		
Common Stock, without par value (authorized - 300,000,000 shares; issued - 115,152,994 shares)	807.5	793.6
Retained earnings	370.0	266.3
Accumulated other comprehensive income	(3.8)	16.5
	1,173.7	1,076.4
Less treasury stock, at cost	(74.1)	(78.8)
Total common stockholders' equity	1,099.6	997.6
Total liabilities and common stockholders' equity	<u>\$ 1,134.3</u>	<u>\$ 1,135.2</u>

Commitments and Contingencies:

In addition to the guarantees of Flaga's debt and up to €7.0 associated with ZLH's working capital facilities described in Note 3 to Consolidated Financial Statements, at September 30, 2006, UGI Corporation had agreed to indemnify the issuers of \$27.1 of surety bonds issued on behalf of certain UGI subsidiaries. UGI Corporation is authorized to guarantee up to \$385.0 in obligations to suppliers and customers of UGI Energy Services, Inc. (UESI) and subsidiaries of which \$325.0 of such obligations were outstanding as of September 30, 2006.

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,		
	2006	2005	2004
Revenues	\$ —	\$ —	\$ —
Costs and expenses:			
Operating and administrative expenses	25.4	30.0	24.5
Other income, net	(25.7)	(29.5)	(24.0)
	<u>(0.3)</u>	<u>0.5</u>	<u>0.5</u>
Operating income (loss)	0.3	(0.5)	(0.5)
Interest expense on intercompany debt	(5.6)	(3.7)	(2.2)
Loss before income taxes	(5.3)	(4.2)	(2.7)
Income tax (benefit) expense	(1.1)	1.0	(1.3)
Loss before equity in income of unconsolidated subsidiaries	(4.2)	(5.2)	(1.4)
Equity in income of unconsolidated subsidiaries	180.4	192.7	113.0
Net income	<u>\$ 176.2</u>	<u>\$ 187.5</u>	<u>\$ 111.6</u>
Earnings per common share:			
Basic	<u>\$ 1.67</u>	<u>\$ 1.81</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 1.65</u>	<u>\$ 1.77</u>	<u>\$ 1.15</u>
Average common shares outstanding (millions):			
Basic	<u>105.455</u>	<u>103.877</u>	<u>94.616</u>
Diluted	<u>106.727</u>	<u>105.723</u>	<u>96.682</u>

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

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2006	2005	2004
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	\$ 357.6	\$ 93.3	\$ 103.1
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in unconsolidated subsidiaries	(295.4)	(53.4)	(300.2)
Net cash used by investing activities	(295.4)	(53.4)	(300.2)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(72.5)	(67.4)	(56.3)
Issuance of intercompany long-term debt	—	—	—
Issuance of Common Stock	10.0	27.1	254.1
Repurchases of Common Stock	—	—	(0.6)
Net cash (used) provided by financing activities	(62.5)	(40.3)	197.2
Cash and cash equivalents (decrease) increase	\$ (0.3)	\$ (0.4)	\$ 0.1
Cash and cash equivalents:			
End of period	\$ —	\$ 0.3	\$ 0.7
Beginning of period	0.3	0.7	0.6
(Decrease) increase	\$ (0.3)	\$ (0.4)	\$ 0.1

(a) Includes dividends received from unconsolidated subsidiaries of \$351.6, \$98.5, and \$99.0, respectively, for the years ended September 30, 2006, 2005 and 2004.

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, 2006				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 29.2	\$ 25.0	\$ (22.4) (1)	\$ 38.0
			6.2 (4)	
Other reserves:				
Self-insured property and casualty liability	\$ 66.0	\$ 13.8	\$ (17.9) (3)	\$ 62.9
			0.1 (2)	
			0.9 (4)	
Insured property and casualty liability	\$ 0.6		\$ (0.3) (3)	\$ 0.3
Environmental, litigation and other	\$ 19.7	\$ 7.5	\$ (1.2) (3)	\$ 26.5
			0.1 (2)	
			0.4 (4)	
Year Ended September 30, 2005				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 22.3	\$ 25.1	\$ (19.0) (1)	\$ 29.2
			\$ 0.8 (2)	
Other reserves:				
Self-insured property and casualty liability	\$ 57.8	\$ 25.9	\$ (17.7) (3)	\$ 66.0
Insured property and casualty liability	\$ 0.6			\$ 0.6
Environmental, litigation and other	\$ 34.7	\$ (11.1)	\$ (4.7) (3)	\$ 19.7
			0.8 (2)	

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

Year Ended September 30, 2004

Reserves deducted from assets in the consolidated balance sheet:

Allowance for doubtful accounts	<u>\$ 14.8</u>	\$ 17.3	\$ (16.8) (1)	<u>\$ 22.3</u>
			\$ 5.6 (4)	
			1.4 (2)	
Other reserves:				
Self-insured property and casualty liability	<u>\$ 48.4</u>	\$ 26.1	\$ (17.3) (3)	<u>\$ 57.8</u>
			0.6 (4)	
Insured property and casualty liability	<u>\$ 0.6</u>			<u>\$ 0.6</u>
Environmental, litigation and other	<u>\$ 15.7</u>	\$ 6.3	\$ (3.8) (3)	<u>\$ 34.7</u>
			16.0 (4)	
			0.5 (2)	

- (1) Uncollectible accounts written off, net of recoveries.
- (2) Other adjustments.
- (3) Payments, net.
- (4) Acquisition

EXHIBIT INDEX

Exhibit No.	Description
10.4	UGI Corporation 2004 Omnibus Equity Compensation Plan Utilities Employees Performance Unit Grant Letter dated as of January 1, 2006
10.7	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Performance Unit Grant Letter dated as of January 1, 2006
10.10	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan Amended and Restated as of May 24, 2005
10.13	UGI Corporation 2000 Directors' Stock Option Plan Amended and Restated as of May 24, 2005
10.14	UGI Corporation 2000 Stock Incentive Plan Amended and Restated as of May 24, 2005
10.17	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended May 24, 2005
10.22	Summary of Director Compensation as of October 1, 2006
10.38	2002 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005
10.39	1992 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005
10.66	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees effective December 6, 2005
10.66(a)	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees Performance Unit Grant Letter dated as of January 1, 2006
13	Pages 13 through 59 of the 2006 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Consent of PricewaterhouseCoopers LLP
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE UNIT GRANT LETTER

This PERFORMANCE UNIT GRANT, dated as of January 1, 2006 (the "Date of Grant"), is delivered by UGI Corporation ("UGI") to _____ (the "Participant").

RECITALS

The UGI Corporation 2004 Omnibus Equity Compensation Plan (the "Plan") provides for the grant of performance units ("Performance Units") with respect to shares of common stock of UGI ("Shares"). The Compensation and Management Development Committee of the Board of Directors of UGI (the "Committee") has decided to grant Performance Units to the Participant.

NOW, THEREFORE, the parties to this Grant Letter, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Units. Subject to the terms and conditions set forth in this Grant Letter and in the Plan, the Committee hereby grants to the Participant _____ Performance Units. The number of Performance Units set forth above is the target award of Performance Units. The Performance Units are contingently awarded and will be earned and payable if and to the extent that the performance goals and other conditions of the Grant Letter are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 9).

2. Performance Goals.

(a) The Participant shall earn the right to payment of the Performance Units if the performance goals described in subsection (b) below are met for the measurement period, and if the Participant continues to be employed by, or provide service to, the Company (as defined in Section 9) through December 31, 2008. The measurement period is the period beginning January 1, 2006 and ending December 31, 2008.

(b) The target award level of Performance Units and Dividend Equivalents will be payable if UGI's Total Shareholder Return (TSR) equals the median TSR of a peer group for the measurement period. The peer group is the group of companies that comprises the S&P Utilities Index during the measurement period. The actual amount of the award of Performance Units may be higher or lower than the target award, or even zero, based on UGI's TSR percentile rank relative to the companies in the S&P Utilities Index, as follows:

UGI's TSR Rank (Percentile)	Percentage of Target Award Earned
Highest	200%
90th	175%
75th	150%
60th	125%
50th	100%
40th	50%
less than 40th	0%

The target award percentage earned will be interpolated between each of the measuring points.

(c) TSR shall be calculated by UGI using the comparative returns methodology used by Bloomberg L.P. or its successor at the time of the calculation. The share price used for determining TSR at the beginning and the end of the measurement period will be the average price for the 90-day period preceding the beginning of the measurement period (i.e., the 90-day period ending on December 31, 2005) and the 90-day period ending on the last day of the measurement period (i.e., the 90-day period ending on December 31, 2008).

(d) The target award is the number of Performance Units set forth in Section 1 above, which is the amount designated for 100% (50th TSR rank) performance. The Participant can earn up to 200% of the target award if UGI's TSR rank exceeds the 50th TSR rank, according to the foregoing schedule.

(e) At the end of the measurement period, the Committee will determine whether and to what extent the performance goals have been met and the amount to be paid with respect to the Performance Units. Except as described in Section 3 below, the Participant must be employed by, or providing service to, the Company on December 31, 2008 in order for the Participant to receive payment with respect to the Performance Units.

3. Termination of Employment or Service

(a) Except as described below, if the Participant's employment or service with the Company terminates on or before December 31, 2008, the Performance Units and all Dividend Equivalents credited under this Grant Letter will be forfeited.

(b) If the Participant terminates employment or service on account of Retirement (as defined in Section 9), Disability (as defined in Section 9) or death, the Participant will earn a pro-rata portion of the Participant's outstanding Performance Units and Dividend Equivalents, if the performance goals and the requirements of this Grant Letter are met. The prorated portion will be determined as the amount that would otherwise be paid after the end of the measurement period, based on achievement of the performance goals, multiplied by a fraction, the numerator of which is the number of calendar years during the measurement period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is three. For purposes of the proration calculation, the calendar year in which the Participant's termination of employment or service on account of Retirement, Disability, or death occurs will be counted as a full year.

(c) In the event of termination of employment or service on account of Retirement, Disability or death, the prorated amount shall be paid after the end of the measurement period, pursuant to Section 5 below.

4. Coordination with Severance Plan . Notwithstanding anything in this Grant Letter to the contrary, if the Participant receives severance benefits under a Severance Plan (as defined in Section 9) and the terms of such benefits require that severance compensation payable under the Severance Plan be reduced by benefits payable under this Plan, any amount payable to the Participant with respect to Performance Units and Dividend Equivalents after the Participant's termination of employment or service shall be reduced by the amount of severance compensation paid to the Participant under the Severance Plan, as required by, and according to the terms of, the Severance Plan.

5. Payment with Respect to Performance Units . If the Committee determines that the conditions to payment of the Performance Units have been met, the Company shall pay to the Participant, between January 1, 2009 and March 15, 2009, (i) Shares equal to the number of Performance Units to be paid according to achievement of the performance goals, up to the target award specified in Section 1 above ("Target Award"), provided that the Company may withhold Shares to cover required tax withholding in an amount equal to the minimum statutory tax withholding requirement in respect of the Performance Units earned up to the Target Award, and (ii) cash in an amount equal to the Fair Market Value (as defined in the Plan) of the number of Shares equal to the Performance Units to be paid in excess of the Target Award.

6. Dividend Equivalents with Respect to Performance Units .

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same performance goals and terms as the Performance Units to which they relate. Dividend Equivalents shall be credited with respect to the target award of Performance Units from the Date of Grant until the payment date. If and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records in a bookkeeping account for the Participant. On each payment date for a dividend paid by UGI on its common stock, the Company shall credit to the Participant's account an amount equal to the Dividend Equivalents associated with the target award of Performance Units held by the Participant on the record date for the dividend. No interest will be credited to any such account.

(c) The target amount of Dividend Equivalents (100% of the Dividend Equivalents credited to the Participant's account) will be earned if UGI's TSR rank is at the 50th TSR rank for the measurement period. The Participant can earn up to 200% of the target amount of Dividend Equivalents if UGI's TSR rank exceeds the 50th TSR rank, according to the schedule in Section 2 above. Except as described in Section 3(b) above, if the Participant's employment or service with the Company terminates on or before December 31, 2008, all Dividend Equivalents will be forfeited.

(d) Dividend Equivalents will be paid in cash at the same time as the underlying Performance Units are paid, after the Committee determines that the conditions to payment have been met. Notwithstanding anything in this Grant Letter to the contrary, the Participant may not accrue Dividend Equivalents in excess of \$1,000,000 during any calendar year under all grants under the Plan.

7. Withholding. The Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the payments under this Grant Letter.

8. Change of Control. If a Change of Control occurs during the measurement period, the outstanding Performance Units and Dividend Equivalents shall be paid in cash in an amount equal to the greater of (i) the target award amount or (ii) the award amount that would be paid as if the measurement period ended on the date of the Change of Control, based on the Company's achievement of the performance goals as of the date of the Change of Control, as determined by the Committee. If a former Participant is entitled to receive a prorated award for the measurement period pursuant to Section 3(b) above, the award will be the prorated portion of the amount described in the preceding sentence. The Performance Units and Dividend Equivalents shall be paid on the closing date of the Change of Control. For Participants who are employees of UGI Utilities, Inc. ("Utilities") or a subsidiary of Utilities, the term "Change of Control" shall mean (i) a Change of Control of UGI as defined in the Plan, or (ii) one of the events set forth on Exhibit A with respect to Utilities.

9. Definitions. For purposes of this Grant Letter, the following terms will have the meanings set forth below:

(a) "*Company*" means UGI and its Subsidiaries (as defined in the Plan).

(b) "*Disability*" means a long-term disability as defined in the Company's long-term disability plan applicable to the Participant.

(c) "*Dividend Equivalent*" means an amount determined by multiplying the number of shares of UGI common stock subject to the target award of Performance Units by the per-share cash dividend, or the per-share fair market value of any dividend in consideration other than cash, paid by UGI on its common stock.

(d) "*Employed by, or provide service to, the Company*" shall mean employment or service as an employee or director of the Company.

(e) "*Performance Unit*" means a hypothetical unit that represents the value of one share of UGI common stock.

(f) "*Retirement*" means the Participant's retirement under the Retirement Income Plan for Employees of UGI Utilities, Inc., if the Participant is covered by that Retirement Income Plan. "Retirement" for other Company employees means termination of employment after attaining age 55 with ten or more years of service with the Company.

(g) "*Severance Plan*" means any severance plan maintained by the Company that is applicable to the Participant.

10. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan and the Terms and Conditions established by the Committee with respect to the Plan, both of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan and the Terms and Conditions. The grant and payment of Performance Units and Dividend Equivalents are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) the registration, qualification or listing of the Shares, (ii) changes in capitalization of the Company and (iii) other requirements of applicable law. The Committee shall have the authority to interpret and construe the grant pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

11. No Employment or Other Rights. The grant of Performance Units shall not confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time. The right of the Company to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

12. No Shareholder Rights. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a shareholder with respect to the Shares related to the Performance Units, unless and until certificates for Shares have been issued to the Participant or successor.

13. Assignment and Transfers. The rights and interests of the Participant under this Grant Letter may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. If the Participant dies, any payments to be made under this Grant Letter after the Participant's death shall be paid to the Participant's estate. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates.

14. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

15. Notice. Any notice to UGI provided for in this instrument shall be addressed to UGI in care of the Corporate Secretary at UGI's headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

IN WITNESS WHEREOF, UGI has caused its duly authorized officers to execute and attest this Grant Letter, and the Participant has executed this Grant Letter, effective as of the Date of Grant.

UGI Corporation

Attest

By: _____
Robert H. Knauss
Vice President and General Counsel

Corporate Secretary

I hereby acknowledge receipt of the Plan and the Terms and Conditions incorporated herein. I accept the Performance Units described in this Grant Letter, and I agree to be bound by the terms of the Plan, including the Terms and Conditions, and this Grant Letter. I hereby further agree that all the decisions and determinations of the Committee shall be final and binding on me and any other person having or claiming a right under this Grant.

Participant

EXHIBIT A

Change of Control with Respect to Utilities

For Participants who are employees of Utilities, or a subsidiary of Utilities, the term “Change of Control” shall include the events set forth in this Exhibit A with respect to Utilities, and the defined terms set forth used in this Exhibit A, if not defined in the Plan, shall have the following meanings:

1. “Change of Control” shall include any of the following events:

(A) UGI and the UGI Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of Utilities or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Utilities entitled to vote generally in the election of directors; or

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

(C) Completion of a complete liquidation or dissolution of the Utilities or sale or other disposition of all or substantially all of the assets of Utilities other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of Utilities’ outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of Utilities’ outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.

2. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

4. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

5. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

6. “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE UNIT GRANT LETTER

This PERFORMANCE UNIT GRANT, dated as of January 1, 2006 (the "Date of Grant"), is delivered by UGI Corporation ("UGI") to _____(the "Participant").

RECITALS

The UGI Corporation 2004 Omnibus Equity Compensation Plan (the "Plan") provides for the grant of performance units ("Performance Units") with respect to shares of common stock of UGI ("Shares"). The Compensation and Management Development Committee of the Board of Directors of UGI (the "Committee") has decided to grant Performance Units to the Participant.

NOW, THEREFORE, the parties to this Grant Letter, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Units. Subject to the terms and conditions set forth in this Grant Letter and in the Plan, the Committee hereby grants to the Participant _____ Performance Units. The number of Performance Units set forth above is the target award of Performance Units. The Performance Units are contingently awarded and will be earned and payable if and to the extent that the performance goals and other conditions of the Grant Letter are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 9).

2. Performance Goals.

(a) The Participant shall earn the right to payment of the Performance Units if the performance goals described in subsection (b) below are met for the measurement period, and if the Participant continues to be employed by, or provide service to, the Company (as defined in Section 9) through December 31, 2008. The measurement period is the period beginning January 1, 2006 and ending December 31, 2008.

(b) The target award level of Performance Units and Dividend Equivalents will be payable if UGI's Total Shareholder Return (TSR) equals the median TSR of a peer group for the measurement period. The peer group is the group of companies that comprises the S&P Utilities Index during the measurement period. The actual amount of the award of Performance Units may be higher or lower than the target award, or even zero, based on UGI's TSR percentile rank relative to the companies in the S&P Utilities Index, as follows:

UGI's TSR Rank (Percentile)	Percentage of Target Award Earned
Highest	200%
90th	175%
75th	150%
60th	125%
50th	100%
40th	50%
less than 40th	0%

The target award percentage earned will be interpolated between each of the measuring points.

(c) TSR shall be calculated by UGI using the comparative returns methodology used by Bloomberg L.P. or its successor at the time of the calculation. The share price used for determining TSR at the beginning and the end of the measurement period will be the average price for the 90-day period preceding the beginning of the measurement period (i.e., the 90-day period ending on December 31, 2005) and the 90-day period ending on the last day of the measurement period (i.e., the 90-day period ending on December 31, 2008).

(d) The target award is the number of Performance Units set forth in Section 1 above, which is the amount designated for 100% (50th TSR rank) performance. The Participant can earn up to 200% of the target award if UGI's TSR rank exceeds the 50th TSR rank, according to the foregoing schedule.

(e) At the end of the measurement period, the Committee will determine whether and to what extent the performance goals have been met and the amount to be paid with respect to the Performance Units. Except as described in Section 3 below, the Participant must be employed by, or providing service to, the Company on December 31, 2008 in order for the Participant to receive payment with respect to the Performance Units.

3. Termination of Employment or Service.

(a) Except as described below, if the Participant's employment or service with the Company terminates on or before December 31, 2008, the Performance Units and all Dividend Equivalents credited under this Grant Letter will be forfeited.

(b) If the Participant terminates employment or service on account of Retirement (as defined in Section 9), Disability (as defined in Section 9) or death, the Participant will earn a pro-rata portion of the Participant's outstanding Performance Units and Dividend Equivalents, if the performance goals and the requirements of this Grant Letter are met. The prorated portion will be determined as the amount that would otherwise be paid after the end of the measurement period, based on achievement of the performance goals, multiplied by a fraction, the numerator of which is the number of calendar years during the measurement period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is three. For purposes of the proration calculation, the calendar year in which the Participant's termination of employment or service on account of Retirement, Disability, or death occurs will be counted as a full year.

(c) In the event of termination of employment or service on account of Retirement, Disability or death, the prorated amount shall be paid after the end of the measurement period, pursuant to Section 5 below.

4. Coordination with Severance Plan. Notwithstanding anything in this Grant Letter to the contrary, if the Participant receives severance benefits under a Severance Plan (as defined in Section 9) and the terms of such benefits require that severance compensation payable under the Severance Plan be reduced by benefits payable under this Plan, any amount payable to the Participant with respect to Performance Units and Dividend Equivalents after the Participant's termination of employment or service shall be reduced by the amount of severance compensation paid to the Participant under the Severance Plan, as required by, and according to the terms of, the Severance Plan.

5. Payment with Respect to Performance Units. If the Committee determines that the conditions to payment of the Performance Units have been met, the Company shall pay to the Participant, between January 1, 2009 and March 15, 2009, (i) Shares equal to the number of Performance Units to be paid according to achievement of the performance goals, up to the target award specified in Section 1 above ("Target Award"), provided that the Company may withhold Shares to cover required tax withholding in an amount equal to the minimum statutory tax withholding requirement in respect of the Performance Units earned up to the Target Award, and (ii) cash in an amount equal to the Fair Market Value (as defined in the Plan) of the number of Shares equal to the Performance Units to be paid in excess of the Target Award.

6. Dividend Equivalents with Respect to Performance Units.

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same performance goals and terms as the Performance Units to which they relate. Dividend Equivalents shall be credited with respect to the target award of Performance Units from the Date of Grant until the payment date. If and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records in a bookkeeping account for the Participant. On each payment date for a dividend paid by UGI on its common stock, the Company shall credit to the Participant's account an amount equal to the Dividend Equivalents associated with the target award of Performance Units held by the Participant on the record date for the dividend. No interest will be credited to any such account.

(c) The target amount of Dividend Equivalents (100% of the Dividend Equivalents credited to the Participant's account) will be earned if UGI's TSR rank is at the 50th TSR rank for the measurement period. The Participant can earn up to 200% of the target amount of Dividend Equivalents if UGI's TSR rank exceeds the 50th TSR rank, according to the schedule in Section 2 above. Except as described in Section 3(b) above, if the Participant's employment or service with the Company terminates on or before December 31, 2008, all Dividend Equivalents will be forfeited.

(d) Dividend Equivalents will be paid in cash at the same time as the underlying Performance Units are paid, after the Committee determines that the conditions to payment have been met. Notwithstanding anything in this Grant Letter to the contrary, the Participant may not accrue Dividend Equivalents in excess of \$1,000,000 during any calendar year under all grants under the Plan.

7. Withholding. The Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the payments under this Grant Letter.

8. Change of Control. If a Change of Control (as defined in the Plan) occurs during the measurement period, the outstanding Performance Units and Dividend Equivalents shall be paid in cash in an amount equal to the greater of (i) the target award amount or (ii) the award amount that would be paid as if the measurement period ended on the date of the Change of Control, based on the Company's achievement of the performance goals as of the date of the Change of Control, as determined by the Committee. If a former Participant is entitled to receive a prorated award for the measurement period pursuant to Section 3(b) above, the award will be the prorated portion of the amount described in the preceding sentence. The Performance Units and Dividend Equivalents shall be paid on the closing date of the Change of Control.

9. Definitions. For purposes of this Grant Letter, the following terms will have the meanings set forth below:

(a) "*Company*" means UGI and its Subsidiaries (as defined in the Plan).

(b) "*Disability*" means a long-term disability as defined in the Company's long-term disability plan applicable to the Participant.

(c) "*Dividend Equivalent*" means an amount determined by multiplying the number of shares of UGI common stock subject to the target award of Performance Units by the per-share cash dividend, or the per-share fair market value of any dividend in consideration other than cash, paid by UGI on its common stock.

(d) "*Employed by, or provide service to, the Company*" shall mean employment or service as an employee or director of the Company.

(e) "*Performance Unit*" means a hypothetical unit that represents the value of one share of UGI common stock.

(f) "*Retirement*" means the Participant's retirement under the Retirement Income Plan for Employees of UGI Utilities, Inc., if the Participant is covered by that Retirement Income Plan. "Retirement" for other Company employees means termination of employment after attaining age 55 with ten or more years of service with the Company.

(g) "*Severance Plan*" means any severance plan maintained by the Company that is applicable to the Participant.

10. Grant Subject to Plan Provisions . This grant is made pursuant to the Plan and the Terms and Conditions established by the Committee with respect to the Plan, both of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and payment of Performance Units and Dividend Equivalents are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) the registration, qualification or listing of the Shares, (ii) changes in capitalization of the Company and (iii) other requirements of applicable law. The Committee shall have the authority to interpret and construe the grant pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

11. No Employment or Other Rights . The grant of Performance Units shall not confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time. The right of the Company to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

12. No Shareholder Rights . Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a shareholder with respect to the Shares related to the Performance Units, unless and until certificates for Shares have been issued to the Participant or successor.

13. Assignment and Transfers . The rights and interests of the Participant under this Grant Letter may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. If the Participant dies, any payments to be made under this Grant Letter after the Participant's death shall be paid to the Participant's estate. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates.

14. Applicable Law . The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

15. Notice . Any notice to UGI provided for in this instrument shall be addressed to UGI in care of the Corporate Secretary at UGI's headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

IN WITNESS WHEREOF, UGI has caused its duly authorized officers to execute and attest this Grant Letter, and the Participant has executed this Grant Letter, effective as of the Date of Grant.

UGI Corporation

Attest

Corporate Secretary

By:

Robert H. Knauss
Vice President and General Counsel

I hereby acknowledge receipt of the Plan and the Terms and Conditions incorporated herein. I accept the Performance Units described in this Grant Letter, and I agree to be bound by the terms of the Plan, including the Terms and Conditions, and this Grant Letter. I hereby further agree that all the decisions and determinations of the Committee shall be final and binding on me and any other person having or claiming a right under this Grant.

Participant

UGI CORPORATION

1997 STOCK OPTION AND DIVIDEND EQUIVALENT PLAN
AMENDED AND RESTATED AS OF MAY 24, 2005

1. PURPOSE AND DESIGN

The purpose of this Plan is to assist the Company in securing and retaining key corporate executives of outstanding ability, who are in a position to significantly participate in the development and implementation of the Company's strategic plans and thereby contribute materially to the long-term growth, development and profitability of the Company, by affording them an opportunity to purchase its Stock under options. The Plan is designed to align directly long-term executive compensation with tangible, direct and identifiable benefits realized by the Company's shareholders. No grants may be made under this Plan after January 1, 2004.

2. DEFINITIONS

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

2.01 "Board" means UGI's Board of Directors as constituted from time to time, provided that whenever in this Plan Board approval is required, such approval shall require the affirmative vote of a majority of members of the Board who are not participants in the Plan.

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

2.03 "Company" means UGI Corporation, a Pennsylvania corporation, any successor thereto and any Subsidiary which adopts this plan, with the approval of the Committee, by executing a participation and joinder agreement.

2.04 "Comparison Group" means the group determined by the Committee (no later than ninety (90) days after the commencement of the Performance Period) consisting of the Company and such other companies deemed by the Committee (in its sole discretion) to be reasonably comparable to the Company and set forth in Exhibit 1.

2.05 "Date of Grant" means the date the Committee makes an Option grant.

2.06 "Dividend Equivalent" means an amount determined by multiplying the number of shares of Stock subject to an Option on the Date of Grant (whether or not the Option is ever exercised with respect to any or all shares of Stock subject thereto) by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Stock on a dividend payment date.

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

2.08 “Fair Market Value” of Stock means the average, rounded to the next highest one-eighth of a point (.125), of the highest and lowest sales prices thereof on the New York Stock Exchange on the day on which Fair Market Value is being determined, as reported on the Composite Tape for transactions on the New York Stock Exchange; provided, however, in the case of a cashless exercise pursuant to Section 7.4(iv), the Fair Market Value shall be the actual sale price of the shares issued upon exercise of the Option. In the event that there are no Stock transactions on the New York Stock Exchange on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Stock transactions on that exchange.

2.09 “Option” means the right to purchase Stock pursuant to the relevant provisions of this Plan at the Option Price for a specified period of time, not to exceed ten years from the Date of Grant, which period of time shall be subject to earlier termination prior to exercise in accordance with Sections 11, 12 and 13 of this Plan.

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

2.11 “Participant” means an Employee designated by the Committee to participate in the Plan; provided, however, that no Employee who is not then a Participant in the Plan may be designated by the Committee to participate in the Plan at any time during the last full year of a Performance Period.

2.12 “Performance Period” means a period selected by the Committee over which the total return realizable by a shareholder of the Company on a share of Stock is compared to that realizable by shareholders of companies in the Comparison Group in accordance with Section 8.2 of the Plan in order to determine whether Dividend Equivalents associated with an Option will be payable to a Participant.

2.13 “Stock” means the Common Stock of UGI or such other securities of UGI as may be substituted for Stock or such other securities pursuant to Section 14.

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

2.15 “Termination without Cause” means termination for the convenience of the Company for any reason other than (i) misappropriation of funds, (ii) habitual insobriety or substance abuse, (iii) conviction of a crime involving moral turpitude, or (iv) gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of the Company.

2.16 “UGI” means UGI Corporation, a Pennsylvania corporation or any successor thereto.

3. NUMBER AND SOURCE OF SHARES AVAILABLE FOR OPTIONS—MAXIMUM ALLOTMENT

The number of shares of Stock which may be made the subject of Options under this Plan at any one time may not exceed 4,500,000 in the aggregate (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), including shares acquired by Participants through exercise of Options under this Plan, subject, however, to the adjustment provisions of Section 14 below. The maximum number of shares of Stock which may be the subject of grants to any one individual in any calendar year shall be 900,000 (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005). If any option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to the option will again be available for the purposes of the Plan. Shares which are the subject of Options may be previously issued and outstanding shares of the Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be partly of each.

4. DURATION OF THE PLAN

The Plan will remain in effect until all Stock subject to it has been purchased pursuant to the exercise of Options or all such options have terminated without exercise. Notwithstanding the foregoing, no option may be granted after December 31, 2006.

5. ADMINISTRATION

The Plan will be administered by the Committee. Subject to the express provisions of the Plan, the Committee will have authority, in its complete discretion, to determine the Employees to whom, and the time or times at which, Options will be granted, the number of shares to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, and the period within which each Option may be exercised. In making such determinations, the Committee may take into account the nature of the services rendered by an Employee, the present and potential contributions of the Employee to the Company's success and such other factors as the Committee in its discretion deems relevant. Subject to the express provisions of the Plan, the Committee will also have authority to construe and interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option agreements required by Section 7.2 of the Plan (which need not be identical), and to make all other determinations (including factual determinations) necessary or advisable for the orderly administration of the Plan. A Stock option agreement as discussed below shall be executed by each Participant receiving a grant under the Plan and shall constitute that Participant's acknowledgement and acceptance of the terms of the Plan and the Committee's authority and discretion. It is the intent of the Company that the Plan should comply in all applicable respects with Rule 16b-3 under the Exchange Act so that transactions relating to any Option and Dividend Equivalents granted to a Participant who is subject to Section 16 of the Exchange Act shall be exempt under Rule 16b-3. Accordingly, if any provision of the Plan or any agreement relating to an option does not comply with the requirements of Rule 16b-3 as then applicable to any such Participant, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements with respect to such Participant. Any other provision of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, including without limitation for the purpose of ensuring that transactions under the Plan by Participants who are subject to Section 16 of the Exchange Act in respect of the Company are exempt under Rule 16b-3. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board (unless the context shall otherwise require).

6. ELIGIBILITY

Options may be granted only to Employees (including directors who are also Employees of the Company) who, in the sole judgment of the Committee, are designated by the Committee as individuals who are in a position to significantly participate in the development and implementation of the Company's strategic plans and thereby contribute materially to the continued growth and development of the Company and to its future financial success.

7. OPTIONS

7.01 Grant of Options. Subject to the provisions of Sections 2.11 and 3, Options may be granted to Participants at any time and from time to time as may be determined by the Committee. The Committee will have complete discretion in determining the number of Options granted to each Participant and the number of shares of Stock subject to such Options.

7.02 Option Agreement. As determined by the Committee on the Date of Grant, each option will be evidenced by a stock option agreement (substantially in the form included in Exhibit 2 attached hereto) that shall, among other things, specify the Date of Grant, the Option Price, the duration of the Option and the number of shares of Stock to which the Option pertains.

7.03 Exercise and Vesting.

(a) Except as otherwise specified by the Committee, an option shall be fully and immediately exercisable on the Date of Grant. Notwithstanding the foregoing, in the event that any such Options are not by their terms immediately exercisable, the Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason. No Option shall be exercisable on or after the tenth anniversary of the Date of Grant.

(b) Except as otherwise specified by the Committee, in the event that a Participant holding an option ceases to be an Employee, the option held by such Participant shall be exercisable only with respect to that number of shares of Stock with respect to which it is already exercisable on the date such Participant ceases to be an Employee. However, if a Participant holding an Option ceases to be an Employee by reason of (i) a retirement under the Company's retirement plan, (ii) Termination without Cause, (iii) disability, or (iv) death, the Option held by any such Participant shall thereafter become immediately exercisable with respect to the total number of shares of Stock available under such option and shall remain exercisable until the earlier of the expiration date of the option or the expiration of the thirteen (13) month period following the date of such cessation of employment.

(c) Notwithstanding the foregoing, in the event of any merger or consolidation of any other corporation with or into UGI, or the sale of all or substantially all of the assets of UGI or an offer to purchase made by a party other than UGI to all shareholders of UGI for all or any substantial portion of the outstanding Stock, a participant shall be permitted to exercise all outstanding Options (to the extent not otherwise exercisable by their terms) prior to the effective date of any such merger, consolidation or sale or the expiration of any such offer to purchase, unless otherwise determined by the Committee, no later than thirty (30) days prior to the effective date of such transaction or the expiration of such offer.

(d) Notwithstanding anything contained in this Section 7.3 with respect to the number of shares of Stock subject to an Option with respect to which such Option is or is to become exercisable, no Option, to the extent that it has not previously been exercised, shall be exercisable after it has terminated, including without limitation, after any termination of such option pursuant to Sections 11, 12 and 13 hereof.

7.04 Payment. The Option Price upon exercise of any option shall be payable to the Company in full (i) in cash or its equivalent, (ii) by tendering shares of previously acquired Stock already beneficially owned by the Participant for more than one year and having a Fair Market Value at the time of exercise equal to the total Option Price, (iii) by applying Dividend Equivalents payable to the Participant in accordance with Section 8 of the Plan in an amount equal to the total Option Price, (iv) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (v) by such other method as the Committee may approve, or (vi) by a combination of (i), (ii), (iii), (iv) and/or (v). The cash proceeds from such payment will be added to the general funds of the Company and shall be used for its general corporate purposes. Any shares of Stock tendered to UGI in payment of the Option Price will be added by UGI to its Treasury Stock to be used for its general corporate purposes.

8. DIVIDEND EQUIVALENTS

8.01 Amount of Dividend Equivalents Credited. From the Date of Grant of an Option to a Participant (or, in the case of an Option granted after the date of commencement of a Performance Period to a new Participant or to a Participant with changed responsibilities, in which event, from such date not earlier than the date of commencement of the Performance Period as is designated by the Committee) until the earlier of (i) the end of the applicable Performance Period or (ii) the date of disability, death or termination of employment for any reason (including retirement), of a participant, the Company shall keep records for such Participant ("Account") and shall credit on each payment date for the payment of a dividend made by UGI on its Stock an amount equal to the Dividend Equivalent associated with such Option. Notwithstanding the foregoing, a Participant may not accrue during any calendar year Dividend Equivalents in excess of \$1,000,000. Except as set forth in Section 8.5 below, no interest shall be credited to any such Account.

8.02 Payment of Credited Dividend Equivalents. The Committee will determine (no later than ninety (90) days after the commencement of the Performance Period) and set forth on Exhibit 1 measurable criteria pursuant to which the total return realizable by a shareholder of the Company on a share of Stock over the applicable Performance Period can be compared to that realizable over the same Performance Period by shareholders of the Comparison Group. The extent to which a Participant receives payment of the Dividend Equivalents associated with an Option and recorded in his Account during any particular Performance Period shall be determined by comparing (through use of the selected measurable criteria) the aforementioned total return realizable by a shareholder of the Company to that realizable by shareholders of the Comparison Group. Payments shall be made after the end of the applicable Performance Period according to the following table (with results falling between table values being interpolated):

PERCENT OF COMPANIES IN COMPARISON
GROUP HAVING TOTAL RETURN TO
SHAREHOLDERS LESS THAN THAT TO
COMPANY'S SHAREHOLDERS

PERCENT OF DIVIDEND
EQUIVALENTS PAYABLE

100	200
75	150
50	75
less than 50	0

8.03 Timing of Payment of Dividend Equivalents .

(a) Except as otherwise determined by the Committee, in the event of the (i) termination of an option prior to exercise pursuant to Sections 11, 12 or 13 hereof, or (ii) acceleration of the exercise date of an Option pursuant to Section 7.3 hereof, in either case prior to the end of the applicable Performance Period, no payments of Dividend Equivalents associated with any Option shall be made (A) prior to the end of the applicable Performance Period and (B) to any Participant whose employment by the Company terminates prior to the end of the applicable Performance Period for any reason other than retirement under the Company's retirement plan, death, disability or Termination without Cause. As soon as practicable after the end of such Performance Period, the Committee will certify and announce the results for each Performance Period prior to any payment of Dividend Equivalents and unless a Participant shall have made an election under Section 8.6 to defer receipt of any portion of such amount, a Participant shall receive the aggregate amount of Dividend Equivalents payable to him.

(b) Notwithstanding anything to the contrary in this Section 8.3, unless a payment of Dividend Equivalents associated with an Option is being made upon full exercise or termination of such Option, no Dividend Equivalents shall be paid (either at the end of the applicable Performance Period or on a date such Dividend Equivalents are scheduled to be paid pursuant to a deferral election) if the average Fair Market Value of Stock for a period of thirty (30) consecutive business days immediately preceding the end of the applicable Performance Period or the date such deferred payment is scheduled to be made (as the case may be) is less than the exercise price of the Option to which such Dividend Equivalents were associated, and such payment shall instead be made at the earlier of (i) such time as the average Fair Market Value of Stock over a period of ninety (90) consecutive business days thereafter exceeds the exercise price of such Option, or (ii) the termination or expiration date of such option.

8.04 Form of Payment for Dividend Equivalents . The Committee shall have the sole discretion to determine whether the Company's obligation in respect of payment of Dividend Equivalents shall be paid solely in credits to be applied toward payment of the Option Price, solely in cash or partly in such credits and partly in cash.

8.05 Interest on Dividend Equivalents . From a date which is thirty (30) days after the end of the applicable Performance Period until the date that all Dividend Equivalents associated with such Option and payable to a Participant are paid to such Participant, the Account maintained by the Company in its books and records with respect to such Dividend Equivalents shall be credited with interest at a market rate determined by the Committee.

8.06 Deferral of Dividend Equivalents . A Participant shall have the right to defer receipt of any Dividend Equivalent payments associated with an Option if he shall elect to do so on or prior to December 31 of the year preceding the beginning of the last full year of the applicable Performance Period (or such other time as the Committee shall determine is appropriate to make such deferral effective under the applicable requirements of federal tax laws). The terms and conditions of any such deferral (including the period of time thereof) shall be subject to approval by the Committee and all deferrals shall be made on a form provided a Participant for this purpose.

9. WRITTEN NOTICE, ISSUANCE OF STOCK, SHAREHOLDER PRIVILEGES AND PARTIAL EXERCISE

9.01 Written Notice . A Participant wishing to exercise an Option must give irrevocable written notice to the Company in the form and manner prescribed by the Committee, indicating the date of award, the number of shares as to which the option is being exercised, and such other information as may be required by the Committee. Full payment for the shares pursuant to the Option must be received by the time specified by the Committee depending on the type of payment being made, but in all cases, prior to the issuance of the Shares. Except as provided in Sections 11, 12 and 13, no Option may be exercised at any time unless the Participant is then an Employee of the Company.

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

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

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

10. NON-TRANSFERABILITY OF OPTIONS

No Option, rights to Dividend Equivalents or other rights granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and an Option may be exercised, during the lifetime of the Participant, only by the Participant. Notwithstanding the foregoing, the Committee may provide that a Participant may transfer Options to family members or other persons or entities according to such terms as the Committee may determine; provided that the Participant receives no consideration for the transfer of an option and the transferred option shall continue to be subject to the same terms and conditions as were applicable to the option immediately before the transfer.

11. TERMINATION OF EMPLOYMENT (OTHER THAN BY REASON OF DEATH OR DISABILITY)

Each Option, to the extent that it has not previously been exercised, will terminate when the Participant holding such Option (while living) ceases to be an Employee of the Company, unless such cessation of employment is (i) on account of a Termination without Cause, or (ii) a retirement under the Company's retirement plan, in either of which events the Option shall be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) and will terminate upon the earlier of the expiration date of the option or the expiration of the thirteen (13) month period following the date of such cessation of employment. The Committee will have authority to determine whether an authorized leave of absence or absence on military or governmental service will constitute a termination of employment for the purposes of this Plan. The Committee shall have sole discretion to determine the effect of any change in the duties and responsibilities of a Participant while that Participant continues to be an Employee of the Company on Options granted under this Plan which are not then exercisable and on Dividend Equivalents not then payable under Section 8.3 of the Plan.

12. DISABILITY

If a Participant is determined to be "disabled" (as defined under the Company's long-term disability plan), the Option theretofore granted to such Participant shall be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) at any time prior to the earlier of the expiration date of the option or the expiration of the thirteen (13) month period following the date of such determination.

13. DEATH OF PARTICIPANT

In the event of the death of a Participant while employed by the Company, the Option theretofore granted to such Participant shall be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) at any time prior to the earlier of the expiration date of the option or the expiration of the thirteen (13) month period following the Participant's death. Death of a Participant after such Participant has ceased to be employed by the Company will not affect the otherwise applicable period for exercise of the Option determined pursuant to Section 11 or 12. Such Option may be exercised by the estate of the Participant or by any person to whom the Participant may have bequeathed the Option or whom the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate.

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

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

15. LIMITATION OF RIGHTS

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

16. AMENDMENT OR TERMINATION OF PLAN

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

17. TAX WITHHOLDING

Upon exercise of any Option under this Plan, the Company will require the recipient of the Stock to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements. However, to the extent authorized by rules and regulations of the Committee, the Company may withhold or receive Stock and make cash payments in respect thereof in satisfaction of a recipient's tax obligations, including tax obligations in excess of mandatory withholding requirements.

18. GOVERNMENTAL APPROVAL

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

19. EFFECTIVE DATE OF PLAN

This Plan will become effective as of December 10, 1996, subject to ratification by the Company's shareholders prior to December 10, 1997.

20. SUCCESSORS

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

21. GOVERNING LAW

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

EXHIBIT 1

1. PERFORMANCE PERIOD

January 1, 1997 to December 31, 1999.

2. COMPARISON GROUP

American Electric Power Company, Inc.
Baltimore Gas & Electric Company
Carolina Power & Light Company
Central & South West Corporation
Cinergy Corporation
Coastal Corporation
Columbia Gas System, Inc.
Consolidated Edison Co. of N.Y., Inc.
Consolidated Natural Gas Company
Dominion Resources, Inc.
DTE Energy Company
Duke Power Company
Eastern Enterprises
Edison International
Enron Corporation
Entergy Corporation
FPL Group, Inc.
GPU, Inc.
Houston Industries, Inc.
Niagara Mohawk Power Corporation

NICOR, Inc.
Noram Energy Corporation
Northern States Power Company
Ohio Edison Company
ONEOK, Inc.
Pacific Enterprises
Pacific Gas & Electric Company
PacifiCorp
PanEnergy Corp.
PECO Energy Company
Peoples Energy Corporation
PP&L Resources, Inc.
Public Service Enterprise Group, Inc.
Sonat, Inc.
Southern Company
Texas Utilities Company
Unicorn Corporation
Union Electric Company
The Williams Companies, Inc.

3. COMPARISON CRITERIA

For purposes of the Plan, "Total Return" is the change in the market value of one share of common stock of each company in the Comparison Group over the Performance Period, plus the amount of dividends paid or the value of other distributions made with respect to such stock, reinvested in the stock, over the same period.

The initial market value of each share of common stock to be measured during the Performance Period (January 1, 1997 through December 31, 1999) will be the average of the closing prices of each such stock on the New York Stock Exchange Composite Tape for all trading days during the three calendar months prior to the commencement of the Performance Period.

The final market value of each share of common stock to be measured will be the average of the closing prices for such stock on the New York Stock Exchange Composite Tape for all trading days during the final three months of the Performance Period.

UGI CORPORATION
2000 DIRECTORS' STOCK OPTION PLAN
AMENDED AND RESTATED AS OF MAY 24, 2005

1. Purpose and Design

The purpose of this Plan is to (1) encourage ownership of Company Stock by non-employee directors and thereby align such directors' interests more closely with the interests of shareholders of the Company, and (2) assist the Company in securing and retaining highly qualified persons to serve as non-employee directors, in which position they may contribute materially to the long-term growth and profitability of the Company, by affording them an opportunity to acquire Stock. No grants shall be made under this Plan after January 1, 2004.

2. Definitions

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

2.01 "*Board*" means the Company's Board of Directors as constituted from time to time.

2.02 "*Administrative Committee*" means the committee of Company employees appointed by the Committee to perform ministerial and other assigned functions.

2.03 "*Change of Control*" means a change of control as defined in the change of control agreement between the Company and its chief executive officer, as amended from time to time.

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

2.05 "*Company*" means UGI Corporation, a Pennsylvania corporation and any successor thereto.

2.06 "*Date of Grant*" means the effective date of an Option grant; provided, however, that no retroactive grants will be made.

2.07 “*Fair Market Value*” of Stock means the average of the highest and lowest sales prices thereof on the New York Stock Exchange on the day on which Fair Market Value is being determined, as reported on the Composite Tape for transactions on the New York Stock Exchange. In the event that the New York Stock Exchange does not express sales prices in decimal form, the average will be rounded to the next highest one-eighth of a point (.125). In the event that the New York Stock Exchange expresses sales prices in decimal form, the average will be rounded to the next highest penny. Notwithstanding the foregoing, in the case of a cashless exercise pursuant to Section 7.4(iii), the Fair Market Value will be the actual sale price of the shares issued upon exercise of the Option. In the event that there are no Stock transactions on the New York Stock Exchange on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Stock transactions on that exchange.

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

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

2.10 “*Participant*” means a non-employee director who is eligible to receive, and is granted, Options under the Plan.

2.11 “*Plan*” means this 2000 Directors’ Stock Option Plan.

2.12 “*Stock*” means the Common Stock of the Company or such other securities of the Company as may be substituted for Stock or such other securities pursuant to Section 10.

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

3. Number and Source of Shares Available for Options — Maximum Allotment

The number of shares of Stock which may be made the subject of Options under this Plan at any one time may not exceed 600,000 in the aggregate (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), including shares acquired by Participants through exercise of Options under this Plan. The number of shares of Stock which may be the subject of grants of Options to any one individual in a calendar year will not exceed 30,000 (after giving retroactive effective effect to the 2-for-1 Stock split distributed May 24, 2005). The foregoing limits will be subject to the adjustment provisions of Section 10 below. If any Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to the Option will again be available for the purposes of the Plan. Shares which are the subject of Options may be previously issued and outstanding shares of the Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be a combination of both.

4. Duration of the Plan

The Plan will remain in effect until all Stock subject to it has been purchased pursuant to the exercise of Options or all such Options have terminated without exercise. Notwithstanding the foregoing, no Option may be granted after December 31, 2009.

5. Determination of Grants — Administration of Plan

5.1 *Determination of Grants* . The Company, after consultation with outside compensation consultants, shall make recommendations to the Committee as to the grants to be made under the Plan. Subject to the express provisions of the Plan, the Committee will have the authority to determine the non-employee directors to whom, and the time or times at which, Options will be granted, the number of shares to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, and the period within which each Option may be exercised. Grants made by the Committee will be subject to the approval of the Board.

5.2 *Administration of Plan* . The Plan will be administered by the Committee. Subject to the express provisions of the Plan, the Committee will also have authority to construe and interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations (including factual determinations) necessary or advisable for the orderly administration of the Plan. All ministerial functions, in addition to those specifically delegated elsewhere in the Plan, shall be performed by a committee comprised of Company employees (“Administrative Committee”) appointed by the Committee. A stock option agreement as discussed below shall be executed by each Participant receiving a grant under the Plan and shall constitute that Participant’s acknowledgement and acceptance of the terms of the Plan and the Committee’s authority and discretion.

6. Eligibility

Each director of the Company who, on any date on which an Option is to be granted (as specified in Section 7 of the Plan), is not an employee of the Company or any parent or Subsidiary of the Company, will be eligible to receive Options under the Plan. The foregoing notwithstanding, no director who is serving on the Board as a result of a nomination or appointment pursuant to the terms of any debt instrument, preferred stock, underwriting agreement, or other contract entered into by the Company will be eligible to participate in the Plan. No person other than those specified in this Section 6 will participate in the Plan.

7. Options

7.1 *Grant of Options* . Subject to the provisions of Sections 2.08 and 3: (i) Options may be granted to Participants under substantially equal terms at any time and from time to time as may be determined by the Committee, and (ii) subject to approval of the Board, the Committee will have discretion in determining the Options to be granted, the number of shares of Stock to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, the period within which each Option may be exercised and the vesting schedule associated with the Option.

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

7.3 *Exercise and Vesting* .

(a) Except as otherwise specified by the Committee in the stock option agreement, an Option will be fully and immediately exercisable on the Date of Grant. Notwithstanding the foregoing, in the event that any such Options are not by their terms immediately exercisable, the Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason. No Option will be exercisable on or after the tenth anniversary of the Date of Grant.

(b) Except as otherwise specified by the Committee, each Option, to the extent that it has not previously been exercised, will terminate when the Participant holding such Option (while living) ceases to be a non-employee director of the Company. However, if a Participant holding an Option ceases to be a non-employee director by reason of (i) retirement, (ii) disability, or (iii) death, the Option held by any such Participant will be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) and will thereafter become exercisable pursuant to the following:

(i) Retirement. If a Participant ceases to serve as a director of the Company on account of retirement, the Option theretofore granted to such Participant may be exercised at any time prior to the earlier of the expiration date of the Option or the expiration of the 36-month period following the Participant's retirement. Retirement means cessation of service as a director of the Company after (1) attaining age 65 with five or more years of service with the Company, or (2) ten or more years of service with the Company.

(ii) The Committee shall have sole discretion to determine whether or not a Participant is "disabled." If a Participant is determined to be "disabled" by the Committee, the Option theretofore granted to such Participant may be exercised at any time prior to the earlier of the expiration date of the Option or the expiration of the 36 month period following the Participant's disability.

(iii) Death. In the event of the death of a Participant while serving as a director of the Company, the Option theretofore granted to such Participant may be exercised at any time prior to the earlier of the expiration date of the Option or the expiration of the 12 month period following the Participant's death. Such Option may be exercised by the estate of the Participant, by any person to whom the Participant may have bequeathed the Option, any person the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate.

(c) If a Participant ceases serving as a director and, immediately thereafter, is employed by the Company or any Subsidiary, then, solely for purposes of Section 7.3(b) of the Plan, such Participant will not be deemed to have ceased service as a director at that time, and his or her continued employment by the Company or any Subsidiary will be deemed to be continued service as a director; provided, however, that such former director will not be eligible for additional grants of Options under the Plan.

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

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

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

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

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

8. Non-Transferability of Options

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

9. Consequences of a Change of Control

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

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

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

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

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

10. Adjustment of Number and Price of Shares, Etc.

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

11. Limitation of Rights

Nothing contained in this Plan will be construed to give a non-employee director any right to a grant hereunder except as may be authorized in the discretion of the Committee. A grant under this Plan will not constitute, nor be evidence of, any agreement or understanding, expressed or implied, that a Participant has any right to serve as a director of the Company.

12. Amendment or Termination of Plan

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

13. Governmental Approval

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

14. Effective Date of Plan

The original effective date of the Plan is January 1, 2000.

15. Successors

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

16. Governing Law

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

UGI CORPORATION
2000 STOCK INCENTIVE PLAN
Amended and Restated as of May 24, 2005

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UGI CORPORATION
2000 STOCK INCENTIVE PLAN
AMENDED AND RESTATED AS OF MAY 24, 2005

1. Purpose and Design

The purpose of this Plan is to assist the Company in securing and retaining key corporate executives of outstanding ability, who are in a position to significantly participate in the development and implementation of the Company's strategic plans and thereby contribute materially to the long-term growth, development and profitability of the Company, by affording them an opportunity to purchase its Stock under options or an opportunity to acquire stock by the achievement of specific performance goals. The Plan is designed to align directly long-term executive compensation with tangible, direct and identifiable benefits realized by the Company's shareholders. No grants may be made under this Plan after January 1, 2004.

2. Definitions

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

2.1 "*Account*" means a bookkeeping account established on the records of the Company to record a Participant's interests under the Plan.

2.2 "*Administrative Committee*" means the committee of employees of the Company appointed by the Committee to perform ministerial and other assigned functions.

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

2.4 "*Change of Control*" means a change of control as defined in the attached Exhibit A, as amended from time to time pursuant to Section 15.

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

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

2.7 "*Comparison Group*" means the group determined by the Committee (no later than ninety (90) days after the commencement of a Performance Period) consisting of the Company and such other companies deemed by the Committee (in its sole discretion) to be reasonably comparable to the Company.

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

2.9 “*Dividend Equivalent*” means an amount determined by multiplying the number of shares of Stock subject to an Option granted in conjunction with the Dividend Equivalent (whether or not the Option is ever exercised with respect to any or all shares of Stock subject thereto), subject to any adjustment under Section 13, by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Stock on a dividend payment date that falls within the relevant Performance Period. See also “Restricted Stock Dividend Equivalent.”

2.10 “*Employee*” means a regular full-time salaried employee (including officers and directors who are also employees) of the Company.

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

2.12 “*Grant Letter*” means the written instrument that sets forth the terms and conditions of a grant under the Plan, including all amendments thereto.

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

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

2.15 “*Participant*” means an Employee designated by the Committee to participate in the Plan.

2.16 “*Performance Goal*” means the goal or goals and other requirements that must be met in order for Dividend Equivalents and Restricted Stock Dividend Equivalents, if any, to be paid and restrictions on Restricted Stock to lapse. All Performance Goals must meet the requirements of Section 10.

2.17 “*Performance Period*” means the performance period during which performance will be measured, as specified by the Committee. Performance Periods must meet the requirements of Section 10.

2.18 “*Plan*” means this 2000 Stock Incentive Plan.

2.19 “*Restricted Stock*” means shares of Stock that are subject to restrictions as determined by the Committee.

2.20 “*Restriction Period*” means the period of time during which Restricted Stock shall be subject to restrictions or conditions, including the Performance Period and any other period specified in the Grant Letter.

2.21 “*Severance Plan*” means any severance plan maintained by the Company that is applicable to the Employee.

2.22 “*Restricted Stock Dividend Equivalent*” means an amount determined by multiplying the number of shares of Restricted Stock granted in conjunction with the Restricted Stock Dividend Equivalent, subject to any adjustment under Section 13, by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Stock on a dividend payment date that falls within the relevant period specified in the Grant Letter.

2.23 “*Stock*” means the Common Stock of UGI or such other securities of UGI as may be substituted for Stock or such other securities pursuant to Section 13.

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

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

2.26 “*UGI*” means UGI Corporation, a Pennsylvania corporation or any successor thereto.

3. Maximum Number of Shares Available for Options and Restricted Stock Grants

The number of shares of Stock which may be made the subject of Options and the number of shares of Restricted Stock that may be granted under this Plan may not exceed 3,300,000 in the aggregate (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject, however, to the adjustment provisions of Section 13 below, and provided that the maximum number of Restricted Shares issued hereunder is 1,500,000 (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005). With regard to grants to any one individual in a calendar year: (i) the number of shares of Restricted Stock that may be issued will not exceed 300,000 (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), and (ii) the number of shares of Restricted Stock together with the number of shares of Stock which may be the subject of grants of Options will not exceed 1,500,000 (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005). If

any Option expires or terminates for any reason without having been exercised in full or if Restricted Stock is forfeited, the unpurchased shares subject to the Option or the forfeited shares of Restricted Stock will again be available for the purposes of the Plan. Shares of Restricted Stock and shares which are the subject of Options may be previously issued and outstanding shares of Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be a combination of both.

4. Duration of the Plan

The Plan will remain in effect until all Stock subject to it has been transferred to Participants or all Options have terminated or been exercised and all shares of Restricted Stock have been vested or forfeited. Notwithstanding the foregoing, Options and Restricted Stock may not be granted after December 31, 2009.

5. Administration

The Plan will be administered by the Committee. Subject to the express provisions of the Plan, the Committee will have authority, in its complete discretion, to determine the Employees to whom, and the time or times at which grants will be made. In making such determinations, the Committee may take into account the nature of the services rendered by an Employee, the present and potential contributions of the Employee to the Company's success and such other factors as the Committee in its discretion deems relevant. Awards under a particular Section of the Plan need not be uniform as among Participants. Subject to the express provisions of the Plan, the Committee will also have authority to construe and interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option agreements required by Section 7.2 of the Plan and the terms and provisions of the restrictions relating to Restricted Stock (none of which need be identical), and to make all other determinations (including factual determinations) necessary or advisable for the orderly administration of the Plan. All ministerial functions, in addition to those specifically delegated elsewhere in the Plan, shall be performed by the Administrative Committee. The Grant Letter shall set forth the terms of each grant under the Plan. Each Participant's receipt of a Grant Letter shall constitute that Participant's acknowledgement and acceptance of the terms of the Plan and the grant and the Committee's authority and discretion.

6. Eligibility

Grants hereunder may be made only to Employees (including directors who are also Employees of the Company) who, in the sole judgment of the Committee, are individuals who are in a position to significantly participate in the development and implementation of the Company's strategic plans and thereby contribute materially to the continued growth and development of the Company and to its future financial success.

7. Options

7.1 Grant of Options . Subject to the provisions of Sections 2.11 and 3: (i) Options may be granted to Participants at any time and from time to time as may be determined by the Committee; and (ii) the Committee will have complete discretion in determining the Options to be granted, the number of shares of Stock to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, the period within which each Option may be exercised, the vesting schedule associated with the Option, and whether the Option will include Dividend Equivalents.

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

7.3 *Exercise and Vesting* .

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

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

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

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

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

(iv) *Death* . In the event of the death of a Participant while employed by the Company, the Option theretofore granted to such Participant will be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) at any time prior to the earlier of the expiration date of the Option or the expiration of the 12 month period following the Participant's death. Death of a Participant after such Participant has ceased to be employed by the Company will not affect the otherwise applicable period for exercise of the Option determined pursuant to Sections 7.3(b)(i), 7.3(b)(ii) or 7.3(b)(iii). Such Option may be exercised by the estate of the Participant, by any person to whom the Participant may have bequeathed the Option, any person the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate.

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

7.4 *Payment* . The Option Price upon exercise of any Option will be payable to the Company in full (i) in cash or its equivalent, (ii) by tendering shares of previously acquired Stock already beneficially owned by the Participant for more than one year and having a Fair Market Value at the time of exercise equal to the Option Price being paid thereby, (iii) by applying Dividend Equivalents payable to the Participant in accordance with Section 8 of the Plan in an amount equal to the total Option Price, (iv) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, (v) by such other method as the Committee may approve, or (vi) by a combination of (i), (ii), (iii), (iv) and/or (v). The cash proceeds from such payment will be added to the general funds of the Company and will be used for its general corporate purposes.

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

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

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

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

8. Restricted Stock

8.1 *Grant of Restricted Stock* . Subject to the provisions of Section 3, shares of Restricted Stock may be granted to Participants at any time and from time to time as may be determined by the Committee. Shares of Restricted Stock may be granted with or without Restricted Stock Dividend Equivalents as determined by the Committee. Shares issued or transferred pursuant to Restricted Stock awards may be issued or transferred for consideration or for no consideration, and will be subject to Performance Goals meeting the requirements of Section 10, including all requirements set forth in the Grant Letter.

8.2 *Requirement of Employment or Service* . The restrictions on a Participant's Restricted Stock shall lapse, and the Restricted Stock shall be payable, at the end of the Restriction Period according to the terms set forth in the Grant Letter. If the Participant ceases to be employed by, or provide service to, the Company before the end of the Restriction Period, the Restricted Stock award will terminate as to all shares covered by the grant as to which the restrictions have not lapsed, and those shares of Stock must be immediately returned to the Company. However, if a Participant holding Restricted Stock ceases to be an Employee by reason of (i) retirement, (ii) disability, or (iii) death, the restrictions on Restricted Stock held by any such Participant will lapse pursuant to the following:

(a) *Retirement* . If a Participant terminates employment on account of a retirement under the Company's retirement plan applicable to that Participant, the restrictions on such Participant's Restricted Stock will lapse with regard to any Performance Period that ends within 36 months after the date of such retirement; provided that the Performance Goals associated with such Performance Period are achieved within that 36 month period. Retirement for Employees of AmeriGas Propane, Inc. ("API") means termination of employment with API after attaining age 55 with ten or more years of service with API and its affiliates.

(b) *Disability* . If a Participant is determined to be "disabled" (as defined under the Company's long-term disability plan), the restrictions on such Participant's Restricted Stock will lapse with regard to any Performance Period that ends within 36 months after the date of such disability; provided that the Performance Goals associated with such Performance Period are achieved within that 36 month period.

(c) *Death* . In the event of the death of a Participant while employed by the Company, the restrictions on such Participant's Restricted Stock will lapse at the end of the Performance Period associated with such Restricted Stock upon the achievement of the related Performance Goals.

(d) *Time of Payment* . In the event of retirement, disability or death, the Participant's Restricted Stock shall be paid at the date specified for payment of the Restricted Stock in the Grant Letter, or at an earlier date determined by the Committee.

(e) *Coordination with Severance Plan* . Notwithstanding anything in this Plan to the contrary, if a Participant receives severance benefits under a Severance Plan, the terms of which require that severance compensation payable under the Severance Plan be reduced by benefits payable under this Plan, any amount payable to the Participant under Restricted Stock and Restricted Stock Dividend Equivalents after the Participant's termination of employment shall be reduced by the amount of severance compensation paid to the Participant under the Severance Plan, as required by, and according to the terms of, the Severance Plan.

8.3 *Restrictions on Transfer and Legend on Stock Certificate* . During the Restriction Period set forth in the Grant Letter, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of Restricted Stock or rights to Restricted Stock Dividend Equivalents, if any. Any certificate for a share of a Restricted Stock will contain a legend giving appropriate notice of the restrictions in the grant. The Participant will be entitled to have the legend removed from the stock certificate covering the shares subject to restrictions when all restrictions on such shares have lapsed. The Administrative Committee may determine that the Company will not issue certificates for Restricted Stock until all restrictions on such shares have lapsed, or that the Company will retain possession of certificates for shares of Restricted Stock until all restrictions on such shares have lapsed.

8.4 *Privileges of a Shareholder* . Unless the Committee determines otherwise, during the Restriction Period, a Participant who has been issued certificates under Section 8.3 will have the right to vote shares of Restricted Stock and to receive any dividends or other distributions paid on such shares, subject to any restrictions deemed appropriate by the Committee.

8.5 *Form of Payment for Restricted Stock* . The Committee will have the sole discretion to determine whether the Company's obligation in respect of payment of Restricted Stock awards for a Participant who is not issued certificates under Section 8.3 will be paid in Stock, solely in cash or partly in Stock and partly in cash.

9. Dividend Equivalents and Restricted Stock Dividend Equivalents

(a) *Amount of Dividend Equivalents Credited* . If the Committee so specifies, as of the Date of Grant in the stock option agreement, from the Date of Grant of an Option to a Participant (or, in the case of an Option granted after the date of commencement of a Performance Period to a new Participant or to a Participant with changed responsibilities, in which event, from such date not earlier than the date of commencement of the Performance Period as is designated by the Committee) until the earlier of (i) the end of the applicable Performance Period or (ii) the date of disability, death or termination of employment for any reason (including retirement), of a Participant, the Company will keep records for such Participant ("Account") and will credit on each payment date for the payment of a dividend made by UGI on its Stock an amount equal to the Dividend Equivalent associated with such Option. Notwithstanding the foregoing, a Participant may not accrue during any calendar year Dividend Equivalents in excess of \$1,000,000. Except as set forth in Section 9.5 below, no interest will be credited to any such Account.

(b) *Amount of Restricted Stock Dividend Equivalents Credited* . If the Committee so specifies when granting Restricted Stock, from the Date of Grant of Restricted Stock to a Participant (or, in the case of Restricted Stock granted after the date of commencement of a Performance Period to a new Participant or to a Participant with changed responsibilities, in which event, from such date not earlier than the date of commencement of the Performance Period as is designated by the Committee) until the earlier of (i) the end of the applicable Restriction Period or (ii) the date of disability, death or termination of employment for any reason (including retirement), of a Participant, the Company will maintain an Account for each Participant and will credit on each payment date for the payment of a dividend made by UGI on its Stock an amount equal to the Restricted Stock Dividend Equivalent associated with such Restricted Stock. Notwithstanding the foregoing, a Participant may not accrue during any calendar year Restricted Stock Dividend Equivalents in excess of \$1,000,000. No interest will be credited to any such Account.

9.2 *Payment of Credited Dividend Equivalents and Restricted Stock Dividend Equivalents* . Payment of Dividend Equivalents and Restricted Stock Dividend Equivalents will be made only upon the determination by the Committee that all requirements of the Performance Goals associated with such Dividend Equivalents and Restricted Stock Dividend Equivalents have been achieved as prescribed in accordance with Section 10.

9.3 *Timing of Payment of Dividend Equivalents and Restricted Stock Dividend Equivalents* .

(a) Except as otherwise determined by the Committee, in the event of the (i) termination of an Option prior to exercise pursuant to Section 7.3(b) hereof, or (ii) acceleration of the exercise date of an Option pursuant to Section 7.3(a) hereof, in either case prior to the end of the applicable Performance Period, no payments of Dividend Equivalents associated with any Option will be made (A) prior to the end of the applicable Performance Period and (B) to any Participant whose employment by the Company terminates prior to the end of the applicable Performance Period for any reason other than retirement under the Company's retirement plan, death, disability or Termination without Cause. As soon as practicable after the end of such Performance Period, the Committee will certify and announce the results for each Performance Period prior to any payment of Dividend Equivalents and unless a Participant will have made an election under Section 9.6 to defer receipt of any portion of such amount, a Participant will receive the aggregate amount of Dividend Equivalents payable to that Participant in the form specified by the Committee.

(b) Except as otherwise determined by the Committee, in the event of the termination of a grant of Restricted Stock pursuant to Section 8.2 hereof, no payments of Restricted Stock Dividend Equivalents associated with Restricted Stock will be made (A) prior to the end of the applicable Restriction Period and (B) to any Participant whose employment by the Company terminates prior to the end of the applicable Restriction Period for any reason other than retirement under the Company's retirement plan, death or disability. As soon as practicable after the end of a Performance Period, the Committee will certify and announce the results for

the Performance Period prior to any payment of Restricted Stock Dividend Equivalents. Unless a Participant will have made an election under Section 9.6 to defer receipt of any portion of such amount, a Participant will receive the aggregate amount of Restricted Stock Dividend Equivalents payable to that Participant in cash at the end of the applicable Restriction Period.

(c) Notwithstanding anything to the contrary in this Section 9.3, unless a payment of Dividend Equivalents associated with an Option is being made upon full exercise or termination of such Option, no Dividend Equivalents will be paid (either at the end of the applicable Performance Period or on a date such Dividend Equivalents are scheduled to be paid pursuant to a deferral election) if the average Fair Market Value of Stock for a period of thirty (30) consecutive business days immediately preceding the end of the applicable Performance Period or the date such deferred payment is scheduled to be made (as the case may be) is less than the exercise price of the Option to which such Dividend Equivalents were associated, and such payment will instead be made at the earlier of (i) such time as the average Fair Market Value of Stock over a period of ninety (90) consecutive business days thereafter exceeds the exercise price of such Option, or (ii) the termination or expiration date of such Option.

9.4 Form of Payment for Dividend Equivalents . The Committee will have the sole discretion to determine whether the Company's obligation in respect of payment of Dividend Equivalents will be paid solely in credits to be applied toward payment of the Option Price, solely in cash or partly in such credits and partly in cash.

9.5 Interest on Dividend Equivalents . From a date which is thirty (30) days after the end of the applicable Performance Period until the date that all Dividend Equivalents associated with such Option and payable to a Participant are paid to such Participant, the Account maintained by the Company in its books and records with respect to such Dividend Equivalents will be credited with interest at a market rate determined by the Administrative Committee. The interest rate will be no higher than the prime interest rate as quoted in the *Wall Street Journal* on the last day of the month preceding the end of the Performance Period, or the preceding business day if the last day of the month is not a business day.

9.6 Deferral of Dividend Equivalents and Restricted Stock Dividend Equivalents . A Participant will have the right to defer receipt of any Dividend Equivalent or Restricted Stock Dividend Equivalent payments associated with an Option or Restricted Stock if the Participant elects to do so on or prior to December 31 of the year preceding the beginning of the last full year of the applicable Performance Period (or such other time as the Administrative Committee will determine is appropriate to make such deferral effective under the applicable requirements of federal tax laws). The terms and conditions of any such deferral (including the period of time thereof) will be subject to approval by the Administrative Committee and all deferrals will be made on a form provided a Participant for this purpose.

10. Requirements for Performance Goals and Performance Periods

10.1 *Designation as Qualified Performance-Based Compensation* . Grants of Restricted Stock, Restricted Stock Dividend Equivalents and Dividend Equivalents will qualify as “qualified performance-based compensation” under Section 162(m) of the Internal Revenue Code (“Code”), including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the Performance Goals have been met. The Committee will not have discretion to increase the amount of compensation that is payable upon achievement of the designated Performance Goals, but may, in its sole discretion, reduce the amount of compensation that is payable upon achievement of the designated Performance Goals.

10.2 *Requirements for Performance Goals* . When Restricted Stock, Restricted Stock Dividend Equivalents and Dividend Equivalents are granted, the Committee will establish in writing Performance Goals either before the beginning of the Performance Period or during a period ending no later than the earlier of (i) 90 days after the beginning of the Performance Period or (ii) the date on which 25% of the Performance Period has elapsed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code. The Performance Goal must specify (A) the objective Performance Goal(s) that must be met in order for restrictions on the Restricted Stock to lapse or the Restricted Stock Dividend Equivalents or Dividend Equivalents to be paid, (B) the Performance Period during which performance will be measured, (C) the maximum amounts that may be paid if the Performance Goals are met, and (D) any other conditions that the Committee deems appropriate and consistent with the Plan and the requirements of Section 162(m) of the Code for qualified performance based compensation, including any Restriction Period, the time of payment and other requirements.

10.3 *Criteria Used for Performance Goals* . The Committee will use objectively determinable business criteria for the Performance Goals based on one or more of the following criteria: stock price, earnings per share, net earnings, operating earnings, return on assets, shareholder return, return on equity, growth in assets, unit volume, sales, cash flow, market share, relative performance to a Comparison Group, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The Performance Goals may relate to the Participant’s business unit or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing. Performance Goals need not be uniform as among Participants.

10.4 *Announcement of Performance; Forfeitures* . The Committee will certify and announce the results for each Performance Period to all Participants as promptly as practicable following the completion of the Performance Period. If and to the extent that all requirements of the Performance Goals and the Grant Letter are not met, grants of Restricted Stock, Restricted Stock Dividend Equivalents or Dividend Equivalents will be forfeited.

11. Non-Transferability

No Option, shares of Restricted Stock, rights to Restricted Stock Dividend Equivalents, Dividend Equivalents or other rights granted under the Plan will be transferable otherwise than by will or the laws of descent and distribution, and an Option may be exercised, during the lifetime of the Participant, only by the Participant.

12. Consequences of a Change of Control

12.1 *Notice and Acceleration* . Upon a Change of Control, unless the Committee determines otherwise, (i) the Company will provide each Participant with outstanding grants written notice of such Change of Control, (ii) all outstanding Options will automatically accelerate and become fully exercisable, (iii) the restrictions and conditions on all outstanding Restricted Stock grants will immediately lapse, and (iv) Dividend Equivalents and Restricted Stock Dividend Equivalents will become payable in cash in such amounts as the Committee may determine.

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

12.3 *Other Alternatives* . Notwithstanding the foregoing, subject to Section 12.4 below, in the event of a Change of Control, the Committee may take any of the following actions with respect to any or all outstanding Options: the Committee may (i) require that Participants surrender their outstanding Options in exchange for a payment by the Company, in cash or Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Stock subject to the Participant's unexercised Options exceeds the Option Price of the Options, as applicable, or (ii) after giving Participants an opportunity to exercise their outstanding Options, terminate any or all unexercised Options at such time as the Committee deems appropriate. Such surrender, termination or settlement will take place as of the date of the Change of Control or such other date as the Committee may specify.

12.4 *Committee* . The Committee making the determinations under this Section 12 following a Change of Control must be comprised of the same members as those on the Committee immediately before the Change of Control. If the Committee members do not meet this requirement, the automatic provisions of Sections 12.1 and 12.2 will apply, and the Committee will not have discretion to vary them.

12.5 *Limitations* . Notwithstanding anything in the Plan to the contrary, in the event of a Change of Control, the Committee will not have the right to take any actions described in the Plan (including without limitation actions described in this Section 12) that would make the Change of Control ineligible for pooling of interests accounting treatment or that would make the Change of Control ineligible for desired accounting treatment if, in the absence of such right, the Change of Control would qualify for such treatment and the Company intends to use such treatment with respect to the Change of Control.

13. Adjustment of Number and Price of Shares, Etc.

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

14. Limitation of Rights

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

15. Amendment or Termination of Plan

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

16. Tax Withholding

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

17. Governmental Approval

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

18. Effective Date of Plan

18.1 *Effective Date*. This Plan will become effective as of January 1, 2000, subject to ratification by the Company's shareholders prior to March 31, 2000. The 2003 amendment and restatement of the Plan is effective as of December 16, 2003.

18.2 *Shareholder Approval for "Qualified Performance-Based Compensation."* This Plan must be reapproved by the shareholders of UGI no later than the first shareholders meeting that occurs in the fifth year following the year in which the shareholders previously approved the provisions of Section 10, if required by section 162(m) of the Code or the regulations thereunder.

19. Successors

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

20. Headings and Captions

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

21. Governing Law

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

The 2000 Stock Incentive Plan was approved by the shareholders of UGI Corporation on February 29, 2000.

UGI CORPORATION
2000 STOCK INCENTIVE PLAN

Exhibit A

For purposes of this Plan, the term “Change of Control,” and defined terms used in the definition of “Change of Control,” shall have the following meanings:

(1) “Change of Control” shall mean:

(i) Any Person (except UGI, any UGI Subsidiary, any employee benefit plan of UGI or of any UGI Subsidiary, or any Person or entity organized, appointed or established by UGI for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of UGI (the “Outstanding UGI Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of UGI entitled to vote generally in the election of directors (the “UGI Voting Securities”); or

(ii) Individuals who, as of the beginning of any 24-month period, constitute the UGI Board of Directors (the “Incumbent UGI Board”) cease for any reason to constitute at least a majority of the Incumbent UGI Board, provided that any individual becoming a director of UGI subsequent to the beginning of such period whose election or nomination for election by the UGI shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent UGI Board shall be considered as though such individual were a member of the Incumbent UGI Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of UGI (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

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

(iv) Consummation of (a) a complete liquidation or dissolution of UGI or (b) a sale or other disposition of all or substantially all of the assets of UGI other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially,

directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be, immediately prior to such sale or disposition.

(2) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(3) A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

(4) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(5) “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

(6) “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
As amended on May 24, 2005

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN

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UGI CORPORATION

2004 OMNIBUS EQUITY COMPENSATION PLAN

Amended as of May 24, 2005

1. Purpose

The purpose of the UGI Corporation 2004 Omnibus Equity Compensation Plan (the "Plan") is to provide (i) designated employees of UGI Corporation ("UGI") and its subsidiaries, and (ii) non-employee members of the board of directors of UGI with the opportunity to receive grants of stock options, stock units, performance units, stock awards, dividend equivalents and other stock-based awards. UGI believes that the Plan will encourage the participants to contribute materially to the growth of UGI, thereby benefitting UGI's shareholders, and will align the economic interests of the participants with those of the shareholders.

The Plan was adopted effective as of January 1, 2004, and was approved by the shareholders of UGI. The UGI Corporation Directors' Equity Compensation Plan was merged into the Plan as of the Effective Date. The Plan was amended in December 2004 and is now amended as of May 24, 2005 to reflect a Stock split.

2. Definitions

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

- (a) "*Board*" means UGI's Board of Directors as constituted from time to time.
- (b) "*Certificate*" means a certificate, or electronic book entry equivalent, for a share of Stock.
- (c) "*Change of Control*" means a change of control of UGI as described on the attached Exhibit A, or as modified by the Board from time to time.
- (d) "*Code*" means the Internal Revenue Code of 1986, as amended.
- (e) "*Committee*" means (i) with respect to Grants to Employees, the Compensation and Management Development Committee of the Board or its successor, and (ii) with respect to Grants made to Non-Employee Directors, the Board or its delegate.
- (f) "*Company*" means UGI and any Subsidiary.
- (g) "*Date of Grant*" means the effective date of a Grant; provided, however, that no retroactive Grants will be made.
- (h) "*Directors' Equity Plan*" means the UGI Corporation Directors' Equity Compensation Plan.

(i) “*Dividend Equivalent*” means an amount determined by multiplying the number of shares of Stock subject to a Grant by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by UGI on its Stock.

(j) “*Effective Date*” of the Plan means January 1, 2004, subject to approval of the Plan by the shareholders of UGI.

(k) “*Employee*” means an employee of the Company (including an officer or director who is also an employee). For purposes of the Plan, the term “Employee” shall also include a chief executive officer or other officer or person who performs management and policymaking functions with respect to a Subsidiary of UGI located outside the United States.

(l) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(m) “*Fair Market Value*” of Stock means the average, rounded to one cent (\$0.01), of the highest and lowest sales prices of a share of Stock on the New York Stock Exchange on the day on which Fair Market Value is being determined, as reported on the composite tape for transactions on the New York Stock Exchange. In the event that there are no Stock transactions on the New York Stock Exchange on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Stock transactions on that exchange. Notwithstanding the foregoing, in the case of a broker-assisted exercise pursuant to Section 7(f), the Fair Market Value will be the actual sale price of the shares issued upon exercise of the Option.

(n) “*Grant*” means an Option, Stock Unit, Performance Unit, Stock Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.

(o) “*Grant Letter*” means the written instrument that sets forth the terms and conditions of a Grant, including all amendments thereto.

(p) “*Non-Employee Director*” means a member of the Board who is not an employee of the Company.

(q) “*Option*” means an option to purchase shares of Stock, as described in Section 7.

(r) “*Option Price*” means an amount per share of Stock purchasable under an Option, as designated by the Committee.

(s) “*Other Stock-Based Award*” means any Grant based on, measured by or payable in Stock (other than Grants described in Sections 7, 8, 9, 10 and 11 of the Plan) as described in Section 12.

(t) “*Participant*” means an Employee or Non-Employee Director designated by the Committee to participate in the Plan.

- (u) “*Performance Unit*” means an award of a phantom unit representing a share of Stock, as described in Section 9.
- (v) “*Plan*” means this 2004 Omnibus Equity Compensation Plan, as in effect from time to time.
- (w) “*Stock*” means the common stock of UGI or such other securities of UGI as may be substituted for Stock pursuant to Section 5(d) or Section 18.
- (x) “*Stock Award*” means an award of Stock as described in Section 10.
- (y) “*Stock Unit*” means an award of a phantom unit representing a share of Stock, as described in Section 8.
- (z) “*Subsidiary*” means any corporation or partnership, at least 20% of the outstanding voting stock, voting power or partnership interest of which is owned, directly or indirectly, by UGI.
- (aa) “*Target Amount*” means a target number of Shares to be issued based on achievement of the performance goals and satisfaction of all conditions for payment of Performance Units at the 100% level.
- (bb) “*UGI*” means UGI Corporation, a Pennsylvania corporation or any successor thereto.

3. Administration

(a) Committee. The Plan shall be administered and interpreted by the Compensation and Management Development Committee of the Board or its successor with respect to grants to Employees. The Plan shall be administered and interpreted by the Board, or by a committee of directors to whom the Board has delegated responsibility, with respect to grants to Non-Employee Directors. The Board or committee, as applicable, that has authority with respect to a specific Grant shall be referred to as the “Committee” with respect to that Grant. Ministerial functions may be performed by an administrative committee comprised of Company employees appointed by the Committee.

(b) Committee Authority. The Committee shall have the sole authority to (i) determine the Participants to whom Grants shall be made under the Plan, (ii) determine the type, size and terms and conditions of the Grants to be made to each such Participant, (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms and conditions of any previously issued Grant, subject to the provisions of Section 19 below, and (v) deal with any other matters arising under the Plan.

(c) Committee Determinations. The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated Participants.

4. Grants

(a) Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Performance Units as described in Section 9, Stock Awards as described in Section 10, Dividend Equivalents as described in Section 11 and Other Stock-Based Awards as described in Section 12. All Grants shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Letter.

(b) All Grants shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Participants.

(c) The Committee may make Grants that are contingent on, and subject to, shareholder approval of the Plan or an amendment to the Plan.

5. Shares Subject to the Plan

(a) Shares Authorized. The total aggregate number of shares of Stock that may be issued under the Plan is 7,000,000 shares (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject to adjustment as described below. The maximum number of shares of Stock that may be issued under the Plan pursuant to Grants other than Options and Dividend Equivalents during the term of the Plan is 1,600,000 shares (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject to adjustment as described below. The shares may be authorized but unissued shares of Stock or reacquired shares of Stock, including shares purchased by the Company on the open market for purposes of the Plan. Grants paid in cash shall not count against the foregoing share limits.

(b) Share Counting. For administrative purposes, when the Committee makes a Grant payable in Stock, the Committee shall reserve shares equal to the maximum number of shares that may be issued under the Grant. If and to the extent Options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards, Stock Units, Performance Units, Dividend Equivalents or Other Stock-Based Awards are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan. Shares of Stock surrendered in payment of the Option Price of an Option shall again be available for issuance under the Plan. To the extent that Grants are paid in cash, and not in shares of Stock, any shares previously reserved for issuance pursuant to such Grants shall again be available for issuance under the Plan.

(c) Individual Limits . All Grants under the Plan, other than Dividend Equivalents, shall be expressed in shares of Stock. The maximum aggregate number of shares of Stock with respect to which all Grants, other than Dividend Equivalents, may be made under the Plan to any individual during any calendar year shall be 1,500,000 shares (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject to adjustment as described below. The maximum aggregate number of shares of Stock with respect to which all Grants, other than Options and Dividend Equivalents, may be made under the Plan to any individual during any calendar year shall be 200,000 shares (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject to adjustment as described below. A Participant may not accrue Dividend Equivalents during any calendar year in excess of \$1,000,000. The individual limits of this subsection (b) shall apply without regard to whether the Grants are to be paid in Stock or cash. All cash payments (other than with respect to Dividend Equivalents) shall equal the Fair Market Value of the shares of Stock to which the cash payment relates.

(d) Adjustments . If there is any change in the number or kind of shares of Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Stock available for issuance under the Plan, the maximum number of shares of Stock for which any individual may receive Grants in any year, the number of shares covered by outstanding Grants, the kind of shares to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. Any adjustments determined by the Committee shall be final, binding and conclusive.

6. Eligibility for Participation

(a) Eligible Persons . All Employees, including Employees who are officers or members of the Board, and all Non-Employee Directors shall be eligible to participate in the Plan.

(b) Selection of Participants . The Committee shall select the Employees and Non-Employee Directors to receive Grants and shall determine the number of shares of Stock subject to each Grant.

7. Options

(a) General Requirements . The Committee may grant Options to an Employee or Non-Employee Director upon such terms and conditions as the Committee deems appropriate under this Section 7. The Committee may grant Dividend Equivalents with respect to Options.

(b) Number of Shares . The Committee shall determine the number of shares of Stock that will be subject to each Grant of Options to Employees and Non-Employee Directors.

(c) Type of Option, Price and Term .

(i) The Committee may grant Options that are nonqualified stock options and are not considered incentive stock options under section 422 of the Code.

(ii) The Option Price of Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value of a share of Stock on the Date of Grant.

(iii) The Committee shall determine the term of each Option. The term of an Option shall not exceed ten years from the Date of Grant.

(d) Exercisability of Options. Options shall become exercisable in accordance with such terms and conditions as may be determined by the Committee and specified in the Grant Letter. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

(e) Termination of Employment or Service . Except as provided in the Grant Letter, an Option may only be exercised while the Participant is employed by the Company, or providing service as a Non-Employee Director. The Committee shall determine in the Grant Letter under what circumstances and during what time periods a Participant may exercise an Option after termination of employment or service.

(f) Exercise of Options . A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Option Price for the Option (i) in cash, (ii) by delivering shares of Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Option Price or by attestation to ownership of shares of Stock having an aggregate Fair Market Value on the date of exercise equal to the Option Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. Shares of Stock used to exercise an Option shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance of the Stock.

8. Stock Units

(a) General Requirements. The Committee may grant Stock Units to an Employee or Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Stock or an amount based on the value of a share of Stock. All Stock Units shall be credited to accounts on the Company's records for purposes of the Plan.

(b) Terms of Stock Units. The Committee may grant Stock Units that are payable on terms and conditions determined by the Committee. Stock Units may be paid at the end of a specified period, or payment may be deferred to a date authorized by the Committee. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units. The Committee may grant Dividend Equivalents with respect to Stock Units.

(c) Payment With Respect to Stock Units. Payment with respect to Stock Units shall be made in cash, in Stock, or in a combination of the two, as determined by the Committee. The Grant Letter shall specify the maximum number of shares that can be issued under the Stock Units.

(d) Requirement of Employment or Service. The Committee shall determine in the Grant Letter under what circumstances a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

9. Performance Units

(a) General Requirements. The Committee may grant Performance Units to an Employee or Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 9. Each Performance Unit shall represent the right of the Participant to receive a share of Stock or an amount based on the value of a share of Stock, if specified performance goals and other conditions are met. All Performance Units shall be credited to accounts on the Company's records for purposes of the Plan.

(b) Terms of Performance Units. The Committee shall establish the performance goals and other conditions for payment of Performance Units. Performance Units may be paid at the end of a specified performance or other period, or payment may be deferred to a date authorized by the Committee. The Committee shall determine the number of Performance Units to be granted and the requirements applicable to such Performance Units. The Committee may grant Dividend Equivalents with respect to Performance Units.

(c) Payment With Respect to Performance Units. Payment with respect to Performance Units shall be made in cash, in Stock, or in a combination of the two, as determined by the Committee. The Committee shall establish a Target Amount for Performance Units in the Grant Letter. Payment of Performance Units in excess of the Target Amount shall be made in cash.

(d) Requirement of Employment or Service. The Committee shall determine in the Grant Letter under what circumstances a Participant may retain Performance Units after termination of the Participant's employment or service, and the circumstances under which Performance Units may be forfeited.

10. Stock Awards

(a) General Requirements. The Committee may issue shares of Stock to an Employee or Non-Employee Director under a Stock Award, upon such terms and conditions as the Committee deems appropriate under this Section 10. Shares of Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by the Committee. The Committee may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals.

(b) Number of Shares. The Committee shall determine the number of shares of Stock to be issued pursuant to a Stock Award and any restrictions applicable to such shares.

(c) Requirement of Employment or Service. The Committee shall determine in the Grant Letter under what circumstances a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

(d) Restrictions on Transfer. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except upon death as described in Section 17. Each Certificate for a share of a Stock Award shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed when all restrictions on such shares have lapsed. The Company may retain possession of any Certificates for Stock Awards until all restrictions on such shares have lapsed.

(e) Right to Vote and to Receive Dividends. The Committee shall determine to what extent, and under what conditions, the Participant shall have the right to vote shares of Stock Awards and to receive any dividends or other distributions paid on such shares during the restriction period.

11. Dividend Equivalents

(a) General Requirements. When the Committee makes a Grant under the Plan, the Committee may grant Dividend Equivalents in connection with such Grants, under such terms and conditions as the Committee deems appropriate under this Section 11. Dividend Equivalents may be paid to Participants currently or may be deferred, as determined by the Committee. All Dividend Equivalents that are not paid currently shall be credited to accounts on the Company's records for purposes of the Plan. Dividend Equivalents may be accrued as a cash obligation, or may be converted to Stock Units for the Participant, as determined by the Committee. Unless otherwise specified in the Grant Letter, deferred Dividend Equivalents will not accrue interest. The Committee may provide that Dividend Equivalents shall be payable based on the achievement of specific performance goals.

(b) Payment with Respect to Dividend Equivalents. Dividend Equivalents may be payable in cash or shares of Stock or in a combination of the two, as determined by the Committee.

12. Other Stock-Based Awards

The Committee may grant other awards, including stock appreciation rights, that are based on, measured by or payable in Stock to Employees or Non-Employee Directors, on such terms and conditions as the Committee deems appropriate under this Section 12. Other Stock-Based Awards may be granted subject to achievement of performance goals or other conditions and may be payable in Stock or cash, or in a combination of the two, as determined by the Committee in the Grant Letter. The Committee may grant Dividend Equivalents with respect to Other Stock-Based Awards.

13. Qualified Performance-Based Compensation

(a) Designation as Qualified Performance-Based Compensation. The Committee may determine that Stock Units, Performance Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards granted to an Employee shall be considered “qualified performance-based compensation” under section 162(m) of the Code. The provisions of this Section 13 shall apply to any such Grants that are to be considered “qualified performance-based compensation” under section 162(m) of the Code.

(b) Performance Goals. When Stock Units, Performance Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards that are to be considered “qualified performance-based compensation” are granted, the Committee shall establish in writing (i) the objective performance goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the performance goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of Section 162(m) of the Code for “qualified performance-based compensation.” The performance goals shall satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Grants identified by the Committee as “qualified performance-based compensation.”

(c) Criteria Used for Objective Performance Goals . The Committee shall use objectively determinable performance goals based on one or more of the following criteria: stock price, earnings per share, net earnings, operating earnings, margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, shareholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, cash flow, market share, relative performance to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to the Participant's business unit or the performance of the Company as a whole, or any combination of the foregoing. Performance goals need not be uniform as among Participants.

(d) Timing of Establishment of Goals . The Committee shall establish the performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(e) Certification of Results . The Committee shall certify the performance results for the performance period specified in the Grant Letter after the performance period expires. The Committee shall determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the performance goals and the satisfaction of all other terms of the Grant Letter.

(f) Death, Disability or Other Circumstances . The Committee may provide in the Grant Letter that Grants identified as qualified performance-based compensation shall be payable, in whole or in part, in the event of the Participant's death or disability, a Change of Control or under other circumstances consistent with the Treasury regulations and rulings under section 162(m) of the Code.

14. Directors' Equity Plan

The Directors' Equity Plan shall be merged into this Plan as of the Effective Date, and all outstanding Units and accrued Dividend Equivalents under the Directors' Equity Plan as of the Effective Date shall be issued and paid out of this Plan. No additional awards shall be made under the Directors' Equity Plan. Dividend Equivalents shall be credited under this Plan with respect to outstanding Units under the Directors' Equity Plan, according to terms and conditions established by the Committee under Section 11.

15. Deferrals

The Committee may permit a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant. The Committee shall establish rules and procedures for any such deferrals.

16. Withholding of Taxes

(a) Required Withholding . All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

(b) Election to Withhold Shares . If the Committee so permits, a Participant may elect to satisfy the Company's tax withholding obligation with respect to Grants paid in Stock by having shares withheld, at the time such Grants become taxable, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities. The election must be in a form and manner prescribed by the Committee and may be subject to the prior approval of the Committee.

17. Transferability of Grants

Only the Participant may exercise rights under a Grant during the Participant's lifetime, and a Participant may not transfer those rights except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution.

18. Consequences of a Change of Control

(a) Notice and Acceleration . Upon a Change of Control, unless the Committee determines otherwise, (i) the Company shall provide each Participant who holds outstanding Grants with written notice of the Change of Control, (ii) all outstanding Options shall automatically accelerate and become fully exercisable, (iii) the restrictions and conditions on all outstanding Stock Awards shall immediately lapse, (iv) all Stock Units and Performance Units shall become payable in cash in an amount not less than their Target Amount or in a larger amount, up to the maximum Grant value, as determined by the Committee, and (v) Dividend Equivalents and Other Stock-Based Awards shall become payable in full in cash, in amounts determined by the Committee.

(b) Assumption of Grants . Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Options that are not exercised shall be assumed by, or replaced with comparable options by, the surviving corporation (or a parent or subsidiary of the surviving corporation), and other Grants that remain outstanding after the Change of Control shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation).

(c) Other Alternatives. Notwithstanding the foregoing, subject to subsection (d) below, in the event of a Change of Control, the Committee may take any of the following actions with respect to any or all outstanding Grants, without the consent of any Participant: (i) the Committee may require that Participants surrender their outstanding Options in exchange for a payment by the Company, in cash or Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Stock subject to the Participant's unexercised Options exceeds the Option Price, if any, (ii) after giving Participants an opportunity to exercise their outstanding Options, the Committee may terminate any or all unexercised Options at such time as the Committee deems appropriate, and (iii) with respect to Participants holding Stock Units, Performance Units, Dividend Equivalents or Other Stock-Based Awards, the Committee may determine that such Participants shall receive a payment in settlement of such Stock Units, Performance Units, Dividend Equivalents or Other Stock-Based Awards, in such amount and form as may be determined by the Committee. Such surrender, termination or settlement shall take place as of the date of the Change of Control or such other date as the Committee may specify.

(d) Committee. The Committee making the determinations under this Section 18 following a Change of Control must be comprised of the same members as those of the Committee immediately before the Change of Control. If the Committee members do not meet this requirement, the automatic provisions of subsections (a) and (b) shall apply, and the Committee shall not have discretion to vary them.

(e) Other Transactions. The Committee may provide in a Grant Letter that a sale or other transaction involving a Subsidiary or other business unit of the Company shall be considered a Change of Control for purposes of a Grant, or the Committee may establish other provisions that shall be applicable in the event of a specified transaction.

19. Requirements for Issuance of Shares

No Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Stock as the Committee shall deem necessary or advisable, and Certificates representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon. No Participant shall have any right as a shareholder with respect to Stock covered by a Grant until shares have been issued to the Participant.

20. Amendment and Termination of the Plan

(a) Amendment. The Board may amend or terminate the Plan at any time; provided, however, that the Board shall not amend the Plan without approval of the shareholders of UGI if such approval is required in order to comply with the Code or applicable laws, or to comply with applicable stock exchange requirements. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Letter, or except as provided in Section 21(c) below.

(b) No Repricing Without Shareholder Approval. Notwithstanding anything in the Plan to the contrary, the Committee may not reprice Options, nor may the Board amend the Plan to permit repricing of Options, unless the shareholders of UGI provide prior approval for such repricing. The term "repricing" shall have the meaning given that term in Section 303A(8) of the New York Stock Exchange Listed Company Manual, as in effect from time to time.

(c) Shareholder Approval for “Qualified Performance-Based Compensation.” If Stock Units, Performance Units, Stock Awards, Dividend Equivalents or Other Stock-Based Awards are granted as “qualified performance-based compensation” under Section 13 above, the Plan must be reapproved by the UGI shareholders no later than the first shareholders meeting that occurs in the fifth year following the year in which the shareholders previously approved the provisions of Section 13, if additional Grants are to be made under Section 13 and if required by section 162(m) of the Code or the regulations thereunder.

(d) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the shareholders. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

21. Miscellaneous

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as determined by the Committee

(b) Reduction of Responsibilities. The Committee shall have discretion to adjust an Employee’s outstanding Grants if the Employee’s authority, duties or responsibilities are significantly reduced.

(c) Compliance with Law. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Options, and Grants made under Section 13 of the Plan, comply with the applicable provisions of section 162(m) of the Code. To the extent that any legal requirement of section 16 of the Exchange Act or section 162(m) of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 162(m) of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) Enforceability. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

(e) Funding of the Plan; Limitation on Rights. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Rights of Participants. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Company.

(g) No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Employees Subject to Taxation Outside the United States. With respect to Participants who are subject to taxation in countries other than the United States, the Committee may make Grants on such terms and conditions as the Committee deems appropriate to comply with the laws of the applicable countries, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

(i) Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Letters issued under the Plan shall be governed and construed by and determined in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of laws provisions thereof.

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
Exhibit A

For purposes of the Plan, the term “Change of Control,” and other defined terms used in the definition of “Change of Control,” shall have the following meanings:

1. “Change of Control” shall mean:

(i) Any Person (except UGI, any UGI Subsidiary, any employee benefit plan of UGI or of any UGI Subsidiary, or any Person or entity organized, appointed or established by UGI for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of UGI (the “Outstanding UGI Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of UGI entitled to vote generally in the election of directors (the “UGI Voting Securities”); or

(ii) Individuals who, as of the beginning of any 24-month period, constitute the UGI Board of Directors (the “Incumbent UGI Board”) cease for any reason to constitute at least a majority of the Incumbent UGI Board, provided that any individual becoming a director of UGI subsequent to the beginning of such period whose election or nomination for election by the UGI shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent UGI Board shall be considered as though such individual were a member of the Incumbent UGI Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of UGI (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

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

(iv) Consummation of (a) a complete liquidation or dissolution of UGI or (b) a sale or other disposition of all or substantially all of the assets of UGI other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be, immediately prior to such sale or disposition.

2. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

4. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

5. “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

UGI CORPORATION
SUMMARY OF DIRECTOR COMPENSATION

The table below shows the components of director compensation effective October 1, 2006. A director who is an officer or employee of the Registrant or its subsidiaries is not compensated for service on the Board of Directors or on any Committee of the Board.

DIRECTORS' COMPENSATION

	<u>CASH COMPONENT</u>	<u>EQUITY COMPONENT (1)</u>
Annual retainer	\$ 62,000	2,550 Stock Units 8,500 Options for the purchase of shares of common stock of the Registrant.
Additional Annual Retainer for Audit Committee Members (other than the Chairperson)	\$ 5,000	
Additional Annual Retainer for Audit Committee Chairperson	\$ 10,000	
Additional Annual Retainer for Compensation and Management Development Committee Chairperson	\$ 10,000	
Additional Annual Retainer for Corporate Governance Committee Chairperson	\$ 5,000	
Additional Annual Retainer for Planning and Finance Committee Chairperson	\$ 5,000	

(1) Stock Units and Options are granted under the UGI Corporation 2004 Omnibus Equity Compensation Plan

UGI CORPORATION

2002 NON-QUALIFIED STOCK OPTION PLAN
AMENDED AND RESTATED AS OF MAY 24, 2005

1. PURPOSE AND DESIGN

The purpose of this Plan is to assist the Company in securing, motivating and retaining managerial talent by affording managers and other key Employees an opportunity to purchase the Company's Stock under options. No grants may be made under this Plan after January 1, 2004.

2. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. MAXIMUM NUMBER OF SHARES AVAILABLE FOR OPTIONS

The number of shares of Stock which may be made the subject of Options under this Plan may not exceed 1,500,000 in the aggregate (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), subject, however, to the adjustment provisions of Section 13. If any Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to the Option will again be available for the purposes of the Plan. Shares which are the subject of Options may be previously issued and outstanding shares of Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be a combination of both.

4. DURATION OF THE PLAN

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

5. ADMINISTRATION

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

6. ELIGIBILITY

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

7. OPTIONS

7.01 Grant of Options. Subject to the provisions of Sections 2.09 and 3: (i) Options may be granted to Participants at any time and from time to time as may be determined by the Committee; and (ii) the Committee will have complete discretion in determining the Options to be granted, the number of shares of Stock to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each option, the period within which each Option may be exercised, and the vesting schedule associated with the option.

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

7.03 Exercise and Vesting.

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

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

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

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

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

(iv) Death . In the event of the death of a Participant while employed by the Company, the Option theretofore granted to such Participant will be fully and immediately exercisable (to the extent not otherwise exercisable by its terms) at any time prior to the earlier of the expiration date of the Option or the expiration of the 12 month period following the Participant's death. Death of a Participant after such Participant has ceased to be employed by the Company will not affect the otherwise applicable period for exercise of the Option determined pursuant to Sections 7.3(b)(i), 7.3(b)(ii) or 7.3(b)(iii). Such Option may be exercised by the estate of the Participant, by any person to whom the Participant may have bequeathed the option, any person the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate.

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

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

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

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

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

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

8. NON-TRANSFERABILITY

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

9. CONSEQUENCES OF A CHANGE OF CONTROL

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

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

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

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

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

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

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

11. LIMITATION OF RIGHTS

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

12. AMENDMENT OR TERMINATION OF PLAN

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

13. TAX WITHHOLDING

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

14. GOVERNMENTAL APPROVAL

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

15. EFFECTIVE DATE OF PLAN

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

16. SUCCESSORS

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

17. HEADINGS AND CAPTIONS

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

18. GOVERNING LAW

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

UGI CORPORATION

1992 NON-QUALIFIED STOCK OPTION PLAN
AMENDED AND RESTATED AS OF MAY 24, 2005

1. PURPOSE AND DESIGN

The purpose of this Plan is to assist the Company in securing, motivating and retaining managerial talent by affording managers an opportunity to purchase the Company's Stock under options. No grants shall be made under this Plan after January 1, 2004.

2. DEFINITIONS

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

(a) "Board" means the Company's Board of Directors as constituted from time to time.

(b) "Committee" means the Compensation and Management Development Committee of the Board as constituted from time to time.

(c) "Company" means UGI Corporation, a Pennsylvania corporation (which intends to change its name after the effective date hereof to UGI Utilities, Inc.), or any successor thereto by merger, consolidation or statutory share exchange; provided, however, that in the event that the Company's shareholders approve the formation of a public utility holding company to own 100% of the Stock of the Company prior to January 1, 1993, then from and after any reorganization (whether by merger or statutory share exchange) effecting such a transaction, "Company" shall mean New UGI Corporation, a Pennsylvania corporation (which intends to change its name after the effective date hereof to UGI Corporation).

(d) "Employee" means a regular full-time salaried employee (including officers who are also employees) of the Company or any Subsidiary of the Company.

(e) "Fair Market Value" of Stock means the average, rounded to the next highest one-eighth of a point (.125), of the highest and lowest sales prices thereof on the New York Stock Exchange on the day on which Fair Market Value is being determined, as reported on the Composite Tape for transactions on the New York Stock Exchange; provided, however, in the case of a cashless exercise pursuant to Section 7.4, the Fair Market Value shall be the actual sale price of the shares issued upon exercise of the Option. In the event that there are no Stock transactions on the New York Stock Exchange on such day, the Fair Market Value will be determined as of the immediately preceding day on which there were Stock transactions on that exchange.

(f) "Option" means the right to purchase Stock pursuant to the relevant provisions of this Plan at the option Price for a specified period of time, not to exceed ten years from date of grant, which period of time shall be subject to earlier termination prior to exercise in accordance with Sections 10, 11 and 12 of this Plan.

(g) "Option Price" means an amount per share of Stock purchasable under an Option equal to 100% of the Fair Market Value of the Stock determined on the date of grant of an option to be payable upon exercise of such option.

(h) "Participant" means an Employee designated by the Committee to participate in the Plan.

(i) "Subsidiary" means any corporation, at least 20% of the outstanding voting stock or voting power of which is owned by the Company or a Subsidiary.

(j) "Stock" means the Common Stock of the Company, par value \$2.25 per share, or, in the event that, prior to January 1, 1993, the Company's shareholders approve the formation of a public utility holding company system in which 100% of the Stock of the Company is owned by a public utility holding company, then from and after the effective date of any reorganization (whether by merger or statutory share exchange) effecting such a transaction, "Stock" shall mean the Common Stock of the Company, without par value, and, in either case, such other securities of the Company as may be substituted for Stock or such other securities pursuant to Section 13.

3. NUMBER AND SOURCE OF SHARES AVAILABLE FOR OPTIONS — MAXIMUM ALLOTMENT

The number of shares of Stock which may be made the subject of Options under this Plan at any one time may not exceed 1,500,000 in the aggregate (after giving retroactive effect to the 2-for-1 Stock split distributed May 24, 2005), including shares acquired by Participants through exercise of options under this Plan, subject, however, to the adjustment provisions of Section 13 below. If any Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to the Option will again be available for the purposes of the Plan. Shares which are the subject of options may be previously issued and outstanding shares of the Stock reacquired by the Company and held in its treasury, or may be authorized but unissued shares of Stock, or may be partly of each.

4. DURATION OF THE PLAN

The Plan will remain in effect until all Stock subject to it has been purchased pursuant to the exercise of Options. Notwithstanding the foregoing, no Option may be granted after January 1, 2002.

5. ADMINISTRATION

The Plan will be administered by the Committee. Subject to the express provisions of the Plan, the Committee will have authority, in its discretion, to determine the Employees to whom, and the time or times at which, Options will be granted, the number of shares to be subject to each Option, the Option Price to be paid for the shares upon the exercise of each Option, and the period within which each Option may be exercised. In making such determinations, the Committee may take into account the nature of the services rendered by an Employee, the present and potential contributions of the Employee to the Company's success and such other factors as the Committee in its discretion deems relevant. Subject to the express provisions of the Plan, the Committee will also have authority to construe and interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option agreements required by Section 7.2 of the Plan (which need not be identical), and to make all other determinations necessary or advisable for the orderly administration of the Plan. A Stock option agreement as discussed below shall be executed by each Participant receiving a grant under the Plan and shall constitute that Participant's acknowledgement and acceptance of the terms of the Plan and the Committee's authority and discretion.

6. ELIGIBILITY

Options may be granted only to key management Employees who do not participate in any of the Company's Stock Option and Dividend Equivalent Plans and who are selected by the Committee, in its sole judgment, to participate in the Plan.

7. OPTIONS

7.1 Grant of Options. Subject to the provisions of Section 3, Options may be granted to Participants at any time and from time to time as may be determined by the Committee. The Committee will have complete discretion in determining the number of Options granted to each Participant and the number of shares of Stock subject to such Options.

7.2 Option Agreement. As determined by the Committee on the date of grant, each Option will be evidenced by a stock option agreement that shall, among other things, specify the Option Price, the duration of the option and the number of shares of Stock to which the Option pertains.

7.3 Exercise and Vesting.

(a) Except as otherwise specified by the Committee, an option shall be fully and immediately exercisable on the date of grant. Notwithstanding the foregoing, in the event that any such Options are not by their terms immediately exercisable, the Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason. No Option shall be exercisable on or after the tenth anniversary of the date of grant.

(b) If a Participant holding an option ceases to be an Employee, the Option held by such Participant shall be exercisable only with respect to that number of shares of Stock with respect to which it is already exercisable on the date such Participant ceases to be an Employee. However, if a Participant holding an Option ceases to be an Employee by reason of a retirement under the Company's or a Subsidiary's retirement plan, the Option held by any such participant shall thereafter become exercisable with respect to that additional number of shares of Stock with respect to which it becomes exercisable on any anniversary of the date on which the Participant was granted the Option which occurs within thirteen (13) months after the date of such retirement and such Option shall be exercisable during such thirteen-month period. Notwithstanding the foregoing, the Committee shall have the power, in the event of any merger or consolidation of any other corporation with or into the Company, or the sale of all or substantially all of the assets of the Company or an offer to purchase made by a party other than the Company to all shareholders of the Company for all or any substantial portion of the outstanding Stock, to amend any or all outstanding Options to permit the exercise of all such Options prior to the effectiveness of any such merger, consolidation or sale or the expiration of any such offer to purchase, and to terminate such Options as of such effectiveness or expiration. Notwithstanding anything contained in this Section 7.3 with respect to the number of shares with respect to which an option is or is to become exercisable, no Option, to the extent that it has not previously been exercised, shall be exercisable after it has terminated, including without limitation, after any termination of such Option pursuant to Section 10 hereof.

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

8. WRITTEN NOTICE, ISSUANCE OF STOCK CERTIFICATES, STOCKHOLDER PRIVILEGES AND PARTIAL EXERCISE

8.1 Written Notice . A Participant wishing to exercise an Option must give irrevocable written notice to the Company in the form and manner prescribed by the Committee, indicating the date of award, the number of shares as to which the option is being exercised, and such other information as may be required by the Committee. Full payment for the shares exercised pursuant to the Option must be received by the Company by the time specified by the Committee depending on the type of payment being made but, in all cases, prior to the issuance of the Stock. Except as provided in Sections 10, 11 and 12, no option may be exercised at any time unless the Participant is then an Employee of the Company or a Subsidiary.

8.2 Issuance of Stock Certificates . As soon as practicable, after the receipt of irrevocable written notice and payment, the Company will, without stock transfer taxes to the Participant or to any other person entitled to exercise an Option pursuant to this Plan, deliver to the Participant or such other person or certificates for the requisite number of shares of Stock.

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

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

9. NON-TRANSFERABILITY OF OPTIONS

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

10. TERMINATION OF EMPLOYMENT (OTHER THAN BY REASON OF DEATH OR DISABILITY).

Each option, to the extent that it has not previously been exercised, will terminate when the Participant holding such option (while living) ceases to be an Employee of the Company or a Subsidiary, unless such cessation of employment is (i) for the convenience of the Company or a Subsidiary, in which event the Option will terminate upon the expiration of ninety (90) days after such cessation of employment, or (ii) a retirement under the Company's or a Subsidiary's retirement plan, in which event the Option will terminate upon the expiration of thirteen (13) months after the retirement of such Participant. In no event, however, will an option continue after ten years from the date of granting of such Option. The Committee will have authority to determine whether an authorized leave of absence or absence on military or governmental service will constitute a severance of employment for the purposes of this Plan.

11. DISABILITY

If a Participant's employment by the Company or a Subsidiary terminates by reason of disability (as defined under Section 22(e)(3) of the Internal Revenue Code of 1986, as it may be amended or any successor statute), the Option, to the extent exercisable as of the date of such termination, will be exercisable at any time prior to the earlier of (i) the expiration date of the Option, or (ii) the expiration of a thirteen-month period following the date of such termination. To the extent that an Option was not exercisable as of the date of such termination of employment, such Option or the non-exercisable portion thereof will be forfeited and no longer subject to any right to exercise.

12. DEATH OF PARTICIPANT

In the event of the death of a Participant (i) while employed by the Company or a Subsidiary, (ii) within the ninety (90) day period specified in clause (i) of Section 10 after cessation of employment for the convenience of the Company or a Subsidiary, or (iii) within the thirteen (13) month period specified in clause (ii) of Section 10 after cessation of employment by reason of retirement under the Company's or a Subsidiary's retirement plan, the option theretofore granted to such Participant may be exercised by the estate of the Participant or by any person to whom the Participant may have bequeathed the Option or whom the Participant may have designated to exercise the same under the Participant's last will, or by the Participant's personal representatives if the Participant has died intestate, at any time within a period of one Year after the Participant's death, but not after ten years from the date of granting of such Option, and in all cases only if and to the extent that the Participant was entitled to exercise the option at the time of the Participant's death.

13. ADJUSTMENT OF NUMBER, KIND AND PRICE OF SHARES

In the event any recapitalization, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of shares or other securities of the Company, stock split or reverse split, extraordinary dividend, liquidation, dissolution, or other similar corporate transaction or event affects Stock such that an adjustment is determined by the Committee to be appropriate in order prevent dilution or enlargement of Participants' rights under the Plan, then the Committee will, in a manner that is proportionate to the change to the Stock and is otherwise equitable, adjust (i) any or all of the number or kind of shares of Stock reserved for issuance under the Plan, (ii) the number or kind of shares of Stock to be subject to Options thereafter granted under the Plan, and (iii) the number and kind of shares of Stock issuable upon exercise of outstanding options, or the Option Price per share thereof, provided that the number of shares subject to any option will always be a whole number. Any such determination of adjustments by the Committee will be conclusive for all purposes of the Plan and of each Option, whether a stock option agreement with respect to a particular option has been theretofore or is thereafter executed.

14. LIMITATION OF RIGHTS

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

15. AMENDMENT OR TERMINATION OF PLAN

Subject to Board approval, the Committee may at any time, and from time to time, alter, amend, suspend or terminate this Plan without the consent of the Company's shareholders or Participants. No termination or amendment of this Plan may, without the consent of the Participant to whom any option has previously been granted, adversely affect the rights of such Participant under such Option.

16. TAX WITHHOLDING

Upon exercise of any option under this Plan, the Company will require the recipient of the Stock to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements. However, to the extent authorized by rules and regulations of the Committee, the Company may withhold or receive Stock and make cash payments in respect thereof in satisfaction of a recipient's tax obligations, including tax obligations in excess of mandatory withholding requirements.

17. GOVERNMENTAL APPROVAL

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

18. EFFECTIVE DATE OF PLAN

This Plan will become effective as of January 1, 1992.

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
SUB-PLAN FOR FRENCH EMPLOYEES
(Effective December 6, 2005)

UGI Corporation
2004 Omnibus Equity Compensation Plan
Sub-Plan for French Employees

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UGI Corporation
2004 Omnibus Equity Compensation Plan

Sub-Plan for French Employees

Pursuant to the tax circulars dated May 6, 1988, No. 4 N-3-88, dated August 30, 1997, No. 4 N 2431 and dated May 24, 2005, No. 4 F 14-05, this subplan (the “Sub-Plan”) sets forth the terms and conditions applicable to (i) Options granted under Section 7 of the UGI Corporation 2004 Omnibus Equity Compensation Plan (the “Plan”), (ii) Stock Units granted under Section 8 of the Plan and (iii) Performance Units granted under Section 9 of the Plan to Employees who are, or may become, subject to taxation on compensation in France. The defined terms shall have the meanings given those terms in the Plan or in this Sub-Plan, if not defined in the Plan.

1. Definitions

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

(a) “*Disabled*” or “*Disability*” means a long-term disability as defined in the Company’s long-term disability plan applicable to the Employee.

(b) “*Retirement*” means termination of employment after attaining age 55 with ten or more years of service with the Company.

(c) “*Subsidiary*” means any corporation, at least 20% of outstanding voting stock or voting power of which is owned, directly or indirectly, by UGI Corporation.

(d) “*Termination without Cause*” means termination of employment for the convenience of the Company for any reason other than (i) misappropriation of funds, (ii) habitual insobriety or substance abuse, (iii) conviction of a crime involving moral turpitude, or (iv) gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of the Company. The Board may determine in its sole discretion whether, and under what circumstances, an Employee’s voluntary termination upon a significant reduction in the Employee’s duties and responsibilities will constitute a Termination without Cause for purposes of the Plan.

2. Term of Sub-Plan

The Plan has been approved by the shareholders of the Company at an annual shareholders meeting with authorization to the Board to grant Options, Stock Units and Performance Units thereunder. The authorization may be used by the Board under the Sub-Plan for a maximum period of thirty-eight (38) months following the date on which the Plan was approved or ratified by the shareholders in an annual meeting.

3. Eligible Persons

(a) Options may be granted under the Sub-Plan only to Employees; provided, however that, an Employee who owns more than ten percent (10%) of the Company's Stock on the Date of Grant shall not be eligible to receive Option grants under this Sub-Plan. The Board shall authorize and administer all Option grants under the Sub-Plan.

(b) Stock Units and Performance Units may be granted under the Sub-Plan only to Employees; provided, however, that an Employee shall not be eligible to receive Stock Units or Performance Units under this Sub-Plan if (i) the Employee owns more than ten percent (10%) of the Company's Stock on the Date of Grant or (ii) the granting of Stock Units or Performance Units would result in the holding by such Employee of more than ten percent (10%) of the Company's Stock on the Date of Grant. The Board shall authorize and administer all Stock Units and Performance Units under the Sub-Plan.

4. Options

(a) *Types of Options.* Options granted under the Sub-Plan shall be options to purchase newly issued Stock (i.e., subscription options for French law purposes) and not options to purchase previously acquired Stock (i.e., purchase options for French law purposes).

(b) *Grant of Options.* The Board will select the Employees who shall receive Options, and will determine the number of shares subject to each Option, the Option Price and the other terms of the Options, subject to the provisions of this Sub-Plan. The terms of each Option shall be set forth in the Grant Letter. No Dividend Equivalent will be granted with respect to Options.

(c) *Exercise and Vesting.*

(i) Each Option under the Sub-Plan shall become exercisable on the fourth anniversary of the Date of Grant. No Option will be exercisable more than nine years and six months following the Date of Grant.

(ii) In the event that an Employee holding an Option ceases to be employed by the Company, the Options held by such Employee will terminate on the date such Employee ceases such employment. However, if an Employee holding an Option ceases to be employed by the Company by reason of (i) Termination without Cause, (ii) Retirement, (iii) Disability, or (iv) death, the Option held by the Employee will thereafter be exercisable pursuant to the following:

(A) *Termination Without Cause.* If an Employee terminates employment on account of a Termination without Cause, the Option held by such Employee will thereafter be exercisable only with respect to that number of shares of Stock with respect to which the Option is already exercisable on the date such Employee's employment terminates. Such Option will terminate upon the earlier of the expiration date of the Option or the expiration of the 13-month period commencing on the date the Employee ceases to be employed by the Company.

(B) *Retirement* . If an Employee ceases to be employed by the Company on account of Retirement, the Option held by such Employee will thereafter become exercisable as if such Employee had remained employed by the Company for 48 months after the date of such Retirement. Such Option will terminate upon the earlier of the expiration date of the Option or the expiration of such 48-month period.

(C) *Disability* . If an Employee is determined by the Board to be Disabled, the Option held by such Employee will thereafter become exercisable as if such Employee had remained employed by the Company for 48 months after the date of such Disability. The Option will terminate upon the earlier of the expiration date of the Option or the expiration of the 48-month period after such termination of employment.

(D) *Death* . In the event of the death of an Employee while employed by the Company or while the Option is outstanding pursuant to subsections (A), (B) or (C) above, the Option held by such Employee will be fully and immediately exercisable and may be exercised at any time prior to the expiration of the six-month period following the Employee's death. After an Employee's death, the Employee's Option may be exercised by the personal representative of the Employee's estate or the personal representative under applicable law if the Employee dies intestate.

(d) *Exercise Price* . The Option Price for each grant of an Option under this Sub-Plan shall be equal to the higher of (i) the Fair Market Value of a share of Stock on the Option grant date or (ii) 95% of the average Fair Market Value of a share of Stock for the 20 trading days immediately prior to the Date of Grant.

(e) *Payment* . The Option Price upon exercise of any Option under this Sub-Plan shall be payable to the Company in full in one or both of the following forms: (a) in cash or (b) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, subject to applicable securities law restrictions and such procedures and limitations as the Company may specify from time to time.

(f) *Grant Dates* . Options cannot be granted under this Sub-Plan (i) during the 10 trading days preceding and following the date on which the consolidated accounts or annual accounts of the Company are published and (ii) during a period (x) starting from the date on which the officers and directors of the Company became aware of any information which, if published, could significantly affect the Company's market price and (y) ending at the close of the tenth trading day following the publication of the information. No Option shall be granted in the 20 trading days immediately following a distribution of dividends or a capital increase on the principal stock exchange on which the shares of Stock are listed.

(g) *Plan Limits* . The number of shares of Stock subject to Options granted under the Plan together with shares of Stock subject to outstanding Options under any other option plan of the Company may not exceed one-third of the Company's shares capital.

5. Stock Units

(a) *General Requirements* . Each Stock Unit shall represent the right of the Participant to receive a share of Stock after the expiration of the Restriction Period if the conditions specified by the Board in the Grant Letter are met.

(b) *Terms of Stock Units* . The Board shall establish the conditions for acquisition of ownership of the shares of Stock issuable with respect to Stock Units. The Board shall determine in the Grant Letter two periods during which the shares of Stock issued with respect to Stock Units will be subject to restrictions as follows:

(i) *Restriction Period* . The duration of the period in which the conditions for the acquisition of shares of Stock must be satisfied shall not be less than 2 years (and will correspond under French Law to the “*période d’acquisition*” as referred to under Section L 225-197-1 of the French Commercial Code). The Participant shall acquire full ownership of the shares of Stock issuable with respect to Stock Units only after the expiration of this Restriction Period except upon the Participant’s death while employed by the Company, in which case, the representative of the Participant’s estate may ask within 6 months of the death to receive the shares of Stock issuable with respect to the Stock Units granted to the Participant.

(ii) *Standstill Period* . The duration of this period shall not be less than 2 years (and will correspond under French law to the “*période d’obligation de conservation*” as referred to under Section L 225-197-1 of the French Commercial Code). It shall start after the expiration of the Restriction Period. During this period, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of Stock issued with respect to Stock Units.

(c) *Requirements of Employment or Service* . If the Participant ceases to be employed by, or provide service to, the Company during the Restriction Period specified in the Grant Letter, all of the Participant’s unvested Stock Units will terminate. However, if a Participant holding unvested Stock Units ceases to be employed by, or provide service to, the Company by reason of Retirement, Disability, or death, the restrictions on unvested Stock Units held by the Participant will lapse pursuant to the following:

(i) If a Participant terminates employment or service on account of Retirement or Disability, the restrictions on a pro-rata portion of the Participant’s outstanding Stock Units will lapse at the end of the Restriction Period set forth in the Grant Letter, if all requirements of the Grant Letter (other than continued employment) are met. The prorated portion will be determined as the number of shares of Stock that would otherwise be issuable with respect to the Stock Units, multiplied by a fraction, the numerator of which is the number of years during the Restriction Period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is the number of years in the entire Restriction Period applicable to such Stock Units. For purposes of the proration calculation, the year in which the Participant’s Retirement or Disability occurs will be counted as a full year.

(ii) In the event of Retirement or Disability, the prorated portion of the shares of Stock subject to the Stock Units shall be issued after the end of the Restriction Period.

(iii) In the event of the death of a Participant while employed by the Company, the personal representative of the Participant's estate can demand within 6 months of the Participant's death that the shares of Stock issuable with respect to Stock Units to which a Restriction Period is still applicable become immediately fully owned by the Participant's estate.

(d) *Dividend Equivalents.* No dividend equivalents shall be granted with respect to Stock Units.

(e) *Payment with respect to Stock Units.* No payment in cash shall be made with respect to Stock Units or in lieu of shares of Stock. Upon expiration of the Restriction Period and satisfaction of the conditions applicable for the acquisition of the shares issuable with respect to Stock Units, ownership over the shares of Stock issuable with respect to Stock Units shall be definitely acquired by (and transferred to) the Participant.

(f) *Transfer of shares.* After the Restriction and Standstill periods have expired, the Participant shall have the right to transfer the shares of Stock without any limitations, subject to the Company's insider trading policies. However, the shares of Stock cannot be transferred (i) during the 10 trading days preceding and following the date on which the consolidated accounts or annual accounts of the Company are published and (ii) during a period (x) starting from the date on which the officers and directors of the Company became aware of any information which, if published, could significantly affect the Company's market prices and (y) ending at the close of the tenth trading day following the publication of the information.

(g) *Right to vote and to receive dividends .* Upon the issuance of any shares of Stock following expiration of the Restriction Period, the Participant may exercise the voting right attached to the shares of Stock issued pursuant to Stock Units and will be entitled to receive any dividends or other distribution payable on such shares.

6. Performance Units

(a) *General Requirements.* Each Performance Unit shall represent the right of the Participant to receive a share of Stock, after the expiration of the Measurement Period, if specified performance goals and other conditions specified by the Board in the Grant Letter are met.

(b) *Terms of Performance Units.* The Board shall establish the performance goals and other conditions for acquisition of ownership of the shares of Stock issuable with respect to the Performance Units. The Board shall determine in the Grant Letter two periods during which the shares of Stock issuable with respect to Performance Units will be subject to restrictions as follows:

(i) *Measurement Period* . The duration of the period in which the specified performance goals and other conditions must be satisfied shall not be less than 2 years from the Date of Grant of the Performance Units (and will correspond under French law to the “*période d’acquisition*” as referred to under section L 225-197-1 of the French Commercial Code). The Participant shall acquire the full ownership of the shares of Stock issuable with respect to Performance Units only after the expiration of this Measurement Period and subject to the performance goals and other conditions (such as requirements of employment) being met, except upon the Participant’s death while employed by the Company in which case, the personal representative of the Participant’s estate may ask within 6 months of the Participant’s death to receive the shares of Stock issuable with respect to the Performance Units granted to the Participant.

(ii) *Standstill Period* . The duration of this period shall not be less than 2 years (and will correspond under French law to the “*période d’obligation de conservation*” as referred to under section L 225-197-1 of the French Commercial Code). It shall start after the expiration of the Measurement Period. During this period, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of Stock issued with respect to the Performance Units.

(c) *Requirements of Employment or Service* . If the Participant ceases to be employed by, or provide service to, the Company during the Measurement Period specified in the Grant Letter, all of the Participant’s Performance Units will terminate. However, if a Participant holding Performance Units ceases to be employed by, or provide service to, the Company by reason of Retirement, Disability, or death, the restrictions on Performance Units held by the Participant will lapse pursuant to the following:

(i) If a Participant terminates employment or service on account of Retirement or Disability, the restrictions on a pro-rata portion of the Participant’s outstanding Performance Units will lapse at the end of the Measurement Period set forth in the Grant Letter, if the performance goals and all requirements of the Grant Letter (other than continued employment) are met. The prorated portion will be determined, for each award of Performance Units, as the number of shares of Stock that would otherwise be issued according to the terms of the award of Performance Units, based on achievement of the performance goals, multiplied by a fraction, the numerator of which is the number of years during the Measurement Period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is the number of years in the entire Measurement Period applicable to such Performance Units. For purposes of the proration calculation, the year in which the Participant’s Retirement or Disability occurs will be counted as a full year.

(ii) In the event of Retirement or Disability, the prorated portion of the Performance Units shall be issued after the end of the Measurement Period.

(iii) In the event of the death of a Participant while employed by the Company, the personal representative of the Participant’s estate can demand within 6 months of the Participant’s death that the shares of Stock issuable with respect to Performance Units to which a Measurement Period is still applicable become immediately fully owned by the Participant’s estate.

(d) *Payment of Performance Units* . If the Committee determines that the conditions to payment of the Performance Units have been met, the Company shall issue to the Participant, within 2 ¹/₂ months after the end of the Measurement Period, the number of shares of Stock approved, according to achievement of the performance goals, up to the target award specified in the Participant's Grant Letter.

(e) *No Dividend Equivalents*. No Dividend Equivalents shall be granted with respect to Performance Units.

(f) *Payment with Respect to Performance Units* . No payment in cash shall be made with respect to Performance Units in lieu of shares of Stock. Upon expiration of the Measurement Period and satisfaction of the specified performance goals and other conditions applicable to the Performance Units, ownership over the shares of Stock issuable with respect to such Performance Units shall be definitively acquired by (and transferred to) the Participant.

(g) *Transfer of Shares*. After the Measurement and Standstill periods have expired, the Participant shall have the right to transfer the shares of Stock without any limitations, subject to the Company's insider trading policies. However, shares of Stock cannot be transferred (i) during the 10 trading days preceding and following the date on which the consolidated accounts or annual accounts of the Company are published and (ii) during a period (x) starting from the date on which the officers and directors of the Company became aware of any information which, if published, could significantly affect the Company's market price and (y) ending at the close of the tenth trading day following the publication of the information.

(h) *Right to Vote and to Receive Dividends*. Upon the issuance of any shares of Stock following expiration of the Measurement Period, the Participant may exercise the voting right attached to the shares granted under Performance Units and will be entitled to receive any dividends or other distributions payable on such shares.

7. Adjustments

No adjustment to Stock provided for in Section 5(d) and 21(b) of the Plan may be made to any Options, Stock Units or Performance Units under this Sub-Plan, except to the extent provided for in:

- (a) Sections 174.8 to 174.16 of Decree no. 67-236 of March 23, 1967, implementing French law no. 66-537 of July 24, 1966, or
- (b) Articles L 225-197-1 to L 225-197-5 of the French Commercial Code.

8. Amendment

The Board may not amend the Plan in a way which affects this Sub-Plan, or Options, Stock Units and Performance Units granted under this Sub-Plan, if such change is inconsistent with French law (including, but not limited to, regulations or other communications provided by the AMF (Autorité des Marchés Financiers)).

The Board may not amend this Sub-Plan without the approval of the stockholders in general meeting if an amendment to the corresponding Article in the Plan would require such approval.

9. Change of Control

The provisions of the Plan applicable to a Change of Control shall apply to the Options, Stock Units and Performance Units granted under this Sub-Plan, and, in the event of a Change of Control, the Board may take such actions as it deems appropriate pursuant to the Plan and the Sub-Plan.

10. Applicable Regulations

Although this Sub-Plan is aimed at addressing and complying with the requirements of tax circulars dated May 6, 1988, No. 4 N-3-88, August 30, 1997, No. 4 N 2431 and May 24, 2005, No. 5 F 14-05, each Participant is advised to consult with his/her counsel about his/her tax status and tax treatment of the Options, Stock Units and Performance Units granted under this Sub-Plan. Neither UGI Corporation nor any Subsidiary may be held liable for the personal tax treatment of any Participant under this Sub-Plan.

UGI CORPORATION
2004 OMNIBUS EQUITY COMPENSATION PLAN
SUB-PLAN FOR FRENCH EMPLOYEES

PERFORMANCE UNIT GRANT LETTER

This PERFORMANCE UNIT GRANT, dated as of January 1, 2006 (the "Date of Grant"), is delivered by UGI Corporation ("UGI") to _____ (the "Participant").

RECITALS

The UGI Corporation 2004 Omnibus Equity Compensation Plan (the "Plan") provides for the grant of performance units ("Performance Units") with respect to shares of common stock of UGI ("Shares"). The Sub-Plan for French employees (the "Sub-Plan") sets forth the terms and conditions applicable to the Performance Units granted under Section 9 of the Plan to employees who are, or may become, liable to taxation on compensation in France. The Board of Directors of UGI (the "Board") has decided to grant Performance Units to the Participant under the Sub-Plan.

NOW, THEREFORE, the parties to this Grant Letter, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Units. Subject to the terms and conditions set forth in this Grant Letter, in the Plan and in the Sub-Plan, the Board hereby grants to the Participant _____ Performance Units. The number of Performance Units set forth above is the maximum number of Shares that may be earned pursuant to this award. The Performance Units are contingently awarded and will be earned (and the corresponding ownership of Shares will be transferred to the Participant) after the expiration of the Measurement Period (as defined below) if and to the extent that the performance goals and other conditions of the Grant Letter are met.

2. Performance Goals.

(a) The Participant shall earn the right to issuance of Shares corresponding to the Performance Units after the expiration of the Measurement Period if the performance goals described in subsection (b) below are met for the Measurement Period, and if the Participant continues to be employed by, or provide service to, the Company (as defined in the Plan) at least until the expiration of the Measurement Period (except in the event of death, Disability or Retirement of the Participant). The Measurement Period is the period beginning January 1, 2006 and ending December 31, 2008. The Measurement Period will correspond under French law to the "période d'acquisition" as referred to under section L.225-197-1 of the French Commercial Code.

(b) The maximum number of Performance Units set forth in Section 1 hereof will be payable if UGI's Total Shareholder Return (TSR) equals the highest TSR of a peer group for the Measurement Period. The peer group is the group of companies that comprises the S&P Utilities Index during the Measurement Period. The actual amount of the award of Performance Units may be lower than the maximum award, or even zero, based on UGI's TSR percentile rank relative to the companies in the S&P Utilities Index, as follows:

UGI's TSR Rank (Percentile)	Percentage of Maximum Award Earned
Highest	100%
90th	87.5%
75th	75.0%
60th	62.5%
50th	50.0%
40th	25.0%
less than 40th	0%

The percentage of Performance Units earned will be interpolated between each of the measuring points.

(c) TSR shall be calculated by UGI using the comparative returns methodology used by Bloomberg L.P. or its successor at the time of the calculation. The share price used for determining TSR at the beginning and the end of the Measurement Period will be the average price for the 90-day period preceding the beginning of the Measurement Period (i.e., the 90-day period ending on December 31, 2005) and the 90-day period ending on the last day of the Measurement Period (i.e., the 90-day period ending on December 31, 2008).

(d) The percentage of the maximum award earned shall be based on UGI's TSR rank as described in clause (b) of this Section 2 and will determine the number of Performance Units (and the number of Shares corresponding to the Performance Units) acquired by the Participant.

(e) At the end of the Measurement Period, the Compensation and Management Development Committee of the Board (the "Committee") will determine whether and to what extent the performance goals have been met and the number of Shares to be issued with respect to the Performance Units. Except as described in Section 3 below, the Participant must be employed by, or providing service to, the Company on December 31, 2008 in order for the Participant to receive Shares with respect to the Performance Units.

3. Termination of Employment or Service.

(a) Except as described below, if the Participant's employment or service with the Company terminates on or before the end of the Measurement Period, the Performance Units granted under this Grant Letter will be forfeited.

(b) If the Participant terminates employment or service on account of Retirement (as defined in Section 8) or Disability (as defined in Section 8), the Participant will earn a pro-rata portion of the Participant's outstanding Performance Units, if the performance goals and the requirements of this Grant Letter are met. The prorated portion will be determined as the number of Shares that would otherwise be issuable after the end of the Measurement Period, based on achievement of the performance goals, multiplied by a fraction, the numerator of which is the number of calendar years during the Measurement Period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is three. For purposes of the proration calculation, the calendar year in which the Participant's termination of employment or service on account of Retirement or Disability occurs will be counted as a full year.

(c) In the event of termination of employment or service on account of Retirement or Disability, the prorated number of Shares shall be issued after the end of the Measurement Period, pursuant to Section 4 below.

(d) In the event of termination of employment or service on account of death, the representative of the Participant's estate may ask within six months of the death to receive immediately the number of Shares issuable with respect to the Performance Units granted to the Participant.

4. Payment with Respect to Performance Units. If the Committee determines that the conditions to payment of the Performance Units have been met, the Company shall issue to the Participant, between January 1, 2009 and March 15, 2009, the number of Shares based on the achievement of the performance goals, up to the maximum award specified in Section 1 above.

5. Standstill Period.

(a) After the Measurement Period has expired and during the Standstill Period (as defined below), the Participant shall not sell, assign, transfer, pledge or otherwise dispose of the Shares granted under the Performance Units.

(b) The Standstill Period is the period beginning upon the expiration of the Measurement Period and ending two years after the end of the Measurement Period (and will correspond under French law to the "période d'obligation de conservation" as referred to under section L.225-197-1 of the French Commercial Code).

6. Transfer of Shares. Except as otherwise provided below and subject to the Company's insider trading policies, after the Measurement and Standstill Periods have expired, the Participant shall have the right to transfer the Shares without any limitations. However, Shares cannot be transferred (i) during the ten trading days preceding and following the date on which the consolidated accounts or annual accounts of the Company are published and (ii) during a period (x) starting from the date on which the officers and directors of the Company became aware of any information which, if published, could significantly affect the Company's market price and (y) ending at the close of the tenth trading day following the publication of the information.

7. Change of Control. If a Change of Control occurs during the Measurement Period, the outstanding Performance Units will terminate and the Participant will be entitled to receive in exchange an indemnification payment payable in cash. The amount of the indemnification payment will be equal to the greater of (i) the value of the Shares that would be issued if 50% of the maximum award was earned or (ii) the value of the Shares that would be issued as if the Measurement Period ended on the date of the Change of Control, based on the Company's achievement of the performance goals as of the date of the Change of Control, as determined by the Committee. If a former Participant is entitled to receive a prorated award for the measurement period pursuant to Section 3(b) above, the award will be the prorated portion of the amount described in the preceding sentence. The indemnification payment shall be paid on the closing date of the Change of Control. Any such indemnification payment will be fully subject to social charges and personal income tax.

8. Definitions. For purposes of this Grant Letter, the following terms will have the meanings set forth below:

(a) "*Company*" means UGI and its Subsidiaries (as defined in the Plan).

(b) "*Disability*" means a long-term disability as defined in the Company's long-term disability plan applicable to the Participant.

(c) "*Employed by, or provide service to, the Company*" shall mean employment or service as an employee or director of the Company.

(d) "*Retirement*" means the Participant's retirement under the Retirement Income Plan for Employees of UGI Utilities, Inc., if the Participant is covered by that Retirement Income Plan. "Retirement" for other Company employees means termination of employment after attaining age 55 with ten or more years of service with the Company.

9. Grant Subject to Plan Provisions. This grant is made pursuant to the Plan, the Terms and Conditions established by the Board with respect to the Plan and the Sub-Plan, all of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan and the Sub-Plan. The grant of Performance Units and the issuance of Shares thereunder are subject to interpretations, regulations and determinations concerning the Plan and the Sub-Plan established from time to time by the Board in accordance with the provisions of the Plan and the Sub-Plan, including, but not limited to, provisions pertaining to (i) the registration, qualification or listing of the Shares, (ii) changes in capitalization of the Company and (iii) other requirements of applicable law. The Board shall have the authority to interpret and construe the grant pursuant to the terms of the Plan and the Sub-Plan, and its decisions shall be conclusive as to any questions arising hereunder.

10. No Employment or Other Rights. The grant of Performance Units shall not confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time. The right of the Company to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

11. No Shareholder Rights. During the Measurement Period, neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a shareholder with respect to the Shares related to the Performance Units, unless and until certificates for Shares have been issued to the Participant or successor.

12. Assignment and Transfers. The rights and interests of the Participant under this Grant Letter may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. If the Participant dies, the representative of the Participant's estate may ask to receive the Shares acquired by the Participant's estate within 6 months of the death. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates.

13. Tax Considerations. Neither UGI Corporation nor any subsidiary shall be held liable for the personal tax treatment of any Participant under this Grant.

14. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

15. Notice. Any notice to UGI provided for in this instrument shall be addressed to UGI in care of the Corporate Secretary at UGI's headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by teletype or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

16. Authorization to Release Necessary Personal Information.

(a) The Participant hereby authorizes and directs the Participant's employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding the Participant's employment, the nature and amount of the Participant's compensation and the fact and conditions of the Participant's participation in the Plan (including, but not limited to, the Participant's name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all options or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Data may be transferred to the Company, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party or with whom Shares acquired under the Performance Units or cash from the sale of such Shares may be deposited. The Participant acknowledges that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of the Participant's residence. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, or to any third parties, is necessary for the Participant's participation in the Plan. The Participant understands that the Data will be held only as long as necessary to implement, administer and manage the Participant's participation in the Plan. For all transfers, the Participant's employer agrees and warrants that the processing, including the transfer itself, of the Data will be carried out in accordance with the French and European legal data protection regulation.

(b) The Participant may at any time amend the Data and/or withdraw the consents herein, by contacting the Participant's local human resources representative in writing. The Participant further acknowledges that withdrawal of consent may affect the Participant's ability to exercise or realize benefits from the grant of Performance Units, and the Participant's ability to participate in the Plan.

17. No Entitlement or Claims for Compensation.

(a) The grant of Performance Units under the Plan is made at the discretion of the Board, and the Plan may be suspended or terminated by UGI at any time. The grant of an award in one year or at one time does not in any way entitle the Participant to a grant in the future. The Plan is wholly discretionary in nature and is not to be considered part of the Participant's normal or expected compensation subject to severance, resignation, redundancy or similar compensation. The value of the Performance Units is an extraordinary item of compensation which is outside the scope of the Participant's employment contract (if any).

(b) The Participant shall have no rights to compensation or damages as a result of the Participant's cessation of employment for any reason whatsoever, whether or not in breach of contract, insofar as those rights arise or may arise from the Participant's ceasing to have rights under this grant as a result of such cessation or from the loss or diminution in value of such rights. If the Participant did acquire any such rights, the Participant is deemed to have waived them irrevocably by accepting the grant.

IN WITNESS WHEREOF, UGI has caused its duly authorized officers to execute and attest this Grant Letter, and the Participant has executed this Grant Letter, effective as of the Date of Grant.

UGI Corporation

Attest

Corporate Secretary

By:

Robert H. Knauss
Vice President and General Counsel

I hereby acknowledge receipt of the Plan, the Terms and Conditions and the Sub-Plan incorporated herein. I accept the Performance Units described in this Grant Letter, and I agree to be bound by the terms of the Plan, including the Terms and Conditions, the Sub-Plan and this Grant Letter. I hereby further agree that all the decisions and determinations of the Board shall be final and binding on me and any other person having or claiming a right under this Grant.

Participant

Financial Review

Business Overview

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

We conduct a national propane distribution business through AmeriGas Partners, L.P. (“AmeriGas Partners”) and its principal operating subsidiaries AmeriGas Propane, L.P. (“AmeriGas OLP”) and AmeriGas Eagle Propane, L.P. (“Eagle OLP”). At September 30, 2006, UGI, through its wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the “General Partner”), held an approximate 44% effective interest in AmeriGas Partners. We refer to AmeriGas Partners and its subsidiaries together as the “Partnership” and the General Partner and its subsidiaries, including the Partnership, as “AmeriGas Propane.”

Our wholly owned subsidiary UGI Enterprises, Inc. (“Enterprises”) (1) conducts an LPG distribution business in France; (2) conducts LPG distribution businesses and participates in an LPG joint-venture business in central and eastern Europe (collectively, “Flaga”); and (3) participates in an LPG joint-venture business in the Nantong region of China. Our LPG distribution business in France is conducted through Antargaz, an operating subsidiary of AGZ Holding (“AGZ”), and its operating subsidiaries (collectively, “Antargaz”). We refer to our foreign operations collectively as “International Propane.” During Fiscal 2006, we formed a Dutch private limited liability company, UGI International Holdings, B.V., to hold our interests in Antargaz and Flaga.

Our natural gas and electric distribution utility businesses are conducted through UGI Utilities, Inc. and its subsidiary, UGI Penn Natural Gas, Inc. (“UGIPNG”). On August 24, 2006, UGI Utilities, Inc., through UGIPNG, acquired the natural gas utility business of PG Energy, an operating division of Southern Union Company (“PG Energy Acquisition”). See Note 2 to the Consolidated Financial Statements for a more detailed discussion. The term “UGI Utilities” is used sometimes as an abbreviated reference to UGI Utilities, Inc. or UGI Utilities, Inc. and UGIPNG. UGI Utilities owns and operates (1) a natural gas distribution utility in eastern Pennsylvania (“UGI Gas”), (2) a natural gas distribution utility in northeastern Pennsylvania (“PNG Gas”), and (3) an electric distribution utility in northeastern Pennsylvania (“Electric Utility”). UGI Gas and PNG Gas are collectively referred to herein as “Gas Utility.” Gas Utility and Electric Utility are subject to regulation by the Pennsylvania Public Utility Commission (“PUC”).

Enterprises also conducts an energy marketing business primarily in the eastern region of the United States through its subsidiaries (collectively, “Energy Services”). Energy Services’ wholly owned subsidiary UGI Development Company (“UGID”) owns and operates a 48-megawatt coal-fired electric generation station and owns a 6% interest in Pennsylvania-based electric generation assets. In addition, Energy Services’ wholly owned subsidiary UGI Asset Management, Inc., through its subsidiary Atlantic Energy, Inc. (collectively, “Asset Management”) owns a propane storage terminal located in Chesapeake, Virginia. Energy Services also owns and operates a natural gas liquefaction, storage and vaporization facility, propane storage and propane-air mixing assets. Through other subsidiaries, Enterprises owns and operates heating, ventilation, air-conditioning, refrigeration and electrical contracting services businesses in the Middle Atlantic states (“HVAC/R”).

This Financial Review should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements including the reportable segment information included in Note 17.

Results of Operations

The following analyses compare the Company’s results of operations for (1) the year ended September 30, 2006 (“Fiscal 2006”) with the year ended September 30, 2005 (“Fiscal 2005”) and (2) Fiscal 2005 with the year ended September 30, 2004 (“Fiscal 2004”).

2006 Compared with 2005 Consolidated Results

(Millions of dollars)	2006		2005		Variance— Favorable (Unfavorable)	
	Net Income	% of Total Net Income	Net Income	% of Total Net Income	Net Income	% Change
AmeriGas Propane	\$ 25.1	14.2%	\$ 17.6	9.4%	\$ 7.5	42.6%
International Propane	67.1	38.1%	99.4	53.0%	(32.3)	(32.5)%

Gas Utility	38.1	21.6%	39.3	21.0%	(1.2)	(3.1)%
Electric Utility	10.5	6.0%	11.5	6.1%	(1.0)	(8.7)%
Energy Services	31.3	17.8%	21.7	11.6%	9.6	44.2%
Corporate & Other	4.1	2.3%	(2.0)	(1.1)%	6.1	N.M.
Total	\$176.2	100.0%	\$187.5	100.0%	\$ (11.3)	(6.0)%

N.M. — Variance is not meaningful.

Executive Overview

Winter weather conditions in the United States and Europe are generally the most important variables affecting our annual earnings performance. This is because a substantial portion of the energy commodities we sell is used in heating applications. Temperatures in our domestic service territories were warmer than normal in Fiscal 2006 and warmer than in the prior year.

During Fiscal 2006, LPG and natural gas prices rose from what were already high levels in Fiscal 2005 contributing to conservation across our customer base, both domestically and internationally. We continued to focus on our core competencies as a marketer and distributor of energy products and services and during Fiscal 2006 (1) completed the PG Energy Acquisition which expanded our Gas Utility's natural gas distribution operations into northeastern Pennsylvania by approximately 158,000 customers and (2) expanded our presence in central and eastern Europe through our 50% partnership interest in Zentraleuropa LPG Holding GmbH ("ZLH") which was formed in February 2006. Our net income declined to \$176.2 million in Fiscal 2006 from \$187.5 million in Fiscal 2005. The change in our net income for Fiscal 2006 reflects (1) the absence of \$14.2 million of net income recorded in Fiscal 2005 resulting from the resolution of certain of Antargaz' non-income tax contingencies and (2) Antargaz' return to more normal LPG margins from unusually high margins experienced

Financial Review (continued)

during Fiscal 2005. The effects of these two factors were partially offset by (1) a \$5.3 million after-tax gain from Energy Services' sale of its 50% partnership interest in Hunlock Creek Energy Ventures ("Energy Ventures"), (2) approximately \$3.9 million lower after-tax losses on early extinguishments of debt primarily associated with AmeriGas Propane refinancings, and (3) a lower effective tax rate. During Fiscal 2006, the stronger dollar compared to the euro accounted for approximately \$7 million of the decrease in net income from Fiscal 2005. Largely due to the beneficial effects of changes in management's estimate of taxes to be paid associated with planned repatriation of foreign earnings, our effective tax rate declined approximately 3% in Fiscal 2006 compared to Fiscal 2005.

AmeriGas Propane's 43% higher contribution to net income reflects (1) the lower after-tax losses on early extinguishments of debt associated with refinancings which reduced future annual interest expense and (2) higher average margin per retail gallon sold and higher fees in response to increases in operating and administrative expenses. International Propane's Fiscal 2006 results primarily reflect the absence of Antargaz' unusually high margins per gallon of LPG sold from which Fiscal 2005 benefited and the absence of a \$14.2 million net after-tax gain associated with the resolution of certain non-income related tax contingencies offset, in part, by the lower estimate of taxes to be paid on the planned repatriation of foreign earnings. Energy Services' improved results over the prior year reflect the gain on the sale of Energy Ventures and increased sales of liquid fuels to dual fuel customers.

Looking ahead to Fiscal 2007, although energy prices are expected to retreat from the historic levels reached in Fiscal 2006, we anticipate customers will continue to make efforts to reduce their consumption of energy. As part of our business strategy, we continue to seek new growth opportunities through acquisitions. Although the PG Energy Acquisition did not have a material effect on our Fiscal 2006 results, we expect to see earnings growth from our Gas Utility as a result of the PG Energy Acquisition in Fiscal 2007. We also expect that International Propane will continue to face increasing competition with other LPG suppliers and other sources of energy.

AmeriGas Propane:	2006	2005	Increase (Decrease)	
<i>(Millions of dollars)</i>				
Revenues	\$2,119.3	\$1,963.3	\$156.0	7.9%
Total margin (a)	\$ 775.5	\$ 743.3	\$ 32.2	4.3%
Partnership EBITDA (b)	\$ 237.9	\$ 215.9	\$ 22.0	10.2%
Operating income	\$ 184.1	\$ 168.1	\$ 16.0	9.5%
Retail gallons sold (millions)	975.2	1,034.9	(59.7)	(5.8)%
Degree days — % warmer than normal (c)	10.2%	6.9%	—	—

- (a) Total margin represents total revenues less total cost of sales.
- (b) Partnership EBITDA (earnings before interest expense, income taxes and depreciation and amortization) should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America. Management uses Partnership EBITDA as the primary measure of segment profitability for the AmeriGas Propane reportable segment (see Note 17 to Consolidated Financial Statements).
- (c) Deviation from average heating degree days based upon national weather statistics provided by the National Oceanic and Atmospheric Administration ("NOAA") for 335 airports in the United States, excluding Alaska.

Temperatures in AmeriGas Propane's service territories based upon heating degree days during Fiscal 2006 were 10.2% warmer than normal compared with temperatures that were 6.9% warmer than normal during Fiscal 2005. Retail propane volumes sold decreased approximately 5.8% principally due to the warmer winter weather and the negative effects of customer conservation driven by continued high propane selling prices.

Retail propane revenues increased \$136.8 million reflecting a \$233.8 million increase due to higher average selling prices partially offset by a \$97.0 million decrease due to the lower retail volumes sold. Wholesale propane revenues decreased \$2.8 million reflecting a \$27.4 million decrease due to lower volumes sold largely offset by a \$24.6 million increase due to higher average selling prices. In Fiscal 2006, our average retail propane product cost per retail gallon sold was approximately 18% higher than in Fiscal 2005 resulting in higher year-over-year prices to our customers. The average wholesale cost per gallon of propane during Fiscal 2006 at Mont Belvieu, one of the major supply points in the United States, was approximately 21% greater than the average cost per gallon during Fiscal 2005. Total cost of sales increased to \$1,343.8 million in Fiscal 2006 from \$1,220.0 million in Fiscal 2005 primarily reflecting the increase in propane product costs partially offset by the decreased volumes sold. Total margin increased \$32.2 million principally due to higher average propane margins per gallon and higher fees in response to increases in operating and administrative expenses.

Partnership EBITDA during Fiscal 2006 increased \$22.0 million compared to Fiscal 2005 as a result of the previously mentioned increase in total margin and a \$16.5 million decrease in the loss on the early extinguishments of debt from \$33.6 million in Fiscal 2005 to \$17.1 million in Fiscal 2006. These changes were partially offset by a \$17.1 million increase

in operating and administrative expenses and a \$9.5 million decrease in other income primarily reflecting the absence of a \$9.1 million pre-tax gain on the sale of its 50% ownership interest in Atlantic Energy to Energy Services which was recognized during Fiscal 2005. The \$17.1 million loss on the early extinguishments of debt that was incurred during Fiscal 2006 was associated with the refinancings of AmeriGas OLP's Series A and Series C First Mortgage Notes totaling \$228.8 million and \$59.6 million of the Partnership's \$60 million 10% Senior Notes with \$350 million of 7.125% Senior Notes due 2016. The Partnership also used a portion of the proceeds from the issuance of the 7.125% Senior Notes to repay its \$35 million term loan. The increase in operating and administrative expenses principally resulted from higher (1) vehicle fuel and lease costs, (2) employee compensation and benefits and (3) maintenance and repairs. These increases were partially offset by a \$7.2 million favorable net expense reduction related to general insurance and litigation claims, primarily reflecting improved claims history. The Partnership recovered significant increases in certain costs, such as vehicle fuel, through delivery surcharges.

Operating income increased \$16.0 million reflecting the increase in margin and a \$1.2 million decrease in depreciation expense largely offset by the aforementioned \$17.1 million higher operating and administrative expenses.

International Propane:	2006	2005	Increase (Decrease)	
(Millions of dollars)				
Revenues	\$ 945.5	\$ 943.9	\$ 1.6	0.2%
Total margin (a)	\$ 428.3	\$ 499.8	\$ (71.5)	(14.3)%
Operating income	\$ 119.3	\$ 193.8	\$ (74.5)	(38.4)%
Income before income taxes	\$ 93.9	\$ 159.0	\$ (65.1)	(40.9)%
Antargaz retail gallons sold (millions)	315.2	338.4	(23.2)	(6.9)%
Antargaz total margin, millions of euros (a)	€330.2	€363.2	€ (33.0)	(9.1)%

(a) Total margin represents total revenues less total cost of sales.

Temperatures in International Propane's service territories based upon heating degree days during Fiscal 2006 were generally comparable to the prior year. During Fiscal 2006, the monthly average currency translation rate was \$1.23 per euro compared to \$1.27 per euro during Fiscal 2005. Antargaz' retail LPG volumes sold decreased to 315.2 million gallons in Fiscal 2006 from 338.4 million gallons in Fiscal 2005 due in large part to the late onset of winter weather in December, lower agricultural volumes sold and the effects of customer conservation on volumes sold.

International Propane revenues increased slightly as approximately \$12 million of increased revenues from Antargaz were largely offset by a decline in Flaga's revenues. The increase in Antargaz' revenues reflects higher retail LPG selling prices largely offset by the effects of the stronger dollar versus the euro. The decrease in Flaga's revenues largely reflects the effects of Flaga's Czech Republic and Slovakia businesses being contributed to ZLH in February of 2006. International Propane's total cost of sales increased to \$517.2 million in Fiscal 2006 from \$444.1 million in Fiscal 2005 reflecting higher LPG product costs on lower retail volumes sold partially offset by the beneficial effects of the stronger dollar compared to the euro.

Total International Propane margin declined \$71.5 million in Fiscal 2006 compared to Fiscal 2005 primarily (1) reflecting both the decline in Antargaz' volumes and its unusually high LPG unit margins in Fiscal 2005 and (2) due to the stronger dollar versus the euro. Antargaz' total base currency margin declined €33.0 million reflecting the lower volumes sold and lower unit margins.

The decrease in International Propane operating income principally reflects the decline in total margin, the absence of \$18.8 million of income from the reversal of certain of Antargaz' non-income tax related reserves which were recorded in the prior year (see discussion in "Antargaz Tax Matters") partially offset by a decrease of \$19.0 million in operating and administrative expenses. The decrease in operating and administrative expenses reflects the beneficial effects of the stronger dollar and lower euro-based operating and administrative expenses at Antargaz and Flaga. The decline in Flaga's operating and administrative expenses largely reflect the absence of expenses from the businesses contributed to ZLH.

The decrease in International Propane income before income taxes reflects the decrease in operating income and a \$1.4 million loss on early extinguishment of debt, partially offset by approximately \$6.7 million lower interest expense and changes in minority interest. The decrease in interest expense is attributable to interest savings as a result of our refinancings which are discussed further in Financial Condition and Liquidity. The changes in minority interest reflect the minority interest holder's share of costs associated with the shut-down of one of Antargaz' majority owned filling centers.

Gas Utility:	2006	2005	Increase (Decrease)	
(Millions of dollars)				
Revenues	\$ 724.0	\$ 585.1	\$ 138.9	23.7%
Total margin (a)	\$ 201.1	\$ 195.0	\$ 6.1	3.1%
Operating income	\$ 84.2	\$ 81.6	\$ 2.6	3.2%
Income before income taxes	\$ 62.4	\$ 65.0	\$ (2.6)	(4.0)%
System throughput - billions of cubic feet ("bcf")	82.6	84.7	(2.1)	(2.5)%
Degree days — % warmer than normal (b)	8.7%	2.0%	—	—

(a) Total margin represents total revenues less total cost of sales.

(b) Deviation from average heating degree days based upon weather statistics provided by NOAA for 4 airports located within UGI Gas' service territory. Fiscal 2005 degree day statistics have been restated to reflect the current-year, four-location average from the previous single location average. PNG Gas' degree days for the period from August 24, 2006 through September 30, 2006 were not material and have been excluded.

Temperatures in Gas Utility's service territory based upon heating degree days were 8.7% warmer than normal in Fiscal 2006 compared with temperatures that were 2.0% warmer than normal in Fiscal 2005. Total distribution system throughput declined 2.1 bcf in Fiscal 2006 despite 2.7 bcf of throughput contributed by PNG Gas' operations during the period from August 24, 2006 through September 30, 2006. Notwithstanding year-over-year growth in the number of UGI

Gas' firm- residential, commercial and industrial ("retail core-market") customers, its Fiscal 2006 throughput was approximately 6% lower than in Fiscal 2005 primarily due to a reduction in retail core-market customer usage largely resulting from warmer weather and customer conservation in response to the pass-through of higher natural gas costs.

The increase in Gas Utility revenues during Fiscal 2006 is principally the result of an \$86.6 million increase in UGI Gas' retail core-market revenues reflecting higher average purchased gas cost ("PGC") rates; \$43.0 million of higher revenues from UGI Gas' low-margin off-system sales; and, to a much lesser extent, revenues from PNG Gas subsequent to the PG Energy Acquisition. Increases or decreases in retail core-market customer revenues and cost of sales result principally from changes in retail core-market volumes and the level of gas costs collected through the PGC recovery mechanism. Under the PGC recovery mechanism, Gas Utility records the cost of gas associated with sales to retail core-market customers at amounts included in PGC rates. The difference between actual gas costs and the amount included in rates is deferred on the balance sheet as a regulatory asset or liability and represents amounts to be collected from or refunded to customers in a future period. As a result of the pass-through nature of the PGC recovery mechanism, increases or decreases in gas costs associated with retail core-market customers have no direct effect on retail core-market margin. Gas Utility's cost of gas was \$522.9 million in Fiscal 2006 compared to \$390.1 million in Fiscal 2005 largely reflecting the effects of the higher PGC rates, the higher low-margin off-system sales and, to a much lesser extent, cost of gas associated with PNG Gas' operations subsequent to the PG Energy Acquisition.

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The \$6.1 million increase in Gas Utility total margin in Fiscal 2006 principally reflects greater margin generated from higher average interruptible delivery service unit margins and margin from PNG Gas partially offset by lower retail core-market margin. The increase in average interruptible delivery service unit margins reflects an increase in the spread between delivered prices for natural gas and alternative fuels, principally oil. The lower gross margin from retail core-market customers largely reflects the previously mentioned lower average usage per customer.

Gas Utility operating income increased \$2.6 million in Fiscal 2006 as the \$6.1 million increase in total margin was partially offset by a \$2.6 million increase in depreciation and amortization expense, including depreciation expense associated with PNG Gas, and slightly higher operating and administrative expenses. Fiscal 2006 operating and administrative expenses were slightly higher than in Fiscal 2005 reflecting operating and administrative expenses from PNG Gas and higher uncollectible accounts and customer assistance expense partially offset by lower distribution system expenses resulting in large part from the mild heating-season weather and lower stock-based compensation expense.

The decrease in Gas Utility income before income taxes in Fiscal 2006 reflects the increase in operating income which was more than offset by higher interest expense. The higher interest expense resulted from higher average short-term debt outstanding, higher short-term interest rates and interest on long-term debt associated with the PG Energy Acquisition.

Electric Utility:	2006	2005	Increase (Decrease)	
(Millions of dollars)				
Revenues	\$ 98.0	\$ 96.1	\$ 1.9	2.0%
Total margin (a)	\$ 41.7	\$ 43.1	\$ (1.4)	(3.2)%
Operating income	\$ 20.7	\$ 21.6	\$ (0.9)	(4.2)%
Income before income taxes	\$ 18.2	\$ 19.9	\$ (1.7)	(8.5)%
Distribution sales — millions of kilowatt hours ("gwh")	1,005.0	1,021.8	(16.8)	(1.6)%

(a) Total margin represents total revenues less total cost of sales and revenue-related taxes, i.e. gross receipts taxes of \$5.3 million and \$5.2 million in Fiscal 2006 and Fiscal 2005, respectively. For financial statement purposes, revenue-related taxes are included in "Utility taxes other than income taxes" on the Consolidated Statements of Income.

Electric Utility's Fiscal 2006 kilowatt-hour sales decreased 1.6% principally reflecting the effects of warmer heating-season weather. Electric Utility revenues increased 2.0% principally reflecting the effects of a 3.0% increase in its Provider of Last Resort ("POLR") electric generation rates effective January 1, 2006 partially offset by the lower kilowatt-hour sales. Electric Utility's cost of sales increased to \$51.0 million in Fiscal 2006 from \$47.8 million in Fiscal 2005 as a result of higher per-unit purchased power costs partially offset by the lower kilowatt-hour sales.

Electric Utility total margin in Fiscal 2006 decreased \$1.4 million principally as a result of the lower kilowatt-hour sales and the increase in per-unit purchased power costs. In accordance with the terms of its POLR settlement which became effective in June 2006, Electric Utility expects to increase its POLR rates effective January 1, 2007 which will affect all metered customers. This increase is expected to raise the average cost to residential customers by approximately 35% over the costs in effect during calendar year 2006.

Electric Utility operating income decreased \$0.9 million reflecting the decrease in total margin and slightly higher depreciation and amortization expense slightly offset by lower operating and administrative expenses. The decrease in Electric Utility income before income taxes in Fiscal 2006 reflects the decrease in operating income and higher interest expense resulting from higher average short-term debt outstanding and higher short-term interest rates.

Energy Services:	2006	2005	Increase	
(Millions of dollars)				
Revenues	\$1,414.3	\$1,355.0	\$ 59.3	4.4%
Total margin (a)	\$ 86.1	\$ 73.6	\$ 12.5	17.0%
Operating income	\$ 53.1	\$ 37.5	\$ 15.6	41.6%
Income before income taxes	\$ 53.1	\$ 37.5	\$ 15.6	41.6%

(a) Total margin represents total revenues less total cost of sales.

Energy Services revenues increased to \$1,414.3 million in Fiscal 2006 from \$1,355.0 million in Fiscal 2005 despite an approximate 22% decline in natural gas volumes sold. Approximately \$20 million of the total increase in revenues reflects a 5.5% increase in propane volumes sold combined with higher propane selling prices resulting from higher propane product costs. The decline in natural gas volumes sold largely reflects the effects of customer losses associated with, among other things, maintenance of our credit risk management policy in a high natural gas cost environment. The increase in propane volumes sold reflects, in part, the full-year ownership of its 20 million gallon propane storage terminal located in Chesapeake, Virginia. The propane terminal was purchased through two separate transactions with ConocoPhillips Company and AmeriGas Propane in November 2005. See Note 2 to Consolidated Financial Statements for additional information regarding the acquisition.

Energy Services total margin increased \$12.5 million resulting from higher natural gas margins, including winter storage and peaking services, and, to a lesser extent, higher margin from its propane storage terminal.

The increase in Energy Services operating income and income before income taxes principally reflects the previously mentioned increase in total margin and a \$9.1 million gain on the March 2006 sale of its 50% ownership interest in Energy Ventures partially offset by higher operating and administrative expenses. The increased operating and administrative expenses were largely associated with electric generation. As part of the consideration for the sale of our 50% ownership interest, Energy Ventures transferred its 48-megawatt coal-fired electric generation station to UGID. As a result, UGID is no longer incurring cost of sales associated with purchasing a portion of its power needs from Energy Ventures, but is incurring operating and administrative expenses associated with the operation of the electric generation station.

Interest Expense and Income Taxes. Interest expense decreased to \$123.6 million in Fiscal 2006 from \$130.2 million in Fiscal 2005 principally due to \$12.4 million lower interest expense largely associated with debt refinancings in International Propane and AmeriGas Propane partially offset by higher interest expense associated with greater short-term borrowings with higher interest rates in Gas Utility and Electric Utility. The Company's effective income tax rate was 36.0% in Fiscal 2006 and 38.9% in Fiscal 2005 reflecting management's lower estimate of taxes to be paid associated with planned repatriation of foreign earnings.

PG Energy Acquisition. On January 26, 2006, UGI signed a definitive agreement to acquire the natural gas utility business of PG Energy from Southern Union Company for approximately \$580 million in cash, subject to certain adjustments associated with the working capital of the acquired business. UGI assigned its rights under the Purchase and Sale Agreement to UGIPNG. The transaction was approved by the PUC and effective August 24, 2006, UGIPNG acquired the regulated assets of PG Energy. The PG Energy business serves approximately 158,000 customers in thirteen counties in northeastern Pennsylvania. The cash payment of \$580 million was funded by UGI Utilities with the net proceeds from the issuance of \$275 million of UGI Utilities' bank loans under a Credit Agreement dated as of August 18, 2006 (the "Bridge Loan"), cash capital contributions from UGI of \$265 million and \$40 million of borrowings under its revolving credit agreement for working capital. In September 2006, UGI Utilities repaid the Bridge Loan with proceeds from the issuance of \$175 million of 5.753% Senior Notes due 2016 and \$100 million of 6.206% Senior Notes due 2036.

2005 Compared with 2004 Consolidated Results

	2005		2004		Variance— Favorable (Unfavorable)	
	Net Income	% of Total Net Income	Net Income	% of Total Net Income	Net Income	% Change
(Millions of dollars)						
AmeriGas Propane	\$ 17.6	9.4%	\$ 29.4	26.3%	\$ (11.8)	(40.1)%
International Propane	99.4	53.0%	13.3	11.9%	86.1	N.M.
Gas Utility	39.3	21.0%	37.9	34.0%	1.4	3.7%
Electric Utility	11.5	6.1%	11.0	9.9%	0.5	4.5%
Energy Services	21.7	11.6%	18.2	16.3%	3.5	19.2%
Corporate & Other	(2.0)	(1.1)%	1.8	1.6%	(3.8)	N.M.
Total	\$187.5	100.0%	\$111.6	100.0%	\$ 75.9	68.0%

N.M. — Variance is not meaningful.

Highlights from Fiscal 2005:

- Increased net income contributed by all operating business units with the exception of AmeriGas Propane which (1) incurred a \$9.4 million after-tax loss on the early extinguishment of debt associated with a refinancing that reduced future annual interest expense and (2) experienced reduced volumes sold due to customer conservation and warmer weather
- International Propane's results included Antargaz for a full fiscal year, including a winter-heating season, whereas Fiscal 2004 included Antargaz as a 19.5% equity investment from October 1, 2003 through March 31, 2004
- International Propane's results included the beneficial effects of unusually high retail margin per gallon and a \$14.2 million net after-tax gain associated with the resolution of certain non-income related tax contingencies
- Fiscal 2005 benefited from the absence of a \$9.1 million pre-tax loss recorded in Fiscal 2004 on the forward purchase of euros used to fix a portion of the euro-denominated purchase price of AGZ

AmeriGas Propane:	2005	2004	Increase (Decrease)	
(Millions of dollars)				
Revenues	\$1,963.3	\$1,775.9	\$187.4	10.6%
Total margin	\$ 743.3	\$ 746.7	\$ (3.4)	(0.5)%
Partnership EBITDA	\$ 215.9	\$ 255.9	\$ (40.0)	(15.6)%
Operating income	\$ 168.1	\$ 176.0	\$ (7.9)	(4.5)%
Retail gallons sold (millions)	1,034.9	1,059.1	(24.2)	(2.3)%
Degree days — % warmer than normal	6.9%	4.9%	—	—

Temperatures in AmeriGas Propane's service territories based upon heating degree days were 6.9% warmer than normal in Fiscal 2005 compared with temperatures that were 4.9% warmer than normal during Fiscal 2004. Retail propane volumes sold decreased approximately 2.3% principally due to the warmer than normal winter weather and the negative effects of customer conservation on volumes sold, which is primarily attributed to increased propane selling prices. Low-margin wholesale propane volumes sold decreased during Fiscal 2005 reflecting lower volumes sold in connection with product cost hedging activities.

Retail propane revenues increased \$199.1 million reflecting a \$232.9 million increase due to higher average selling prices partially offset by a \$33.8 million decrease due to the lower retail volumes sold. Wholesale propane revenues decreased \$19.1 million reflecting a \$54.1 million decrease due to lower volumes sold partially offset by a \$35.0 million

increase due to higher average selling prices. The higher average retail and wholesale selling prices per gallon reflect significantly higher propane product costs. The average wholesale cost per gallon of propane during Fiscal 2005 at Mont Belvieu was approximately 28% greater than the average cost per gallon during Fiscal 2004. Total cost of sales increased to \$1,220.0 million in Fiscal 2005 from \$1,029.2 million in Fiscal 2004 reflecting the higher propane product costs.

Total margin decreased \$3.4 million principally due to the lower retail volumes sold partially offset by higher margin from ancillary sales and services and, to a much lesser extent, slightly higher average retail propane margins per gallon. Contributing to the decline in total margin during Fiscal 2005 was lower margin generated by our AmeriGas Cylinder Exchange program (formerly its Prefilled Propane Xchange[®] program) due largely to competitive pricing pressures and the high cost of propane.

Partnership EBITDA during Fiscal 2005 decreased \$40.0 million compared to Fiscal 2004 as a result of (1) a \$33.6 million loss on early extinguishment of debt resulting from the Partnership's refinancing of its Senior Notes in May 2005, (2) a \$17.1 million increase in operating and administrative expenses and (3) the \$3.4 million decrease in total margin all of which were partially offset by a \$14.0 million increase in other income. A \$6.3 million increase in vehicle fuel expense and a \$3.7 million increase in vehicle lease costs were the most significant causes of the increase in operating and administrative expenses. Increases in maintenance and repairs, uncollectible accounts expense and general insurance expense, among others, also contributed to the higher operating and administrative expenses. The increase in other income primarily reflects higher gains on fixed asset disposals and higher customer finance charges.

Operating income decreased \$7.9 million reflecting the decrease in margin and the aforementioned higher operating and administrative

Financial Review (continued)

expenses which were partially offset by the higher other income and a \$7.4 million decrease in depreciation expense. The decrease in depreciation expense is largely attributed to lower capital expenditures related to AmeriGas Cylinder Exchange.

International Propane:	2005	2004	Increase (Decrease)	
<i>(Millions of dollars)</i>				
Revenues	\$ 943.9	\$ 333.4	\$ 610.5	N.M.
Total margin	\$ 499.8	\$ 171.3	\$ 328.5	N.M.
Operating income	\$ 193.8	\$ 20.5	\$ 173.3	N.M.
Income (loss) from equity investees	\$ (2.6)	\$ 10.6	\$ (13.2)	N.M.
Income before income taxes	\$ 159.0	\$ 13.7	\$ 145.3	N.M.

N.M. — Not meaningful due to Antargaz Acquisition on March 31, 2004.

International Propane's results of operations in Fiscal 2005 significantly increased compared to Fiscal 2004 due to the consolidation of all of Antargaz' operations for a full twelve months, including the winter-heating season, compared to the consolidation for only six months in Fiscal 2004 which primarily included the spring and summer months. Antargaz' revenues, total margin and operating income during Fiscal 2005 were \$869.9 million, \$468.4 million and \$188.3 million, respectively, compared to \$270.8 million, \$140.7 million and \$15.1 million, respectively, from April 1, 2004 to September 30, 2004. Weather in International Propane's service territories based upon heating degree days was warmer than normal during Fiscal 2005. During Fiscal 2005, Antargaz sold approximately 338 million retail gallons of LPG while experiencing weather that was approximately 4% warmer than normal compared to 336 million retail gallons sold while experiencing weather that was 5% warmer than normal during the twelve months ended September 30, 2004.

International Propane's revenues increased significantly during Fiscal 2005 due to the absence of revenues in Fiscal 2004 when Antargaz was an equity investment during the first six months of the fiscal year and, to a lesser extent, higher LPG selling prices. Flaga's revenues increased \$11.4 million in Fiscal 2005 due to the effects of (1) higher LPG selling prices, (2) a 7% increase in volumes sold, largely resulting from the acquisition of the Czech business of BP PLC in the fourth quarter of Fiscal 2004 and (3) the beneficial currency translation effects of a stronger euro versus the dollar.

International Propane's increase in total margin is attributable to Antargaz' performance. Antargaz continued to benefit from high unit margins primarily reflecting the effects of declining LPG costs during much of the Fiscal 2005 heating season. Antargaz' LPG purchases are principally denominated in U.S. dollars. Accordingly, its LPG costs further declined during the Fiscal 2005 heating season due to the strengthening euro versus the dollar. Based upon average historical unit margins, management estimated the positive effect of Antargaz' high unit margins and the effects of a weak dollar on our net income during Fiscal 2005 to be approximately \$0.25 per diluted share. The euro was translated at a monthly average exchange rate of 1.27 dollars per euro during Fiscal 2005 compared to 1.22 dollars per euro during Fiscal 2004. Flaga's total margin decreased slightly in Fiscal 2005 resulting from lower margins per gallon of LPG as it was unable to pass on all of the higher average LPG costs to its customers.

The increase in International Propane operating income principally reflects the inclusion of Antargaz for twelve months, including \$18.8 million resulting from the reversal of certain non-income tax related reserves (see discussion in "Antargaz Tax Matters"), the previously mentioned increase in margin and the absence of a \$9.1 million loss incurred in the prior year resulting from the settlement of contracts for the forward purchase of euros used to fund a portion of the purchase price of the Antargaz Acquisition partially offset by higher operating and administrative expenses and higher depreciation and amortization resulting from the Antargaz Acquisition. Flaga's operating income increased slightly primarily reflecting the favorable effects of a stronger euro versus the dollar and a decrease in operating and administrative expenses partially offset by the decrease in its margin.

International Propane income from equity investees in Fiscal 2005 includes losses related to Antargaz' equity investment in Geovexin compared to Fiscal 2004 which includes equity investee income from our 19.5% ownership interest in AGZ through March 31, 2004.

The increase in International Propane income before income taxes reflects the increase in operating income partially offset by the decrease in equity investee income and greater interest expense resulting from the Antargaz Acquisition.

Gas Utility:	2005	2004	Increase	
<i>(Millions of dollars)</i>				
Revenues	\$ 585.1	\$ 560.4	\$ 24.7	4.4%
Total margin	\$ 195.0	\$ 191.5	\$ 3.5	1.8%
Operating income	\$ 81.6	\$ 80.1	\$ 1.5	1.9%
Income before income taxes	\$ 65.0	\$ 64.2	\$ 0.8	1.2%
System throughput — billions of cubic feet ("bcf")	84.7	82.2	2.5	3.0%
Degree days — % warmer than normal	2.0%	2.9%	—	—

Weather in Gas Utility's service territory based upon heating degree days was 2.0% warmer than normal in Fiscal 2005 compared with weather that was 2.9% warmer than normal in Fiscal 2004. Total distribution system throughput increased in Fiscal 2005 due primarily to greater interruptible delivery service volumes. Notwithstanding the volume effects of the slightly colder weather and an increase in the number of retail core-market customers, Fiscal 2005 retail core-market throughput was substantially equal to Fiscal 2004 primarily due to a reduction in customer usage per degree day. The lower usage per degree day primarily reflects the effects of conservation in response to higher natural gas prices.

The increase in Gas Utility revenues during 2005 is principally the result of a \$53.4 million increase in retail core-market revenues reflecting higher average PGC rates and, to a lesser extent, the increase in throughput and higher revenues from interruptible customers. These increases were partially offset by a \$37.2 million decrease in revenues from low-margin off-system sales. Gas Utility's cost of gas was \$390.1 million in Fiscal 2005 compared to \$368.9 million in Fiscal 2004 reflecting the effects of the higher PGC rates partially offset by lower cost of sales associated with lower off-system sales.

The \$3.5 million increase in Gas Utility total margin in Fiscal 2005 principally reflects greater margin generated from higher interruptible delivery service volumes and higher average interruptible delivery service unit margins. The increase in average interruptible delivery service unit margins reflects an increase in the spread between delivered prices for natural gas and alternative fuels, principally oil. Gross margin from retail core-market customers was relatively stable as lower usage per degree day was offset by an increase in the number of customers.

Gas Utility operating income increased \$1.5 million in Fiscal 2005 as the \$3.5 million increase in total margin and a \$1.9 million increase in other income were partially offset by higher operating and administrative expenses and a \$1.2 million increase in depreciation and amortization. The increase in other income is due in large part to the absence of costs recorded in Fiscal 2004 related to a regulatory claim resulting from the discontinuance of natural gas service to certain customers. Fiscal 2005 operating and administrative expenses were slightly higher than in Fiscal 2004 as a \$1.9 million increase in uncollectible accounts and customer assistance expenses, the absence of environmental insurance settlements received in the prior year and higher professional services expenses were partially offset by lower injuries and damages and distribution system expenses. The increase in depreciation expense reflects the normal effects of yearly capital expenditures.

The increase in Gas Utility income before income taxes in Fiscal 2005 reflects the increase in operating income partially offset by higher interest expense resulting from higher average short-term debt outstanding and higher short-term interest rates.

Electric Utility:	2005	2004	Increase	
(Millions of dollars)				
Revenues	\$ 96.1	\$ 89.7	\$ 6.4	7.1%
Total margin (a)	\$ 43.1	\$ 41.6	\$ 1.5	3.6%
Operating income	\$ 21.6	\$ 20.9	\$ 0.7	3.3%
Income before income taxes	\$ 19.9	\$ 18.9	\$ 1.0	5.3%
Distribution sales — millions of kilowatt hours (“gwh”)	1,021.8	983.9	37.9	3.9%

(a) Total margin represents total revenues less total cost of sales and revenue-related taxes, i.e. gross receipts taxes of \$5.2 and \$4.8 million in Fiscal 2005 and Fiscal 2004, respectively. For financial statement purposes, revenue-related taxes are included in “Utility taxes other than income taxes” on the Consolidated Statements of Income.

Electric Utility’s Fiscal 2005 kilowatt-hour sales increased principally reflecting slightly colder Fiscal 2005 heating-season weather and warmer Fiscal 2005 cooling-season weather which increased sales for air conditioning. The increase in Electric Utility revenues principally reflects the effects of a 4.5% increase in its POLR electric generation rates effective January 1, 2005 and the higher kilowatt-hour sales. Electric Utility’s cost of sales increased to \$47.8 million in Fiscal 2005 from \$43.3 million in Fiscal 2004 as a result of higher per-unit purchased power costs and the higher sales.

Electric Utility total margin in Fiscal 2005 increased \$1.5 million principally as a result of the previously mentioned increase in POLR rates and the higher kilowatt-hour sales partially offset by the increase in per-unit purchased power costs. Operating income and income before income taxes in Fiscal 2005 were higher than the prior year as the increase in total margin was partially offset by higher operating and administrative costs, principally higher distribution system maintenance expenses.

Energy Services:	2005	2004	Increase	
(Millions of dollars)				
Revenues	\$1,355.0	\$967.2	\$387.8	40.1%
Total margin	\$ 73.6	\$ 55.0	\$ 18.6	33.8%
Operating income	\$ 37.5	\$ 31.1	\$ 6.4	20.6%
Income before income taxes	\$ 37.5	\$ 31.1	\$ 6.4	20.6%

The \$387.8 million increase in Energy Services revenues in Fiscal 2005 resulted primarily from (1) increased natural gas prices and to a lesser extent an approximate 2% growth in natural gas volumes sold, (2) approximately \$70 million of revenues generated by Asset Management’s propane terminal, which was acquired by Energy Services in November 2004, and (3) \$9.2 million of increased revenues from UGID’s electric generation. The increase in UGID’s electric generation revenues largely reflects reduced electricity generated in Fiscal 2004 resulting from a scheduled plant maintenance outage. Energy Services total margin increased \$18.6 million resulting from (1) a \$10.0 million increase in natural gas related margin principally due to higher income from winter storage and peaking services, (2) Asset Management’s contribution of \$5.6 million of margin and (3) increased margin from UGID.

The increase in Energy Services operating income and income before income taxes principally reflects the previously mentioned increase in total margin partially offset by \$9.3 million higher operating and administrative expenses, \$1.7 million higher depreciation and amortization and \$1.3 million lower other income. The two main drivers of the increased operating and administrative expenses were operating and administrative expenses associated with the propane terminal since its acquisition in November 2004 and higher uncollectible accounts expense. The increase in

depreciation and amortization is also largely attributable to Asset Management's propane terminal since its acquisition.

Interest Expense and Income Taxes. Interest expense increased to \$130.2 million in Fiscal 2005 from \$119.1 million in Fiscal 2004 principally due to \$13.9 million higher International Propane interest expense as a result of the Antargaz Acquisition partially offset by lower AmeriGas Propane interest expense. The Company's effective income tax rate was 38.9% in Fiscal 2005 and 36.6% in Fiscal 2004.

Financial Condition and Liquidity

Capitalization and Liquidity

Total cash, cash equivalents and short-term investments were \$201.0 million at September 30, 2006 compared with \$385.0 million at September 30, 2005. Excluding cash, cash equivalents and short-term investments that reside at UGI's operating subsidiaries at September 30, 2006 and 2005, we had \$16.6 million and \$138.7 million, respectively, of cash, cash equivalents and short-term investments. The primary sources of UGI's cash are the dividends and other cash payments made to UGI or its corporate subsidiaries by its principal business segments. The decline in cash and short-term investments largely reflects \$265 million in cash used to fund a portion of the \$580 million purchase price of PG Energy. In August 2006, UGI entered into a revolving credit facility which expires April 30, 2007. UGI may borrow up to \$50 million on the facility. At September 30, 2006, no amounts were outstanding under UGI's revolving credit facility.

Financial Review (continued)

AmeriGas Propane's ability to pay dividends to UGI is largely dependent upon distributions it receives from AmeriGas Partners. At September 30, 2006, our 44% effective ownership interest in the Partnership consisted of approximately 24.5 million Common Units and an approximate 2% general partner interest. Approximately 45 days after the end of each fiscal quarter, the Partnership distributes all of its Available Cash (as defined in the Third Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, the "Partnership Agreement") relating to such fiscal quarter. The ability of the Partnership to pay distributions 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 ability of the Partnership to borrow under its Credit Agreement, to refinance maturing debt and to increase its long-term debt. Some of these factors are affected by conditions beyond our control including weather, competition in markets we serve, the cost of propane and changes in capital market conditions. Based upon the number of Partnership units outstanding on September 30, 2006, the amount of Available Cash needed annually to pay the distributions on all Units is approximately \$133 million.

During Fiscal 2004, Antargaz' then-current Senior Facilities Agreement was amended to permit AGZ to pay a one-time cumulative dividend of approximately \$54.4 million which was based on 50% of AGZ's consolidated net income on a French GAAP basis for the two-year period ended March 31, 2004. The amount of dividends received in Fiscal 2005, based on AGZ's consolidated net income on a French GAAP basis for the period April 1, 2004 through September 30, 2004, was \$1.3 million. Dividends remain subject to restrictions under its new Senior Facilities Agreement. The increased amount of International Propane's dividends and cash payments in Fiscal 2006 largely reflects the effects of Antargaz' significantly higher earnings in 2005 and its refinancing. We estimate dividends and cash payments from International Propane in Fiscal 2007 to be approximately \$50 to \$55 million.

During Fiscal 2006, 2005 and 2004, AmeriGas Propane, UGI Utilities, International Propane and Energy Services paid dividends and made cash payments to UGI and its subsidiaries as follows:

Year Ended September 30, (Millions of dollars)	2006	2005	2004
AmeriGas Propane	\$ 38.3	\$ 45.4	\$ 39.0
UGI Utilities	37.6	38.5	45.0
International Propane	104.6	22.5	54.4
Energy Services	34.8	9.0	15.0
Total	\$ 215.3	\$ 115.4	\$ 153.4

Dividends and other cash distributions are available to pay dividends on UGI Common Stock and for investment purposes.

On April 25, 2006, UGI's Board of Directors approved an increase in the quarterly dividend rate on UGI Common Stock to \$0.17625 per share or \$0.705 per share on an annual basis, which was effective with the dividend payable on July 1, 2006 to shareholders of record on June 15, 2006. On April 24, 2006, AmeriGas Propane's Board of Directors approved an increase in its quarterly distribution rate on AmeriGas Partners Common Units to \$0.58 per Common Unit (\$2.32 annually) from \$0.56 per Common Unit (\$2.24 annually). The increase in AmeriGas Partner's distribution was effective with the payment of its distribution for the quarter ended June 30, 2006.

AmeriGas Partners. The Partnership's debt outstanding at September 30, 2006 totaled \$933.7 million. There were no amounts outstanding under AmeriGas OLP's Credit Agreement at September 30, 2006.

Effective November 6, 2006, AmeriGas OLP entered into a new unsecured Credit Agreement that extended the expiration date to October 15, 2011, increased the Revolving Credit Facility to \$125 million, tightened certain covenants and reduced certain costs. The Acquisition Facility remains at \$75 million. The remaining principal terms of the former and new Credit Agreement are similar except that the obligations under the new Credit Agreement are unsecured. The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. 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 or, to the extent it is not so used, for working capital and general purposes, subject to restrictions in the AmeriGas Partners Senior Notes indentures. Issued and outstanding letters of credit under the Revolving Credit Facility, which reduce the amount available for borrowings, totaled \$58.9 million at September 30, 2006 and is approximately the same amount issued and outstanding during all of Fiscal 2006. At September 30, 2005, issued and outstanding letters of credit under the Revolving Credit Facility totaled \$56.3 million and is approximately the same amount issued and outstanding during all of Fiscal 2005. AmeriGas OLP's short-term borrowing needs are seasonal and are typically greatest during the fall and winter heating-season months due to the need to fund higher levels of working capital. Due in part to the issuance of 2.3 million Common Units in September 2005, the Partnership generally did not need to use its Revolving Credit Facility to fund its operations during Fiscal 2006. The average daily and peak bank loan borrowings outstanding under the Credit Agreement during Fiscal 2005 were \$27.9 million and \$98.0 million, respectively.

AmeriGas Partners periodically issues equity securities and may continue to do so. Proceeds from the Partnership's equity offerings have generally been used by the Partnership to reduce indebtedness and for general Partnership purposes, including funding acquisitions. AmeriGas Partners has an effective unallocated debt and equity shelf

registration statement with the U.S. Securities and Exchange Commission ("SEC") under which it may issue Common Units or Senior Notes due 2016 in underwritten public offerings.

AmeriGas OLP must meet certain financial covenants in order to borrow under its Credit Agreement including, but not limited to, a minimum interest coverage ratio, a maximum debt to EBITDA ratio and a minimum EBITDA, as defined. AmeriGas OLP's financial covenants calculated as of September 30, 2006 permitted it to borrow up to the maximum amount available under either the former or new Credit Agreement. For a more detailed discussion of the Partnership's credit facilities, see Note 3 to Consolidated Financial Statements. Based upon existing cash balances, cash expected to be generated from operations and borrowings available under its Credit Agreement, the Partnership's management believes that the Partnership will be able to meet its anticipated contractual commitments and projected cash needs during Fiscal 2007.

International Propane. At September 30, 2006, Antargaz had total debt outstanding of €383.1 million (\$485.9 million). There were no amounts borrowed under the revolving portion of the Senior Facilities Agreement during the twelve months ended September 30, 2006.

In December 2005, AGZ executed a five-year floating-rate Senior Facilities Agreement that expires on March 31, 2011 and consists of (1) a €380 million variable-rate term loan and (2) a €50 million revolving credit facility. AGZ executed interest rate swap agreements to fix the rate of interest on the term loan for the duration of the loan. The proceeds from the new term loan were used to repay its €175 million term loan, to fund the redemption of its €165 million High Yield Bonds and for general purposes.

The Senior Facilities term loan has been collateralized by substantially all of Antargaz' shares in its subsidiaries and by substantially all of its accounts receivable. Antargaz' management believes that it will be able to meet its anticipated contractual commitments and projected cash needs during Fiscal 2007 principally with cash generated from operations.

The Senior Facilities Agreement restricts the ability of AGZ to, among other things, incur additional indebtedness and make investments. For a more detailed discussion of Antargaz' debt, see Note 3 to Consolidated Financial Statements.

At September 30, 2006, Flaga had total outstanding debt of €55.8 million (\$70.7 million). On July 26, 2006, Flaga entered into a euro-based term loan facility in the amount of €48 million (\$60.9 million) and a new working capital facility with a major European bank for up to €8 million which both expire in September 2011. Borrowings under the working capital facility commitment totaled €7.4 million (\$9.4 million) at September 30, 2006. Generally, principal payments on the term loan of €3 million are due semi-annually on March 31 and September 30 each year with final payments totaling €24.0 million due in 2011. Debt issued under these agreements is subject to guarantees by UGI. Flaga's joint venture, ZLH, has multi-currency working capital facilities that provide for borrowings up to a total of €14 million, half of which is subject to guarantees by UGI. For a more detailed discussion of Flaga's debt, see Note 3 to Consolidated Financial Statements.

UGI Utilities. UGI Utilities' debt outstanding totaled \$728.0 million at September 30, 2006. Included in this amount is \$216.0 million of bank loans outstanding. In September 2006, UGI Utilities issued \$175 million of 5.753% Senior Notes due 2016 and \$100 million of 6.206% Senior Notes due 2036 and used the proceeds to fund a portion of the \$580 million PG Energy Acquisition purchase price.

UGI Utilities has a revolving credit agreement under which it may borrow up to a total of \$350 million. This agreement is currently scheduled to expire in August 2007, but may be automatically extended by UGI Utilities to August 2011. At September 30, 2006, there was \$216.0 million outstanding under the revolving credit agreement. From time to time, UGI Utilities has entered into short-term borrowings under uncommitted arrangements with major banks in order to meet liquidity needs. Short-term borrowings, including amounts outstanding under the revolving credit agreements, are classified as bank loans on the Consolidated Balance Sheets. UGI Utilities' credit agreement requires it to maintain a maximum ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.00. During Fiscal 2006 and 2005 average daily bank loan borrowings were \$118.4 million and \$52.9 million, respectively, and peak bank loan borrowings totaled \$219.0 million and \$91.4 million, respectively. Peak borrowings typically occur during the peak heating season months of December and January. The increase in average and peak bank loan borrowings during Fiscal 2006 reflects in large part borrowings to fund increased working capital primarily resulting from higher natural gas prices and borrowings related to the working capital of PNG Gas.

UGI Utilities has a shelf registration statement with the SEC under which it may issue up to an additional \$75 million of Medium-Term Notes or other debt securities.

Based upon cash expected to be generated from Gas Utility and Electric Utility operations, borrowings available under its revolving credit agreement and the availability of its Medium-Term Notes, UGI Utilities' management believes that it will be able to meet its anticipated contractual and projected cash commitments during Fiscal 2007. For a more detailed discussion of UGI Utilities' long-term debt and revolving credit facilities, see Note 3 to Consolidated Financial Statements.

Energy Services. UGI Energy Services, Inc. ("ESI") has a \$200 million receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring in April 2009, although the Receivables Facility may terminate prior to such date due to the termination of commitments of the Receivables Facility's back-up purchasers. Prior to September 2006, ESI's Receivables Facility was \$150 million. In order to provide additional short-term liquidity during the peak heating season due to increased energy product costs, the maximum level of funding available at any one time from this facility was temporarily increased to \$300 million for the period from November 1, 2005 to April 24, 2006.

Under the Receivables Facility, ESI transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation ("ESFC"), which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. ESFC was created and has been structured to isolate its assets from creditors of ESI and its affiliates, including UGI. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." ESI continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC. At September 30, 2006, the outstanding balance of ESFC trade receivables was

\$24.1 million which is net of \$60.5 million that was sold to the commercial paper conduit and removed from the balance sheet. Based upon cash expected to be generated from operations and borrowings available under its Receivables Facility, management believes that Energy Services will be able to meet its anticipated contractual and projected cash commitments during Fiscal 2007.

Financial Review (continued)

In addition, a major bank has committed to issue up to \$50 million of standby letters of credit, secured by cash or marketable securities ("LC Facility"). At September 30, 2006, there were no letters of credit outstanding. Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires in April 2007.

Cash Flows

Operating Activities. Due to the seasonal nature of the Company's businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for natural gas, LPG, electricity and other energy products consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the first and fourth fiscal quarters when the Company's investment in working capital, principally inventories and/or accounts receivable, is generally greatest. AmeriGas Propane and UGI Utilities primarily use bank loans to satisfy their seasonal operating cash flow needs. Energy Services uses its Receivables Facility to satisfy its operating cash flow needs. Antargaz has historically been successful funding its operating cash flow needs without using its revolver.

Cash flow provided by operating activities was \$279.4 million in Fiscal 2006, \$437.7 million in Fiscal 2005 and \$260.7 million in Fiscal 2004. The decrease in cash flow from operating activities in Fiscal 2006 largely reflects the greater cash required to fund working capital. Cash flow from operating activities before changes in operating working capital was \$404.6 million in Fiscal 2006, \$426.5 million in Fiscal 2005 and \$333.0 million in Fiscal 2004. Changes in operating working capital used cash flow of \$125.2 million in Fiscal 2006 compared with cash flow provided of \$11.2 million in Fiscal 2005 and cash flow used of \$72.3 million in Fiscal 2004. The increase in cash needed to fund working capital in Fiscal 2006 largely reflects changes in accounts payable due in part to the timing of inventory purchases and payments, a decrease in accrued income taxes, and changes in deferred fuel costs partially offset by a decrease in accounts receivable.

Investing Activities. Investing activity cash flow is principally affected by capital expenditures and investments in property, plant and equipment, cash paid for acquisitions of businesses, changes in short-term investments and proceeds from sales of assets. Net cash flow used in investing activities was \$707.5 million in Fiscal 2006, \$196.3 million in Fiscal 2005 and \$412.8 million in Fiscal 2004. The increase in cash used by investing activities largely reflects the \$580 million paid for the PG Energy Acquisition and, to a lesser extent, increased capital expenditures. During Fiscal 2006, we spent \$191.7 million for property, plant and equipment, \$158.4 million in Fiscal 2005 and \$133.7 million in Fiscal 2004. The increase largely reflects greater capital expenditures by International Propane, UGI Utilities and AmeriGas Propane. Our investing activities in Fiscal 2006 also include cash proceeds from the sale of our 50% ownership interest in Energy Ventures partially offset by cash used in the formation of our 50% ownership interest in ZLH.

Financing Activities. Cash flow provided by financing activities was \$299.7 million in Fiscal 2006 compared with cash flow used by financing activities of \$72.6 million in Fiscal 2005 and cash flow provided by financing activities of \$159.0 million in Fiscal 2004. Financing activity cash flow changes are primarily due to issuances and repayments of long-term debt, net bank loan borrowings, dividends and distributions on UGI Common Stock and AmeriGas Partners Common Units, and proceeds from public offerings of AmeriGas Partners Common Units and issuances of UGI Common Stock.

In December 2005, Antargaz entered into a €380 million term loan. The proceeds were used to repay the existing €175 million Senior Facilities term loan, redeem its €165 million of High Yield Bonds and for general corporate purposes. Antargaz incurred a \$1.4 million loss on extinguishment of debt associated with its refinancings. Also, in December 2005, UGI Utilities refinanced \$50 million of its maturing 7.14% Medium-Term Notes with the proceeds from the issuance of \$50 million of 5.64% Medium-Term Notes due December 2015. In January 2006, the Partnership and AP Eagle Finance Corp. issued \$350 million of 7.125% Senior Notes due 2016. The proceeds of this registered public debt offering were used to refinance AmeriGas OLP's \$160 million Series A and \$68.8 million Series C First Mortgage Notes, including a make-whole premium, its \$35 million term loan due October 1, 2006 and \$59.6 million of the Partnership's \$60 million 10% Senior Notes due 2006 pursuant to a tender offer, plus a premium. The Partnership incurred a \$17.1 million loss on early extinguishment of debt associated with these refinancings. As previously mentioned, UGI Utilities issued \$175 million of 5.753% Senior Notes due 2016 and \$100 million of 6.206% Senior Notes due 2036, the proceeds of which were used to fund a portion of the PG Energy Acquisition. During Fiscal 2006, UGI Utilities' net bank loan borrowings totaled \$134.8 million. Included in UGI Utilities' Fiscal 2006 net bank loan borrowings are repayments of two \$35 million borrowings with maturities greater than three months and a \$20 million borrowing made on June 1, 2006, which was repaid in September 2006.

During Fiscal 2006, we paid cash dividends on UGI Common Stock of \$72.5 million and the Partnership paid regular quarterly distributions on all limited partner units.

UGI Utilities Pension Plan

UGI Utilities sponsors two defined benefit pension plans ("Pension Plan") for employees of UGI Utilities, UGIPNG, UGI and certain of UGI's other subsidiaries. As a result of the PG Energy Acquisition, we acquired the pension assets and

assumed the pension liabilities related to the Employees' Retirement Plan of Southern Union Company Pennsylvania Division (the "Division Plan"). The fair value of Pension Plan assets was \$274.6 million and \$211.7 million at September 30, 2006 and 2005, respectively. The increase in the fair value of the Pension Plan assets substantially reflects the fair value of the Division Plan assets acquired. At September 30, 2006 and 2005, the Pension Plan's assets exceeded accumulated benefit obligations by \$6.0 million and \$7.4 million, respectively. The Company is in full compliance with regulations governing defined benefit pension plans, including Employee Retirement Income Security Act of 1974 ("ERISA") rules and

regulations, and does not anticipate it will be required to make a contribution to the Pension Plan in Fiscal 2007. Pre-tax pension expense associated with our Pension Plan reflected in Fiscal 2006, 2005 and 2004 results was \$3.1 million, \$3.0 million and \$1.2 million, respectively. The increase in pension expense during this period reflects the changes in the market value of Pension Plan assets, decreases in the discount rate assumption and, beginning October 2004, the expiration of the Pension Plan's transition asset amortization. Pension expense in Fiscal 2007 is expected to be approximately \$2.4 million.

Capital Expenditures

In the following table, we present capital expenditures (which exclude acquisitions) by our business segments for Fiscal 2006, 2005 and 2004. We also provide amounts we expect to spend in Fiscal 2007. Increases in capital expenditures are in support of growth and new marketing initiatives. We expect to finance Fiscal 2007 capital expenditures principally from cash generated by operations and borrowings under our credit facilities.

Year Ended September 30, (Millions of dollars)	2007 (estimate)	2006	2005	2004
AmeriGas Propane	\$ 79.1	\$ 70.7	\$ 62.6	\$ 61.7
International Propane	70.9	55.5	42.0	27.6
Gas Utility	70.7	49.2	38.8	35.5
Electric Utility	6.4	9.0	7.5	5.3
Energy Services	11.7	7.0	6.2	2.9
Other	2.2	0.3	1.3	0.7
Total	\$ 241.0	\$ 191.7	\$ 158.4	\$ 133.7

Contractual Cash Obligations and Commitments

The Company has contractual cash obligations that extend beyond Fiscal 2006. Such obligations include scheduled repayments of long-term debt, interest on long-term fixed rate debt, operating lease payments, unconditional purchase obligations for pipeline capacity, pipeline transportation and natural gas storage services and commitments to purchase natural gas, LPG and electricity. The following table presents contractual cash obligations under agreements existing as of September 30, 2006.

(Millions of dollars)	Total	Payments Due by Period			
		1 year or less	2 - 3 years	4 - 5 years	After 5 years
Long-term debt	\$1,995.7	\$ 31.4	\$ 92.2	\$ 615.1	\$1,257.0
Interest on long-term fixed rate debt	1,084.1	120.2	231.3	205.1	527.5
Operating leases	248.2	55.1	83.8	56.1	53.2
AmeriGas Propane supply contracts	20.7	20.7	—	—	—
International Propane supply contracts	217.4	116.2	101.2	—	—
Energy Services supply contracts	661.5	548.1	113.4	—	—
Gas Utility and Electric Utility supply, storage and transportation contracts	886.1	367.2	301.6	130.4	86.9
Total	\$5,113.7	\$1,258.9	\$923.5	\$1,006.7	\$1,924.6

Related Party Transactions

During Fiscal 2006, 2005 and 2004, we did not enter into any related party transactions that had a material effect on our financial condition, results of operations or cash flows.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are expected to have a material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Utility Regulatory Matters

As a result of Pennsylvania's Natural Gas Choice and Competition Act (the "Gas Competition Act"), since July 1, 1999, all natural gas consumers in Pennsylvania, including residential and smaller commercial and industrial customers ("core-market customers"), have been able to purchase gas supplies from entities other than natural gas distribution companies ("NGDCs"). Under the Gas Competition Act, NGDCs, like UGI Gas and PNG Gas, continue to serve as the supplier of last resort for all core-market customers, and such sales of gas, as well as the distribution service provided by NGDCs, continue to be subject to rate regulation by the PUC. As of September 30, 2006, fewer than two percent of UGI Gas' core-

market customers purchase their gas from alternate suppliers. Currently, none of PNG Gas' core-market customers purchase their gas from alternate suppliers.

Prior to the PG Energy Acquisition on April 13, 2006, an application was filed with the PUC seeking an increase in base rates. In an order entered on November 30, 2006, the PUC approved a settlement of the base rate proceeding of PG Energy (PNG Gas). The settlement provides for an increase in natural gas distribution base rates of \$12.5 million annually or approximately 4%, effective December 2, 2006. In addition, the settlement provides PNG Gas the ability to recover up to \$1.0 million of additional corporate franchise tax through the state tax adjustment surcharge mechanism.

As a result of the Electricity Generation Customer Choice and Competition Act (the "Electric Competition Act") that became effective January 1, 1997, all of Electric Utility's customers are permitted to acquire their electricity from entities other than Electric Utility. As of September 30, 2006, none of Electric Utility's customers have chosen an alternative electricity generation supplier. Electric Utility remains the provider of last resort ("POLR") for its customers that are not served by an alternate electric generation provider. The terms and conditions under which Electric Utility provides POLR service, and rules governing the rates that may be charged for such service, have been established in a series of PUC approved settlements, the latest of which became effective in June 2006 (collectively, the "POLR Settlement").

Electric Utility's POLR service rules provide for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier are obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service must remain on POLR

Financial Review (continued)

service until the date of the second open shopping period after returning. Commercial and industrial customers who return to POLR service must remain on POLR service until the next open shopping period and may, in certain circumstances, be subject to generation rate surcharges. In October 2005, Electric Utility was notified by the only alternative electric generation supplier in its service territory that it would cease providing electric generation service during the first quarter of Fiscal 2006.

Consistent with the terms of the POLR Settlement, Electric Utility's POLR rates increased 4.5% on January 1, 2005 and 3% on January 1, 2006 (a total of 7.5% above the total rates in effect on December 31, 2004). Electric Utility is permitted to further increase its POLR rates annually in January of 2007, 2008 and 2009. Electric Utility expects to increase its POLR rates effective January 1, 2007 which will affect all metered customers. This increase is expected to raise the average cost to residential customers by approximately 35% over the costs in effect during calendar year 2006. Electric Utility is also permitted to and has entered into multiple-year fixed-rate POLR service contracts with certain of its customers. The PUC is currently developing post-rate-cap POLR regulations that are expected to further define POLR service obligations and pricing.

We account for the operations of Gas Utility and Electric Utility in accordance with 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. SFAS 71 allows us to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and income will be allowed in the ratemaking process in a period different from the period in which they would have been reflected in the income statement of an unregulated company. These deferred assets and liabilities are then flowed through the income statement in the period in which the same amounts are included in rates and recovered from or refunded to customers. As required by SFAS 71, we monitor our regulatory and competitive environments to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these regulatory assets is no longer probable, such assets would be written off against earnings. We believe that SFAS 71 continues to apply to our regulated operations and that the recovery of our regulatory assets is probable.

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 UGI Gas 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 Gas is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. In accordance with existing regulatory practices of the PUC, PNG Gas amortizes as removal cost over a five-year period site-specific environmental investigation and remediation costs.

As a result of the acquisition of PG Energy by UGI Utilities' wholly-owned subsidiary, UGIPNG, UGIPNG became party to a Multi-Site Remediation Consent Order and Agreement between PG Energy and the Pennsylvania Department of Environmental Protection dated March 31, 2004 ("Multi-Site Agreement"). The Multi-Site Agreement requires UGIPNG to perform annually a specified level of activities associated with environmental investigation and remediation work at eleven currently owned properties on which MGP-related facilities were operated ("Properties"). Under the Multi-Site Agreement, UGIPNG is not required to spend more than \$1.1 million in any calendar year for such environmental expenditures, including costs to perform work on the Properties. Costs related to investigation and remediation of one property formerly owned by UGIPNG are also included in this cap. The Multi-Site Agreement terminates at the end of fifteen years but may be terminated by either party at the end of any two-year period beginning with the effective date.

UGI Utilities has been notified of several sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by it or owned or operated by its former subsidiaries. Such parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating four claims against it relating to out-of-state sites. 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.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or 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 (1) the subsidiary's separate corporate form should be disregarded or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP.

On September 22, 2006, South Carolina Electric & Gas Company (“SCE&G”), a subsidiary of SCANA Corporation, filed a lawsuit against UGI Utilities in the District Court of South Carolina seeking contribution from UGI Utilities for past and future remediation costs related to the operations of a former MGP located in Charleston, South Carolina. SCE&G asserts that the plant operated from 1855 to 1954 and alleges that UGI Utilities controlled operations of the plant from 1910 to 1926 and is liable for 47% of the costs associated with the site. SCE&G asserts that it has spent approximately \$22 million in remediation costs and \$26 million in third-party claims relating to the site and estimates that future remediation costs could

be as high as \$2.5 million. SCE&G further asserts that it has received a demand from the United States Justice Department for natural resource damages. UGI Utilities believes that it has good defenses to this claim and is defending the suit.

In April 2003, Citizens Communications Company ("Citizens") served a complaint naming UGI Utilities as a third-party defendant in a civil action pending in the United States District for the District of Maine. In that action, the plaintiff, City of Bangor, Maine ("City") sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third-party defendants alleging that the third-party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. Citizens alleges that UGI Utilities and its predecessors owned and operated the plant from 1901 to 1928. Studies conducted by the City and Citizens suggest that it could cost up to \$18 million to clean up the river. Citizens' third party claims have been stayed pending a resolution of the City's suit against Citizens, which was tried in September 2005. Maine's Department of Environmental Protection ("DEP") informed UGI Utilities in March 2005 that it considers UGI Utilities to be a potentially responsible party for costs incurred by the State of Maine related to gas plant contaminants at this site. On June 27, 2006, the court issued an order finding Citizens responsible for 60% of the cleanup costs. The amount of Citizens' liability has not been finally determined. The court has stayed further proceedings while the City and Citizens discuss settlement. UGI Utilities believes that it has good defenses to Citizens' claim and to any claim that the DEP may bring to recover its costs, and is defending the Citizens' suit.

By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8 million incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. On March 22, 2005, the trial court granted UGI Utilities' motion for summary judgment. AGL appealed and on September 6, 2006, the Eleventh Circuit Court of Appeals affirmed the trial court's entry of summary judgment, effectively terminating the case.

AGL previously informed UGI Utilities that it was investigating contamination that appeared to be related to MGP operations at a site owned by AGL in Savannah, Georgia. A former subsidiary of UGI Utilities operated the MGP in the early 1900s. AGL has informed UGI Utilities that it has begun remediation of MGP wastes at the site and believes that the total cost of remediation could be as high as \$55 million. AGL has not filed suit against UGI Utilities for a share of these costs. UGI Utilities believes that it will have good defenses to any action that may arise out of this site.

On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70 million.

The trial court granted UGI Utilities' motion for summary judgment and dismissed ConEd's complaint. The grant of summary judgment was entered April 1, 2004. ConEd appealed and on September 9, 2005 a panel of the Second Circuit Court of Appeals affirmed in part and reversed in part the decision of the trial court. The appellate panel affirmed the trial court's decision dismissing claims that UGI Utilities was liable under CERCLA as an operator of MGPs owned and operated by its former subsidiaries. The appellate panel reversed the trial court's decision that UGI Utilities was released from liability at three sites where UGI Utilities operated MGPs under lease. On October 7, 2005, UGI Utilities filed for reconsideration of the panel's order, which was denied by the Second Circuit Court of Appeals on January 17, 2006. On April 14, 2006, Utilities filed a petition requesting that the United States Supreme Court review the decision of the Second Circuit Court of Appeals. On October 2, 2006, the Supreme Court entered an order inviting the Solicitor General to file a brief expressing the views of the United States in this case.

By letter dated June 24, 2004, KeySpan Energy ("KeySpan") informed UGI Utilities that KeySpan has spent \$2.3 million and expects to spend another \$11 million to clean up an MGP site it owns in Sag Harbor, New York. KeySpan believes that UGI Utilities is responsible for approximately 50% of these costs as a result of UGI Utilities' alleged direct ownership and operation of the plant from 1885 to 1902. By letter dated June 6, 2006, KeySpan reported that the New York Department of Environmental Conservation has approved a remedy for the site that is estimated to cost approximately \$10 million. KeySpan believes that the cost could be as high as \$20 million. UGI Utilities is in the process of reviewing the information provided by KeySpan and is investigating this claim.

On September 11, 2006, UGI Utilities received a complaint filed by Yankee Gas Services Company and Connecticut Light and Power Company, subsidiaries of Northeast Utilities, (together the "Northeast Companies"), in the United States District court for the District of Connecticut seeking contribution from UGI Utilities for past and future remediation costs related to MGP operations on thirteen sites owned by the Northeast Companies in nine cities in the State of Connecticut. The Northeast Companies allege that UGI Utilities controlled operations of the plants from 1883 to 1941. The Northeast Companies estimated that remediation costs for all of the sites would total approximately \$215 million and asserted that

UGI Utilities is responsible for approximately \$103 million of this amount. Based on information supplied by the Northeast Companies and UGI Utilities' own investigation, UGI Utilities believes that it may have operated one of the sites, Waterbury North, under lease for a portion of its operating history. UGI Utilities is reviewing the Northeast Companies' estimate that remediation costs at Waterbury North could total \$23 million. UGI Utilities believes that it has good defenses to this claim and is defending the suit.

Financial Review (continued)

Antargaz Tax Matters

French tax authorities levy various taxes on legal entities and individuals regularly operating a business in France which are commonly referred to collectively as “business tax.” The amount of business tax charged annually is generally dependent upon the value of the entity’s tangible fixed assets. Prior to the Antargaz Acquisition, Antargaz filed suit against French tax authorities in connection with the assessment of business tax related to the tax treatment of certain of its owned tanks at customer locations. Elf Antar France and Elf Aquitaine, now Total France, former owners of Antargaz, agreed to indemnify Antargaz for all payments that would have been due from Antargaz in respect of the tax related to its tanks for the period from January 1, 1997 through December 31, 2000. Antargaz has recorded liabilities for business taxes related to various classes of equipment. On February 4, 2005, Antargaz received a letter that was issued by the French government to the French Committee of Butane and Propane (“CFBP”), a butane/propane industry group, concerning the business tax, that eliminated the requirement for Antargaz to pay business tax associated with tanks at certain customer locations. In addition, during Fiscal 2005, resolution was reached relating to business taxes relating to a prior year. Further changes in the French government’s interpretation of the tax laws or in the tax laws themselves could have either an adverse or a favorable effect on our results of operations. Our 2005 Consolidated Statement of Income includes a pre-tax gain of \$18.8 million and a net after-tax gain of \$14.2 million associated with the resolution of certain business tax matters related principally to prior years.

Market Risk Disclosures

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

The risk associated with fluctuations in the prices the Partnership and our International Propane operations pay for LPG is principally a result of market forces reflecting changes in supply and demand for propane and other energy commodities. Their profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. International Propane and the Partnership may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, the Partnership 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 and Antargaz hedges a portion of its future U.S. dollar denominated LPG product purchases through the use of forward foreign exchange contracts. Antargaz may also enter into other contracts, similar to those used by the Partnership. Flaga has and may use derivative commodity instruments to reduce market risk associated with a portion of its propane purchases. Currently, Flaga’s hedging activities are not material to the Company’s financial position or results of operations. Over-the-counter derivative commodity instruments utilized to hedge forecasted purchases of propane are generally settled at expiration of the contract. In order to minimize credit risk associated with its derivative commodity contracts, the Partnership monitors established credit limits with the contract counterparties. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

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

Electric Utility purchases its electric power needs from electricity suppliers under fixed-price energy and capacity contracts and, to a much lesser extent, on the spot market. Prices for electricity can be volatile especially during periods of high demand or tight supply. As previously mentioned and in accordance with POLR settlements approved by the PUC, Electric Utility may increase its POLR rates up to certain limits through December 31, 2009. In accordance with these settlements, Electric Utility increased its POLR rates by 4.5% on January 1, 2005 and by 3% on January 1, 2006 (a total of 7.5% above the total rates in effect on December 31, 2004). Electric Utility is permitted, but not required, to further increase its POLR rates annually in January of 2007, 2008 and 2009. Electric Utility expects to increase its POLR rates effective January 1, 2007 which will affect all metered customers. This increase is expected to raise the average cost to residential customers by approximately 35% over the costs in effect during calendar year 2006. Wholesale prices for electricity can be volatile, especially during periods of high demand or tight supply. Currently, Electric Utility’s fixed-price contracts with electricity suppliers mitigate most risks associated with the POLR service rate limits in effect through December 31, 2009. With respect to its existing fixed-price power and capacity contracts, should any of the counterparties fail to provide electric power or capacity under the terms of such contracts, any increases in the cost of replacement power or capacity could negatively impact Electric Utility results. In order to reduce this nonperformance risk, Electric Utility has diversified its purchases across several suppliers and entered into bilateral collateral arrangements with certain of them. From time to time, Electric Utility enters into electric price swap agreements to reduce the volatility in the cost of a portion of its anticipated electricity requirements. At September 30, 2006, Electric Utility had an electric price swap agreement associated with purchases of a portion of electricity anticipated to occur in 2007.

In order to manage market price risk relating to substantially all of Energy Services’ fixed-price sales contracts for

natural gas, Energy Services purchases exchange-traded and over-the-counter natural gas futures contracts or enters into fixed-price supply arrangements. Energy Services' exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. The change in market value of these contracts generally

requires daily cash deposits in margin accounts with brokers. At September 30, 2006, Energy Services has \$11.5 million of restricted cash on deposit in such margin accounts. Although Energy Services' fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the natural gas suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas would adversely impact Energy Services' results. In order to reduce this risk of supplier nonperformance, Energy Services has diversified its purchases across a number of suppliers.

UGID has entered into fixed-price sales agreements for a portion of the electricity expected to be generated by its interests in electric generation assets. In the event that these generation assets would not be able to produce all of the electricity needed to supply electricity under these agreements, UGID would be required to purchase such electricity on the spot market or under contract with other electricity suppliers. Accordingly, increases in the cost of replacement power could negatively impact the Company's results.

Asset Management has entered and may continue to enter into fixed-price sales agreements for a portion of its propane sales. In order to manage the market price risk relating to substantially all of its fixed-price sales contracts for propane, Asset Management enters into price swap and option contracts.

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 Credit Agreement, UGI Utilities' short-term borrowings and a substantial portion of Antargaz' and Flaga's debt. These debt agreements have interest rates that are generally indexed to short-term market interest rates. At September 30, 2006 and 2005, combined borrowings outstanding under these agreements totaled \$771.1 million and \$400.6 million, respectively. Antargaz has effectively fixed the interest rate on its variable-rate debt through March 2011 through the use of interest rate swaps. Excluding the fixed portion of Antargaz' variable-rate debt, based upon weighted average borrowings outstanding under variable-rate agreements during Fiscal 2006 and Fiscal 2005, an increase in short-term interest rates of 100 basis points (1%) would have increased our interest expense by \$2.1 million and \$2.4 million, respectively. In November 2006, Flaga effectively fixed the rate of interest for the duration of its term loan by entering into an interest rate swap agreement.

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 \$97.5 million and \$68.0 million at September 30, 2006 and 2005, respectively. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of \$109.1 million and \$74.4 million at September 30, 2006 and 2005, respectively.

Our long-term debt is typically issued at fixed rates of interest based upon market rates for debt having similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. This debt may have an interest rate that is more or less than the refinanced debt. In order to reduce interest rate risk associated with near to medium term forecasted issuances of fixed-rate debt, we may enter into interest rate protection agreements. Our primary exchange rate risk is associated with the U.S. dollar versus the euro. The U.S. dollar value of our foreign-denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. We use derivative instruments to hedge portions of our net investment in foreign subsidiaries ("net investment hedges"). Realized gains or losses associated with net investments in foreign operations remain in other comprehensive income until such foreign operations are liquidated. At September 30, 2006, we have no unsettled net investment hedges. With respect to our net investments in Flaga and Antargaz, a 10% decline in the value of the euro versus the U.S. dollar, excluding the effects of any net investment hedges, would reduce their aggregate net book value by approximately \$60.4 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, 2006 and 2005. Fair values 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, 2006. The table also includes the changes in fair value that would result if there were a ten percent adverse change in (1) the market price of propane; (2) the market price of natural gas; (3) the market price of electricity; (4) interest rates on ten-year U.S. treasury notes and the three-month Euribor and; (5) the value of the euro versus the U.S. dollar. Gas Utility's exchange traded natural gas call option and futures contracts are excluded from the table below because any associated net gains or losses are included in Gas Utility's PGC recovery mechanism.

	Fair Value	Change in Fair Value
(Millions of dollars)		
September 30, 2006:		
Propane commodity price risk	\$ (26.4)	\$ (21.2)
Natural gas commodity price risk	(6.0)	(10.4)
Electricity commodity price risk	5.2	(1.3)
Interest rate risk	14.4	(12.9)

Foreign currency exchange rate risk	2.4	(13.8)
September 30, 2005:		
Propane commodity price risk	\$ 50.8	\$ (19.6)
Natural gas commodity price risk	(1.5)	(7.2)
Electricity commodity price risk	6.1	(1.4)
Interest rate risk	(6.2)	(3.9)
Foreign currency exchange rate risk	7.5	(16.3)

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

Financial Review (continued)

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in compliance with accounting principles generally accepted in the United States of America requires the selection and application of appropriate accounting principles to the relevant facts and circumstances of the Company's operations and the use of estimates made by management. The Company has identified the following critical accounting policies and estimates that are most important to the portrayal of the Company's financial condition and results of operations. Changes in these policies and estimates could have a material effect on the financial statements. The application of these accounting policies and estimates necessarily requires management's most subjective or complex judgments regarding estimates and projected outcomes of future events which could have a material impact on the financial statements. Management has reviewed these critical accounting policies, and the estimates and assumptions associated with them, with the Company's Audit Committee. In addition, management has reviewed the following disclosures regarding the application of these critical accounting policies and estimates with the Audit Committee.

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

Regulatory Assets and Liabilities. Gas Utility and Electric Utility are subject to regulation by the PUC. In accordance with SFAS 71, we record the effects of rate regulation in our financial statements as regulatory assets or regulatory liabilities. We continually assess whether the regulatory assets are probable of future recovery by evaluating the regulatory environment, recent rate orders and public statements issued by the PUC, and the status of any pending deregulation legislation. If future recovery of regulatory assets ceases to be probable, the elimination of those regulatory assets would adversely impact our results of operations and cash flows. As of September 30, 2006, our regulatory assets totaled \$72.9 million. See Note 1 to the Consolidated Financial Statements.

Depreciation and Amortization of Long-lived Assets. We compute depreciation on UGI Utilities' property, plant and equipment on a straight-line basis over the average remaining lives of its various classes of depreciable property and on our other property, plant and equipment on a straight-line basis over estimated useful lives generally ranging from 2 to 40 years. We also use amortization methods and determine asset values of intangible assets other than goodwill using reasonable assumptions and projections. Changes in the estimated useful lives of property, plant and equipment and changes in intangible asset amortization methods or values could have a material effect on our results of operations. As of September 30, 2006, our net property, plant and equipment totaled \$2,214.7 million and we recorded depreciation expense of \$130.9 million during Fiscal 2006.

Purchase Price Allocation. From time to time, the Company enters into material business combinations. In accordance with SFAS No. 141, "Business Combinations" ("SFAS 141"), the purchase price is allocated to the various assets and liabilities acquired at their estimated fair value. Fair values of assets acquired and liabilities assumed are based upon available information and we may involve an independent third party to perform an appraisal. Estimating fair values can be a complex and judgmental area and most commonly impacts property, plant and equipment and intangible assets, including those with indefinite lives. Generally, we have, if necessary, up to one year from the acquisition date to finalize the purchase price allocation.

Impairment of Goodwill. Certain of the Company's business units have goodwill resulting from purchase business combinations. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), each of our reporting units with goodwill is required to perform impairment tests annually or whenever events or circumstances indicate that the value of goodwill may be impaired. In order to perform these impairment tests, management must determine the reporting unit's fair value using quoted market prices or, in the absence of quoted market prices, valuation techniques which use discounted estimates of future cash flows to be generated by the reporting unit. These cash flow estimates involve management judgments based on a broad range of information and historical results. To the extent estimated cash flows are revised downward, the reporting unit may be required to write down all or a portion of its goodwill which would adversely impact our results of operations. As of September 30, 2006, our goodwill totaled \$1,418.2 million.

Defined Benefit Pension Plans. The costs of providing benefits under our Pension Plan is dependent on historical information such as employee age, length of service, level of compensation and the actual rate of return on plan assets. In addition, certain assumptions relating to the future are used to determine pension expense including the discount rate applied to benefit obligations, the expected rate of return on plan assets and the rate of compensation increase, among others. Pension Plan assets are held in trust and consist principally of equity and fixed income mutual funds. Changes in

plan assumptions as well as fluctuations in actual equity or bond market returns could have a material impact on future pension costs. We believe the two most critical assumptions are the expected rate of return on plan assets and the discount rate. An unfavorable change in the expected rate of return on plan assets of 50 basis points would result in an increase in

pre-tax pension expense of approximately \$1.4 million in Fiscal 2007. An unfavorable change in the discount rate of 50 basis points would result in an increase in pre-tax pension expense of approximately \$1.6 million in Fiscal 2007.

Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We use assumptions, judgments and estimates to determine our current provision for income taxes. We also use assumptions, judgments and estimates to determine our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Our assumptions, judgments and estimates relative to the current provision for income tax give consideration to current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of such and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income, and actual operating results in future years could render our current assumptions, judgments and estimates inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ significantly from our estimates. As of September 30, 2006, our net deferred tax liabilities were \$435.6 million.

Recently Issued Accounting Pronouncements

Below is a listing of recently issued accounting pronouncements by the Financial Accounting Standards Board or guidance provided by the SEC. See Note 1 to the Consolidated Financial Statements for additional discussion of such pronouncements.

Title of Guidance	Month of Issue
SFAS No. 156, "Accounting for Servicing of Financial Assets — An Amendment of FASB Statement No. 140"	March 2006
FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"	June 2006
SFAS No. 157, "Fair Value Measures"	September 2006
SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Retirement Plans, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R)"	September 2006
Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements in Current Year Financial Statements"	September 2006

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) cost volatility and availability of propane and other LPG, oil, electricity, and natural gas and the capacity to transport product to our market areas; (3) changes in domestic and foreign laws and regulations, including safety, tax and accounting matters; (4) competitive pressures from the same and alternative energy sources; (5) failure to acquire new customers thereby reducing or limiting any increase in revenues; (6) liability for environmental claims; (7) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (8) adverse labor relations; (9) large customer, counter-party or supplier defaults; (10) liability in excess of insurance coverage for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas, propane and LPG; (11) political, regulatory and economic conditions in the United States and in foreign countries, including foreign currency rate fluctuations, particularly in the euro; (12) reduced access to capital markets and interest rate fluctuations; (13) reduced distributions from subsidiaries; and (14) the timing and success of the Company's efforts to develop new business opportunities.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have

material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

Report of Management

Financial Statements

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

The 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 internal control and for monitoring the independence and performance of the Company's independent registered public accounting firm and internal auditors. The Committee is also responsible for maintaining direct channels of communication among the Board of Directors, management, and both the independent registered public accounting firm and internal auditors.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, is engaged to perform audits of our consolidated financial statements. These audits are performed in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our independent registered public accounting firm was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board. The Company believes that all representations made to the independent registered public accounting firm during their audits were valid and appropriate.

Management's Report on

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing of the Company's internal control over financial reporting, using the criteria in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"). The scope of that assessment excluded the PG Energy business acquired on August 24, 2006 by UGI Penn Natural Gas, Inc. ("UGIPNG"). As of September 30, 2006, UGIPNG's total assets represented approximately 13% of the Company's consolidated total assets and less than 1% of its revenues. Such exclusion is permitted based upon current guidance of the U.S. Securities and Exchange Commission.

Internal control over financial reporting refers to the process designed by, and under the supervision of, our Chief Executive Officer and Chief Financial Officer, to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes policies and procedures that, among other things, 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changing conditions, or the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2006, based on the COSO Framework. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2006, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which follows.



Lon R. Greenberg
Chief Executive Officer



Anthony J. Mendicino
Chief Financial Officer

Michael J. Cuzzolina

Michael J. Cuzzolina
Chief Accounting Officer

Report of Independent Registered Public Accounting Firm**To the Board of Directors and Stockholders of UGI Corporation:**

We have completed integrated audits of UGI Corporation's 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of September 30, 2006 and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of UGI Corporation and its subsidiaries at September 30, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements effective October 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment (revised 2004)."

Internal Control over Financial Reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of September 30, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded the PG Energy business from its assessment of internal control over financial reporting as of September 30, 2006 because it was acquired by the Company in a purchase business combination on August 24, 2006. We have also excluded the PG

Energy business from our audit of internal control over financial reporting. The PG Energy business is a wholly-owned subsidiary whose total assets represent approximately 13% of total consolidated assets and total revenues represent less than 1% of total consolidated revenues as of and for the year ended September 30, 2006.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

December 8, 2006

Consolidated Balance Sheets
(Millions of dollars)

	September 30,	
	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 186.2	\$ 310.1
Restricted cash	14.2	4.9
Short-term investments (at cost, which approximates fair value)	0.6	70.0
Accounts receivable (less allowances for doubtful accounts of \$38.0 and \$29.2, respectively)	387.2	421.8
Accrued utility revenues	16.6	10.4
Inventories	340.4	239.9
Deferred income taxes	55.9	24.4
Income taxes recoverable	11.0	—
Derivative financial instruments	5.8	60.3
Prepaid expenses and other current assets	22.7	30.5
Total current assets	1,040.6	1,172.3
Property, Plant and Equipment		
AmeriGas Propane	1,211.8	1,162.8
International Propane	588.0	541.8
UGI Utilities	1,553.9	985.7
Other	107.6	99.3
	3,461.3	2,789.6
Accumulated depreciation and amortization	(1,246.6)	(986.9)
Net property, plant, and equipment	2,214.7	1,802.7
Other Assets		
Goodwill	1,418.2	1,231.2
Intangible assets (less accumulated amortization of \$62.8 and \$45.4, respectively)	163.3	172.6
Utility regulatory assets	72.9	61.3
Investments in equity investees	58.2	12.8
Other assets	112.6	118.6
Total assets	\$ 5,080.5	\$4,571.5

See accompanying notes to consolidated financial statements.

	September 30,	
	2006	2005
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 31.9	\$ 252.0
UGI Utilities bank loans	216.0	81.2
Other bank loans	9.4	16.2
Accounts payable	373.0	399.7
Employee compensation and benefits accrued	75.4	78.6
Dividends and interest accrued	31.1	40.8
Income taxes accrued	—	40.1
Deposits and advances	145.0	124.1
Derivative financial instruments	27.6	7.8
Other current liabilities	117.2	122.6
Total current liabilities	1,026.6	1,163.1
Debt and Other Liabilities		
Long-term debt	1,965.0	1,392.5
Deferred income taxes	491.5	477.5
Deferred investment tax credits	6.8	7.2
Other noncurrent liabilities	351.5	327.3
Total liabilities	3,841.4	3,367.6
Commitments and contingencies (Note 10)		
Minority interests, principally in AmeriGas Partners	139.5	206.3
Common Stockholders' Equity		
Common Stock, without par value		
(authorized - 300,000,000 shares; issued — 115,152,994 shares)	807.5	793.6
Retained earnings	370.0	266.3
Accumulated other comprehensive (loss) income	(3.8)	16.5
	1,173.7	1,076.4
Treasury stock, at cost	(74.1)	(78.8)
Total common stockholders' equity	1,099.6	997.6
Total liabilities and stockholders' equity	\$5,080.5	\$4,571.5

Consolidated Statements of Income

(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2006	2005	2004
Revenues			
AmeriGas Propane	\$ 2,119.3	\$ 1,963.3	\$ 1,775.9
International Propane	945.5	943.9	333.4
UGI Utilities	822.0	681.2	650.1
Energy Services and other	1,334.2	1,300.3	1,025.3
	5,221.0	4,888.7	3,784.7
Costs and Expenses			
Cost of sales	3,657.9	3,306.0	2,551.0
Operating and administrative expenses	969.2	966.6	767.8
Utility taxes other than income taxes	14.3	13.4	12.5
Depreciation and amortization	148.7	146.4	132.3
Other income, net	(36.8)	(46.7)	(10.2)
	4,753.3	4,385.7	3,453.4
Operating Income	467.7	503.0	331.3
Income (loss) from equity investees	(2.2)	(2.6)	11.3
Loss on extinguishments of debt	(18.5)	(33.6)	—
Interest expense	(123.6)	(130.2)	(119.1)
Income before Income Taxes and Minority Interests	323.4	336.6	223.5
Income taxes	(98.5)	(119.2)	(64.4)
Minority interests, principally in AmeriGas Partners	(48.7)	(29.9)	(47.5)
Net Income	\$ 176.2	\$ 187.5	\$ 111.6
Earnings Per Common Share:			
Basic	\$ 1.67	\$ 1.81	\$ 1.18
Diluted	\$ 1.65	\$ 1.77	\$ 1.15
Average Common Shares Outstanding (millions):			
Basic	105.455	103.877	94.616
Diluted	106.727	105.723	96.682

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(Millions of dollars)

	Year Ended September 30,		
	2006	2005	2004
Cash Flows From Operating Activities			
Net income	\$ 176.2	\$ 187.5	\$ 111.6
Reconcile to net cash provided by operating activities:			
Depreciation and amortization	148.7	146.4	132.3
Minority interests principally in AmeriGas Partners	48.7	29.9	47.5
Deferred income taxes, net	7.4	12.1	3.0
Provision for uncollectible accounts	25.0	25.1	17.3
Loss on extinguishments of debt	18.5	33.6	—
Tax benefit on exercise of stock options	—	10.2	2.9
Stock-based compensation expense	6.9	—	—
Net change in settled accumulated other comprehensive income	(37.1)	(3.8)	9.0
Other, net	10.3	(14.5)	9.4
Net change in:			
Accounts receivable and accrued utility revenues	34.8	(81.5)	4.9
Inventories	(31.9)	(29.4)	(39.4)
Deferred fuel costs	(17.9)	9.5	(6.9)
Accounts payable	(61.1)	70.0	(49.7)
Other current assets and liabilities	(49.1)	42.6	18.8
Net cash provided by operating activities	279.4	437.7	260.7
Cash Flows From Investing Activities			
Expenditures for property, plant and equipment	(191.7)	(158.4)	(133.7)
Acquisitions of businesses, net of cash acquired	(590.4)	(33.3)	(308.6)
Net proceeds from disposals of assets	8.8	16.7	11.5
Net proceeds from sale of Energy Ventures	13.3	—	—
Investments in ZLH	(10.1)	—	—
Decrease (increase) in short-term investments	69.4	(20.0)	—
Increase in restricted cash	(9.3)	(4.9)	—
Other, net	2.5	3.6	18.0
Net cash used by investing activities	(707.5)	(196.3)	(412.8)
Cash Flows From Financing Activities			
Dividends on UGI Common Stock	(72.5)	(67.4)	(56.3)
Distributions on AmeriGas Partners publicly held Common Units	(73.6)	(66.6)	(62.4)
Issuances of debt	1,145.4	576.0	30.1
Repayments of debt	(918.3)	(544.4)	(77.4)
Increase (decrease) in UGI Utilities bank loans with maturities of three months or less	204.8	(49.7)	20.2
Other bank loans (decrease) increase	2.2	(0.3)	0.1
Redemption of UGI Utilities preferred shares subject to mandatory redemption	—	(20.0)	—
Excess tax benefits from equity-based payment arrangements	0.9	—	—
Issuances of AmeriGas Partners Common Units	—	72.7	51.2
Issuances of UGI Common Stock	10.8	27.1	254.1
Repurchases of UGI Common Stock	—	—	(0.6)
Net cash provided (used) by financing activities	299.7	(72.6)	159.0
Effect of Exchange Rate Changes on Cash	4.5	(8.3)	0.6
Cash and cash equivalents (decrease) increase	\$ (123.9)	\$ 160.5	\$ 7.5
Cash and Cash Equivalents:			
End of year	\$ 186.2	\$ 310.1	\$ 149.6
Beginning of year	310.1	149.6	142.1
Decrease (increase)	\$ (123.9)	\$ 160.5	\$ 7.5

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(Millions of dollars, except per share amounts)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Notes Receivable from Employees	Treasury Stock	Total
Balance September 30, 2003	\$ 511.7	\$ 90.9	\$ 4.7	\$ (0.4)	\$ (108.2)	\$ 498.7
Net income		111.6				111.6
Net gain on derivative instruments (net of tax of \$15.0)			22.6			22.6
Reclassification of net gains on derivative instruments (net of tax of \$6.9)			(10.6)			(10.6)
Foreign currency translation adjustments (net of tax of \$0.9)			5.9			5.9
Comprehensive income		111.6	17.9			129.5
Cash dividends on Common Stock (\$0.60 per share)		(56.3)				(56.3)
Common Stock issued:						
Public offering	239.6					239.6
Employee and director plans	4.6				10.3	14.9
Dividend reinvestment plan	1.3				1.2	2.5
Net gain in connection with issuances of units by AmeriGas Partners (net of tax of \$6.6)	5.6					5.6
Common Stock reacquired					(0.6)	(0.6)
Payments on notes receivable from employees				0.2		0.2
Balance September 30, 2004	762.8	146.2	22.6	(0.2)	(97.3)	834.1
Net income		187.5				187.5
Net gain on derivative instruments (net of tax of \$7.9)			12.9			12.9
Reclassification of net gains on derivative instruments (net of tax of \$2.1)			(2.7)			(2.7)
Foreign currency translation adjustments (net of tax of \$6.5)			(16.3)			(16.3)
Comprehensive income (loss)		187.5	(6.1)			181.4
Cash dividends on Common Stock (\$0.65 per share)		(67.4)				(67.4)
Common Stock issued:						
Employee and director plans	17.2				17.7	34.9
Dividend reinvestment plan	1.6				0.8	2.4
Net gain in connection with issuances of units by AmeriGas Partners (net of tax of \$16.0)	12.0					12.0
Payments on notes receivable from employees				0.2		0.2
Balance September 30, 2005	793.6	266.3	16.5	—	(78.8)	997.6
Net income		176.2				176.2
Net loss on derivative instruments (net of tax of \$43.7)			(63.7)			(63.7)
Reclassification of net losses on derivative instruments (net of tax of \$13.2)			17.5			17.5

Foreign currency translation adjustments (net of tax of \$8.1)			25.9			25.9
Comprehensive income (loss)	176.2		(20.3)			155.9
Cash dividends on Common Stock (\$0.69 per share)	(72.5)					(72.5)
Common Stock issued:						
Employee and director plans	5.6			3.8		9.4
Dividend reinvestment plan	1.4			0.9		2.3
Stock-based compensation expense	6.9					6.9
Balance September 30, 2006	\$ 807.5	\$ 370.0	\$ (3.8)	\$ —	\$ (74.1)	\$1,099.6

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Millions of dollars and euros, 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 utilities, electricity generation, retail propane distribution, energy marketing and related businesses in the United States. Through foreign subsidiaries and joint-venture affiliates, UGI also distributes liquefied petroleum gases (“LPG”) in France, central and eastern Europe and China. We refer to UGI and its consolidated subsidiaries collectively as “the Company” or “we.”

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 OLP’s subsidiary, 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, 2006, the General Partner and its wholly owned subsidiary Petrolane Incorporated (“Petrolane”) collectively held a 1% general partner interest and 42.7% limited partner interest in AmeriGas Partners, and an effective 44.3% ownership interests in AmeriGas OLP and Eagle OLP.

Our limited partnership interest in AmeriGas Partners comprises 24,525,004 Common Units. The remaining 56.3% interest in AmeriGas Partners comprises 32,272,101 publicly held Common Units representing limited partner interests.

The Partnership has no employees. Employees of the General Partner conduct, direct and manage the activities of AmeriGas Partners and AmeriGas OLP. The General Partner also provides management and administrative services to AmeriGas Eagle Holdings, Inc., the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed monthly for all direct and indirect expenses it incurs on behalf of the Partnership including all General Partner employee compensation costs and a portion of UGI employee compensation and administrative costs. Although the Partnership’s operating income represents a significant portion of our consolidated operating income, the Partnership’s impact on our consolidated net income is considerably less due to the Partnership’s significant minority interest.

Our wholly owned subsidiary UGI Enterprises, Inc. (“Enterprises”) (1) conducts an LPG distribution business in France; (2) conducts LPG distribution businesses and participates in an LPG joint-venture business in central and eastern Europe (collectively, “Flaga”); and (3) participates in an LPG joint-venture business in the Nantong region of China. We refer to our foreign operations collectively as “International Propane.” Our LPG distribution business in France is conducted through Antargaz, a subsidiary of AGZ Holding (“AGZ”), and its operating subsidiaries (collectively, “Antargaz”). During 2006, we formed a Dutch private limited liability company, UGI International Holdings, B.V. to hold our interests in Antargaz and Flaga.

Our natural gas and electric distribution utility businesses are conducted through our wholly owned subsidiary, UGI Utilities, Inc. and its subsidiary, UGI Penn Natural Gas, Inc. (“UGIPNG”). UGI Utilities, Inc. owns and operates (1) a natural gas distribution utility in eastern Pennsylvania (“UGI Gas”), (2) a natural gas distribution utility in northeastern Pennsylvania (“PNG Gas”) which was acquired effective August 24, 2006, and (3) an electric distribution utility in northeastern Pennsylvania (“Electric Utility”). On August 24, 2006, UGI Utilities, Inc., through UGIPNG, acquired the natural gas businesses of PG Energy, an operating division of Southern Union Company (see Note 2). UGI Gas and PNG Gas (collectively, “Gas Utility”) are subject to regulation by the Pennsylvania Public Utility Commission (“PUC”). The term “UGI Utilities” is used sometimes as abbreviated reference to UGI Utilities, Inc. or UGI Utilities, Inc. and UGIPNG.

In addition, Enterprises conducts an energy marketing business primarily in the eastern region of the United States through its wholly owned first- and second-tier subsidiaries (collectively, “Energy Services”). Energy Services’ wholly owned subsidiary UGI Development Company (“UGID”) and UGID’s subsidiaries own and operate a 48-megawatt coal-fired electric generation station and a 6% interest in Pennsylvania-based electric generation assets. In addition, Energy Services’ wholly owned subsidiary UGI Asset Management, Inc. through its subsidiary Atlantic Energy, Inc. (collectively, “Asset Management”) owns a propane storage terminal located in Chesapeake, Virginia. Through other subsidiaries, Enterprises owns and operates heating, ventilation, air-conditioning, refrigeration and electrical contracting services businesses in the Middle Atlantic States (“HVAC/R”).

UGI was incorporated in Pennsylvania in 1991. UGI is not subject to regulation by the PUC. UGI is a “holding company” under the Public Utility Holding Company Act of 2005 (“PUHCA 2005”). PUHCA 2005 and the implementing regulations of the Federal Energy Regulatory Commission (“FERC”) give FERC access to certain holding company books and records and impose certain accounting, record-keeping, and reporting requirements on holding companies. PUHCA 2005 also provides state utility regulatory commissions with access to holding company books and records in certain circumstances. Pursuant to a waiver granted in accordance with FERC’s regulations on the basis of UGI’s status as a single-state holding company system, UGI is not subject to certain of the accounting, record-keeping, and reporting requirements prescribed by FERC’s regulations.

Consolidation Principles. The consolidated financial statements include the accounts of UGI and its controlled subsidiary companies which, except for the Partnership, are majority owned. We eliminate all significant intercompany accounts and transactions when we consolidate. We report the public's limited partner interests in the Partnership and

Notes to Consolidated Financial Statements

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

Note 1 continued

other parties' interests in our consolidated, but less than 100% owned, subsidiaries of Antargaz, as minority interests. Entities in which we own 50% or less and in which we exercise significant influence over operating and financial policies are accounted for by the equity method (see Note 15). Effective with our March 2004 acquisition of the remaining 80.5% ownership interests in AGZ and our November 2004 acquisition of the remaining 50% ownership interest in Atlantic Energy, Inc., we began consolidating all of their operations (see Note 2). Investments in equity investees are included in other assets in the Consolidated Balance Sheets. Gains resulting from issuances and sales of AmeriGas Partners' Common Units are recorded as increases to common stockholders' equity with corresponding decreases to minority interests in accordance with U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary." In addition, we record deferred income tax liabilities with a corresponding reduction in common stockholders' equity associated with such gains (see Note 14).

Reclassifications. We have reclassified certain prior-year balances to conform to the current-year presentation.

Use of Estimates. We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States of America. 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. We account for the operations of Gas Utility and Electric Utility in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 requires us to record the effects of rate regulation in the financial statements. SFAS 71 allows us to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and income will be allowed in the ratemaking process in a period different from the period in which they would have been reflected in the income statement of an unregulated company. These deferred assets and liabilities are then flowed through the income statement in the period in which the same amounts are included in rates and recovered from or refunded to customers. As required by SFAS 71, we monitor our regulatory and competitive environments to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these regulatory assets is no longer probable, such assets would be written off against earnings. We believe that SFAS 71 continues to apply to our regulated utility operations and that the recovery of our regulatory assets is probable.

Regulatory assets and liabilities associated with Gas Utility and Electric Utility operations included in our accompanying balance sheets at September 30 comprise the following:

	2006	2005
Regulatory assets:		
Income taxes recoverable	\$ 64.3	\$ 58.6
Postretirement benefits	5.4	1.7
Other	3.2	1.0
Total regulatory assets	\$ 72.9	\$ 61.3
Regulatory liabilities:		
Postretirement benefits	\$ 3.8	\$ 2.8
Deferred fuel costs	12.2	17.4
Total regulatory liabilities	\$ 16.0	\$ 20.2

UGI Utilities' regulatory liabilities relating to postretirement benefits and deferred fuel costs are included in "other noncurrent liabilities" and "other current liabilities," respectively, on the Consolidated Balance Sheets. UGI Utilities does not recover a rate of return on its regulatory assets.

Derivative Instruments. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("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. 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 11.

Consolidated Statements of Cash Flows. We define cash equivalents as 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. Restricted cash represents cash deposited in our natural gas futures accounts to satisfy margin requirements.

We paid interest totaling \$129.3 in 2006, \$130.6 in 2005 and \$117.7 in 2004. We paid income taxes totaling \$142.6 in 2006, \$54.7 in 2005 and \$70.2 in 2004.

Revenue Recognition. We recognize revenues from the sale of propane and other LPG principally as product is delivered to customers. Revenue from the sale of appliances and equipment is recognized at the time of sale or installation. We record UGI Utilities' regulated revenues for service provided to the end of each month which includes an accrual for certain unbilled amounts based upon estimated usage. We reflect the impact of UGI Utilities' rate increases or decreases at the time they become effective. Energy Services records revenues when energy products are delivered to customers.

Inventories. Our inventories are stated at the lower of cost or market. We determine cost using an average cost method for natural gas, propane and other LPG, specific identification for appliances and the first-in, first-out ("FIFO") method for all other inventories.

Earnings Per Common Share. Basic earnings per share reflect the weighted-average number of common shares outstanding. Diluted earnings per share include the effects of dilutive stock options and common stock awards. In the following table, we present shares used in computing basic and diluted earnings per share for 2006, 2005 and 2004:

	2006	2005	2004
Denominator (millions of shares):			
Average common shares outstanding for basic computation	105.455	103.877	94.616
Incremental shares issuable for stock options and awards	1.272	1.846	2.066
Average common shares outstanding for diluted computation	106.727	105.723	96.682

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

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

We are amortizing deferred investment tax credits related to UGI Utilities' plant additions over the service lives of the related property. UGI 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.

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 Gas Utility and Electric Utility retire depreciable utility plant and equipment, we charge the original cost, net of removal costs and salvage value, to accumulated depreciation for financial accounting purposes. When our unregulated businesses retire or otherwise dispose of plant and equipment, we remove the cost and accumulated depreciation from the appropriate accounts and any resulting gain or loss is recognized in "Other income, net" in the Consolidated Statements of Income. We record depreciation expense for UGI Utilities' plant and equipment on a straight-line method over the estimated average remaining lives of the various classes of its depreciable property. Depreciation expense as a percentage of the related average depreciable base for Gas Utility was 2.5% in 2006, 2.4% in 2005 and 2.3% in 2004. Depreciation expense as a percentage of the related average depreciable base for Electric Utility was 2.8% in 2006, 2.9% in 2005 and 2.8% in 2004. We compute depreciation expense on plant and equipment associated with our LPG operations using the straight-line method over estimated service lives generally ranging from 15 to 40 years for buildings and improvements; 7 to 40 years for storage and customer tanks and cylinders; and 2 to 12 years for vehicles, equipment, and office furniture and fixtures. We compute depreciation expense on plant and equipment associated with our electric generation assets on a straight-line basis over 25 years. Depreciation expense was \$130.9 in 2006, \$127.8 in 2005 and \$119.9 in 2004.

Costs to install Partnership-owned tanks, net of amounts billed to customers, are capitalized and amortized over the estimated period of benefit not exceeding ten years.

Intangible Assets. Intangible assets comprise the following at September 30:

	2006	2005
Goodwill (not subject to amortization)	\$1,418.2	\$1,231.2
Other intangible assets:		
Customer relationships, noncompete agreements and other	183.0	\$ 177.2
Trademark (not subject to amortization)	43.1	40.8
Gross carrying amount	226.1	218.0
Accumulated amortization	(62.8)	(45.4)
Net carrying amount	\$ 163.3	\$ 172.6

The changes in the carrying amount of intangible assets during the year ended September 30, 2006 principally reflects business acquisitions and the effects of foreign currency translation.

We amortize customer relationship and noncompete agreement intangibles over their estimated periods of benefit which do not exceed 15 years. Amortization expense of intangible assets was \$16.5 in 2006, \$16.9 in 2005 and \$11.1 in 2004 including amortization expense associated with customer contracts recorded in cost of sales. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2007 — \$15.7; Fiscal 2008 — \$15.4; Fiscal 2009 — \$14.7; Fiscal 2010 — \$13.3; Fiscal 2011 — \$12.7.

In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), we amortize intangible assets over their useful lives unless we determined their lives to be indefinite. Goodwill and other intangible assets with indefinite lives are not amortized but are subject to tests for impairment at least annually. SFAS 142 requires that we perform impairment tests annually or more frequently if events or circumstances indicate that the value of goodwill might be impaired. When performing our impairment tests, we use quoted market prices or, in the absence of quoted market prices, valuation techniques which use discounted estimates of future cash flows. No provisions for goodwill impairments were recorded during 2006, 2005 or 2004.

Stock-Based Compensation. Effective October 1, 2005, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). Prior to October 1, 2005, as permitted, we applied the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for

Notes to Consolidated Financial Statements

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

Note 1 continued

grants of stock, stock options and other equity instruments ("Units") to employees. Under APB 25, the Company did not record any compensation expense for stock options, but provided the required pro forma disclosures as if we had determined compensation expense under the fair value method prescribed by the provisions of SFAS No. 123 (prior to its revision). As permitted by SFAS 123R, under the modified prospective approach, effective October 1, 2005, we began recording compensation expense for awards that were not vested as of that date and we did not restate any prior periods. The adoption of SFAS 123R resulted in pre-tax stock option expense of \$3.8 during the twelve months ended September 30, 2006. SFAS 123R also requires the calculation of an accumulated pool of tax windfalls using historical data from the effective date of SFAS No. 123 (prior to its revision). We have calculated a tax windfall pool using the shortcut method and any future tax shortfalls related to equity-based compensation will be charged against common stock up to the amount of the tax windfall pool.

In accordance with SFAS 123R, all of our equity-based compensation cost is measured on grant date, date of modification, if any, or at the end of the period based upon the fair value of that award and is recognized in the income statement over the requisite service period. For periods prior to and subsequent to the adoption of SFAS 123R, we used the Black-Scholes option-pricing model to estimate the fair value of each option. Equity-based awards that can be settled at our option in cash or shares of UGI Common Stock are presented in the Consolidated Balance Sheets as liabilities. Effective in June 2006, the Company modified the settlement terms of certain awards granted to 28 employees January 1, 2006 which did not impact the number of the awards to employees. As a result of this modification, a portion of these awards is presented as equity (fixed settlement terms) and a portion remains a liability (settlement in cash or Common Stock at the employees' discretion) in the Consolidated Balance Sheet as of September 30, 2006. We used the Monte Carlo valuation model to estimate the fair value of these modified Unit awards. The Company did not record any incremental compensation expense as a result of this modification.

We also modified the settlement terms of all of our Unit awards granted to our seven non-employee directors. Unit awards made to our non-employee directors are now settled 65% in shares of UGI Common Stock and 35% in cash. Prior to this modification, these units were settled 100% in shares of UGI Common Stock. As a result of this modification, we recorded additional pre-tax stock-based compensation expense of \$1.0 during the year ended September 30, 2006.

Certain employees of the General Partner have been granted the right to receive AmeriGas Partners Common Units. Awards up to a total of 500,000 AmeriGas Partners Common Units may have performance terms similar to UGI Unit awards and compensation expense is estimated and recorded in the same manner and awards up to a total of 200,000 AmeriGas Partners Common Units have service requirements only. The General Partner made a modification to the settlement of certain of its AmeriGas Partner Common Unit awards. The Partnership did not incur any incremental compensation expense as a result of this modification.

We recognized total pre-tax equity-based compensation expense of \$9.0 (\$6.0 after-tax), \$15.5 (\$10.1 after-tax) and \$14.3 (\$9.3 after-tax) in 2006, 2005 and 2004, respectively. The chart below reflects the effects on net income and basic and diluted earnings per share for 2005 and 2004 as if we had applied the provisions of SFAS 123R (prior to the adoption of SFAS 123R).

	Year Ended September 30,	
	2005	2004
Net income, as reported	\$ 187.5	\$ 111.6
Add: Stock and unit-based employee expense included in reported net income, net of related tax effects	10.1	9.3
Deduct: Total stock and unit-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(11.9)	(10.4)
Pro forma net income	\$ 185.7	\$ 110.5
Basic earnings per share:		
As reported	\$ 1.81	\$ 1.18
Pro forma	\$ 1.79	\$ 1.17
Diluted earnings per share:		
As reported	\$ 1.77	\$ 1.15
Pro forma	\$ 1.76	\$ 1.14

For a description of our stock and unit-based compensation plans and related disclosures, see Note 8.

Deferred Debt Issuance Costs. Included in other assets are net deferred debt issuance costs of \$19.9 at September 30, 2006 and \$10.1 at September 30, 2005. We are amortizing these costs over the terms of the related debt.

Refundable Tank and Cylinder Deposits. Included in other non-current liabilities are customer paid deposits on Antargaz owned tanks and cylinders of \$207.4 and \$200.6 at September 30, 2006 and 2005, respectively. Deposits are refundable to customers when the tanks or cylinders are returned in accordance with contract terms.

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 fifteen years once the installed software is ready for its intended use.

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

Environmental and Other Legal Matters. 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. Amounts accrued generally reflect our best estimate of costs expected to be incurred or the minimum liability associated with a range of expected environmental response costs. 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. In those

instances for which the amount and timing of cash payments associated with environmental investigation and cleanup are reliably determinable, we discount such liabilities to reflect the time value of money. We intend to pursue recovery of incurred costs through all appropriate means, including regulatory relief. UGI Gas is permitted to amortize as removal costs site-specific environmental investigation and remediation costs, net of related third-party payments, associated with Pennsylvania sites. UGI Gas is currently permitted to include in rates, through future base rate proceedings, a five-year average of such prudently incurred removal costs. In accordance with existing regulatory practices at the PUC, site-specific environmental investigation and remediation costs associated with PNG Gas are amortized as removal costs over a five-year period. At September 30, 2006, neither the Company's undiscounted amount nor its accrued liability for environmental investigation and cleanup costs was material.

Similar to environmental issues, we accrue investigation and other legal costs for other matters when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated (see Note 10).

Foreign Currency Translation. Balance sheets of international subsidiaries and our investment in international LPG 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 an 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.

Employee Retirement Plans. The Company uses a market related value of plan assets and the expected long-term rate of return on plan assets to determine the expected return on plan assets associated with its pension plans. The market related value of plan assets other than equities in our pension plans is based upon the market price of the plan assets or similar assets. The market related value of equities in our pension plans is calculated by rolling forward the prior-year's market related value with contributions, disbursements and the expected return on plan assets. One third of the difference between the expected and the actual value is then added to or subtracted from the expected value to determine the new market related value. See Note 5.

Comprehensive Income. Comprehensive income comprises net income and other comprehensive (loss) income. Other comprehensive (loss) income principally results from gains and losses on derivative instruments qualifying as cash flow hedges and foreign currency translation adjustments.

The components of accumulated other comprehensive income (loss) at September 30, 2006 and 2005 follow:

	Derivative Instruments Gains (Losses)	Foreign Currency Translation Adjustments	Total
Balance — September 30, 2006	\$ (23.4)	\$ 19.6	\$ (3.8)
Balance — September 30, 2005	\$ 17.7	\$ (1.2)	\$ 16.5

Recently Issued Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R)," ("SFAS 158"). SFAS 158 requires an employer to recognize the funded status of each of its defined pension and postretirement benefit plans as a net asset or liability in its balance sheet with an offsetting amount in accumulated other comprehensive income, and to recognize changes in that funded status in the year in which changes occur through comprehensive income. SFAS 158 is effective as of the end of our fiscal year ending September 30, 2007. Had SFAS 158 been applied to our September 30, 2006 Balance Sheet, we estimate that the impact would have resulted in a reduction of long-term assets of \$19.3, an increase of long-term liabilities of \$24.3, a net reduction of deferred tax liabilities of \$17.4 and decreased stockholders' equity of \$26.2. However, the effect at any future date could differ significantly depending on the measurement of our pension and other postretirement benefit plan assets and obligations at that date.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS 157 are effective for our fiscal year beginning October 1, 2008. We are currently evaluating the impact, if any, of the provisions of SFAS 157.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered when quantifying a current year misstatement. The provisions of SAB 108 are effective for the end of our fiscal year ending September 30, 2007.

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on

derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for our fiscal year beginning October 1, 2007. We are currently evaluating the impact that this standard will have on our Consolidated Financial Statements.

In March 2006, the Financial Accounting Standards Board issued SFAS No. 156, "Accounting for Servicing of Financial Assets — An Amendment of FASB Statement No. 140" ("SFAS 156"). SFAS 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, unless it is impracticable to do so. SFAS 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. SFAS 156 is effective as of the beginning of our fiscal year ending September 30, 2007. The adoption of SFAS 156 will not have a material impact on our Consolidated Financial Statements.

Notes to Consolidated Financial Statements

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

Note 2 — Acquisitions and Investments

On August 24, 2006, UGI Utilities acquired certain assets and assumed certain liabilities of Southern Union Company's ("SU's") PG Energy Division, a natural gas distribution business located in northeastern Pennsylvania, and all of the issued and outstanding stock of SU's wholly-owned subsidiary, PG Energy Services, Inc. (the "PG Energy Acquisition") pursuant to a Purchase and Sale Agreement, as amended, between SU and UGI dated as of January 26, 2006 (the "Agreement"). The acquired businesses are referred to herein as PNG Gas. Immediately prior to the PG Energy Acquisition, UGI assigned its rights and obligations under the Agreement to UGI Utilities' newly formed subsidiary, UGI Penn Natural Gas, Inc. ("UGIPNG"). Consistent with our growth strategies, the PG Energy Acquisition added approximately 158,000 customers increasing UGI Utilities' presence in northeastern Pennsylvania.

Under the terms of the Agreement, on August 24, 2006, UGI Utilities paid SU the acquisition price of \$580 (excluding transaction fees and expenses) which is subject to working capital adjustments. The cash payment of \$580 was funded with net proceeds from the issuance of \$275 of UGI Utilities' bank loans under a Credit Agreement dated as of August 18, 2006 (the "Bridge Loan"), cash capital contributions from UGI of \$265 and \$40 from borrowings under UGI Utilities' revolving credit agreement for working capital. In September 2006, UGI Utilities repaid the Bridge Loan with proceeds from the issuance of \$175 of 5.753% Senior Notes due 2016 and \$100 of 6.206% Senior Notes due 2036.

The assets and liabilities of PNG Gas are included in our Consolidated Balance Sheet at September 30, 2006. The operating results of PNG Gas are included in our consolidated results beginning August 24, 2006. The preliminary purchase price allocation has not been finalized because we are still in the process of reviewing and determining the fair value of certain of PNG Gas' assets acquired and liabilities assumed, principally working capital adjustments and amounts associated with environmental liabilities. The purchase price is subject to a working capital adjustment, pursuant to the terms of the Agreement, equal to the difference between an estimated \$68.1 and the actual working capital as of the closing date agreed to by both UGI Utilities and SU.

The preliminary purchase price of PNG Gas, including estimated transaction fees and expenses of \$9.8, has been allocated to the assets acquired and liabilities assumed, as follows:

Working capital	\$ 49.6
Property, plant and equipment	362.3
Goodwill	182.9
Regulatory assets	6.7
Other assets	0.8
Noncurrent liabilities	(12.5)
Total	\$589.8

Substantially all of the estimated goodwill is expected to be deductible for income tax purposes over a fifteen-year period.

The following table presents unaudited pro forma income statement and basic and diluted per share data for the years ended September 30, 2006 and 2005 as if the acquisition of PNG Gas had occurred as of the beginning of that period:

	2006 (pro forma)	2005 (pro forma)
Revenues	\$5,545.7	\$5,176.1
Net income	88.5	199.5
Earnings per share:		
Basic	\$ 0.84	\$ 1.92
Diluted	\$ 0.83	\$ 1.89

The pro forma results of operations reflect PNG Gas' historical operating results after giving effect to adjustments directly attributable to the transaction that are expected to have a continuing effect. The pro forma amounts are not necessarily indicative of the operating results that would have occurred had the PG Energy Acquisition been completed as of the date indicated, nor are they necessarily indicative of future operating results. The unaudited pro forma results for the twelve months ended September 30, 2006 include a writedown of goodwill of \$98 recorded by SU during the three months ended December 31, 2005.

Pursuant to the Agreement, SU and UGIPNG entered into a Transition Services Agreement ("TSA") whereby each party will be a provider and receiver of certain services to the other. The principal services include general business continuity, information technology, accounting and tax services. Services under the TSA will be provided through the expiration of the term relating to each service or until such time as mutually agreed upon by SU and UGIPNG.

On February 15, 2006, Flaga entered into a joint venture with a subsidiary of Progas GmbH & Co KG ("Progas") to

create a company for the retail distribution of LPG in portions of central and eastern Europe. Headquartered in Dortmund, Germany, Progas is controlled by Thyssen'sche Handelsgesellschaft m.b.H. The joint venture company, Zentraleuropa LPG Holding ("ZLH"), an Austrian limited liability company, through its subsidiaries engages in the business of retail distribution of LPG in the Czech Republic, Hungary, Poland, Slovakia and Romania. In forming the joint venture, Flaga contributed the shares of its LPG subsidiaries operating in the Czech Republic and Slovakia to ZLH and paid €9.2 cash to Progas. Progas contributed the shares of its LPG subsidiaries operating in the Czech Republic, Hungary, Poland, Romania and Slovakia to ZLH. These LPG operating subsidiaries distributed approximately 77 million gallons of LPG in these five countries in 2005. ZLH is owned and controlled equally by Flaga and Progas. In a related transaction, Flaga purchased Progas' retail LPG business in Austria.

Also during 2006, AmeriGas OLP acquired two retail propane distribution businesses and a cylinder refurbishing business for total cash consideration of approximately \$2.8. The pro forma effects of these and Flaga's transactions were not material. The operating results of these businesses have been included in our results of operations from their respective dates of acquisition.

In March 2006, UGID sold its 50% ownership interest in Hunlock Creek Energy Ventures (“Energy Ventures”) to Allegheny Energy Supply Hunlock Creek, LLC. Energy Ventures’ assets primarily comprised a 44-megawatt gas-fired combustion turbine electric generator and a 48-megawatt coal-fired electric generation facility. As part of the consideration in this sale, Energy Ventures transferred the 48-megawatt coal-fired electric generation station to UGID. UGID recorded a net pre-tax gain of \$9.1 (\$5.3 after-tax) associated with this transaction, which is reflected in other income, net in the Consolidated Statement of Income for the twelve months ended September 30, 2006.

During 2005, AmeriGas OLP acquired several retail propane distribution businesses for total cash consideration of approximately \$22.7. HVAC/R acquired a commercial and residential electrical contracting business in September 2005. The operating results of these businesses have been included in our operating results from their respective dates of acquisition. The pro forma effects of these transactions were not material.

In November 2004, UGI Asset Management, Inc. acquired from ConocoPhillips Company and AmerE Holdings, Inc. (a wholly owned, indirect subsidiary of AmeriGas OLP) in separate transactions 100% of the issued and outstanding common stock of Atlantic Energy for an aggregate purchase price of approximately \$24 in cash, including post-closing adjustments (the “AEI Acquisition”). The AEI Acquisition has been accounted for as a step acquisition in the Consolidated Financial Statements. In connection with this acquisition, Atlantic Energy and AmeriGas OLP entered into a long-term propane supply agreement.

On March 31, 2004 (the “Closing Date”), UGI, through its subsidiary, UGI Bordeaux Holding (as assignee of UGI France), completed its acquisition of the remaining outstanding 80.5% ownership interests of AGZ, a French corporation and the parent company of Antargaz, a French corporation and a leading distributor of LPG in France, pursuant to the terms of (i) a Share Purchase Agreement dated as of February 17, 2004, by and among UGI France, UGI, PAI partners, a French corporation, and certain officers, directors and managers of AGZ and Antargaz and their affiliates, and (ii) that certain Medit Joinder Agreement dated February 20, 2004, by and among UGI France, UGI, Medit Mediterranea GPL, S.r.L., a company incorporated under the laws of Italy (“Medit”), and PAI partners (herein referred to as the “Antargaz Acquisition”). The acquisition of the remaining interests in AGZ is consistent with our growth strategies and core competencies.

The purchase price on the Closing Date of €261.8 or \$319.2 (excluding transaction fees and expenses) was subject to post-closing working capital and net debt adjustments. UGI used the cash proceeds from its March 2004 public offering of 15 million shares of its common stock and \$89.0 of available cash to fund the purchase price. In accordance with the Share Purchase Agreement, UGI paid an additional €5.8 (\$7.1) as a result of post-closing adjustments. In addition, we incurred transaction fees and expenses of \$5.4. See Note 8 for additional information regarding the issuance of UGI Common Stock.

The Antargaz Acquisition has been accounted for as a step acquisition. UGI’s initial 19.5% equity investment in AGZ has been allocated to 19.5% of AGZ’s assets and liabilities at March 31, 2004. The amount by which the carrying value of UGI’s equity investment exceeded the aforementioned allocation has been recorded as goodwill.

The purchase price of the remaining 80.5% of AGZ, including transaction fees and expenses, has been allocated to the assets acquired and liabilities assumed, as follows:

Working capital	\$ 28.7
Property, plant and equipment	337.0
Goodwill	469.3
Customer relationships (estimated useful life of twelve years)	97.1
Trademark and other intangible assets	38.6
Long-term debt (including current maturities)	(392.6)
Deferred income taxes	(108.8)
Minority interests	(11.1)
Other assets and liabilities	(126.5)
Total	\$ 331.7

None of the goodwill is expected to be deductible for income tax purposes.

The assets and liabilities of AGZ have been included in our Consolidated Balance Sheets since March 31, 2004. The operating results of AGZ are included in our consolidated results beginning April 1, 2004. For periods prior to April 1, 2004, our 19.5% equity interest in AGZ is reflected in our Consolidated Financial Statements under the equity method of accounting.

The following table presents unaudited pro forma income statement and basic and diluted per share data for the year ended September 30, 2004 as if the Antargaz Acquisition had occurred as of the beginning of that period:

Revenues	\$4,293.0
Net income	168.2
Earnings per share:	
Basic	\$ 1.66
Diluted	\$ 1.62

The pro forma results of operations reflect AGZ's historical operating results after giving effect to adjustments directly attributable to the transaction that are expected to have a continuing effect. The pro forma amounts are not necessarily indicative of the operating results that would have occurred had the acquisition been completed as of the date indicated, nor are they necessarily indicative of future operating results.

In addition, during the year ended September 30, 2004, AmeriGas OLP completed several smaller acquisitions of retail propane businesses, HVAC/R acquired a commercial refrigeration business and Flaga acquired a retail propane distribution business in the Czech Republic. The pro forma effect of these transactions is not material.

Notes to Consolidated Financial Statements

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

Note 3 — Debt

Long-term debt comprises the following at September 30:

	2006	2005
AmeriGas Propane:		
AmeriGas Partners Senior Notes:		
8.875%, due May 2011 (including unamortized premium of \$0.2 and \$0.3, respectively, effective rate — 8.46%)	\$ 14.8	\$ 14.9
10%, due April 2006 (effective rate — 10.125%)	—	60.0
7.25%, due May 2015	415.0	415.0
7.125%, due May 2016	350.0	—
AmeriGas OLP First Mortgage Notes:		
Series A, 9.34% - 11.71%, due April 2006 through April 2009 (including unamortized premium of \$3.6 in 2005, effective rate — 8.91%)	—	163.6
Series C, 8.83%, due April 2006 through April 2010	—	68.8
Series D, 7.11%, due March 2009 (including unamortized premium of \$0.9 and \$1.3, respectively, effective rate — 6.52%)	70.9	71.3
Series E, 8.50%, due July 2010 (including unamortized premium of \$0.1, effective rate — 8.47%)	80.1	80.1
AmeriGas OLP Term Loan	—	35.0
Other	2.9	4.8
Total AmeriGas Propane	\$ 933.7	913.5
International Propane:		
Antargaz Senior Facilities term loan, due March 2011	483.5	210.4
Antargaz 10% High Yield Bonds, due July 2011 (including unamortized premium of \$17.0 in 2005, effective rate — 7.68%)	—	215.4
Flaga Acquisition Note, due through September 2006	—	55.9
Flaga euro special purpose facility	—	2.0
Flaga Term Loan	60.9	—
Other	2.6	5.4
Total International Propane	547.0	489.1
UGI Utilities:		
Senior Notes:		
5.75% Notes, due October 2016	175.0	—
6.21% Notes, due October 2034	100.0	—
Medium-Term Notes:		
7.14% Notes, due December 2005 (effective rate — 6.64%)	—	30.0
7.14% Notes, due December 2005	—	20.0
7.17% Notes, due June 2007	20.0	20.0
5.53% Notes, due September 2012	40.0	40.0
5.37% Notes, due August 2013	25.0	25.0
5.16% Notes, due May 2015	20.0	20.0
7.37% Notes, due October 2015	22.0	22.0
5.64% Notes, due December 2015	50.0	—
7.25% Notes, due November 2017	20.0	20.0
6.50% Notes, due August 2033	20.0	20.0
6.13% Notes, due October 2034	20.0	20.0
Total UGI Utilities	512.0	237.0
Other	4.2	4.9
Total long-term debt	1,996.9	1,644.5
Less current maturities (including net unamortized premium of \$0.5 and \$4.2, respectively)	(31.9)	(252.0)
Total long-term debt due after one year	\$1,965.0	\$1,392.5

Scheduled principal repayments of long-term debt due in fiscal years 2007 to 2011 follows:

	2007	2008	2009	2010	2011
AmeriGas Propane	\$ 1.4	\$ 0.7	\$ 70.5	\$ 80.2	\$ 14.7
UGI Utilities	20.0	—	—	—	—
International Propane	8.6	7.9	7.8	7.7	512.4
Other	1.4	3.7	1.6	0.1	—

Total	\$ 31.4	\$ 12.3	\$ 79.9	\$ 88.0	\$ 527.1
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AmeriGas Propane

AmeriGas Partners Senior Notes. The 7.25% and 7.125% Senior Notes generally cannot be redeemed at our option prior to May 20, 2010 and 2011, respectively. The 8.875% Senior Notes generally may be redeemed at our option (pursuant to a tender offer), however, a redemption premium applies through May 19, 2009. In January 2006, AmeriGas Partners refinanced its Series A and Series C First Mortgage Notes totaling \$228.8, a \$35 term loan and \$59.6 of the Partnership's \$60 10% Senior Notes with \$350 of its 7.125% Senior Notes due 2016. In May 2005, AmeriGas Partners refinanced \$373.4 of its 8.875% Senior Notes pursuant to a tender offer with \$415 of 7.25% Senior Notes. AmeriGas Partners recognized losses of \$17.1 and \$33.6 associated with these refinancings which amounts are reflected in "Loss on extinguishments of debt" in the 2006 and 2005 Consolidated Statements of Income, respectively. AmeriGas Partners may, under certain circumstances following the disposition of assets or a change of control, be required to offer to prepay its 7.25% and 7.125% Senior Notes.

AmeriGas OLP First Mortgage Notes. As of November 6, 2006, AmeriGas OLP's First Mortgage Notes are no longer collateralized by substantially all of its assets. 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 Credit Agreement. Effective November 6, 2006, AmeriGas OLP entered into a new unsecured Credit Agreement ("Credit Agreement") consisting of (1) a Revolving Credit Facility and (2) an Acquisition Facility. The General Partner and Petrolane are guarantors of amounts outstanding under the Credit Agreement. Reference made to the Credit Agreement relates to both the former and new Credit Agreement, as appropriate.

Under the Revolving Credit Facility, AmeriGas OLP may borrow up to \$125 (\$100 prior to November 6, 2006), including a \$100 sublimit for letters of credit, which is subject to restrictions in the AmeriGas Partners Senior Notes indentures (see "Restrictive Covenants" below). The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Revolving Credit Facility expires on October 15, 2011, but may be extended for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. There were no borrowings outstanding under AmeriGas OLP's Revolving Credit Agreement at September 30, 2006 and 2005. Issued and

outstanding letters of credit, which reduce available borrowings under the Revolving Credit Facility, totaled \$58.9 and \$56.3 at September 30, 2006 and 2005, respectively.

The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75 to finance the purchase of propane businesses or propane business assets or, to the extent it is not so used, for working capital and general purposes, subject to restrictions in the Senior Notes indentures. The Acquisition Facility operates as a revolving facility through October 15, 2011, at which time amounts then outstanding will be immediately due and payable. There were no amounts outstanding under the Acquisition Facility at September 30, 2006 and 2005.

The Revolving Credit Facility and the Acquisition Facility permit AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank's prime rate (8.25% at September 30, 2006), or at a two-week, one-, two-, three-, or six-month Eurodollar Rate, as defined in the Credit Agreement, plus a margin. The margin on Eurodollar Rate borrowings (which ranges from 1.00% to 1.75%), and the Credit Agreement facility fee rate (which ranges from 0.25% to 0.375%) 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 Credit Agreement.

AmeriGas OLP Term Loan. In April 2005, AmeriGas OLP entered into a \$35.0 variable-rate term loan due October 1, 2006 ("AmeriGas OLP Term Loan"), which bore interest plus margin at the same rates as the Credit Agreement. Proceeds from the AmeriGas OLP Term Loan were used to repay a portion of the \$53.8 maturing AmeriGas OLP First Mortgage Notes. The Partnership used a portion of the proceeds from the issuance of the 7.125% Senior Notes due 2016 to repay the AmeriGas OLP Term Loan in January 2006.

Restrictive Covenants. The 7.25% and 7.125% Senior Notes of AmeriGas Partners restrict the ability of the Partnership and AmeriGas OLP 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.

The Credit Agreement and First Mortgage Notes restrict the incurrence of additional indebtedness and also restrict certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The Credit Agreement and First Mortgage Notes require a maximum ratio of total indebtedness to EBITDA, as defined. In addition, the Credit Agreement requires that AmeriGas OLP maintain a minimum ratio of EBITDA to interest expense, as defined. Generally, as long as no default exists or would result, the Partnership and AmeriGas OLP are 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.

International Propane

On December 7, 2005, Antargaz executed a new five-year, floating rate Senior Facilities Agreement with a major French bank providing for a €380 term loan and a €50 revolving credit facility. AGZ Finance notified the holders of its High Yield Bonds of its decision to redeem them, including a premium, pursuant to the Trust Deed. The proceeds of the term loan were used in December 2005 to repay immediately the existing €175 Senior Facilities term loan, to fund the redemption of the €165 High Yield Bonds in January 2006, including a premium, and for general corporate purposes. As a result of this refinancing, we incurred a pre-tax loss on extinguishment of debt of \$1.4 (\$0.9 after-tax). In addition, AGZ has executed interest rate swap agreements with the same bank to fix the rate of interest on the term loan for the duration of the loan at a rate of approximately 3.25% (see Note 11).

Antargaz' term loan bears interest at euribor or libor plus margin, as defined by the Senior Facilities Agreement. The margin (which ranges from 0.70% to 1.15%) is dependent upon Antargaz' ratio of total net debt to EBITDA, each as defined by the Senior Facilities Agreement. The Senior Facilities debt has been collateralized by substantially all of Antargaz' shares in its subsidiaries and by substantially all of its accounts receivable.

Effective in July 2006, Flaga entered into a euro-based, variable-rate term loan facility in the amount of €48 and a working capital facility of up to €8 which expire in September 2011. The term loan bears interest at a rate of 0.52% to 1.45% over one-to twelve-month euribor rates (as chosen by Flaga from time to time). Generally, principal payments of €3 on the term loan are due semi-annually on March 31 and September 30 each year with final payments totaling €24 due in 2011. The effective interest rate on Flaga's term loan, at September 30, 2006 was 3.72%. In November 2006, Flaga effectively fixed the rate of interest for the duration of its term loan at 3.91% plus margin by entering into an interest rate swap agreement. Flaga may prepay the term loan, in whole or in part, without incurring any premium. Flaga refinanced its multi-currency acquisition note ("Acquisition Note") with the proceeds from its term loan. The Acquisition Note bore 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 rate on the Acquisition Note was 3.44% at September 30, 2005.

Flaga's borrowings under its working capital facility at September 30, 2006 totaled €7.4 (\$9.4). Borrowings at September 30, 2005 under its former working capital loan commitments totaled €13.5 (\$16.2). Amounts outstanding under the working capital facilities are classified as bank loans. Borrowings under its working capital facility bear interest at market rates (a daily euro-based rate) plus a margin and borrowings under Flaga's former special purpose facility bore

interest at market rates. The weighted-average interest rates on Flaga's bank loan borrowings outstanding were 4.23% at September 30, 2006 and 3.45% at September 30, 2005.

Notes to Consolidated Financial Statements

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

Note 3 continued

Restrictive Covenants and Guarantees. The Senior Facilities Agreement restricts the ability of AGZ and its subsidiaries, including Antargaz, to, among other things, incur additional indebtedness, make investments, incur liens, and effect mergers, consolidations and sales of assets. Under this agreement, AGZ is generally permitted to make restricted payments, such as dividends, if the ratio of net debt to EBITDA on a French GAAP basis, as defined in the agreement is less than 3.75 to 1.00 and if no event of default exists or would exist upon payment of such restricted payment.

The Flaga term loan and working capital facility are subject to guarantees of UGI. In addition, under certain conditions regarding changes in certain financial ratios of UGI, the lending bank may accelerate repayment of the debt.

Flaga's joint venture, ZLH, has multi-currency working capital facilities that provide for borrowings up to a total of €14, half of which is subject to guarantees by UGI.

UGI Utilities

Revolving Credit Agreements. UGI Utilities has a revolving credit agreement with banks providing for borrowings of up to \$350. This agreement is currently scheduled to expire in August 2007, but may be automatically extended by UGI Utilities to August 2011. Under this agreement, UGI Utilities may borrow at various prevailing interest rates, including LIBOR and the banks' prime rate. UGI Utilities pays quarterly facility fees on this credit line. UGI Utilities had revolving credit agreement borrowings totaling \$216.0 at September 30, 2006 and \$11.2 at September 30, 2005, which we classify as bank loans. From time to time, UGI Utilities has entered into other short-term borrowings in order to meet liquidity needs. Such borrowings are also classified as bank loans. At September 30, 2005, UGI Utilities had two separate \$35 borrowings outstanding under uncommitted arrangements with major banks. These borrowings were repaid in February and March 2006. The weighted-average interest rates on UGI Utilities' bank loans were 5.58% at September 30, 2006 and 4.41% at September 30, 2005.

Restrictive Covenants. UGI Utilities' credit agreement requires UGI Utilities to maintain a maximum ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.00.

Note 4 — Income Taxes

Income before income taxes comprises the following:

	2006	2005	2004
Domestic	\$ 207.7	\$ 158.7	\$ 160.7
Foreign	67.0	148.0	15.3
Total income before income taxes	\$ 274.7	\$ 306.7	\$ 176.0

The provisions for income taxes consist of the following:

	2006	2005	2004
Current expense:			
Federal	\$ 54.2	\$ 49.8	\$ 46.8
State	12.0	14.6	14.4
Foreign	24.9	42.7	0.2
Total current expense	91.1	107.1	61.4
Deferred (benefit) expense:			
Federal	2.3	0.3	4.3
State	1.3	1.6	(1.6)
Foreign	4.2	10.6	0.7
Investment tax credit amortization	(0.4)	(0.4)	(0.4)
Total deferred expense (benefit)	7.4	12.1	3.0
Total income tax expense	\$ 98.5	\$ 119.2	\$ 64.4

Federal income taxes for 2006 and 2005 are net of foreign tax credits of \$41.4 and \$25.4, respectively. The tax benefits associated with nonqualified stock options reduced taxes currently payable by \$0.8, \$10.2 and \$2.9 for 2006, 2005 and 2004, respectively.

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

	2006	2005	2004
Statutory federal tax rate	35.0%	35.0%	35.0%
Difference in tax rate due to:			
State income taxes, net of federal	3.4	2.6	4.8

Planned repatriation of foreign earnings net of foreign tax credits	(3.3)	2.2	—
Other, net	0.9	(0.9)	(3.2)
Effective tax rate	36.0%	38.9%	36.6%

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

	2006	2005
Excess book basis over tax basis of property, plant and equipment	\$ 332.9	\$ 330.2
SAB 51 gains	94.1	94.1
Intangibles	53.1	53.7
Utility regulatory assets	29.9	25.4
Pension plan assets and liabilities	4.6	9.3
Unrepatriated foreign earnings	4.4	9.4
Accumulated other comprehensive income	—	10.3
Deferred expenses	19.7	2.2
Other	5.0	6.3
Gross deferred tax liabilities	543.7	540.9
Self-insured property and casualty liability	(12.9)	(12.2)
Employee-related benefits	(29.6)	(23.5)
Premium on long-term debt	(0.2)	(6.7)
Tax litigation	(1.7)	(4.4)
Deferred investment tax credits	(2.8)	(3.0)
Utility regulatory liabilities	(9.1)	(7.4)
Operating loss carryforwards	(20.2)	(12.6)
Allowance for doubtful accounts	(10.4)	(6.8)
Foreign tax credit carryforwards	(28.3)	(31.7)
Accumulated other comprehensive income	(12.1)	—
Other	(20.1)	(17.1)
Gross deferred tax assets	(147.4)	(125.4)
Deferred tax assets valuation allowance	39.3	37.6
Net deferred tax liabilities	\$ 435.6	\$ 453.1

UGI Utilities had recorded deferred tax liabilities of approximately \$40.4 as of September 30, 2006 and \$37.3 as of September 30, 2005, pertaining to utility temporary differences, principally a result of accelerated tax depreciation for state income tax purposes, 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 \$2.8 at September 30, 2006 and \$3.0 at September 30, 2005, pertaining to utility deferred investment tax credits. UGI Utilities had recorded regulatory income tax assets related to these net deferred taxes of \$64.3 as of September 30, 2006 and \$58.6 as of September 30, 2005. 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 \$35.0 all of which have no expiration date. At September 30, 2006, deferred tax assets relating to operating loss carryforwards include \$8.5 for Flaga, \$1.6 for certain operations of AGZ, \$2.4 for certain operations of AmeriGas Propane, and \$7.7 of deferred tax assets associated with state net operating loss carryforwards expiring through 2025. A valuation allowance of \$9.4 has been provided for all deferred tax assets related to state net operating loss carryforwards and other state deferred tax assets of certain subsidiaries because, on a state reportable basis, it is more likely than not that these assets will be unusable. A valuation allowance of \$1.6 was also provided for certain operations of AGZ.

We have foreign tax credit carryforwards of approximately \$28.3 expiring through 2010, resulting from the planned repatriation of AGZ's accumulated earnings and profits included in U.S. taxable income since its acquisition. Since we expect that these credits will expire unused, a valuation allowance has been provided for the entire foreign tax credit carryforward amount.

Note 5 — Employee Retirement Plans

Defined Benefit Pension and Other Postretirement Plans. We sponsor two defined benefit pension plans (“Pension Plan”) for employees of UGI, UGI Utilities, including employees of UGIPNG, and certain of UGI's other wholly owned subsidiaries. In addition, we provide postretirement health care benefits to certain retirees and a limited number of active employees, and postretirement life insurance benefits to nearly all domestic active and retired employees. In addition, Antargaz employees are covered by a defined benefit pension plan and a postretirement medical plan. As a result of the PG Energy Acquisition, we acquired the pension assets and assumed the pension liabilities related to the Employees' Retirement Plan of Southern Union Company Pennsylvania Division (the “Division Plan”).



Notes to Consolidated Financial Statements

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

Note 5 continued

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

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Change in benefit obligations:				
Benefit obligations — beginning of year	\$247.9	\$232.3	\$ 23.4	\$ 32.8
Service cost	6.1	5.6	0.4	0.4
Interest cost	14.3	14.0	1.3	1.7
Actuarial (gain) loss	(12.1)	6.9	(0.4)	(1.7)
PG Energy Acquisition	71.3	—	2.4	—
Plan amendments	—	—	—	(7.6)
Plan settlement	—	—	(1.6)	—
Foreign currency loss (gain)	0.6	(0.2)	0.2	(0.1)
Benefits paid	(11.4)	(10.7)	(1.8)	(2.1)
Benefit obligations — end of year	\$316.7	\$247.9	\$ 23.9	\$ 23.4

Change in plan assets:

Fair value of plan assets — beginning of year	\$215.3	\$200.2	\$ 11.3	\$ 10.2
Actual return on plan assets	11.6	25.5	0.9	0.8
Foreign currency gain	0.2	(0.1)	—	—
Employer contributions	0.4	0.4	1.7	2.3
PG Energy Acquisition	62.3	—	—	—
Plan settlement	—	—	(0.8)	—
Benefits paid	(11.4)	(10.7)	(1.8)	(2.1)
Fair value of plan assets — end of year	\$278.4	\$215.3	\$ 11.3	\$ 11.2
Funded status of the plans	\$ (38.3)	\$ (32.6)	\$ (12.6)	\$ (12.2)
Unrecognized net actuarial loss	43.2	46.2	2.4	3.7
Unrecognized prior service cost	(0.4)	1.1	(2.3)	(2.5)
Unrecognized net transition (asset) obligation	—	—	0.7	0.8
Prepaid (accrued) benefit cost — end of year	\$ 4.5	\$ 14.7	\$ (11.8)	\$ (10.2)

Weighted-average assumptions as of September 30 (a):

Discount rate	6.0%	5.7%	6.0%	5.7%
Expected return on plan assets	8.5%	9.0%	5.6%	5.8%
Rate of increase in salary levels	3.8%	4.0%	3.8%	4.0%

(a) Represents domestic plan assumptions. Assumptions for the foreign plans are based on market conditions in France.

Net pension expense is determined using assumptions as of the beginning of each fiscal year and, in the case of UGIPNG's pension and postretirement plans, as of August 31, 2006. Funded status is determined using assumptions as of the end of each fiscal year. The expected rate of return on assets assumption is based on the rates of return for certain asset classes and the allocation of plan assets among those asset classes as well as actual historic long-term rates of return on our plan assets.

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

	Pension Benefits			Other Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Service cost	\$ 6.1	\$ 5.6	\$ 5.0	\$ 0.4	\$ 0.4	\$ 0.2
Interest cost	14.3	14.0	13.0	1.3	1.7	1.8
Expected return on assets	(19.3)	(18.0)	(17.3)	(0.6)	(0.5)	(0.5)
Amortization of:						
Transition (asset) obligation	—	—	(1.4)	0.2	0.8	0.9
Prior service cost	0.8	0.7	0.7	(0.2)	(0.1)	—
Actuarial (gain) loss	2.0	1.5	1.2	0.2	0.2	0.3
Antargaz Acquisition(a)	—	—	0.3	—	—	0.2
Net benefit cost (income)	3.9	3.8	1.5	1.3	2.5	2.9

Change in regulatory and other

assets and liabilities	(0.4)	—	—	2.7	1.6	0.9
Net expense (income)	\$ 3.5	\$ 3.8	\$ 1.5	\$ 4.0	\$ 4.1	\$ 3.8

(a) In 2004, amounts related to Antargaz' pension and other postretirement welfare benefits are reflected in the above table as "Antargaz Acquisition." Such amounts in 2006 and 2005 are not segregated and are included in the appropriate components.

Pension Plan assets are held in trust. Although the Pension Plan projected benefit obligations exceeded plan assets at September 30, 2006 and 2005, plan assets exceeded accumulated benefit obligations by \$6.0 and \$7.4, respectively. The Company did not make any contributions in 2006 nor does it believe it will be required to make any contributions to the Pension Plan during the year ending September 30, 2007 for ERISA funding purposes. At September 30, 2006, the accumulated benefit obligation of AGZ benefits exceeded the plan assets by \$5.3. However, the accrual recorded in our Consolidated Balance Sheet at September 30, 2006 exceeds the minimum pension liability. Antargaz does not expect to make any contributions to fund AGZ benefits during the year ending September 30, 2007.

Pursuant to orders issued by the PUC, UGI Utilities has established a Voluntary Employees' Beneficiary Association ("VEBA") trust to pay retiree health care and life insurance benefits by depositing into the VEBA the annual amount of postretirement benefits costs determined under SFAS No. 106, "Employers Accounting for Postretirement Benefits Other than Pensions." The difference between such amounts and amounts included in UGI Gas' and Electric Utility's rates is deferred for future recovery from, or refund to, ratepayers. Effective July 1, 2005, substantially all retirees and their beneficiaries participating in the UGI Utilities' postretirement benefit program were enrolled in insured Medicare Advantage plans. As a result, the net benefit cost declined for periods subsequent to July 1, 2005. Additionally, the UGI Utilities' required contribution to the VEBA during the year ending September 30, 2007 is not expected to be material.

Expected payments for pension benefits and for other postretirement welfare benefits are as follows:

	Pension Benefits	Other Postretirement Benefits
Fiscal 2007	\$ 14.7	\$ 1.7
Fiscal 2008	15.1	1.7
Fiscal 2009	15.5	1.8
Fiscal 2010	16.0	1.8
Fiscal 2011	16.6	1.8
Fiscal 2012-2016	95.1	8.9

In accordance with our investment strategy to obtain long-term growth, our target asset allocations are to maintain a mix of 60% equities and the remainder in fixed income funds or cash equivalents. The targets and actual allocations for the Pension Plan assets and VEBA trust assets at September 30 are as follows:

	Target		Pension Plan		VEBA	
	Pension Plan	VEBA	2006	2005	2006	2005
Equities	60%	60%	60%	60%	63%	62%
Fixed income funds	40%	30%	40%	40%	30%	31%
Cash equivalents	N/A	10%	N/A	N/A	7%	7%

UGI Common Stock comprised approximately 7% and 11% of Pension Plan assets at September 30, 2006 and 2005, respectively.

The assumed domestic health care cost trend rates are 10% for fiscal 2007, decreasing to 5.5% in fiscal 2011. A one percentage point change in the assumed health care cost trend rate would change the 2006 postretirement benefit cost and obligation as follows:

	1% Increase	1% Decrease
Effect on total service and interest costs	\$ 0.1	\$ (0.1)
Effect on postretirement benefit obligation	\$ 0.7	\$ (0.6)

We also sponsor unfunded and non-qualified supplemental executive retirement plans. At September 30, 2006 and 2005, the projected benefit obligations of these plans were \$17.0 and \$14.8, respectively. We recorded net benefit costs for these plans of \$2.4 in 2006, \$2.0 in 2005, and \$1.9 in 2004. We also recorded a settlement loss of \$1.5 in 2004 associated with these plans.

Defined Contribution Plans. We sponsor 401(k) savings plans for eligible employees of UGI and certain of UGI's 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 \$7.8 in 2006, \$8.3 in 2005, and \$8.2 in 2004.

Note 6 — Inventories

Inventories comprise the following at September 30:

	2006	2005
LPG and natural gas	\$ 140.5	\$ 134.6
Utility natural gas and LPG	157.0	69.2
Materials, supplies and other	42.9	36.1
Total inventories	\$ 340.4	\$ 239.9

Note 7 — Series Preferred Stock

UGI has 10,000,000 shares of UGI Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, authorized for issuance. We had no shares of UGI Series Preferred Stock outstanding at September 30, 2006 or 2005.

UGI Utilities has 2,000,000 shares of UGI Utilities Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, authorized for issuance. At September 30, 2006, there were no UGI Utilities Series Preferred Stock outstanding.

On October 1, 2004, UGI Utilities redeemed all 200,000 shares of its \$7.75 UGI Utilities Series Preferred Stock at a price of \$100 per share together with full cumulative dividends. The redemption was funded with proceeds from the October 2004 issuance of \$20 of 6.13% Medium-Term Notes due October 2034.

Note 8 — Common Stock and Incentive Stock Award Plans

In March 2004, UGI Corporation sold 15.6 million shares (including shares sold to the underwriters upon exercise of their overallotment option in April 2004) of UGI Common Stock in an underwritten public offering at a public offering price of \$16.05 per share. As stated in Note 2, the proceeds of the public offering of approximately \$239 were used primarily to fund a portion of the purchase price of the remaining ownership interests in AGZ.

UGI Common Stock share activity for 2004, 2005, and 2006 follows:

	Issued	Treasury	Outstanding
Balance September 30, 2003	99,596,194	(14,197,478)	85,398,716
Issued:			

Public offering	15,556,800	—	15,556,800
Employee and director plans	—	1,306,500	1,306,500
Dividend reinvestment plan	—	160,380	160,380
Reacquired	—	—	—
Balance September 30, 2004	115,152,994	(12,730,598)	102,422,396
Issued:			
Employee and director plans	—	2,320,478	2,320,478
Dividend reinvestment plan	—	106,584	106,584
Balance September 30, 2005	115,152,994	(10,303,536)	104,849,458
Issued:			
Employee and director plans	—	498,642	498,642
Dividend reinvestment plan	—	106,262	106,262
Balance September 30, 2006	115,152,994	(9,698,632)	105,454,362

Stock Option and Incentive Plans. Under UGI's 2004 Omnibus Equity Compensation Plan ("OECF"), we may grant options to acquire shares of Common Stock, or issue Units to key employees and non-employee directors. The exercise price for options may not be less than the fair market value on the grant date. Grants of stock options or Units may vest immediately or ratably over a period of years (generally three to four year periods), and stock options generally can be exercised no later than ten years from the grant date.

Under the OECF, awards representing up to 7,000,000 shares of Common Stock may be granted. The maximum number of shares that may be issued pursuant to grants other than stock options or dividend equivalents is 1,600,000 shares. In addition, the OECF provides that both option grants and Units may provide for the crediting of Common Stock

Notes to Consolidated Financial Statements

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

Note 8 continued

dividend equivalents to participants' accounts. Dividend equivalents on employee awards will be paid in cash. Dividend equivalents on non-employee director awards are paid in additional Common Stock Units. Unit awards granted to employees and non-employee directors are settled in shares of Common Stock and cash. Beginning with 2006 grants, Unit awards granted to Antargaz employees are settled in shares of Common Stock. The actual number of shares (or their cash equivalent) ultimately issued, and the actual amount of dividend equivalents paid to employees, is generally dependent upon the achievement of market performance goals and service conditions. It is the Company's practice to issue treasury shares to satisfy option exercises and Unit awards. The Company does not expect to repurchase shares for such purposes during the year ending September 30, 2007. During 2006, 2005 and 2004, the Company made stock-based awards other than stock options representing 187,326, 286,230, and 293,569 shares, respectively, having weighted-average grant date fair values per Unit of \$22.74, \$22.62 and \$20.46, respectively. At September 30, 2006, awards representing 923,662 shares of Common Stock were outstanding under our equity compensation plans. There are stock options outstanding under other predecessor plans, however, since January 2004 no awards have been made under any plan other than the OECF.

Stock option transactions under all of our plans for 2004, 2005 and 2006 follow:

	Shares	Average Option Price	Intrinsic Value
Shares under option 151 September 30, 2003	4,964,978	9.41	
Granted	1,494,500	16.82	
Exercised	(1,042,052)	7.89	\$ 8.6
Forfeited	(88,500)	12.85	
Shares under option — September 30, 2004	5,328,926	11.71	
Granted	1,596,100	21.13	
Exercised	(1,913,668)	8.41	\$ 30.4
Forfeited	(58,340)	21.91	
Shares under option — September 30, 2005	4,953,018	15.95	
Granted	1,159,100	20.67	
Exercised	(232,766)	11.09	\$ 2.7
Forfeited	(35,500)	19.26	
Shares under option — September 30, 2006	5,843,852	17.06	\$ 43.2
Options exercisable 2004	2,718,670	9.01	
Options exercisable 2005	2,093,821	12.38	
Options exercisable 2006	3,146,952	14.56	\$ 31.1
Non-vested options — September 30, 2006	2,696,900	19.97	\$ 12.1

Cash received from the exercises of stock options and associated tax benefits were \$2.6 and \$1.0, respectively, during the year ended September 30, 2006. As of September 30, 2006, the average remaining terms of shares under option, options exercisable and unvested options were 7.3 years, 6.4 years and 8.4 years, respectively. As of September 30, 2006, there was \$3.1 of unrecognized compensation cost associated with non-vested stock options that is expected to be recognized over a weighted-average period of 1.9 years.

The following table presents additional information relating to stock options outstanding and exercisable at September 30, 2006:

	Range of exercise prices		
	\$6.88 - \$ 10.63	\$12.57 - \$ 17.01	\$18.23 - \$ 27.90
Options outstanding at September 30, 2006:			
Number of options	798,850	2,299,902	2,745,100
Weighted average remaining contractual life (in years)	4.58	6.66	8.59
Weighted average exercise price	\$ 9.64	\$ 15.06	\$ 20.89
Options exercisable at September 30, 2006:			
Number of options	798,850	1,743,902	604,200
Weighted average exercise price	\$ 9.64	\$ 14.58	\$ 21.03

The following table illustrates Unit award activity:

	Number of UGI Units	Weighted-Average Grant Date Fair Value (per Unit)

Non-vested Units — September 30, 2005	313,227	\$	21.35
Granted	187,326	\$	22.74
Forfeited	(967)	\$	21.25
Vested	(274,681)	\$	21.42
Non-vested Units — September 30, 2006	224,905	\$	22.46

During 2006, a portion of vested Unit awards were settled in shares of UGI Common Stock and approximately \$2.3 in cash. As of September 30, 2006, there was a total of approximately \$6.1 of unrecognized compensation cost associated with 656,417 Unit awards that is expected to be recognized over a weighted average period of 1.6 years. The total fair values of Units that vested during 2006, 2005, and 2004 were \$7.6, \$9.3 and \$9.4, respectively. As of September 30, 2006, total liabilities of \$13.9 associated with Unit awards are reflected in other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheet.

At September 30, 2006, 1,896,508 shares of Common Stock were available for future grants under the OECP, of which up to 644,595 may be issued pursuant to grants other than stock options or dividend equivalents.

Other Equity-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 ("Common Units"), or cash equivalent to the fair market value of such Common Units. In addition, the 2000 Propane Plan authorizes the crediting of Partnership Common Unit distribution equivalents to participants' accounts. Any distribution equivalents will be paid in cash. The actual number of Common Units (or their cash equivalent) ultimately issued, and the actual amount of distribution equivalents paid, is dependent upon the achievement of market performance goals and service conditions. Generally, each grant, unless paid, will terminate when the participant ceases to be employed by the General Partner. We also have a nonexecutive Common Unit plan under which the General Partner may grant awards of up to a total of 200,000 Common Units to key employees who do not participate in the 2000 Propane Plan.

Generally, awards under the nonexecutive plan vest at the end of a three-year period and will be paid in Common Units and cash. The General Partner made awards under the 2000 Propane Plan and the nonexecutive plan representing 38,350, 41,100 and 51,200 Common Units in 2006, 2005 and 2004, respectively, having weighted-average grant date fair values per Common Unit of \$35.33, \$36.09 and \$35.42, respectively. At September 30, 2006 and 2005, awards representing 113,517 and 116,000 Common Units, respectively, were outstanding. At September 30, 2006, 346,972 and 150,750 Common Units were available for future grants under the 2000 Propane Plan and the nonexecutive plan, respectively.

The following table illustrates AmeriGas Partners Common Unit award activity:

	Number of AmeriGas Partners Common Units	Weighted-Average Grant Date Fair Value (per Unit)
Non-vested Units — September 30, 2005	116,000	\$ 31.81
Granted	38,350	\$ 35.33
Forfeited	(9,000)	\$ 30.89
Vested	(6,750)(a)	\$ 23.20
Performance criteria not met	(25,083)	\$ 30.43
Non-vested Units — September 30, 2006	113,517	\$ 33.89

(a) Represents awards under the non-executive plan of 4,500 that were settled through the issuance of new AmeriGas Partners Common Units and 2,250 that were settled in cash.

As of September 30, 2006, there was a total of approximately \$1.5 of unrecognized compensation cost associated with 113,517 Common Unit awards that is expected to be recognized over a weighted average period of 1.7 years. The total fair values of Common Units that vested during 2006, 2005, and 2004 were \$0.2, \$1.0 and \$1.6, respectively. As of September 30, 2006, total liabilities of \$2.2 associated with Common Unit awards are reflected in other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheet.

Fair Value Information. The per share weighted-average fair value of stock options granted under our option plans was \$3.88 in 2006, \$2.81 in 2005 and \$1.89 in 2004. These amounts were determined using the Black-Scholes option pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments, and the risk-free interest rate over the expected life of the option. The expected life of option awards represents the period of time which option grants are expected to be outstanding and is derived from historical exercise patterns. Expected volatility is based on the historical volatility of the price of UGI's Common Stock. Expected dividend yield is based on the historical UGI dividend rates. The risk free interest rate is based upon U.S. Treasury bonds with comparable terms to the options in effect on the date of grant.

The assumptions we used for option grants during 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Expected life of option	6 years	6 years	6 years
Weighted-average volatility	21.3%	17.7%	18.2%
Weighted-average dividend yield	3.4%	4.1%	4.9%
Expected volatility	21.2% - 22.6%	17.1% - 17.8%	17.6% - 18.4%
Expected dividend yield	2.8% - 3.4%	3.7% - 4.2%	4.4% - 5.0%
Risk free interest rate	4.3% - 4.9%	3.9% - 4.3%	3.5% - 4.4%

Stock Ownership Policy. Under the terms of our Stock Ownership Policy, executives and certain key employees are required to own UGI Common Stock in amounts ranging from 6,000 to 300,000 shares. Prior to the enactment of the Sarbanes-Oxley Act of 2002, we offered full recourse, interest-bearing loans to employees in order to assist them in meeting the ownership requirements. The Company is no longer offering loans under this program. At September 30, 2006 and 2005, there were no loans outstanding under this program. At September 30, 2004, loans outstanding totaled \$0.2.

Note 9 — 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 are made 98% to limited partners and 2% to the General Partner. The Partnership may pay an incentive distribution to the General Partner if Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 and the First Target Distribution of \$0.055 per unit on all units.

Note 10 — Commitments and Contingencies

We lease various buildings and other facilities and transportation, computer and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain step-rent provisions. Our aggregate rental expense for such leases was \$60.3 in 2006, \$55.1 in 2005, and \$50.4 in 2004.

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

	2007	2008	2009	2010	2011	After 2011
AmeriGas Propane	\$ 47.0	\$ 40.6	\$ 34.7	\$ 29.6	\$ 23.7	\$ 50.7
UGI Utilities	4.2	3.2	2.1	1.5	1.1	2.5
International Propane and other	3.9	2.5	0.7	0.2	—	—
Total	\$ 55.1	\$ 46.3	\$ 37.5	\$ 31.3	\$ 24.8	\$ 53.2

Gas Utility has gas supply agreements with producers and marketers with terms not exceeding one year. Gas Utility also has agreements for firm pipeline transportation and natural gas storage services, which Gas Utility may terminate at various

Notes to Consolidated Financial Statements

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

Note 10 continued

dates through 2016. Gas Utility's costs associated with transportation and storage capacity agreements are included in its annual PGC filing with the PUC and are recoverable through PGC rates. In addition, Gas Utility has short-term gas supply agreements which permit it to purchase certain of its gas supply needs on a firm or interruptible basis at spot-market prices.

Electric Utility purchases its capacity requirements and electric energy needs under contracts with various suppliers and on the spot market. Contracts with producers for capacity and energy needs expire at various dates through fiscal 2011.

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

The Partnership enters into fixed-price and, from time to time, variable-priced contracts to purchase a portion of its supply requirements. These contracts generally have terms of less than one year.

International Propane, particularly Antargaz, enters into variable-priced contracts to purchase a portion of its supply requirements. Generally, these contracts have terms that do not exceed three years.

The following table presents contractual obligations under Gas Utility, Electric Utility, Energy Services, AmeriGas Propane and International Propane supply, storage and service contracts existing at September 30, 2006:

	2007	2008	2009	2010	2011	After 2011
Gas Utility and Electric Utility supply, storage and transportation contracts	\$ 367.2	\$ 157.1	\$ 144.5	\$ 84.0	\$ 46.4	\$ 86.9
Energy Services supply contracts	548.1	113.1	0.3	—	—	—
AmeriGas Propane supply contracts	20.7	—	—	—	—	—
International Propane supply contracts	116.2	58.0	43.2	—	—	—
Total	\$1,052.2	\$ 328.2	\$ 188.0	\$ 84.0	\$ 46.4	\$ 86.9

The Partnership and International Propane also enter into other contracts to purchase LPG to meet supply requirements. Generally, these contracts are one- to three-year agreements subject to annual review and call for payment based on either market prices at date of delivery or fixed prices.

On August 21, 2001, AmeriGas Partners, through AmeriGas OLP, acquired the propane distribution businesses of Columbia Energy Group (the "2001 Acquisition") pursuant to the terms of a purchase agreement (the "2001 Acquisition Agreement") by and among Columbia Energy Group ("CEG"), Columbia Propane Corporation ("Columbia Propane"), Columbia Propane, L.P. ("CPLP"), CP Holdings, Inc. ("CPH," and together with Columbia Propane and CPLP, the "Company Parties"), AmeriGas Partners, AmeriGas OLP and the General Partner (together with AmeriGas Partners and AmeriGas OLP, the "Buyer Parties"). As a result of the 2001 Acquisition, AmeriGas OLP acquired all of the stock of Columbia Propane and CPH and substantially all of the partnership interests of CPLP. Under the terms of an earlier acquisition agreement (the "1999 Acquisition Agreement"), the Company Parties agreed to indemnify the former general partners of National Propane Partners, L.P. (a predecessor company of the Columbia Propane businesses) and an affiliate (collectively, "National General Partners") against certain income tax and other losses that they may sustain as a result of the 1999 acquisition by CPLP of National Propane Partners, L.P. (the "1999 Acquisition") or the operation of the business after the 1999 Acquisition ("National Claims"). At September 30, 2006, the potential amount payable under this indemnity by the Company Parties was approximately \$58. These indemnity obligations will expire on the date that CPH acquires the remaining outstanding partnership interest of CPLP, which is expected to occur on or after July 19, 2009. Under the terms of the 2001 Acquisition Agreement, CEG agreed to indemnify the Buyer Parties and the Company Parties against any losses that they sustain under the 1999 Acquisition Agreement and related agreements ("Losses"), including National Claims, to the extent such claims are based on acts or omissions of CEG or the Company Parties prior to the 2001 Acquisition. The Buyer Parties 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. CEG and the Buyer Parties have agreed to apportion certain losses resulting from National Claims to the extent such losses result from the 2001 Acquisition itself.

Samuel and Brenda Swiger and their son (the "Swigers") sustained personal injuries and property damage as a result of a fire that occurred when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as "UGI/AmeriGas, Inc."), in the Circuit Court of Monongalia County, West Virginia, in which they sought to recover an unspecified amount of compensatory and punitive

damages and attorney's fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, allegedly resulting from the defendants' failure to install underground propane lines at depths required by applicable safety standards. In 2003, AmeriGas OLP settled the individual personal injury and property damage claims of the Swigers. In 2004, the court granted the plaintiffs' motion to include customers acquired from Columbia Propane in August 2001 as additional potential class members and the plaintiffs amended their complaint to name additional parties pursuant to such ruling. Subsequently, in March 2005, AmeriGas OLP filed a crossclaim against CEG, former owner of Columbia Propane, seeking indemnification for conduct undertaken by Columbia Propane prior to AmeriGas OLP's acquisition. Class counsel has indicated that the class is seeking compensatory damages in excess of \$12 plus punitive damages, civil penalties and attorneys' fees. We believe we have good defenses to the claims of the class members and intend to defend against the remaining claims in this lawsuit.

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 UGI Gas 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 Gas is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. In accordance with existing regulatory practices of the PUC, PNG Gas currently amortizes as removal cost over a five-year period site-specific environmental investigation and remediation costs.

As a result of the acquisition of PG Energy by UGI Utilities' wholly-owned subsidiary, UGIPNG, UGIPNG became party to a Multi-Site Remediation Consent Order and Agreement between PG Energy and the Pennsylvania Department of Environmental Protection dated March 31, 2004 ("Multi-Site Agreement"). The Multi-Site Agreement requires UGIPNG to perform annually a specified level of activities associated with environmental investigation and remediation work at eleven currently owned properties on which MGP-related facilities were operated ("Properties"). Under the Multi-Site Agreement, UGIPNG is not required to spend more than \$1.1 in any calendar year for such environmental expenditures, including costs to perform work on the Properties. Costs related to investigation and remediation of one property formerly owned by UGIPNG are also included in this cap. The Multi-Site Agreement terminates at the end of fifteen years but may be terminated by either party at the end of any two-year period beginning with the effective date.

UGI Utilities has been notified of several sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by it or owned or operated by its former subsidiaries. Such parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating four claims against it relating to out-of-state sites. 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.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or 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 (1) the subsidiary's separate corporate form should be disregarded or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP.

On September 22, 2006, South Carolina Electric & Gas Company ("SCE&G"), a subsidiary of SCANA Corporation, filed a lawsuit against UGI Utilities in the District Court of South Carolina seeking contribution from UGI Utilities for past and future remediation costs related to the operations of a former MGP located in Charleston, South Carolina. SCE&G asserts that the plant operated from 1855 to 1954 and alleges that UGI Utilities controlled operations of the plant from 1910 to 1926 and is liable for 47% of the costs associated with the site. SCE&G asserts that it has spent approximately \$22 in remediation costs and \$26 in third-party claims relating to the site and estimates that future remediation costs could be as high as \$2.5. SCE&G further asserts that it has received a demand from the United States Justice Department for natural resource damages. UGI Utilities believes that it has good defenses to this claim and is defending the suit.

In April 2003, Citizens Communications Company ("Citizens") served a complaint naming UGI Utilities as a third-party defendant in a civil action pending in the United States District for the District of Maine. In that action, the plaintiff, City of Bangor, Maine ("City") sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third-party defendants alleging that the third-party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. Citizens alleges that UGI Utilities and its predecessors owned and operated the plant from 1901 to 1928. Studies conducted by the City and Citizens suggest that it could cost up to \$18 to clean up the river. Citizens' third party claims have been stayed pending a resolution of the City's suit against Citizens, which was tried in September 2005. Maine's Department of Environmental Protection ("DEP") informed UGI Utilities in March 2005 that it considers UGI Utilities to be a potentially responsible party for costs incurred by the State of Maine related to gas plant contaminants at this site. On June 27, 2006, the court issued an order finding Citizens responsible for 60% of the cleanup costs. The amount of Citizens' liability has not been finally determined. The court has stayed further proceedings while the City and Citizens discuss settlement. UGI Utilities believes that it has good defenses to Citizens' claim and to any claim that the DEP may bring to recover its costs, and is defending the Citizens' suit.

By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8 incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. On March 22, 2005, the trial court granted UGI Utilities' motion for summary judgment. AGL appealed and on September 6, 2006, the Eleventh Circuit Court of Appeals affirmed the trial court's entry of summary judgment, effectively terminating the case.

Notes to Consolidated Financial Statements

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

Note 10 continued

AGL previously informed UGI Utilities that it was investigating contamination that appeared to be related to MGP operations at a site owned by AGL in Savannah, Georgia. A former subsidiary of UGI Utilities operated the MGP in the early 1900s. AGL has informed UGI Utilities that it has begun remediation of MGP wastes at the site and believes that the total cost of remediation could be as high as \$55. AGL has not filed suit against UGI Utilities for a share of these costs. UGI Utilities believes that it will have good defenses to any action that may arise out of this site.

On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70.

The trial court granted UGI Utilities' motion for summary judgment and dismissed ConEd's complaint. The grant of summary judgment was entered April 1, 2004. ConEd appealed and on September 9, 2005 a panel of the Second Circuit Court of Appeals affirmed in part and reversed in part the decision of the trial court. The appellate panel affirmed the trial court's decision dismissing claims that UGI Utilities was liable under CERCLA as an operator of MGPs owned and operated by its former subsidiaries. The appellate panel reversed the trial court's decision that UGI Utilities was released from liability at three sites where UGI Utilities operated MGPs under lease. On October 7, 2005, UGI Utilities filed for reconsideration of the panel's order, which was denied by the Second Circuit Court of Appeals on January 17, 2006. On April 14, 2006, Utilities filed a petition requesting that the United States Supreme Court review the decision of the Second Circuit Court of Appeals. On October 2, 2006, the Supreme Court entered an order inviting the Solicitor General to file a brief expressing the views of the United States in this case.

By letter dated June 24, 2004, KeySpan Energy ("KeySpan") informed UGI Utilities that KeySpan has spent \$2.3 and expects to spend another \$11 to clean up an MGP site it owns in Sag Harbor, New York. KeySpan believes that UGI Utilities is responsible for approximately 50% of these costs as a result of UGI Utilities' alleged direct ownership and operation of the plant from 1885 to 1902. By letter dated June 6, 2006, KeySpan reported that the New York Department of Environmental Conservation has approved a remedy for the site that is estimated to cost approximately \$10. KeySpan believes that the cost could be as high as \$20. UGI Utilities is in the process of reviewing the information provided by KeySpan and is investigating this claim.

On September 11, 2006, UGI Utilities received a complaint filed by Yankee Gas Services Company and Connecticut Light and Power Company, subsidiaries of Northeast Utilities, (together the "Northeast Companies") in the United States District Court for the District of Connecticut seeking contribution from UGI Utilities for past and future remediation costs related to MGP operations on thirteen sites owned by the Northeast Companies in nine cities in the State of Connecticut. The Northeast Companies allege that UGI Utilities controlled operations of the plants from 1883 to 1941. The Northeast Companies estimated that remediation costs for all of the sites would total approximately \$215 and asserted that UGI Utilities is responsible for approximately \$103 of this amount. Based on information supplied by the Northeast Companies and UGI Utilities' own investigation, UGI Utilities believes that it may have operated one of the sites, Waterbury North, under lease for a portion of its operating history. UGI Utilities is reviewing the Northeast Companies' estimate that remediation costs at Waterbury North could total \$23. UGI Utilities believes that it has good defenses to this claim and is defending the suit.

French tax authorities levy various taxes on legal entities and individuals regularly operating a business in France which are commonly referred to collectively as "business tax." The amount of business tax charged annually is generally dependent upon the value of the entity's tangible fixed assets. Prior to the Antargaz Acquisition, Antargaz filed suit against French tax authorities in connection with the assessment of business tax related to certain of its owned tanks at customer locations. Elf Antar France and Elf Aquitaine, now Total France, former owners of Antargaz, agreed to indemnify Antargaz for all payments which would have been due from Antargaz in respect of the tax related to its tanks for the period from January 1, 1997 through December 31, 2000. During the year ended September 30, 2005, Antargaz was required to remit payment to the French tax authorities with respect to this matter and Antargaz was fully reimbursed pursuant to the indemnity agreement. The indemnity from the former owners is reflected in our balance sheet as both an asset and a liability. At September 30, 2006, the remaining amount subject to the indemnification is immaterial.

On February 4, 2005, Antargaz received a letter that was issued by the French government to the French Committee of Butane and Propane ("CFBP"), a butane/propane industry group, concerning the business tax, that eliminated the requirement for Antargaz to pay business tax associated with tanks at certain customer locations. In addition, during 2005 resolution was reached relating to business taxes relating to a prior year. Further changes in the French government or tax authorities' interpretation of the tax laws or in the tax laws themselves, could have either an adverse or a favorable effect on our results of operations. Our 2005 Statement of Income includes a pre-tax gain of \$18.8 and net after-tax gain of \$14.2 associated with the resolution of business tax matters related principally to prior years.

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 and result in losses in excess of recorded amounts. We are

unable to estimate any possible losses in excess of recorded amounts. Although we currently 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, damages or settlements 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 11 — Financial Instruments

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

Flaga also uses derivative instruments, principally price swap contracts, to reduce market risk associated with purchases of LPG. These contracts may or may not qualify for hedge accounting under SFAS 133.

Antargaz uses forward foreign exchange contracts and may use other derivative instruments, similar to those used by the Partnership, to manage the cost of a portion of its forecasted purchases of LPG.

Energy Services uses exchange-traded and over-the-counter natural gas futures contracts to manage market risk associated with forecasted purchases of natural gas it sells under firm commitments. In addition, Energy Services uses price swap and option contracts to manage market risk associated with forecasted purchases of propane it sells under firm commitments. These derivative instruments are designated as cash flow hedges. The fair values of these futures and swap and option contracts are affected by changes in natural gas and propane prices.

In accordance with its commodity hedging policy, Gas Utility may enter into natural gas call option and futures contracts to reduce volatility in the cost of gas it purchases for its firm-residential, commercial and industrial (“retail core-market”) customers and Electric Utility may enter into electric swap agreements in order to reduce the volatility in the cost of anticipated electricity requirements. Because the cost of the natural gas option and futures contracts and any associated losses or gains will be included in Gas Utility’s PGC recovery mechanism, as these contracts are marked to fair value in accordance with SFAS 133, any losses or gains are deferred for future recovery from or refund to Gas Utility’s ratepayers.

We are a party 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 purchase and delivery of natural gas and electricity, 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.

We enter into interest rate protection agreements (“IRPAs”) designed to manage interest rate risk associated with planned issuances of fixed-rate long-term debt. 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.

Antargaz has entered into interest rate swap agreements to fix the variable interest rates on its Senior Facilities term loan through 2011.

During the years ended September 30, 2006, 2005 and 2004, amounts recognized in earnings representing cash flow hedge ineffectiveness were not material.

Gains and losses included in accumulated other comprehensive income at September 30, 2006 relating to cash flow hedges will be reclassified into (1) cost of sales when the forecasted purchase of LPG, natural gas or electricity subject to the hedges impacts net income and (2) interest expense when interest on anticipated issuances of fixed-rate long-term debt is reflected in net income. Included in accumulated other comprehensive income at September 30, 2006 are net after-tax losses of approximately \$2.4 from IRPAs associated with forecasted issuances of debt generally anticipated to occur during the next several years and with settled IRPAs. The amount of this net loss that is expected to be reclassified into net income during the next twelve months is not material. Also included in accumulated other comprehensive income at September 30, 2006 are (1) net after-tax losses of approximately \$25.0 principally associated with future purchases of natural gas and propane generally anticipated to occur during the next twelve months, (2) net after-tax gains of approximately \$3.0 associated with future electric supply purchases expected to occur in 2007 and (3) gains of \$1.6 associated with forecasted U.S. dollar-denominated purchases of LPG generally anticipated to occur during the next three

years. The amount of the gains that is expected to be reclassified into net income during the next twelve months associated with the U.S. dollar-denominated purchases is not material. 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 assets, other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheets.

Notes to Consolidated Financial Statements

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

Note 11 continued

The primary currency for which the Company has exchange rate risk is the euro. The U.S. dollar value of our foreign-denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. We use derivative instruments to hedge portions of our net investments in foreign subsidiaries. If a derivative is designated as a hedge of an investment in a foreign subsidiary and qualifies for hedge accounting, any realized gains or losses remain in other comprehensive income until such foreign operations have been liquidated. At September 30, 2006, a net after-tax loss of \$0.6 is included in accumulated other comprehensive income associated with settled net investment hedges.

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

	Carrying Amount	Estimated Fair Value
2006:		
Natural gas futures and options contracts	\$ (6.0)	\$ (6.0)
Electric supply swap	5.2	5.2
Propane swap and option contracts	(26.4)	(26.4)
Interest rate protection and swap agreements	14.4	14.4
Foreign currency swaps	2.4	2.4
Long-term debt	1,996.9	2,006.8
2005:		
Natural gas futures and options contracts	\$ (1.5)	\$ (1.5)
Electric supply swap	6.1	6.1
Propane swap and option contracts	50.8	50.8
Interest rate protection and swap agreements	(6.2)	(6.2)
Foreign currency swaps	7.5	7.5
Long-term debt	1,644.5	1,730.7

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. 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, 2006 and 2005.

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, money market mutual funds and securities guaranteed by the U.S. Government or its agencies. The credit risk from trade accounts receivable is limited because we have a large customer base, which extends across many different U.S. markets and several foreign countries. We attempt to minimize the credit risk associated with our derivative financial instruments through the application of credit policies.

Note 12 — Energy Services Accounts Receivable Securitization Facility

UGI Energy Services, Inc. (“ESI”) has a \$200 receivables purchase facility (“Receivables Facility”) with an issuer of receivables-backed commercial paper expiring in April 2009, although the Receivables Facility may terminate prior to such date due to the termination of commitments of the Receivables Facility’s back-up purchasers. Prior to September 2006, ESI’s Receivables Facility was \$150. In order to provide additional short-term liquidity during the peak heating season due to increased energy product costs, the maximum level of funding available at any one time from this facility was temporarily increased to \$300 for the period from November 1, 2005 to April 24, 2006.

Under the Receivables Facility, ESI transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation (“ESFC”), which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. ESFC was created and has been structured to isolate its assets from creditors of ESI and its affiliates, including UGI. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” ESI continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC.

During 2006 and 2005, ESI sold trade receivables totaling \$1,306.0 and \$1,253.6, respectively, to ESFC. During 2006 and 2005, ESFC sold an aggregate \$859.5 and \$475.5, respectively, of undivided interests in its trade receivables to the commercial paper conduit. At September 30, 2006, the outstanding balance of ESFC trade receivables was \$24.1 which

is net of \$60.5 that was sold to the commercial paper conduit and removed from the balance sheet. At September 30, 2005, the outstanding balance of ESFC trade receivables was \$77.8 which is net of \$23.5 that was sold to the commercial paper conduit and removed from the balance sheet. Losses on sales of receivables to the commercial paper conduit that occurred during the years ended September 30, 2006, 2005 and 2004, which are included in other income, net, were \$3.3, \$0.9 and \$0.4, respectively.

In addition, a major bank has committed to issue up to \$50 of standby letters of credit, secured by cash or marketable securities ("LC Facility"). Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires April 2007.

Note 13 — Other Income, Net

Other income (loss), net, comprises the following:

	2006	2005	2004
Interest and interest-related income	\$ 15.8	\$ 6.3	\$ 3.2
Utility non-tariff service income	1.0	1.3	2.0
Gain (loss) on sales of fixed assets	(0.1)	3.4	0.1
Gain on sale of Energy Ventures	9.1	—	—
Foreign currency hedge loss	—	—	(9.1)
Finance charges	8.4	7.6	6.5
French business tax reversal	—	19.9	—
Other	2.6	8.2	7.5
Total other income, net	\$ 36.8	\$ 46.7	\$ 10.2

Note 14 — AmeriGas Partners Common Unit Issuances

Gains on sales of AmeriGas Partners Common Unit issuances are determined in accordance with the guidance in SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary" ("SAB 51"). Gains result when the public offering price of the AmeriGas Partners Common Units exceeds the associated carrying amount of our investment in the Partnership on the date of sale.

In September 2005, AmeriGas Partners sold 2,300,000 Common Units in an underwritten public offering at a public offering price of \$33.00 per unit. The net proceeds of the public offering totaling \$72.7 and the associated capital contributions from the General Partner totaling \$1.5 were contributed to AmeriGas OLP, and used to reduce indebtedness under its bank credit agreement and for general partnership purposes. Concurrent with this sale of Common Units, the Company recorded a gain in the amount of \$28.0 which is reflected in the Company's balance sheet as an increase in common stockholders' equity and a corresponding decrease in minority interests in AmeriGas Partners in accordance with the guidance in SAB 51. The gain had no effect on the Company's net income or cash flow. Total deferred income tax liabilities of \$16.0 associated with this gain with a corresponding decrease to stockholders' equity were recorded and reflected in the Consolidated Balance Sheet at September 30, 2005.

On May 26, 2004, AmeriGas Partners sold 2,000,000 Common Units in an underwritten public offering at a public offering price of \$25.61 per unit. On June 10, 2004, the underwriters partially exercised their overallotment option in the amount of 100,000 Common Units. The net proceeds of the public offering totaling \$51.2 and associated capital contributions from the General Partner totaling \$1.0 were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for general partnership purposes. Concurrent with this sale of Common Units, the Company recorded a gain in the amount of \$12.2 which is reflected in the Company's balance sheet as an increase in common stockholders' equity. Deferred income tax liabilities of \$6.6 associated with this gain with a corresponding decrease in common stockholders' equity were recorded and reflected in the Consolidated Balance Sheet at September 30, 2004. The gain had no effect on the Company's net income or cash flow.

Note 15 — Investments in Equity Investees

Our principal investments accounted for using the equity method and our approximate percentage ownership interest in each at September 30, 2006 and 2005 are as follows:

Company	2006	2005
ZLH (a)	50.0%	N/A
China Gas Partners	50.0%	50.0%
Energy Ventures (b)	N/A	50.0%
Geovexin	44.9%	44.9%

(a) Flaga entered into this joint venture in February 2006 (see Note 2).

(b) Energy Services sold its 50% ownership interest in Energy Ventures in March 2006 (see Note 2).

(Loss) income from our equity investees was \$(2.2) in 2006, \$(2.6) in 2005 and \$11.3 in 2004. Income from our equity investees in 2004 reflect our 19.5% ownership interest in Antargaz until March 31, 2004 (see Note 2). Undistributed net earnings of our equity investees included in consolidated retained earnings were not material at September 30, 2006, 2005 or 2004. Summarized financial information for our equity investments are not presented because they are not material to our Consolidated Balance Sheets or Consolidated Statements of Income.



Notes to Consolidated Financial Statements

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

Note 16 — Quarterly Data (unaudited)

The following unaudited quarterly data includes adjustments (consisting only of normal recurring adjustments) which we consider necessary for a fair presentation unless otherwise indicated. Our quarterly results fluctuate because of the seasonal nature of our businesses.

	December 31,		March 31,		June 30,		September 30,	
	2005	2004(a)	2006(b)	2005	2006(c)	2005(d)	2006	2005
Revenues	\$1,577.9	\$1,362.4	\$1,845.5	\$1,787.7	\$919.1	\$932.5	\$878.5	\$806.1(e)
Operating income	\$ 160.2	\$ 175.0	\$ 262.6	\$ 287.7	\$ 38.5	\$ 37.6	\$ 6.4	\$ 2.7
Income (loss) from equity investees	\$ (0.6)	\$ (0.7)	\$ (0.6)	\$ (0.6)	\$ —	\$ (0.7)	\$ (1.0)	\$ (0.6)
Net income (loss)	\$ 57.5	\$ 78.2	\$ 104.0	\$ 117.3	\$ 18.7	\$ 0.7	\$ (4.0)	\$ (8.7)
Earnings (loss) per share:								
Basic	\$ 0.55	\$ 0.76	\$ 0.99	\$ 1.13	\$ 0.18	\$ 0.01	\$ (0.04)	\$ (0.08)
Diluted	\$ 0.54	\$ 0.74	\$ 0.98	\$ 1.12	\$ 0.18	\$ 0.01	\$ (0.04)	\$ (0.08)

- (a) Includes the effects of the resolution of certain Antargaz business tax contingencies which increased operating income by \$19.9 and net income by \$14.9 or \$0.14 per diluted share.
- (b) Includes a gain on the sale of our 50% ownership interest in Energy Ventures which increased net income by \$5.3 or \$0.05 per diluted share and a loss on early extinguishments of AmeriGas Propane's debt which decreased net income by \$4.6 or \$0.04 per diluted share.
- (c) Includes the effects of changes in management's estimate of taxes to be paid associated with planned repatriation of foreign earnings which increased net income by approximately \$5.0 or \$0.05 per diluted share.
- (d) Includes a loss on early extinguishment of AmeriGas Propane's debt which increased net loss by \$9.4 or \$0.09 per diluted share.
- (e) Revenues reflect the elimination of fiscal year 2005 intercompany transactions of approximately \$124.

Note 17 — Segment Information

We have organized our business units into six reportable segments generally based upon products sold, geographic location (domestic or international) and regulatory environment. Our reportable segments are: (1) AmeriGas Propane; (2) an international LPG segment comprising Antargaz; (3) an international LPG segment comprising Flaga and our international propane equity investments ("Other"); (4) Gas Utility; (5) Electric Utility; and (6) Energy Services. We refer to both international segments collectively as "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. Our International Propane segments' revenues are derived principally from the distribution of LPG to retail customers in France and Austria. Gas Utility's revenues are derived principally from the sale and distribution of natural gas to customers in eastern Pennsylvania. Electric Utility derives its revenues principally from the distribution of electricity in two northeastern Pennsylvania counties. Energy Services revenues are derived from the sale of natural gas and, to a lesser extent, LPG, electricity and fuel oil to customers located primarily in the eastern region of the United States.

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

No single customer represents more than ten percent of our consolidated revenues. In addition, all of our reportable segments' revenues, other than those of our International Propane segments, are derived from sources within the United States, and all of our reportable segments' long-lived assets, other than those of our International Propane segments, are located in the United States.



Financial information by reportable business segment follows:

	Reportable Segments								
	Total	Eliminations	AmeriGas Propane	Gas Utility	Electric Utility	Energy Services	International Propane		Corporate & Other (c)
							Antargaz	International Other (b)	
2006									
Revenues	\$5,221.0	\$ (156.1)(d)	\$ 2,119.3	\$ 724.0	\$ 98.0	\$1,414.3	\$ 881.9	\$ 63.6	\$ 76.0
Cost of sales	\$3,657.9	\$ (152.3)(d)	\$ 1,343.8	\$ 522.9	\$ 51.0	\$1,328.2	\$ 478.4	\$ 38.8	\$ 47.1
Operating income	\$ 467.7	\$ —	\$ 184.1	\$ 84.2	\$ 20.7	\$ 53.1	\$ 115.4	\$ 3.9	\$ 6.3
Income (loss) from equity investees	(2.2)	—	—	—	—	—	(1.6)	(0.6)	—
Loss on extinguishments of debt	(18.5)	—	(17.1)	—	—	—	(1.4)	—	—
Interest expense	(123.6)	—	(74.1)	(21.8)	(2.5)	—	(23.1)	(1.7)	(0.4)
Minority interests	(48.7)	(0.4)	(51.3)	—	—	—	3.0	—	—
Income before income taxes	\$ 274.7	\$ (0.4)	\$ 41.6	\$ 62.4	\$ 18.2	\$ 53.1	\$ 92.3	\$ 1.6	\$ 5.9
Depreciation and amortization	\$ 148.7	\$ —	\$ 72.5	\$ 23.3	\$ 3.3	\$ 6.7	\$ 38.2	\$ 3.9	\$ 0.8
Partnership EBITDA (a)			\$ 237.9						\$
Total assets	\$5,080.5	\$ (340.7)	\$ 1,627.2	\$1,504.3	\$ 105.3	\$ 238.5	\$1,406.8	\$ 183.4	\$ 355.7
Capital expenditures	\$ 191.7	\$ —	\$ 70.7	\$ 49.2	\$ 9.0	\$ 7.0	\$ 47.9	\$ 7.6	\$ 0.3
Investments in equity investees	\$ 58.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 58.2	\$ —
Goodwill	\$1,418.2	\$ (4.0)	\$ 619.1	\$ 182.9	\$ —	\$ 11.8	\$ 560.7	\$ 40.9	\$ 6.8
2005									
Revenues	\$4,888.7	\$ (124.1)(d)	\$ 1,963.3	\$ 585.1	\$ 96.1	\$1,355.0	\$ 869.9	\$ 74.0	\$ 69.4
Cost of sales	\$3,306.0	\$ (120.0)(d)	\$ 1,220.0	\$ 390.1	\$ 47.8	\$1,281.4	\$ 401.5	\$ 42.6	\$ 42.6
Operating income	\$ 503.0	\$ —	\$ 168.1	\$ 81.6	\$ 21.6	\$ 37.5	\$ 188.3(e)	\$ 5.5	\$ 0.4
Income (loss) from equity investees	(2.6)	—	—	—	—	—	(2.5)	(0.1)	—
Loss on extinguishments of debt	(33.6)	—	(33.6)	—	—	—	—	—	—
Interest expense	(130.2)	—	(79.8)	(16.6)	(1.7)	—	(28.6)	(2.9)	(0.6)
Minority interests	(29.9)	3.9	(33.1)	—	—	—	(0.7)	—	—
Income before income taxes	\$ 306.7	\$ 3.9	\$ 21.6	\$ 65.0	\$ 19.9	\$ 37.5	\$ 156.5(e)	\$ 2.5	\$ (0.2)
Depreciation and amortization	\$ 146.4	\$ —	\$ 73.7	\$ 20.7	\$ 3.1	\$ 5.7	\$ 37.6	\$ 4.9	\$ 0.7
Partnership EBITDA (a)			\$ 215.9						\$
Total assets	\$4,571.5	\$ (348.1)	\$ 1,672.9	\$ 803.6	\$ 99.8	\$ 296.1	\$1,404.8	\$ 152.4	\$ 490.0
Capital expenditures	\$ 158.4	\$ —	\$ 62.6	\$ 38.8	\$ 7.5	\$ 6.2	\$ 38.5	\$ 3.5	\$ 1.3
Investments in equity investees	\$ 12.8	\$ —	\$ —	\$ —	\$ —	\$ 8.5	\$ 1.6	\$ 2.7	\$ —
Goodwill	\$1,231.2	\$ (4.0)	\$ 618.2	\$ —	\$ —	\$ 11.8	\$ 531.4	\$ 67.5	\$ 6.3
2004									
Revenues	\$3,784.7	\$ —	\$ 1,775.9	\$ 560.4	\$ 89.7	\$ 967.2	\$ 270.8	\$ 62.6	\$ 58.1
Cost of sales	\$2,551.0	\$ —	\$ 1,029.2	\$ 368.9	\$ 43.3	\$ 912.2	\$ 130.1	\$ 32.0	\$ 35.3
Operating income	\$ 331.3	\$ —	\$ 176.0	\$ 80.1	\$ 20.9	\$ 31.1	\$ 15.1	\$ 5.4	\$ 2.7
Income (loss) from equity investees	11.3	—	0.7	—	—	—	10.8	(0.2)	—
Interest expense	(119.1)	—	(83.1)	(15.9)	(2.0)	—	(14.0)	(3.6)	(0.5)
Minority interests	(47.5)	—	(47.7)	—	—	—	0.1	0.1	—
Income before income taxes	\$ 176.0	\$ —	\$ 45.9	\$ 64.2	\$ 18.9	\$ 31.1	\$ 12.0	\$ 1.7	\$ 2.2
Depreciation and amortization	\$ 132.3	\$ —	\$ 80.7	\$ 19.5	\$ 3.0	\$ 4.0	\$ 18.5	\$ 5.5	\$ 1.1
Partnership EBITDA (a)			\$ 255.9						\$
Total assets	\$4,242.6	\$ (322.1)	\$ 1,567.9	\$ 765.5	\$ 89.7	\$ 182.8	\$1,352.3	\$ 156.2	\$ 450.3
Capital expenditures	\$ 133.7	\$ —	\$ 61.7	\$ 35.5	\$ 5.3	\$ 2.9	\$ 23.6	\$ 4.0	\$ 0.7
Investments in equity investees	\$ 20.0	\$ —	\$ 3.5	\$ —	\$ —	\$ 9.6	\$ 4.1	\$ 2.8	\$ —
Goodwill	\$1,245.9	\$ —	\$ 608.2	\$ —	\$ —	\$ 2.8	\$ 561.6	\$ 68.2	\$ 5.1

(a) The following table provides a reconciliation of Partnership EBITDA to AmeriGas Propane operating income:

Year ended September 30,	2006	2005	2004
Partnership EBITDA (i)	\$ 237.9	\$ 215.9	\$ 255.9
Depreciation and amortization (ii)	(72.5)	(73.6)	(80.6)
Minority interests (iii)	1.6	1.3	1.4
Income (loss) from equity investees	—	—	(0.7)
Intercompany gain on sale of Atlantic Energy	—	(9.1)	—

Loss on extinguishments of debt	17.1	33.6	—
Operating income	\$ 184.1	\$ 168.1	\$ 176.0

- (i) Includes \$9.1 gain on the sale of Atlantic Energy to Energy Services during Fiscal 2005. See Note 2.
- (ii) Excludes General Partner depreciation and amortization of \$0.1 in both 2005 and 2004.
- (iii) Principally represents the General Partner's 1.01% interest in AmeriGas OLP.
- (b) International Other principally comprises Flaga, its joint-venture business, ZLH, and our joint-venture business in China.
- (c) Corporate & Other results of operations principally comprise UGI Enterprises' HVAC/R operations, net expenses of UGI's captive general liability insurance company and UGI Corporation's unallocated corporate and general expenses, and interest income. Corporate & Other assets principally comprise cash and short-term investments and an intercompany loan. The intercompany interest associated with the intercompany loan is eliminated in the segment presentation.
- (d) Represents the elimination of intersegment transactions primarily associated with Energy Services' revenues from sales to Gas Utility and AmeriGas Propane totaling \$101.0 and \$37.3 in 2006, respectively, and \$89.2 and \$25.9 in 2005, respectively.
- (e) International Propane-Antargaz' operating income and income before income taxes for Fiscal 2005 include \$18.8 associated with the resolution of certain business tax contingencies (see Note 10).

SUBSIDIARIES OF UGI CORPORATION

SUBSIDIARY	OWNERSHIP	STATE OF INCORPORATION
AMERIGAS, INC.	100%	PA
AMERIGAS PROPANE, INC.	100%	PA
AmeriGas Partners, L.P.	(1)	DE
AmeriGas Finance Corp.		DE
AmeriGas Eagle Finance Corp.		DE
AP Eagle Finance Corp.		DE
AmeriGas Propane L.P.	(2)	DE
AmeriGas Propane Parts & Service, Inc.		PA
AmeriGas Eagle Propane, L.P.	(3)	DE
AmeriGas Eagle Parts & Service, Inc.		PA
AmeriGas Eagle Propane, Inc.		DE
AmerE Holdings, Inc.		DE
AmeriGas Eagle Holdings, Inc.	(4)	DE
Active Propane of Wisconsin, LLC		DE
AmeriGas Technology Group, Inc.	100%	PA
Petrolane Incorporated	100%	PA
FOUR FLAGS DRILLING COMPANY, INC.	100%	PA
ASHTOLA PRODUCTION COMPANY	100%	PA
UGI ETHANOL DEVELOPMENT CORPORATION	100%	PA
NEWBURY HOLDING COMPANY	100%	DE
UGI ENTERPRISES, INC.	100%	PA
EASTFIELD INTERNATIONAL HOLDINGS, INC.	100%	DE
EUROGAS HOLDINGS, INC.	100%	DE
UGI BLACK SEA ENTERPRISES, INC.	100%	PA
UGI CHINA, INC.	100%	DE
UGI ENERGY SERVICES, INC. (d/b/a GASMARK [®])	100%	PA
Energy Services Funding Corporation	100%	DE
Hellertown Pipeline Company	100%	PA
Homestead Holding Company	100%	DE
UGI Asset Management, Inc.	100%	DE
Atlantic Energy, Inc.	100%	DE
UGI Development Company	100%	PA
UGID Holding Company	100%	DE
UGI Hunlock Development Company	100%	PA
UGI LNG, Inc.	100%	DE
UGI HVAC ENTERPRISES, INC.	100%	DE
Denny's Electric Service, Inc.	100%	PA

SUBSIDIARY	OWNERSHIP %	STATE OF INCORPORATION
UGI INTERNATIONAL (CHINA), INC.	100%	DE
UGI INTERNATIONAL (ROMANIA), INC.	100%	PA
UGI INTERNATIONAL ENTERPRISES, INC.	100%	PA
UGI Europe, Inc.	100%	DE
UGI International Holdings BV	100%	NETHERLANDS
UGI Bordeaux Holding	100%	FRANCE
AGZ Holding (5)	99.99%	FRANCE
Antargaz (6)	99.99%	FRANCE
Wogegal	100%	FRANCE
Aquitaine Pyrenees Gaz	100%	FRANCE
Gaz Est Distribution	100%	FRANCE
Floreغاز	80%	FRANCE
Norgal	52.67%	FRANCE
Rhone Gaz	50.62%	FRANCE
Rhone Mediterranee Gaz	85%	FRANCE
Sigap Ouest	66%	FRANCE
Sobegal	72%	FRANCE
FLAGA GmbH (7)	100%	AUSTRIA
Progas Flüssiggas Handelsgesellschaft mbH (8)	100%	AUSTRIA
FLAGA Suisse GmbH	100%	SWITZERLAND
UGI POWER SUPPLY, INC.	100%	PA
UGI ROMANIA, INC.	100%	PA
UGI PROPERTIES, INC.	100%	PA
UGI UTILITIES, INC.	100%	PA
UGI ENERGY VENTURES, INC.	100%	DE
UGI HVAC Services, Inc.	100%	DE
UGI PENN NATURAL GAS, INC.	100%	PA
UGI Penn HVAC Services, Inc.	100%	PA
UNITED VALLEY INSURANCE COMPANY	100%	VT

- (1) AmeriGas Propane, Inc. and its subsidiary, Petrolane Incorporated, hold a combined 44% (approx.) interest in AmeriGas Partners, L.P.
- (2) 1.0101% owned by AmeriGas Propane, Inc., the General Partner; and 98.9899% owned by AmeriGas Partners, L.P., the Limited Partner.
- (3) 99% owned by AmeriGas Propane, L.P. and < 0.5% owned by AmeriGas Eagle Holdings, Inc. (GP) and an unrelated third party.
- (4) AmeriGas Eagle Holdings, Inc. owns < 0.5% as General Partner of AmeriGas Eagle Propane, L.P.
- (5) A nominal share is held by each of Lon R. Greenberg, Anthony J. Mendicino, François Varagne, Robert W. Krick, Robert H. Knauss and Michael J. Cuzzolina
- (6) A nominal share is held by each of Lon R. Greenberg, Anthony J. Mendicino, François Varagne, Donald J. Groth, Robert H. Knauss and Matthew A. Woodward
- (7) Josef Weinzierl owns a nominal share. The remaining shares are owned by UGI International Holdings BV
- (8) Josef Weinzierl owns a nominal share. The remaining shares are owned by Flaga GmbH.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 33-78776 and 333-42296) and Form S-8 (Nos. 33-47319, 33-61722, 333-22305, 333-49080, 333-104938 and 333-118147) of UGI Corporation of our report dated December 8, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated December 8, 2006 relating to the financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
December 8, 2006

CERTIFICATION

I, Lon R. Greenberg, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2006

/s/ Lon R. Greenberg

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

CERTIFICATION

I, Anthony J. Mendicino, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2006

/s/ Anthony J. Mendicino

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

**Certification by the Chief Executive Officer and Chief Financial Officer
Relating to a Periodic Report Containing Financial Statements**

I, Lon R. Greenberg, Chief Executive Officer, and I, Anthony J. Mendicino, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the "Company"), hereby certify that to our knowledge:

- (1) The Company's periodic report on Form 10-K for the period ended September 30, 2006 (the "Form 10-K") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER

/s/ Lon R. Greenberg
Lon R. Greenberg

Date: December 8, 2006

CHIEF FINANCIAL OFFICER

/s/ Anthony J. Mendicino
Anthony J. Mendicino

Date: December 8, 2006