

UGI CORP /PA/
Form S-3/A
March 12, 2004
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As filed with the Securities and Exchange Commission on March 12, 2004.

Registration No. 333-112132

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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, Pennsylvania 19406

(610) 337-1000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Robert H. Knauss, Esq.

Vice President and General Counsel

UGI Corporation

460 North Gulph Road

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King of Prussia, Pennsylvania 19406

(610) 337-1000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement, as determined by market conditions.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)
Common Stock, without par value	8,625,000	(2)	\$ 291,159,300	24,250.14(3)

- (1) Pursuant to Rule 416(a) the number of shares being registered shall be adjusted to include any additional shares that may be issuable as a result of a distribution, split, combination or similar transaction.
- (2) The proposed maximum aggregate offering price per share was estimated solely for purposes of calculating the registration fee under Rules 457(a) and (c) promulgated under the Securities Act of 1933. With respect to 8,165,000 shares of common stock originally covered by this registration statement, a filing fee of \$22,326.54 was paid upon the original filing of this registration statement on January 22, 2004 based on a proposed maximum offering price per share of \$33.80, equal to the average of the high and low prices of UGI Corporation's common stock on January 21, 2004, as reported by the New York Stock Exchange. With respect to the additional 460,000 shares of common stock covered by Amendment No. 1 to this registration statement, an additional filing fee of \$1,923.60 was paid based on a proposed maximum offering price per share of \$33.005, equal to the average of the high and low prices of UGI Corporation's common stock on March 8, 2004, as reported by the New York Stock Exchange.
- (3) \$22,326.54 of which was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 12, 2004

PRELIMINARY PROSPECTUS SUPPLEMENT TO PRELIMINARY PROSPECTUS DATED MARCH 12, 2004

7,500,000 Shares

Common Stock

We are selling 7,500,000 shares of our common stock.

Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol UGI. The last reported sale price of our common stock on the New York Stock Exchange on March 10, 2004 was \$32.50 per share.

The underwriters have an option to purchase a maximum of 1,125,000 additional shares to cover over-allotments of shares.

Investing in our common stock involves risk. See Risk Factors beginning on page S-9 of this prospectus supplement.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to UGI Corporation
Per Share	\$	\$	\$
Total	\$	\$	\$

Delivery of the shares of common stock will be made on or about _____, 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Citigroup

Wachovia Securities

Janney Montgomery Scott LLC

The date of this Prospectus Supplement is _____, 2004.

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You should rely only on the information contained in, or incorporated by reference into, this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company, our common stock, the financial statements and notes to those statements incorporated herein by reference from our other filings with the Securities and Exchange Commission (the SEC) and the AGZ Holding financial statements and notes to those statements included herein. We urge you to read the entire prospectus supplement carefully, especially the risks of investing in our common stock, which are discussed under Risk Factors, before making an investment decision. All references to we, our or us in this prospectus supplement refer to UGI Corporation and, where appropriate, its consolidated subsidiaries, unless the context otherwise requires.

Who We Are

UGI Corporation is a distributor and marketer of energy products and services serving nearly 2 million customers principally in North America and Europe through subsidiaries and joint venture affiliates, including:

AmeriGas Partners, L.P. (AmeriGas Partners) the largest retail propane marketer in the United States based on retail volume, distributing more than one billion retail gallons in its fiscal year ended September 30, 2003. As of September 30, 2003, AmeriGas Partners served approximately 1.3 million customers from approximately 650 locations in 46 states. On October 1, 2003, AmeriGas Partners acquired the assets of Horizon Propane LLC. Giving effect to the Horizon Propane acquisition, AmeriGas Partners has over 700 locations. The common units of AmeriGas Partners, representing limited partnership interests in the limited partnership, trade on the New York Stock Exchange under the symbol APU. We have an effective 48% ownership interest in AmeriGas Partners. The remaining interest is publicly held.

UGI Utilities, Inc. (UGI Utilities) a regulated gas and electric distribution utility serving over 300,000 customers in eastern Pennsylvania as of September 30, 2003. UGI Utilities is regulated by the Pennsylvania Public Utility Commission.

UGI Enterprises, Inc. (UGI Enterprises) a company that conducts domestic and international energy related-businesses through subsidiaries and joint ventures. UGI Enterprises principal operating business is UGI Energy Services, Inc. (ESI), which markets natural gas, oil and electricity in the eastern region of the United States under the trade name GASMARK® and served approximately 5,000 customers as of September 30, 2003. ESI also owns and operates liquefied natural gas and propane plants which are used to meet peak energy needs. UGI Development Company, a subsidiary of ESI, owns interests in and operates Pennsylvania-based electric generation assets. UGI HVAC Enterprises, Inc. operates a heating and cooling installation and service business in the Mid-Atlantic region.

UGI Enterprises conducts its international liquefied petroleum gases (LPG) distribution business through wholly-owned subsidiaries and joint ventures. It owns FLAGA GmbH, the largest retail LPG distributor in Austria and one of the largest suppliers in the Czech Republic and Slovakia, distributing approximately 33 million gallons of LPG during the fiscal year ended September 30, 2003. UGI Enterprises also participates in a propane distribution joint venture in China. As discussed more fully below, UGI Enterprises currently holds, through UGI France, Inc., an approximate 19.5% interest in AGZ Holding, a French corporation (*société anonyme*) and the parent holding company of Antargaz, one of the largest distributors of LPG in France. We expect to acquire the remaining approximate 80.5% interest in AGZ Holding in the transaction that is intended to be funded, in part, through this offering.

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The following chart depicts the current ownership structure of our principal subsidiaries:

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Our Competitive Strengths

We believe that our competitive strengths include the following:

Operational and managerial expertise in the U.S. and international propane markets and a proven ability to maintain propane margins in warm weather periods.

An experienced management team with a successful track record of growing the regulated gas utility operations within its service territory.

A disciplined pursuit of acquisition opportunities focused in the propane and retail energy market sectors.

A demonstrated ability to integrate acquisitions and achieve operating efficiencies.

Our Business Strategy

In the late 1990s, we undertook an evaluation of our businesses and their prospects. Following that evaluation, we decided to focus on being a distributor and marketer of energy products and services both nationally and internationally.

In pursuing our energy distribution and marketing strategy, we seek to leverage our asset base, our geographic reach and our intellectual capital. We employ our core competencies from our existing businesses, and use our national scope, international experience, extensive asset base, access to customers and operating expertise to accelerate growth in related and complementary businesses, both domestic and international. During fiscal year 2003, we completed a number of transactions in pursuit of this strategy.

We have identified the international LPG distribution business as one area for potential growth. This area is of particular interest to us because (1) through it, we can leverage our substantial intellectual capital and operating expertise in propane distribution, (2) international LPG markets include both mature markets, which meet our need for income, and developing markets, which are consistent with our desire for growth, and (3) we believe this strategy provides greater potential to achieve economies of scale over time.

Our wholly-owned subsidiary, UGI Enterprises, Inc., currently participates in the international LPG distribution business in Austria, the Czech Republic and Slovakia, and through joint ventures in France (through its holdings in AGZ Holding) and China. Our management philosophy in the international LPG distribution business consists of three elements:

Ensure that each business has strong in country expertise to ensure proper regard is given to local cultural and market differences. This in country expertise is gained through a strong local management team, board or partner.

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Transfer the best practices of our U.S. propane distribution business to our international LPG distribution businesses.

Transfer the best practices of our international LPG distribution businesses to our U.S. propane distribution business.

We believe that our intended acquisition of the remaining interests in AGZ Holding is consistent with our focus on the international LPG distribution business and our commitment to remain a superior, balanced growth and income investment for our shareholders.

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Planned Acquisition of Antargaz

We hold, through our indirect, wholly-owned subsidiary, UGI France, Inc., approximately 19.5% of the issued and outstanding shares of the capital stock of AGZ Holding. AGZ Holding owns 99.99% of Antargaz, a French corporation (*société anonyme*), which, through its wholly- and partially-owned subsidiaries, is engaged in the business of marketing, selling and distributing LPG in mainland France and the French island of Corsica. We expect to acquire the ownership interests in AGZ Holding that we do not already own as of April 1, 2004.

Antargaz is one of the four leading distributors of LPG in France. During its fiscal year ended March 31, 2003, Antargaz sold approximately 350 million gallons of LPG and had an approximate 24% market share in France. The French LPG market is mature, with limited future growth expected. Antargaz serves over 220,000 customers using a logistical system that includes five primary storage facilities and 26 secondary storage facilities. Antargaz's customer base consists of residential, commercial, agricultural and motor fuel accounts that use LPG for space heating, cooking, water heating, process heat and transportation. As of September 30, 2003, Antargaz had approximately 1,350 employees.

We expect to realize a number of significant economic and strategic benefits as a result of our planned acquisition of Antargaz. We anticipate that the planned transaction will:

Contribute to our earnings growth strategy;

Provide significant financial resources to grow our earnings per share;

Provide a larger platform for growth in Europe;

Provide an experienced management team in Europe; and

Enhance the opportunities for a sharing of best practices.

On February 17, 2004 and February 20, 2004, we executed a share purchase agreement and a joinder agreement, respectively, to effect the acquisition of the ownership interests in AGZ Holding that we do not already own by purchasing, through UGI France, Inc., or another of our wholly-owned subsidiaries, (1) approximately 78.3% of the issued and outstanding capital stock of AGZ Holding, approximately 68.5% of which is currently owned by privately-held, French-based investment funds that are managed by PAI partners, a French corporation (*société par actions simplifiée*) (PAI), and approximately 9.8% of which is currently owned by Medit Mediterranea GPL S.r.L., a company organized under the laws of Italy (Medit), and (2) approximately 99.99% of the shares of the issued and outstanding capital stock of Financière AGZ, a French corporation (*société par actions simplifiée*) which owns approximately 2.2% of the issued and outstanding capital stock of AGZ Holding. Financière AGZ has nominal assets and conducts no business operations; its shareholders are currently comprised of AGZ Holding, PAI, Medit, UGI France and certain individuals, including officers and managers of AGZ Holding, Antargaz, Antargaz subsidiaries or their affiliates.

In the anticipated transaction, we have agreed to pay approximately 258.5 million (\$316.5 million based on an exchange rate of \$1.2243 per euro on March 10, 2004), based upon estimates of working capital and pre- and post-closing adjustments, for the ownership interests in AGZ Holding that we do not already own. We expect to fund the purchase price with up to \$100 million of existing cash balances and the proceeds of this offering.

UGI Corporation has made an offer to acquire, upon completion of the transaction, the outstanding 10% Senior Notes due 2011 of AGZ Finance (the AGZ Notes), a wholly-owned subsidiary of AGZ Holding, at the purchase price of 101% of the principal amount of the notes tendered plus accrued and unpaid interest thereon and specified additional amounts, if any, as provided for in the trust deed governing the AGZ Notes. Although, at this time, we do not expect significant amounts of AGZ Notes to be tendered in such offer, we have executed agreements with certain affiliates of Credit Suisse First Boston to enable us to finance the purchase of any AGZ Notes tendered pursuant to such offer.

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Under AGZ Holding's senior facilities agreement, dated June 26, 2003, as amended, with Credit Lyonnais as mandated lead arranger, facility agent and security agent, our acquisition of Antargaz will constitute a change of control and result in an acceleration of all amounts borrowed and outstanding under such agreement, unless our subsidiary, UGI France, Inc., or any of its affiliates obtains, within six months of the consummation of the acquisition, a corporate rating from Standard & Poor's Ratings Group of at least BBB. AGZ Holding will not be able to make any restricted payments under the senior facilities agreement during such six-month period prior to obtaining such rating. As of December 31, 2003, there were term loans of \$211,000,000 outstanding under AGZ Holding's senior facilities agreement. We expect to seek an amendment of the senior facilities agreement to provide that our acquisition of AGZ Holding does not constitute a change of control under the agreement.

Additional Information

We were incorporated in Pennsylvania in 1991. UGI Corporation is not subject to regulation by the Pennsylvania Public Utility Commission. We are also exempt from registration as a holding company and not otherwise subject to the Public Utility Holding Company Act of 1935, except for Section 9(a)(2), which regulates the acquisition of voting securities of an electric or gas utility company.

Our executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and our telephone number is (610) 337-1000. Our website is <http://www.ugicorp.com>. The information on our website is not incorporated into, and does not constitute a part of, this prospectus supplement.

Recent Events

On January 27, 2004, we announced our intention to increase the annual dividend rate on our common stock to \$1.25 per share from \$1.14 per share effective with the regularly scheduled July dividend payment, assuming the completion of the anticipated acquisition of the shares in AGZ Holding that we do not already own.

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The Offering

Unless otherwise indicated, all of the information in this prospectus supplement assumes no exercise of any underwriters' over-allotment option to purchase additional shares of common stock from us.

Common stock offered by us	7,500,000 shares
Common stock to be outstanding after the offering	50,278,798 shares
Use of proceeds	To pay the purchase price for the ownership interests that we do not already own in AGZ Holding, the parent holding company of Antargaz. To the extent any proceeds remain after paying such purchase price or we do not complete such transaction, we will use the proceeds for general corporate purposes.
New York Stock Exchange Symbol	UGI
Philadelphia Stock Exchange Symbol	UGI

The number of shares of common stock to be outstanding after this offering is based on 42,778,798 shares outstanding as of December 31, 2003, and excludes:

2,950,288 shares of common stock underlying options as of March 1, 2004, at an average option exercise price of \$21.877 per share;

a maximum of 507,854 shares of common stock that may be issued pursuant to grants of phantom units as of March 1, 2004; and

2,712,096 shares available for future grants under all equity compensation plans as of March 1, 2004.

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The following data (except pro forma data), insofar as they relate to each of the years in the three-year period ended September 30, 2003, have been derived from our audited annual financial statements, including the consolidated balance sheets at September 30, 2002 and 2003 and the related consolidated statements of operations and cash flows for the three years ended September 30, 2003 and the notes thereto, incorporated herein by reference. The unaudited pro forma income statement data give effect to the acquisition of the ownership interests in AGZ Holding that we do not already own as if the acquisition had been consummated on October 1, 2002. The unaudited pro forma balance sheet data give effect to the acquisition as if it had been consummated on December 31, 2003. The selected unaudited pro forma financial data are not necessarily indicative of operating results or financial position that would have been achieved had the acquisition of the ownership interests in AGZ Holding that we do not already own been consummated and should not be construed as representative of future operating results or financial position. The following data should be read in conjunction with our historical financial statements, and the related notes thereto, which are incorporated herein by reference, the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page P-1, and the historical financial statements and the related notes of AGZ Holding beginning on page F-1.

	Year Ended September 30,				Three Months Ended December 31,		
	2001(a)	2002	2003	Pro Forma (b) (c)	2002	2003	Pro Forma(b)
	(Millions of dollars, except per share amounts)						
Income Statement Data:							
Revenues	\$ 2,468.1	\$ 2,213.7	\$ 3,026.1	\$ 3,725.0	\$ 739.9	\$ 893.7	\$ 1,108.0
Income before accounting changes	\$ 52.0	\$ 75.5	\$ 98.9		\$ 36.7	\$ 38.8	
Cumulative effect of accounting changes (d)	4.5						
Net income (e)	\$ 56.5	\$ 75.5	\$ 98.9	\$ 119.4	\$ 36.7	\$ 38.8	\$ 57.5
Earnings per common share - basic (c) (f)							
Income before accounting changes	\$ 1.28	\$ 1.83	\$ 2.34		\$ 0.88	\$ 0.91	
Cumulative effect of accounting changes, net (d)	0.11						
Net income - basic	\$ 1.39	\$ 1.83	\$ 2.34	\$ 2.40	\$ 0.88	\$ 0.91	\$ 1.14
Earnings per common share - diluted (c) (f)							
Income before accounting changes	\$ 1.27	\$ 1.80	\$ 2.29		\$ 0.86	\$ 0.88	
Cumulative effect of accounting changes, net (d)	0.11						
Net income - diluted (e)	\$ 1.38	\$ 1.80	\$ 2.29	\$ 2.35	\$ 0.86	\$ 0.88	\$ 1.12
Cash dividends declared per common share	\$ 1.05	\$ 1.083	\$ 1.13	\$ 1.13	\$ 0.275	\$ 0.285	\$ 0.285

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	As of September 30,			As of December 31,		
	2001(a)	2002	2003	2002	2003	2003 Pro Forma (b)
(Millions of dollars)						
Balance Sheet Data:						
Total assets	\$ 2,550.2	\$ 2,610.9	\$ 2,781.3	\$ 2,870.6	\$ 3,027.0	\$ 4,446.1
Capitalization:						
Debt:						
Bank loans - AmeriGas Propane	\$	\$ 10.0	\$	37.0	36.0	36.0
Bank loans - UGI Utilities	57.8	37.2	40.7	78.3	72.2	72.2
Bank loans - other	10.0	8.6	15.9	11.2	18.1	18.1
Long-term debt (including current maturities):						
AmeriGas Propane	1,005.9	945.8	927.3	1,035.7	926.0	926.0
UGI Utilities	208.4	248.4	217.3	222.3	217.2	217.2
AGZ Holding (g)						510.6
Other	80.9	81.5	78.9	85.3	83.7	83.7
Total debt	\$ 1,363.0	\$ 1,331.5	\$ 1,280.1	\$ 1,469.8	\$ 1,353.2	\$ 1,863.8
Minority interests	246.2	276.0	134.6	122.9	149.8	164.9
UGI Utilities preferred shares subject to mandatory redemption	20.0	20.0	20.0	20.0	20.0	20.0
Common stockholders equity	255.6	313.8	569.4	503.3	608.6	852.2
Total capitalization	\$ 1,884.8	\$ 1,941.3	\$ 2,004.1	\$ 2,116.0	\$ 2,131.6	\$ 2,900.9
Ratio of Capitalization:						
Total debt	72.3%	68.6%	63.9%	69.5%	63.5%	64.2%
Minority interests	13.1%	14.2%	6.7%	5.8%	7.0%	5.7%
UGI Utilities preferred shares subject to mandatory redemption	1.1%	1.0%	1.0%	0.9%	0.9%	0.7%
Common stockholders equity	13.5%	16.2%	28.4%	23.8%	28.6%	29.4%

- (a) Arthur Andersen LLP audited our consolidated financial statements for 2001. You should refer to the final risk factor under Risk Factors Risks Related to our Common Stock on page S-14 of this prospectus supplement.
- (b) The pro forma income statement data assume that our acquisition of the ownership interests in AGZ Holding that we do not already own was completed on October 1, 2002 and are based on the average currency exchange rate of \$1.19 per euro and \$1.08 per euro for the three months ended December 31, 2003 and the fiscal year ended September 30, 2003, respectively. The pro forma balance sheet data assume that the acquisition was completed on December 31, 2003 and are based on a currency exchange rate of \$1.26 per euro as of December 31, 2003.
- (c) Pro forma net income and earnings per diluted share include (1) the write-down of goodwill related to AGZ Holding's investment in an equity investee of \$4.8 million and \$0.09, respectively, (2) the after-tax write-off of debt issuance costs of \$3.2 million and \$0.06, respectively, associated with AGZ Holding's issuance and subsequent refinancing of the AGZ Notes, and (3) the after-tax write-off of an interest rate swap of \$4.0 million and \$0.08, respectively, associated with AGZ Holding's senior debt redeemed in July 2003.
- (d) Includes the cumulative effect of accounting changes associated with (1) AmeriGas Partners' changes in accounting for tank fee revenues and tank installation costs and (2) our adoption of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. See Notes 1 and 15 to our Consolidated Financial Statements, incorporated herein by reference.
- (e) Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, was adopted effective October 1, 2001. Net income and net income per diluted share adjusted to reflect the impact of SFAS No. 142 as if it had been adopted at the beginning of the 2001 fiscal year would have been \$70.5 million and \$1.72, respectively.
- (f) Earnings per share for all periods presented reflect the effects of our 3-for-2 common stock split distributed on April 1, 2003 to stockholders of record on February 28, 2003.
- (g) Includes 165 million aggregate principal amount of AGZ Notes, reflected at fair market value on December 31, 2003.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, in addition to the other information in this prospectus supplement, before making an investment decision. Each of these risk factors could adversely affect our business, operating results and financial condition, and the value of an investment in our common stock. Generally, each of the following risk factors that relates to our propane operations is also a risk factor that is applicable to Antargaz's LPG operations.

Risks Related to Our Business

Decreases in the demand for our energy products and services because of warmer 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 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 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. In certain prior years, warmer-than-normal weather in our service territories reduced demand for our energy products and services for heating purposes below normal levels, which had an adverse effect on our operating results. There can be no assurance that normal winter weather in our service territories 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 or distributions to us by our principal operating subsidiaries, AmeriGas Partners, L.P., UGI Utilities, Inc. and UGI Enterprises, Inc. Payments to us by those subsidiaries, in turn, depends upon their results of operations and cash flows and, in the case of AmeriGas Partners, the provisions of its partnership agreement. The operations of those subsidiaries are affected by conditions beyond our control, including weather, competition in markets we serve, the costs and availability of propane, natural gas, electricity and other energy sources and changes in capital market conditions. The ability of our subsidiaries, including AGZ Holding after completion of the proposed acquisition, to make payments to us is also affected by the level of indebtedness of such 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 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,

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Kansas. 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,

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or when our competitors do not raise their product prices. In addition, high propane product prices may lead to customer conservation, resulting in reduced demand. 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.

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 business competes 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, however, 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 business competes 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. Electric utilities within the areas served by our natural gas business are seeking new customers, primarily in the new construction market. Fuel oil dealers compete with us for customers in all areas, including industrial customers. 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 United States 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 PPX® program (through which consumers can exchange an empty propane grill cylinder for a filled one) and the strategic accounts program (through which we encourage large, multi-location propane users to enter into a supply agreement with us rather than with many small suppliers), 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.

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Given the mature nature of the U.S. propane market, 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. There is significant competition for acquisitions in the U.S. propane industry, specifically among publicly-traded master limited partnerships. We believe that there are numerous potential acquisition candidates in the U.S. propane industry, some of which represent acquisition opportunities that would be material to us. We cannot assure you 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.

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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, including the anticipated acquisition of Antargaz, 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.

The U.S. propane retail distribution business is highly competitive.

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

We are dependent on our principal propane suppliers, which increases the risks from an interruption in supply and transportation.

During the year ended September 30, 2003, AmeriGas Partners purchased approximately 79% of its propane needs in the United States from ten suppliers. If supplies from these sources were interrupted, 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, our earnings could be affected. Additionally, in certain market areas, some of AmeriGas Partners' suppliers provide 70% to 80% of its propane requirements. Disruptions in supply in these areas could also have an adverse impact on our earnings. Antargaz is similarly dependent upon its suppliers. Significant amounts of propane must be imported to meet demand in France. There is no assurance that Antargaz will be able to continue to acquire sufficient supplies of propane to meet demand at prices or within time periods that would allow it to remain competitive.

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

Our intended acquisition of Antargaz will significantly increase our international presence. As we continue to grow as a multi-national corporation, with subsidiaries 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;

regulatory requirements and changes in regulatory requirements, including French and EU competition laws that may adversely affect the terms of contracts with customers, and new environmental requirements that have led to stricter regulations of LPG storage sites in France;

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 ; and

fluctuations in currency exchange rates.

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

Our business operations and those of Antargaz are subject to all of the operating hazards and risks normally incidental to the handling, storage and delivery of combustible products, such as LPG 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 maintain insurance policies with insurers in such amounts and with such coverages and deductibles as we believe are reasonable and prudent. We cannot assure you, however, that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that such levels of insurance will be available in the future at economical prices.

Moreover, our acquisition of the remaining interests in AGZ Holding will expose us to additional litigation risks at Antargaz. Specifically, in connection with its 2001 acquisition of its propane business, AGZ Holding entered into a guarantee agreement with Elf Antar France, now Total France, and Elf Aquitaine pursuant to which Total France and Elf Aquitaine agreed to indemnify AGZ Holding for all payments which would have been due from Antargaz in respect of certain matters, including a business tax related to AGZ Holding's propane tanks for the period from January 1, 1997 through December 31, 2000, and certain potential environmental/safety liabilities. If Total France and Elf Aquitaine were to reject their indemnity obligations or if such obligations were found to be unenforceable, AGZ Holding may not have recourse against any third party with respect to any such liabilities, which, in turn, could have an adverse effect on our ability to receive distributions of cash from AGZ Holding.

If energy conservation and efficiency and technology trends continue to decrease demand for our energy products and services, our revenues will decrease.

Retail customers primarily use our energy products and services for home heating, water heating and cooking purposes. Energy conservation and efficiency measures and advances in heating, conservation and other devices have begun to decrease demand for our energy products. Should that decrease continue, and not be offset by colder weather, our revenues will decrease. Additionally, new technologies and alternative sources of energy may be developed that could negatively affect the competitiveness of our operating subsidiaries and therefore, our revenues.

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.

The loss of key personnel would have an adverse effect on our business, financial results and results of operations.

Our continued success is dependent upon the efforts and abilities of our executive officers and other key employees and our ability to continue to attract, motivate and retain highly-qualified personnel. Our ability to effectively integrate acquired businesses, including Antargaz, will also depend on the efforts and abilities of the officers or key employees we retain in those acquisitions. The loss of key personnel or the failure to attract and motivate key personnel could have an adverse effect on our business, financial condition and results of operations.

Our net income will decrease if we are required to incur additional costs to comply with existing and 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.

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New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. For example, the explosion at Grande Parissos S.A.'s chemical factory in Toulouse, France in September 2001 gave rise to new regulations relating to the safety risks of operations such as Antargaz's, which involve the storage of large amounts of flammable substances. 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 United States, 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 utility 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.

Under certain conditions, if the credit rating of UGI Utilities' long-term debt is downgraded, FLAGA's lenders may accelerate repayment of FLAGA's debt, which could adversely affect our ability to pay dividends on our common stock.

FLAGA has a \$15 million working capital loan commitment from a European bank expiring in November 2004. As of December 31, 2003, borrowings under this working capital facility totaled \$14.4 million (\$18.1 million U.S. dollar equivalent). We guarantee the debt issued under this agreement, as well as \$78.0 million of acquisition and special purpose debt of FLAGA. In the event that the credit rating of UGI Utilities' long-term debt is downgraded from A3 to Baa2 by Moody's Investors Service and from BBB+ to BBB by Standard & Poor's, FLAGA's lenders may accelerate the repayment of this debt, which could require us to refinance FLAGA's debt immediately. On January 29, 2004, Standard & Poor's Ratings Services placed its BBB+ corporate credit and other ratings on UGI Utilities on CreditWatch with negative implications. If we were unable to refinance the debt, we could be unable to pay dividends on our common stock.

Current economic and political conditions may harm our business.

U.S. and international economic conditions and the effects of ongoing military actions against terrorists may cause significant disruptions to commerce throughout the world. To the extent that such conditions and disruptions result in delays or cancellations of customer orders, impair our ability to effectively market our energy products or services or acquire our sources of supply for our energy products, or cause or prolong an economic recession, we would have lower consolidated revenues, and, therefore, lower consolidated net income. In addition, our ability to raise capital for acquisitions, capital expenditures and ongoing operations is dependent upon ready access to capital markets. During times of adverse

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economic and political conditions, investor confidence in and accessibility to capital markets could decrease. If capital markets are not available to us over an extended period of time, we could be unable to make acquisitions, refinance debt, invest in capital expenditures and fund operations.

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Risks Related to Our Common Stock

The price of our securities may be affected by the general perception of the energy and utility sectors of the economy.

Events, such as the blackout in parts of the United States on August 14, 2003, those involving Enron Corporation, political unrest in oil-producing countries and the energy crisis in California, could adversely affect investors' perceptions of the energy and utility sectors. A negative perception of our industry by investors could adversely affect the equity prices of companies within the energy and utility sectors. We cannot predict what news or events might affect the perceptions of investors in our industry or how such news or events might affect the market price of our common stock, but fluctuations in the market price of our common stock could be severe and any effects could be long-term.

Your ability to seek potential recoveries from our former independent public accountants, Arthur Andersen LLP, is limited.

Arthur Andersen LLP audited our financial statements and schedules as of and for the year ended September 30, 2001, which are incorporated by reference into this prospectus supplement. Arthur Andersen LLP has not reissued their report on our financial statements in this prospectus supplement, and we have relied on Rule 437a under the Securities Act in filing this registration statement without such a consent. On June 15, 2002, Arthur Andersen LLP was convicted of obstruction of justice by a federal jury in Houston, Texas in connection with Arthur Andersen LLP's work for Enron Corporation. On September 15, 2002, a federal judge upheld this conviction. Arthur Andersen LLP ceased its audit practice before the SEC on August 31, 2002. In May 2002, we terminated our engagement of Arthur Andersen LLP as our independent accountants and engaged PricewaterhouseCoopers LLP to serve as our independent accountants for the fiscal year ending September 30, 2002. Because Arthur Andersen has not consented to the incorporation by reference of their reports on our financial statements in this prospectus and because of the circumstances affecting Arthur Andersen LLP, as a practical matter, it may not be able to satisfy any claims arising from the provision of auditing services to us, including claims you may have that are available to securities holders under federal and state securities law.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus supplement, including the information incorporated by reference into this prospectus supplement, includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the Securities Act as enacted by the Private Securities Litigation Reform Act of 1995. Such statements use forward-looking words such as believe, plan, anticipate, continue, estimate, expect, may, will, or other similar words. These statements discuss plans, 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:

adverse weather conditions resulting in reduced demand;

price volatility and availability of propane, fuel oil, electricity and natural gas and the capacity to transport them to our market areas;

changes in laws and regulations, including safety, tax, competition, environmental and accounting matters;

competitive pressures from the same and alternative energy sources;

failure to acquire new customers, thereby reducing or limiting any increase in revenues;

liability for environmental claims;

customer conservation measures and improvements in energy efficiency and technology resulting in reduced demand;

adverse labor relations;

large customer, counterparty or supplier defaults;

liability for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas and propane, including liability in excess of insurance coverage;

political, regulatory and economic conditions in the United States and in foreign countries;

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interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations;

reduced distributions or dividends from subsidiaries;

the timing of the completion of our proposed acquisition of the ownership interests that we do not already own in AGZ Holding; and

the timing and success of our 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 federal securities laws.

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Our net proceeds from the sale of the 7,500,000 shares of common stock will be approximately \$232.0 million, or approximately \$266.9 million if the underwriters exercise their over-allotment option in full, based on an estimated offering price of \$32.50 per share and after deducting the underwriting discount and the estimated offering expenses payable by us.

We intend to use all of the net proceeds from this offering to acquire the ownership interests in AGZ Holding, the parent holding company of Antargaz, that we do not already own. You should refer to the section in this prospectus supplement entitled "Who We Are" Planned Acquisition of Antargaz, for a description of that transaction. To the extent any proceeds remain after paying the purchase price for the ownership interests in AGZ Holding that we do not already own or such transaction is not completed, we will use the proceeds for general corporate purposes.

DIVIDEND POLICY

We paid quarterly dividends on our common stock as set forth in the following table. On January 27, 2004, we announced our intention to increase the annual dividend rate on our common stock to \$1.25 per share from \$1.14 per share effective with the regularly scheduled July dividend payment, assuming the completion of the anticipated acquisition of the shares in AGZ Holding that we do not already own.

	Amount*

2004 Fiscal Year	
Second Quarter (through March 10, 2004)	\$ 0.285
First Quarter	0.285
2003 Fiscal Year	
Fourth Quarter	\$ 0.285
Third Quarter	0.285
Second Quarter	0.275
First Quarter	0.275
2002 Fiscal Year	
Fourth Quarter	\$ 0.275
Third Quarter	0.267
Second Quarter	0.267
First Quarter	0.267

* On January 28, 2003, our Board of Directors approved a 3-for-2 split of our common stock, effective April 1, 2003. Dividends paid are reflected on a post-split basis.

Table of Contents**PRICE RANGE OF OUR COMMON STOCK**

Our common stock is traded on the New York and Philadelphia stock exchanges under the symbol UGI. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock on The New York Stock Exchange Composite Transactions tape as reported in The Wall Street Journal.

	<u>High*</u>	<u>Low*</u>
2004 Fiscal Year		
Second Quarter (through March 10, 2004)	\$ 34.35	\$ 31.40
First Quarter	34.20	28.85
2003 Fiscal Year		
Fourth Quarter	\$ 33.45	\$ 28.86
Third Quarter	35.05	29.00
Second Quarter	30.57	24.93
First Quarter	26.99	23.27
2002 Fiscal Year		
Fourth Quarter	\$ 24.51	\$ 17.11
Third Quarter	22.14	19.60
Second Quarter	20.99	18.06
First Quarter	21.02	17.79

* On January 28, 2003, our Board of Directors approved a 3-for-2 split of our common stock, effective April 1, 2003. Sales prices for the periods presented are reflected on a post-split basis.

Table of Contents**CAPITALIZATION**

The following table shows our capitalization as of December 31, 2003, (i) on an actual basis and (ii) on a pro forma and as adjusted basis giving effect to the consummation of the acquisition of the ownership interests in AGZ Holding that we do not already own and the sale of 7,500,000 shares of our common stock in this offering at an estimated public offering price of \$32.50 per share (assuming no exercise of the underwriters over-allotment option). You should read this table in conjunction with our financial statements and the notes to those financial statements incorporated by reference into this prospectus supplement.

	December 31, 2003	
	Actual	Pro Forma and As Adjusted
(in millions)		
Cash, cash equivalents and short-term investments (a)	\$ 193.5	\$ 170.4
Total debt	\$ 1,353.2	\$ 1,863.8(b)
Minority interests	\$ 149.8	\$ 164.9
UGI Utilities preferred shares subject to mandatory redemption, without par value	\$ 20.0	\$ 20.0
Total common stockholders' equity		
Common Stock, without par value; 150,000,000 shares authorized; 42,778,798 outstanding as of December 31, 2003; and 50,278,798 outstanding as adjusted	\$ 582.9	\$ 814.9
Retained earnings	117.5	117.5
Accumulated other comprehensive income	15.6	15.6
Notes receivable from employees	(0.4)	(0.4)
Less treasury stock, at cost	(107.0)	(107.0)
Total common stockholders' equity	608.6	840.6
Total capitalization	\$ 2,131.6	\$ 2,889.3

- (a) \$23.3 million of which is held by AmeriGas Partners, L.P., which currently makes distributions pursuant to the terms of its partnership agreement.
- (b) Includes 165 million aggregate principal amount of AGZ Notes, reflected at fair market value on December 31, 2003.

The number of shares of common stock to be outstanding after this offering is based on 42,778,798 shares outstanding as of December 31, 2003, and excludes:

2,950,288 shares of common stock underlying options as of March 1, 2004, at an average option exercise price of \$21.877 per share;

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a maximum of 507,854 shares of common stock that may be issued pursuant to grants of phantom units as of March 1, 2004; and

2,712,096 shares available for future grants under all equity compensation plans as of March 1, 2004.

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CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS

This discussion describes the material United States federal income and estate tax consequences of the ownership and disposition of shares of our common stock by a non-U.S. holder. When we refer to a non-U.S. holder, we mean a beneficial owner of our common stock that, for U.S. federal income tax purposes, is other than:

a citizen or resident of the United States;

a corporation (including for this purpose any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that is subject to the primary supervision of a U.S. court and to the control of one or more U.S. persons, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including for this purpose any other entity, either organized within or without the United States, treated as a partnership for U.S. federal income tax purposes) holds the shares, the tax treatment of a partner as a beneficial owner of the shares generally will depend upon the status of the partner and the activities of the partnership. Foreign partnerships also generally are subject to special U.S. tax documentation requirements.

This discussion does not consider the specific facts and circumstances that may be relevant to a particular non-U.S. holder and does not address the treatment of a non-U.S. holder under the laws of any state, local or foreign taxing jurisdiction. This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed regulations, and administrative and judicial interpretations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. You should consult a tax advisor regarding the U.S. federal tax consequences of acquiring, holding and disposing of our common stock in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

Dividends

We pay dividends with respect to our common stock. Dividends paid to a non-U.S. holder, except as described below, are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides for a lower rate (and you have furnished to us a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form).

If dividends paid to a non-U.S. holder are effectively connected with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that the non-U.S. holder maintains in the United States, we generally are not required to withhold tax from the dividends, provided that the non-U.S. holder has furnished to us a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form. Instead, effectively connected dividends are taxed at rates applicable to United States persons. If a non-U.S. holder is a corporation, effectively connected dividends that it receives may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides for a

lower rate.

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Gain on Disposition of Common Stock

Non-U.S. holders generally will not be subject to United States federal income tax on gain that they recognize on a disposition of our common stock unless:

the holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met;

such gain is effectively connected with the holder's conduct of a trade or business within the United States and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the holder;

the holder is subject to the Code provisions applicable to certain U.S. expatriates; or

we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes and, assuming that our common stock is deemed to be regularly traded on an established securities market, the holder held, directly or indirectly at any time during the five-year period ending on the date of disposition or such shorter period that such shares were held, more than five percent of our common stock. We have not been, are not and do not anticipate becoming, a United States real property holding corporation for United States federal income tax purposes.

Federal Estate Taxes

If our common stock is held by a non-U.S. holder at the time of death, such stock will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements will not apply to dividends paid on our common stock to a non-U.S. holder, provided the non-U.S. holder provides a valid Internal Revenue Service Form W-8BEN (or satisfies certain documentary evidence requirements for establishing that such holder is a non-U.S. person) or otherwise establishes an exemption. Information reporting and backup withholding also generally will not apply to a payment of the proceeds of a sale of common stock effected outside the United States by a foreign office of a foreign broker.

However, a sale of our common stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

a U.S. person;

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a controlled foreign corporation for U.S. tax purposes;

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or such foreign partnership is engaged in the conduct of a U.S. trade or business;

unless the documentation requirements described above are met or you otherwise establish an exemption and the broker does not have actual knowledge or reason to know that you are a United States person. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the holder is a U.S. person.

A non-U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its income tax liability by filing a refund claim with the Internal Revenue Service.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated March , 2004, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston (Europe) Limited is acting as representative, the following respective numbers of shares of common stock:

<u>Underwriter</u>	<u>Number of Shares</u>
Credit Suisse First Boston (Europe) Limited	
Citigroup Global Markets Inc.	
Wachovia Capital Markets, LLC	
Janney Montgomery Scott LLC	
Total	7,500,000

Credit Suisse First Boston (Europe) Limited will make offers and sales in the United States through Credit Suisse First Boston LLC, which is acting as selling agent for Credit Suisse First Boston (Europe) Limited.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 1,125,000 additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ per share. The underwriters and selling group members may allow a discount of \$ per share on sales to other broker/dealers. After the initial public offering the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

<u>Per Share</u>		<u>Total</u>	
<u>Without Over-allotment</u>	<u>With Over-allotment</u>	<u>Without Over-allotment</u>	<u>With Over-allotment</u>

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Underwriting discounts and commissions paid by us	\$	\$	\$	\$
Expenses payable by us	\$	\$	\$	\$

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston (Europe) Limited for a period of 90 days after the date of this prospectus supplement (other than shares of our common stock or options to acquire shares of our common stock issued pursuant to our equity compensation plans, shares of our common stock issued pursuant to our dividend reinvestment plan, shares of our common stock issued in connection with options or warrants outstanding as of the date of this prospectus supplement or shares of our common stock issued as consideration for any acquisition).

Our executive officers have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences

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of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston (Europe) Limited for a period of 45 days after the date of this prospectus supplement.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or to contribute to payments which the underwriters may be required to make in that respect.

Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol UGI .

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

In the ordinary course of business, certain of the underwriters and their affiliates have provided and may in the future provide financial advisory, investment banking and general financing and banking services for us and our affiliates for customary fees.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. In addition, we maintain a website at <http://www.ugicorp.com> and make available free of charge on this website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website, other than the documents incorporated by reference into this prospectus supplement pursuant to the section entitled "Incorporation of Certain Documents By Reference" below, is not incorporated into, and does not constitute a part of, this prospectus supplement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. Statements made in this prospectus supplement as to the contents of any contract, agreement or other documents are not necessarily complete, and, in each instance, we refer you to a copy of such document filed as an exhibit to the registration statement, of which this prospectus supplement is a part, or otherwise filed with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement. When we file information with the SEC in the future, that information will automatically update and supersede this information. We incorporate by reference herein our documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the shares of common stock that we have registered are sold (other than Current Reports on Form 8-K containing disclosure furnished under Item 9 or Item 12 of Form 8-K and exhibits relating to such disclosures, unless otherwise specifically stated in any such Current Report or Form 8-K):

our annual report on Form 10-K for the fiscal year ended September 30, 2003, filed on December 23, 2003, except to the extent superseded by the current report on Form 8-K filed on March 11, 2004;

our quarterly report on Form 10-Q for the fiscal quarter ended December 31, 2003, filed on February 13, 2004;

our current report on Form 8-K filed on March 11, 2004; and

the description of our common stock contained in our registration statement on Form 8-B, dated March 23, 1992, as amended by Amendment No. 1 to Form 8-B, dated April 10, 1992, and on Form 8-A, dated June 24, 1996, and any amendments or reports filed after the date hereof for the purpose of updating such description.

We will provide, upon written or oral request, to each person to whom a prospectus supplement is delivered, a copy of any or all of the information that has been incorporated by reference into the prospectus supplement but not delivered with the prospectus supplement. You may request a copy of these filings, at no cost, by writing us at UGI Corporation, 460 North Gulph Road, King of Prussia, Pennsylvania 19406, Attention: Vice President and Treasurer. Our telephone number is (610) 337-1000.

LEGAL MATTERS

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The validity of the shares of common stock offered hereby will be passed upon for us by Morgan, Lewis & Bockius LLP. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, N.Y.

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EXPERTS

The audited consolidated financial statements incorporated into this prospectus supplement by reference to the current report on Form 8-K dated March 11, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of AGZ Holding at March 31, 2003 and for the year then ended, appearing in this prospectus supplement have been audited by PricewaterhouseCoopers Audit and Barbier Frinault & Autres, Ernst & Young, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firms as experts in accounting and auditing.

The audited consolidated financial statements and schedules for the period ended September 30, 2001, which are incorporated by reference in this prospectus supplement, were audited by Arthur Andersen LLP, our former independent accountants, as indicated in their reports with respect thereto. Copies of such reports are incorporated by reference herein, but Arthur Andersen LLP has not reissued such reports or consents to the incorporation of such reports into this prospectus supplement and has ceased operations.

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UGI CORPORATION

INTRODUCTION TO UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS

The Unaudited Pro Forma Condensed Combined Financial Statements of UGI Corporation (UGI) give effect to the proposed acquisition of the outstanding shares not already owned by our indirect, wholly-owned subsidiary, UGI France, Inc., of AGZ Holding (AGZ), which owns 99.99% of Antargaz, a French corporation (*société anonyme*). Prior to the acquisition of the outstanding shares not already owned by UGI, AGZ is owned by PAI partners, a French corporation, Medit Mediterraenea, GPL S.r.L, an Italian company, certain officers and managers of AGZ, and UGI France, Inc. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. The Unaudited Pro Forma Condensed Combined Financial Statements do not purport to represent what the results of operations or financial position of UGI would have been if the purchase transaction had occurred on the dates indicated below, nor do they purport to project the results of operations or financial position of UGI for any future period or as of any future date. The Unaudited Pro Forma Condensed Combined Financial Statements reflect assumed net cash proceeds to UGI from the issuance of 7.5 million shares of common stock of \$243.6 million based upon the closing price of UGI s common stock on December 31, 2003.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2003 was prepared by combining the unaudited condensed consolidated balance sheet of UGI and the unaudited consolidated balance sheet of AGZ as of December 31, 2003, giving effect to the acquisition of AGZ as though it had been completed on December 31, 2003. The Unaudited Pro Forma Condensed Combined Statement of Income for the three months ended December 31, 2003 was prepared by combining UGI s unaudited consolidated statement of income for the three months ended December 31, 2003 with AGZ s unaudited consolidated statement of income for the three months ended December 31, 2003 to give effect to the acquisition of AGZ as though it had occurred on October 1, 2002. The Unaudited Pro Forma Condensed Combined Statement of Income for the year ended September 30, 2003 was prepared by combining UGI s audited consolidated statement of income for the year ended September 30, 2003 with AGZ s unaudited consolidated statement of income for the twelve months ended September 30, 2003 to give effect to the acquisition of AGZ as though it had occurred on October 1, 2002. The historical AGZ unaudited consolidated financial statements are presented in accordance with accounting principles generally accepted in France (French GAAP). Euro balances were translated to U.S. dollars at the exchange rate of \$1.26 per euro at December 31, 2003 for the consolidated balance sheet amounts and at the average exchange rates of \$1.19 per euro for the consolidated statement of income for the three months ended December 31, 2003 and \$1.08 per euro for the consolidated statement of income for the twelve months ended September 30, 2003. Separate adjustments are reflected to (1) convert AGZ consolidated balance sheet and consolidated statement of income amounts from French GAAP to accounting principles generally accepted in the United States (U.S. GAAP), (2) reclassify certain amounts in the AGZ consolidated balance sheet and consolidated statement of income to conform to UGI financial statement presentation, and (3) record pro forma purchase accounting adjustments.

The revaluation of AGZ s identifiable assets acquired and liabilities assumed, representing the portion not already owned by UGI, is based on a preliminary valuation based upon currently available information and is subject to final adjustments. Accordingly, the actual adjustments to be recorded in connection with the final purchase price allocation may differ from the pro forma adjustments reflected in the Unaudited Pro Forma Condensed Combined Financial Statements, and any such differences may be material. The historical amounts of UGI as of and for the three months ended December 31, 2003 are derived from unaudited consolidated financial statements included in the Form 10-Q filed by UGI on February 13, 2004 with the SEC. The historical amounts of UGI for the fiscal year ended September 30, 2003 are derived from audited consolidated financial statements included in the Form 8-K filed by UGI on March 11, 2004 with the SEC. AGZ s historical unaudited consolidated balance sheet as of December 31, 2003 was derived from unaudited consolidated financial statements included elsewhere herein. The unaudited consolidated statement of income of AGZ for the three

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months ended December 31, 2003 was derived from unaudited consolidated financial statements included elsewhere herein. The unaudited consolidated statement of income of AGZ for the twelve months ended September 30, 2003 was derived by excluding the unaudited statement of income for the six months ended September 30, 2002 from the audited consolidated statement of income for the year ended March 31, 2003 and including the unaudited statement of income for the six months ended September 30, 2003. The statements of income, reported in euros, were translated to U.S. dollars using the average exchange rate of \$1.08 per euro.

You should read the Unaudited Pro Forma Condensed Combined Financial Statements along with UGI's consolidated financial statements and accompanying notes included in its prior SEC filings and the historical financial statements and the related notes of AGZ Holding included herein.

Table of Contents**UGI CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

As of December 31, 2003

(Millions of dollars)

	Historical UGI Corporation (2)	Historical AGZ Holding (3)	French GAAP to U.S. GAAP Adjustments (4)	Pro Forma Adjustments (5)	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 143.6	\$ 13.8	\$	\$ (88.7)(12)	\$ 68.7
Short-term investments (at cost, which approximates fair value)	49.9	51.8			101.7
Accounts receivable	361.1	162.6			523.7
Accrued utility revenues	30.6				30.6
Inventories	148.6	24.8			173.4
Deferred income taxes	18.8				18.8
Prepaid expenses and other current assets	39.8	32.1			71.9
Total current assets	792.4	285.1		(88.7)	988.8
Property, plant and equipment, net	1,360.3	231.1		317.4(13)	1,908.8
Goodwill and excess reorganization value	679.8	423.2	44.4(6) (22.6)(6)	92.8(14)	1,217.6
Intangible assets	36.3	61.7	(23.6)(7) 55.6(7)	19.0(15)	149.0
Utility regulatory assets	61.3				61.3
Other assets	96.9	53.7		(30.0)(16)	120.6
Total assets	\$ 3,027.0	\$ 1,054.8	\$ 53.8	\$ 310.5	\$ 4,446.1
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 65.3	\$	\$	\$	\$ 65.3
Current maturities of UGI Utilities preferred shares subject to mandatory redemption	1.0				1.0
AmeriGas Propane bank loans	36.0				36.0
UGI Utilities bank loans	72.2				72.2
Other bank loans	18.1				18.1
Accounts payable	327.2	157.5			484.7
Deferred income taxes		19.3			19.3
Other current liabilities	230.0		9.6(8) 1.7(9)		241.3
Total current liabilities	749.8	176.8	11.3		937.9
Long-term debt	1,161.6	496.8	(9.6)(8)	23.4(17)	1,672.2

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Deferred income taxes	230.9		33.0(10)	111.1(18)	375.0
UGI Utilities preferred shares subject to mandatory redemption	19.0				19.0
Other noncurrent liabilities	107.3	319.3	(1.7)(9)		424.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	2,268.6	992.9	33.0	134.5	3,429.0
Commitments and contingencies					
Minority interests	149.8	15.1			164.9
Common stockholders' equity:					
Common Stock, without par value	582.9	44.2		199.4(19)	826.5
Retained earnings	117.5	2.6	20.8(11)	(23.4)(20)	117.5
Accumulated other comprehensive income	15.6				15.6
Notes receivable from employees	(0.4)				(0.4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Treasury stock, at cost	715.6	46.8	20.8	176.0	959.2
	<u>(107.0)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(107.0)</u>
Total common stockholders' equity	608.6	46.8	20.8	176.0	852.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 3,027.0	\$ 1,054.8	\$ 53.8	\$ 310.5	\$ 4,446.1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to unaudited pro forma condensed combined financial statements.

Table of Contents**UGI CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME****Three Months Ended December 31, 2003****(Millions, except per share amounts)**

	Historical UGI Corporation(2)	Historical AGZ Holding(3)	French GAAP to U.S. GAAP		Pro Forma Adjustments(5)	Pro Forma Combined
			Adjustments(4)	Reclassi- fications(4)		
Revenues	\$ 893.7	\$ 214.3	\$	\$	\$	\$ 1,108.0
Costs and expenses:						
Cost of sales	596.9	92.9				689.8
Operating and administrative expenses	163.3	65.3		2.1(24)		230.7
Utility taxes other than income taxes	3.1					3.1
Depreciation and amortization	27.5	17.4	2.0 (21)	(2.1)(24)	(6.8)(25)	38.0
Amortization of goodwill		5.8	(5.8)(22)			
Other (income) expense, net	(5.4)	0.5				(4.9)
	<u>785.4</u>	<u>181.9</u>	<u>(3.8)</u>	<u></u>	<u>(6.8)</u>	<u>956.7</u>
Operating income	108.3	32.4	3.8		6.8	151.3
Income (loss) from equity investees	4.2	(0.5)			(4.2)(26)	(0.5)
Interest (expense) income	(26.7)	(7.4)			0.1 (27)	(34.0)
Minority interests	(22.7)	1.0			(0.8)(28)	(22.5)
Income before income taxes	63.1	25.5	3.8		1.9	94.3
Income tax (expense) benefit	(24.3)	(11.3)	0.7 (23)		(1.9)(29)	(36.8)
Net income	<u>\$ 38.8</u>	<u>\$ 14.2</u>	<u>\$ 4.5</u>	<u>\$</u>	<u>\$</u>	<u>\$ 57.5</u>
Earnings per share:						
Basic	<u>\$ 0.91</u>					<u>\$ 1.14</u>
Diluted	<u>\$ 0.88</u>					<u>\$ 1.12</u>
Average common shares outstanding (millions):						
Basic	<u>42.839</u>				<u>7.500(30)</u>	<u>50.339</u>
Diluted	<u>43.947</u>				<u>7.500(30)</u>	<u>51.447</u>

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See accompanying notes to unaudited pro forma condensed combined financial statements.

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Table of Contents**UGI CORPORATION AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME**

Year Ended September 30, 2003

(Millions, except per share amounts)

	Historical	Historical	French GAAP to U.S. GAAP		Pro	Pro
	UGI	AGZ	Adjustments (4)	Reclassifications (4)	Forma	Forma
	Corporation (2)	Holding (3)			Adjustments (5)	Combined
Revenues	\$ 3,026.1	\$ 698.9	\$	\$	\$	\$ 3,725.0
Costs and expenses:						
Cost of sales	1,984.3	335.1				2,319.4
Operating and administrative expenses	643.3	228.9		7.4(24)		879.6
Utility taxes other than income taxes	13.0					13.0
Depreciation and amortization	103.0	71.8	7.4(21)	(14.3)(24)	(26.5)(25)	141.4
Amortization of goodwill		25.8	(21.0)(22)			4.8
Other income, net	(19.8)	(4.8)				(24.6)
	<u>2,723.8</u>	<u>656.8</u>	<u>(13.6)</u>	<u>(6.9)</u>	<u>(26.5)</u>	<u>3,333.6</u>
Operating income	302.3	42.1	13.6	6.9	26.5	391.4
Income (loss) from equity investees	5.3	(2.0)			(5.9)(26)	(2.6)
Loss on extinguishments of debt	(3.0)					(3.0)
Interest (expense) income	(109.2)	(37.9)		(6.9)(24)	0.5(27)	(153.5)
Minority interests	(34.6)	4.2			(3.2)(28)	(33.6)
Income before income taxes and subsidiary preferred stock dividends	160.8	6.4	13.6		17.9	198.7
Income tax (expense) benefit	(60.7)	(11.1)	2.6(23)		(8.9)(29)	(78.1)
Dividends on UGI Utilities preferred shares subject to mandatory redemption	(1.2)					(1.2)
Net income (loss)	\$ 98.9	\$ (4.7)	\$ 16.2	\$	\$ 9.0	\$ 119.4
Earnings per share:						
Basic	\$ 2.34					\$ 2.40
Diluted	\$ 2.29					\$ 2.35

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Average common shares
outstanding (millions):

Basic	42.220	7.500(30)	49.720
Diluted	43.236	7.500(30)	50.736

See accompanying notes to unaudited pro forma condensed combined financial statements.

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Table of Contents**UGI CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED****FINANCIAL STATEMENTS**

(Millions of dollars)

1. UGI and its wholly owned subsidiary UGI France, Inc. have executed a share purchase agreement and a joinder agreement to effect the acquisition of the outstanding shares of AGZ that UGI France, Inc. does not already own in a cash purchase transaction pursuant to the terms of said share purchase agreements. The purchase price for the outstanding shares owned by other parties is approximately 258.5 million based upon estimates of working capital and pre- and post-closing adjustments. Based upon the currency exchange rate of \$1.26 per euro at December 31, 2003, the purchase price would have translated to approximately \$325.7 million in cash.

The preliminary allocation of the purchase price (including estimated transaction fees and expenses) to the assets acquired and liabilities assumed, representing a revaluation of the portion not already owned by UGI, in the Unaudited Pro Forma Condensed Combined Balance Sheet at December 31, 2003, is as follows:

	Book Value		
	of Assets	Preliminary	
	Acquired	Purchase	Preliminary
	(Liabilities	Price	Fair
	Assumed)*	Allocation	Value
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 11.1	\$	\$ 11.1
Short-term investments	41.7		41.7
Accounts receivable	130.9		130.9
Inventories	20.0		20.0
Prepaid and other current assets	25.8		25.8
Property, plant and equipment	186.0	317.4	503.4
Goodwill	358.3	76.0	434.3
Intangible assets	75.5	19.0	94.5
Other assets	43.2		43.2
Accounts payable	(126.8)		(126.8)
Deferred income taxes	(15.5)		(15.5)
Other current liabilities	(7.7)		(7.7)
Long-term debt	(392.2)	(23.4)	(415.6)
Deferred income taxes	(26.6)	(111.1)	(137.7)
Noncurrent liabilities	(257.1)		(257.1)
Minority interest	(12.2)		(12.2)
	<u> </u>	<u> </u>	<u> </u>
	\$ 54.4	\$ 277.9	\$ 332.3
	<u> </u>	<u> </u>	<u> </u>

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* Represents 80.5% of the book value of AGZ as of December 31, 2003

The Unaudited Pro Forma Condensed Combined Financial Statements are not necessarily indicative of the operating results or financial position that would have occurred had the acquisition been completed as of the dates indicated, nor are they necessarily indicative of future operating results or financial position. The purchase accounting adjustments made in connection with the Unaudited Pro Forma Condensed Combined Financial Statements are based on a preliminary valuation that has been made solely for purposes of developing the pro forma financial information and is based upon currently available information. Such valuation is subject to final adjustments. Accordingly, the actual adjustments to be recorded in connection with the final purchase price allocation may differ from the pro forma adjustments reflected in the Unaudited Pro Forma Condensed Combined Financial Statements, and any such differences may be material.

2. These columns represent UGI's historical consolidated financial statements. The unaudited consolidated financial statements as of and for the three months ended December 31, 2003 are derived from the unaudited

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UGI CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS (Continued)

(Millions of dollars)

consolidated financial statements included in the Form 10-Q filed by UGI on February 13, 2004 with the SEC. The audited consolidated statement of income for the year ended September 30, 2003 is derived from audited consolidated financial statements included in the Form 8-K filed by UGI on March 11, 2004 with the SEC.

3. These columns represent AGZ's historical unaudited consolidated financial statements. The consolidated balance sheet as of December 31, 2003 was derived from unaudited consolidated financial statements. The balance sheet, reported in euros, was translated to U.S. dollars at the exchange rate of \$1.26 per euro at December 31, 2003. The unaudited consolidated statement of income of AGZ for the three months ended December 31, 2003 was derived from unaudited consolidated financial statements. The statement of income, reported in euros, was translated to U.S. dollars using the average exchange rate of \$1.19 per euro. The unaudited consolidated statement of income of AGZ for the twelve months ended September 30, 2003 was derived by excluding the unaudited statement of income for the six months ended September 30, 2002 from the audited consolidated statement of income for the year ended March 31, 2003 and including the unaudited statement of income for the six months ended September 30, 2003. The statements of income, reported in euros, were translated to U.S. dollars using the average exchange rate of \$1.08 per euro.
4. These columns reflect the adjustments and reclassifications necessary to convert AGZ's historical consolidated financial statements from French GAAP to U.S. GAAP for presentation in the Unaudited Pro Forma Condensed Combined Financial Statements.
5. These columns reflect (1) the purchase price allocation to the portion of AGZ's identifiable assets acquired and liabilities assumed representing the portion not already owned by UGI, (2) the issuance of UGI Common Stock, the proceeds of which, together with available cash on hand, will be used by UGI to acquire the outstanding shares of AGZ not already owned by UGI, (3) the payment of the cash purchase price, and (4) the pro forma income statement effects resulting from the purchase accounting adjustments.
6. These adjustments (1) eliminate goodwill amortization to reflect the application of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective April 1, 2002 and (2) adjust goodwill for amounts which would have been allocated to customer lists, trademarks and deferred income taxes under U.S. GAAP as a result of AGZ's acquisition of Antargaz on March 27, 2001.
7. These adjustments (1) record amortization of AGZ's customer list, which is not amortized under French GAAP (customer list amortization is calculated using an estimated useful life of eleven years) and (2) increase the value of customer lists and trademarks to what would have been recorded under U.S. GAAP as a result of AGZ's acquisition of Antargaz on March 27, 2001.
8. Reflects the reclassification of accrued interest on AGZ's high yield bonds included in long-term debt under French GAAP.
9. Reclassification of the current portion of prepaid cylinder and tank rental fees to other current liabilities.
10. This adjustment records the deferred tax liability associated with the customer lists that would have been recorded under U.S. GAAP as a result of AGZ's acquisition of Antargaz on March 27, 2001.

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11. Reflects the net impact of the adjustments to eliminate goodwill amortization and record customer list amortization on AGZ's retained earnings.

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Table of Contents**UGI CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED****FINANCIAL STATEMENTS (Continued)**

(Millions of dollars)

12. Reflects pro forma adjustments to cash and cash equivalents as follows:

Net cash proceeds from issuance of UGI Common Stock	\$ 243.6
Cash payments pursuant to the share purchase agreement	(325.7)
Estimated transaction fees and expenses	(6.6)
	<u> </u>
	<u>\$ (88.7)</u>

13. Reflects pro forma adjustment to record at fair value the portion of property, plant and equipment not already owned.
14. Reflects pro forma adjustment to record goodwill representing the excess of the purchase price over the fair value of the net assets acquired and to record goodwill on the initial investment in AGZ as follows:

Goodwill relating to the purchase of 80.5% interest in AGZ not already owned by UGI	\$ 76.0
Goodwill relating to 19.5% investment in AGZ	16.8
	<u> </u>
	<u>\$ 92.8</u>

15. Reflects pro forma adjustment to record at fair value the intangible customer list acquired.
16. Reflects pro forma adjustment to eliminate UGI's carrying value of its approximate 19.5% ownership interest in AGZ which is accounted for under the equity method prior to the acquisition of the outstanding shares of AGZ that it did not already own.
17. Reflects pro forma adjustment to adjust fixed rate, long-term debt to fair value.
18. Reflects pro forma adjustment to record deferred income taxes on the increase in fair value of property, plant and equipment not already owned by UGI.
19. Reflects pro forma issuance of UGI Common Stock to fund a portion of the purchase price and to eliminate the historical equity of AGZ as follows:

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Issuance of UGI Common Stock to fund a portion of the purchase price	\$ 243.6
Eliminate AGZ common stock	(44.2)
	<hr/>
	\$ 199.4
	<hr/>

20. Reflects pro forma adjustment to eliminate historical retained earnings of AGZ, net of French GAAP to U.S. GAAP adjustments.
21. Reflects pro forma adjustment to record amortization of AGZ's customer list, which is not amortized under French GAAP. Customer list amortization is calculated using an estimated useful life of eleven years.
22. Reflects pro forma adjustment to eliminate goodwill amortization to reflect the application of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.
23. Reflects pro forma adjustment to record income tax benefit on customer list amortization.

Table of Contents**UGI CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED****FINANCIAL STATEMENTS (Continued)**

(Millions of dollars)

24. Reclassification adjustment of certain expenses to conform AGZ's presentation to U.S. GAAP. Under French GAAP, certain expenses included in depreciation and amortization are considered operating and administrative expenses under U.S. GAAP.
25. Reflects pro forma adjustment to record depreciation on the fair value of the property, plant and equipment acquired and to record depreciation and amortization on fixed assets and intangible assets using useful lives which are consistent with UGI's policies, and are generally longer than useful lives utilized by AGZ, as follows:

Three Months Ended December 31, 2003:

Depreciation expense	\$ 8.1
Amortization of customer list	2.0
Amortization of other intangible assets	0.4
Eliminate historical depreciation and amortization, net of reclassifications and U.S. GAAP adjustment	(17.3)
	<u> </u>
	<u>\$ (6.8)</u>

Year Ended September 30, 2003:

Depreciation expense	\$ 29.6
Amortization of customer list	7.4
Amortization of other intangible assets	1.4
Eliminate historical depreciation and amortization, net of reclassifications and U.S. GAAP adjustment	(64.9)
	<u> </u>
	<u>\$ (26.5)</u>

26. Reflects pro forma adjustment to eliminate UGI's 19.5% equity income from AGZ.

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27. Reflects pro forma adjustment to reflect interest expense on the fair value of debt assumed.
28. Reflects pro forma adjustment to allocate a portion of depreciation on property, plant and equipment relating to a consolidated subsidiary of AGZ, which is not 100% owned.
29. Reflects pro forma income tax expense on pro forma adjustments at AGZ's incremental income tax rate of 35%.
30. Reflects pro forma issuance of UGI Common Stock in conjunction with the acquisition.

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PricewaterhouseCoopers Audit

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To the Board of Directors and Shareholders of AGZ Holding SA

43, avenue de l Opéra

75 002 Paris

Report of Independent Auditors

We have audited the accompanying consolidated balance sheet of AGZ Holding SA and its subsidiaries as of March 31, 2003 and the related consolidated statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AGZ Holding SA as of March 31, 2003, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in France.

Accounting principles generally accepted in France vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 30 to the consolidated financial statements.

Paris and Neuilly sur Seine, June 21, 2003

PricewaterhouseCoopers Audit

Barbier Frinault & Autres

Ernst & Young

Jean-Pierre Caroff

Philippe Diu

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Table of Contents**AGZ HOLDING****CONSOLIDATED BALANCE SHEET****(thousands)**

	Note	March 31, 2003
	<u> </u>	<u> </u>
ASSETS		
Non-current assets		
Goodwill	4	351,097
Intangible assets		
Franchises, patents and other similar rights		15
Other intangible assets		49,246
		<u> </u>
	5	49,261
Tangible assets		
Land		5,798
Buildings		10,390
Machinery and equipment		180,630
Vehicles		4,176
Furniture and computers		1,182
Other tangible assets		575
Construction in progress		3,118
Advances and payments on account		1,216
		<u> </u>
	6	207,085
Investments	7	53,087
Investments accounted for under the equity method	8	6,144
		<u> </u>
Total non current assets		666,674
Current assets		
Inventories	9	16,556
Trade notes and accounts receivable	10	155,195
Other receivables	12	25,776
Marketable securities		44,856
Cash		20,288
		<u> </u>
Total current assets		262,671
		<u> </u>
TOTAL ASSETS		929,345
		<u> </u>

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**AGZ HOLDING****CONSOLIDATED BALANCE SHEET**

(thousands)

	<u>Note</u>	<u>March 31, 2003</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
Shareholders equity		
Capital		60,127
Additional paid-in capital		187
Consolidated reserves		14,445
Net loss for the year		(789)
		<u> </u>
Total shareholders equity	13	73,970
Minority interests	14	15,197
Contingency and loss provisions	16	37,474
Liabilities		
Borrowings and other liabilities	17	441,382
Trade notes and accounts payable		106,128
Deferred income taxes	11	20,186
Other liabilities	18	235,008
		<u> </u>
Total liabilities		802,704
		<u> </u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		929,345
		<u> </u>

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**AGZ HOLDING****CONSOLIDATED STATEMENT OF OPERATIONS****(thousands)**

	Note	Year Ended March 31, 2003
	<u> </u>	<u> </u>
Net sales	20	679,161
Other income		3,968
		<u> </u>
Revenues		683,129
Purchases of materials		(333,038)
Payroll costs		(67,771)
Other operating expense	21	(146,759)
Taxes other than on income		(9,640)
Depreciation, amortization and provisions	22	(67,076)
		<u> </u>
Operating expenses		(624,284)
		<u> </u>
Operating income		58,845
		<u> </u>
Financial expense, net	23	(32,157)
		<u> </u>
Income from ordinary activities		26,688
		<u> </u>
Exceptional items, net	24	8,029
Income tax	11	(12,977)
		<u> </u>
Net income from consolidated companies		21,740
		<u> </u>
Equity in loss of associated companies		(1,923)
Goodwill amortization	4	(24,341)
		<u> </u>
Net loss before minority interests		(4,524)
		<u> </u>
Minority interests		3,735
		<u> </u>
Net loss		(789)
		<u> </u>
Basic loss per share	25	(0.01)
Diluted loss per share		(0.01)

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**AGZ HOLDING****CONSOLIDATED STATEMENT OF CASH FLOWS****(thousands)**

	Year Ended March 31, 2003
Net loss before minority interests	(4,524)
<i>Adjustments to reconcile net loss to cash flow:</i>	
Amortization, depreciation and provisions	79,778
Changes in deferred taxes	(4,112)
Equity in earnings of associated companies	1,923
Gains and losses from disposals, net of tax	1,074
Other (expenses relating to high yield bonds issuance included in net loss)	4,533
Cash flow from operating activities before changes in working capital	78,672
<i>Net changes in working capital:</i>	
Inventories	(179)
Accounts receivable	(12,121)
Accounts payable	14,921
Cash flow from operating activities	81,293
Additions to intangible assets	(1,116)
Additions to property, plant and equipment	(27,035)
Additions to investments	(683)
Proceeds from disposals of fixed assets	1,046
Net change in other investments	426
Net cash used in investing activities	(27,362)
Dividends paid to the consolidated subsidiaries minority shareholders	(233)
Increase in debt security deposit	(15,000)
High yield bonds issuance	165,000
Net change in other borrowings and liabilities	(220,438)
Other (expenses relating to high yield bonds issuance)	(11,287)
Net cash used in financing activities	(81,958)
Net change in cash and cash equivalents	(28,027)
Cash and cash equivalents at beginning of the period	90,229
Cash and cash equivalents at end of the period	62,202

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The accompanying notes are an integral part of the consolidated financial statements.

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All figures are expressed in thousands unless otherwise stated)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Overview

a) Accounting standards

The consolidated financial statements of AGZ Holding and its subsidiaries (the Company) have been prepared in accordance with French generally accepted accounting principles, and specifically standard 99-02 issued by the *Comité de Réglementation Comptable* (CRC 99-02).

b) Fiscal year end

All of the Company's consolidated subsidiaries have a March 31 year-end, except Norgal and Geovexin, which have a December 31 year-end. Norgal and Geovexin have been consolidated on the basis of non-audited financial statements (most recent audited financial statements are as of December 31).

Accounting principles

a) Consolidation methods

The consolidated financial statements include the financial statements of material subsidiaries in which AGZ Holding owns directly or indirectly more than 20% of voting rights.

Companies, in which AGZ Holding owns more than 50% of the voting rights, directly or indirectly, are fully consolidated. Companies over which AGZ Holding exercises significant influence, but in which it holds less than 50% of the voting rights, directly or indirectly, are accounted for under the equity method.

b) Goodwill

Goodwill represents the excess of the purchase price of shares in consolidated companies over the fair value of the net assets acquired at the date of acquisition. The excess is allocated to the purchased assets and liabilities for which a fair value can be determined and the remaining is recorded as goodwill. Goodwill is amortized using the straight-line method over the estimated economic life of the asset, which does not exceed 20 years. The net value is reviewed on a regular basis and is adjusted when any triggering event indicates that the value of the asset might have been impaired.

c) Intangible assets

Intangible assets are stated at cost. The intangible assets relating to Antargaz's propane small bulk activity was determined based on the cost the company is willing to undertake for each new customer. The net value is reviewed on a regular basis for impairment.

Only computer software is amortized using the straight-line method. The estimated useful life ranges from 1 to 3 years.

d) Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost or, if applicable, at fair value at the date of a business combination. Interest expense related to the production of assets is not capitalized. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets as follows:

Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(All figures are expressed in thousands unless otherwise stated)**

	Years
Buildings	20 to 25
Fixtures and fittings	10
Technical equipment	10
Distribution equipment and other	5 to 10
Computer equipment	3

In addition, fixed assets which are held under capital leases are capitalized. Subsidiaries individual accounts have been adjusted to eliminate the rental expense and to recognize the interest expense, the depreciation expense and the repayment of the lease obligation. Depreciation of capital leased assets is calculated over the estimated useful lives of the respective assets as indicated above.

e) Other investments

Other investments primarily include non-consolidated equity interests and deposits.

Equity interests are stated at the lower of fair value or acquisition cost (purchase price excluding transaction costs). A provision is recorded when the value to the Company is lower than the carrying value. The value to the Company of investments in subsidiaries or affiliates is determined based on, notably, the Company's equity in the underlying net assets and on the entity's profitability prospects.

Deposits are stated at their nominal value.

f) Inventories

Inventories are valued according to the weighted average cost method. Cost includes incidental expenses.

g) Receivables and payables

Receivables are stated at cost. At year-end, receivables are reviewed and an allowance for bad debt is recorded based on the aging of the accounts receivable and/or the liquidity of the related customer. Receivables and payables denominated in a foreign currency are recorded based on the exchange rate in effect at year-end.

h) Marketable securities

Marketable securities are stated at acquisition cost and are valued based on the first-in first-out method (FIFO). A provision is recorded when the market value of the securities or, if not applicable, their estimated net realizable value, is lower than their acquisition cost.

i) Investment grants

Investment grants are recorded under deferred income.

j) Contingency and loss provisions

Since April 1, 2002, contingencies and loss provisions are recorded in conformity with the standard CRC 2000-06, which was issued by the *Comité de Réglementation Comptable*. Consequently, an amount of 3,196 has been reversed directly against shareholders' equity.

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All figures are expressed in thousands unless otherwise stated)

k) Foreign currency transactions

Unrealized gains or losses resulting from the translation to euro currency are directly recorded in earnings.

l) Deferred income taxes

Deferred income taxes are recognized by the liability method for timing differences between the recognition of certain items of income and expenses for financial reporting and tax purposes, as well as for consolidation adjustments (mainly purchase accounting adjustments, and the elimination of non-deductible provisions). Deferred tax assets are recognized for tax loss carry forwards and temporary differences, to the extent that they are offset by deferred liabilities. Net deferred tax assets are recognized only when it is more likely than not that such asset will be realized.

m) Retirement obligations and other employee benefit commitments

Retirement obligations, additional pension, contributions and other post-retirement benefits are recorded as a provision based on an actuarial valuation. A detailed actuarial valuation of these obligations is carried out, based on the Projected Unit Credit Method. The actuarial assumptions used are as follows:

All commitments except CREA:

Discount rate (early retirement plans and other): 4.5% - 5.7%.

Estimated annual salary increase: 3.2%.

Retirement age:

Non-managerial employee: 60 for employees born before January 1, 1950, and 62 for employees born afterwards.

Managers: 62 for employees born before January 1, 1950, and 64 for employees born afterwards.

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Social security contributions: 45%.

Turnover:

2.5% (managers) and 1% (supervisory staff) for employees under 40 years old.

1% (managers) for employees under 50 years old.

Mortality rate: TPG 93 and INSEE 1998 tables.

CREA commitments:

Discount rate (early retirement plans and other): 5.3%.

Estimated annual salary increase: 2.3%.

Retirement age:

Non-managerial employees: 60 for employees born before January 1, 1950, and 62 for employees born afterwards.

Managers: 62 for employees born before January 1, 1950, and 64 for employees born afterwards.

Social security contributions: 45 %.

Employees still married when retiring: 80%.

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All figures are expressed in thousands unless otherwise stated)

Gap between the age of employees and the age of their husband or wife: 3 years.
Reversion rate: 60%.
Turnover:

Managers: 0% at any age.

Non-managerial employees: 8% if under 24, this rate being decreased of 2% every 5 years afterwards.

Mortality rate: TPG 93 and INSEE 1998 tables.

The provision for retirement obligations and employee benefit commitments is valued in note 16.

n) Evaluation criteria for determining exceptional transactions

Exceptional items include income and expense from exceptional transactions arising either from revenue or capital transactions.

NOTE 2 CHANGE IN THE SCOPE OF CONSOLIDATION

On June 14, 2002, the Company created a wholly owned subsidiary, AGZ Finance, with the exception of one share, which is held by Antargaz. Accordingly, AGZ Finance is included in the scope of consolidation as of that date.

The voting rights in Sigap Ouest have been reduced at year-end, decreasing from 66.67% to 66.00%, which reduced the consolidated reserves by 3.

NOTE 3 SUBSEQUENT EVENTS

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Subsequent to the closing of accounts for the fiscal year 2003, a 25 million capital reduction of AGZ Holding was performed on June 20, 2003, as previously authorized by the Trust Deed, the Senior Credit Agreement and the Intercreditor Agreement.

Furthermore, AGZ Holding has undertaken to refinance its senior debt and revolving facility (undrawn amount of 46 million) by a new secured syndication of 220 million and a revolving facility of 50 million, with the target of reducing financing cost for the Company.

In connection with this transaction, the interest rate swaps set up pursuant to the 2001 LBO (maturing March 31, 2001) were terminated, resulting in a 5.4 million charge. We entered, concurrently, in a new swap (75% of the new facility and maturing in March 2005) to benefit from the current low level of interest rates (2.31% instead of 4.41% previously).

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Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(All figures are expressed in thousands unless otherwise stated)

NOTE 4 GOODWILL

In accordance with the applicable regulations, goodwill was adjusted during the period. The adjustments were as follows:

<u>Investor</u>	<u>Investee</u>	<u>Gross value as at March 31, 2002</u>	<u>Adjustments</u>	<u>Gross value as at March 31, 2003</u>
AGZ Holding	Antargaz	389,316	(719)	388,597
Antargaz	Sobegal	1,510		1,510
Antargaz	Geovexin	5,128		5,128
Total		395,954	(719)	395,235
<u>Investor</u>	<u>Investee</u>	<u>Depreciation as at March 31, 2002</u>	<u>Amortization</u>	<u>Depreciation as at March 31, 2003</u>
AGZ Holding	Antargaz	(19,466)	(19,393)	(38,859)
Antargaz	Sobegal	(75)	(76)	(151)
Antargaz	Geovexin	(257)	(4,871)	(5,128)
Total		(19,798)	(24,340)	(44,138)
<u>Investor</u>	<u>Investee</u>	<u>Net value as at March 31, 2002</u>	<u>Adjustments</u>	<u>Net value as at March 31, 2003</u>
AGZ Holding	Antargaz	369,850	(20,112)	349,738
Antargaz	Sobegal	1,435	(76)	1,359
Antargaz	Geovexin	4,871	(4,871)	
Total		376,156	(25,059)	351,097

The above gross value adjustments detail as follows:

A reduction of the acquisition price of Antargaz shares resulting from a contractual guarantee	(221)
	(498)

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A reduction of the expenses relating to the acquisition of Antargaz shares resulting from a tax regularization

The goodwill relating to Antargaz and Sobégál is amortized over 20 years, beginning April 1, 2002. Amortization expense for the period amounted to 19,393 and 76, respectively.

To align the book value of Géovexin in the consolidated statements on its fair value, the related goodwill has been depreciated at year-end. The amortization expense for the period amounted to 4,871.

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Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(All figures are expressed in thousands unless otherwise stated)

NOTE 5 INTANGIBLE ASSETS

	<u>Franchises, patents</u>	<u>Customer base and other</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost at March 31, 2002	655	48,116	21,387	70,158
Accumulated depreciation at March 31, 2002	(508)	(8)	(15,381)	(15,897)
Net book value at March 31, 2002	147	48,108	6,006	54,261
Additions	17		1,097	1,114
Reclassifications			46	46
Depreciation	(149)		(6,011)	(6,160)
Cost at March 31, 2003	462	48,116	22,494	71,072
Accumulated depreciation at March 31, 2003	(447)	(8)	(21,356)	(21,811)
Net book value at March 31, 2003	15	48,108	1,138	49,261

Additions mainly correspond to purchases of software equipment.

NOTE 6 TANGIBLE ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture, computers</u>	<u>Other tangible assets</u>	<u>Total</u>
Cost at March 31, 2002	6,427	24,853	576,246	6,036	6,205	6,129	627,896
Accumulated depreciation at March 31, 2002	(578)	(15,943)	(372,639)	(3,749)	(4,855)	(1,973)	(399,737)
Net book value at March 31, 2002	5,849	10,910	203,607	2,287	1,350	4,156	228,159
Additions	31	1,274	15,411	3,652	421	9,867	30,656
Disposals		(562)	(833)	(309)	(184)	(12)	(1,900)
Reclassifications		344	8,469	84	66	(9,009)	(46)

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Depreciation	(82)	(1,576)	(46,024)	(1,538)	(470)	(94)	(49,784)
Cost at March 31, 2003	6,458	27,305	588,217	8,604	3,847	6,898	641,329
Accumulated depreciation at March 31, 2003	(660)	(16,915)	(407,587)	(4,428)	(2,664)	(1,990)	(434,244)
Net book value at March 31, 2003	5,798	10,390	180,630	4,176	1,183	4,908	207,085

Additions primarily correspond to technical equipment (15,411) and construction in progress (9,867). Additions of vehicles (3,652) correspond to the assets under lease contracts recognized in the financial statements during the fiscal year. The reclassifications relate to the assets put into service during the period.

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All figures are expressed in thousands unless otherwise stated)

NOTE 7 INVESTMENTS

Investments include shares in non-consolidated companies in an amount of 36,671 and other non-current assets amounting to 16,416. Therefore, total investments amount to 53,087.

Shares in non-consolidated companies are as follows:

<u>Company</u>	<u>Percent Interest</u>	<u>Cost</u>	<u>Allowances</u>	<u>Net Book Value at March, 31 2003</u>
Cobogal	15.00%	1,525		1,525
Floregaz	80.00%	61		61
Géogaz	16.67%	35,063		35,063
Elf Gas Shandong(1)	100.00%	972	(972)	
Elf Gas Peru(1)	82.71%	3,884	(3,884)	
Siraga Industrie(1)	10.00%	47	(47)	
Aqualoire(1)	5.00%	23	(23)	
Sapomer(1)	5.84%	11	(11)	
Elf Gas Chile(1)	100.00%	10	(10)	
Engas	28.00%	22		22
Total		41,618	(4,947)	36,671
<i>Hereunder, the companies with no gross book value</i>				
Bus Paris	50.00%			
GPL Bus	25.00%			
Opération Reflex GPL	5.00%			
Donges	50.00%			
Queven	50.00%			
Groupement Lechnique Citerne	20.00%			

(1) Companies in liquidation

The companies that are more than 20%-owned included in the above table have not been consolidated because they are not material in relation to the Company as a whole.

Changes during fiscal year were as follows:

	<u>Equity Interest</u>	<u>Receivables from controlled entities</u>	<u>Loans</u>	<u>Other investments</u>
Beginning balance	36,671	15	1,289	177
Additions			159	15,057
Disposals			(278)	(3)
Provisions				
Closing balance	36,671	15	1,170	15,231

The Company is required to maintain a deposit as a pledge of collateral for the benefit of the Company's creditors under the senior credit agreement, as amended in July 2002. The deposit amount is interest bearing and is not available to the Company until its obligations to the creditors under the senior credit agreement have been satisfied. Accordingly, this deposit, which totaled 15,000 at March 31, 2003, is classified as an investment in the consolidated balance sheet.

Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(All figures are expressed in thousands unless otherwise stated)**

Loans and other investments are as follows:

	March 31, 2003	Due in less than 1 year	Due between 2 and 5 years	Due in more than 5 years
Loans	1,170	12	1,077	80
Other investments	15,231	130	45	15,056

NOTE 8 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Investments accounted for under the equity method correspond solely to shares held in Géovexin. During the fiscal year, the value of the investments was modified by the following changes:

Gross amount at March 31, 2002	8,067
Net income	(1,923)
Gross amount at March 31, 2003	6,143

Net income as above-mentioned does not include the amortization of goodwill relating to Géovexin (4,871). The contribution of Géovexin to the consolidated account is as follows:

Equity in consolidated net loss of Géovexin for the year	(1,923)
Amortization of goodwill	(4,871)
Contribution to the consolidated equity at March 31, 2003	(6,794)

NOTE 9 INVENTORIES

Inventories are valued using the weighted average cost method. Cost includes incidental expenses. The components of inventory were as follows:

	March 31, 2003
Raw materials and supplies	2,552
Provision on raw materials and supplies	(48)
Work-in-process	17
Provision on work-in-process	
Goods held for resale	14,047
Provision on goods held for resale	(12)
Total	16,556

NOTE 10 TRADE NOTES AND ACCOUNTS RECEIVABLE

This item consists of the following:

	March 31, 2003
Trade notes and accounts receivable	159,063
Allowance for bad debt	(3,868)
Total	155,195

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All figures are expressed in thousands unless otherwise stated)

The provision for bad debt has been modified as follows:

	March 31, 2003
Beginning balance	3,494
Increase	1,701
Decrease	(1,327)
Total	3,868

NOTE 11 DEFERRED INCOME TAXES

	March 31, 2003
Current income tax	(17,088)
Deferred income taxes	4,111
Income tax (expense)	(12,977)

a) Effective tax rate

The difference between the effective tax rate and the statutory tax rate applicable in France can be analyzed as follows:

	March 31, 2003
Statutory tax rate in France	35.43%

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Goodwill amortization	102.02%
Other	16.07%
Effective tax rate	153.52%(1)

- (1) The level of effective tax rate results from the structure of income statement, and in particular goodwill amortization effect on net loss for the period without tax credit in counterpart.

b) Basis of income tax

	March 31,
	2003
	<u> </u>
Untaxed provisions	(17,595)
Fair value adjustments to technical equipment	(13,966)
Transaction costs of acquisition of Antargaz shares	1,090
Provision for retirement costs	3,203
Inter-company margins on inventories	1,035
Timing differences	7,977
Other adjustments	229
	<u> </u>
Net deferred taxes	(20,186)
	<u> </u>
Of which:	
Deferred tax liabilities	(20,186)
Deferred tax assets	

Deferred tax liabilities and deferred tax assets have been compensated when relating to the same tax entity.

Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(All figures are expressed in thousands unless otherwise stated)***c) Tax consolidation*

AGZ Holding is the parent of the tax consolidation group, which includes the following companies:

Antargaz

Aquitaine Pyrénées Gaz

Gaz Est Distribution

Nord GPL

Rhône Méditerranée Gaz

Wogégal

Following an agreement signed on March 27, 2001 with its subsidiaries, AGZ Holding benefits from the tax savings or bears the corporate income tax resulting from the application of the tax consolidated regime. The subsidiaries are liable to AGZ Holding for the income tax (including additional taxation) that they would have paid if they had not been part of the tax consolidation group.

d) Tax proof

	March 31, 2003
Net income before minority interest	(4,524)
Income tax	12,977
Income before tax	8,453
Goodwill amortization	24,341
Other permanent differences	2,881

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Taxable income	35,675
Income tax at the rate of 35.43%	12,640
Other	337
	<hr/>
Income tax	12,977
	<hr/>
Of which:	
Current income tax	17,088
Deferred income taxes	(4,111)

NOTE 12 OTHER RECEIVABLES

	March 31,
	2003
	<hr/>
Advances and payment on account	647
Prepaid and recoverable taxes	11,194
Other operating receivables	439
Other non-operating receivables	1,330
Provisions on other receivables	(1,269)
Deferred charges	10,725
Prepaid expenses	2,710
	<hr/>
Net amount	25,776
	<hr/>

Table of Contents**AGZ HOLDING****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(All figures are expressed in thousands unless otherwise stated)**

Deferred charges include at year end:

Debt issuance cost of 4,491, amortized over the life of the related debt by the yield-to-maturity method, and

Cost related to debt restructuring achieved in July of 2002 for 6,234, amortized on a straight-line basis over the life of high yield bonds.

NOTE 13 SHAREHOLDERS EQUITY

In conjunction with the redemption of the redeemable bonds that occurred in July 2002, for which, part of the redemption was made in exchange for shares of AGZ Holding, the capital stock of AGZ Holding increased from 50,106 to 60,127. The Company currently has 60,126,800 shares of capital stock outstanding as of March 31, 2003.

The Company issued 1,333,928 new shares, each of them carrying 19 equity warrants, or 25,344,632 warrants in the aggregate. The issuance led to the recognition of an additional paid-in capital of 187. The conversion ratio is fixed at 13 warrants for one new share. The exercise of these warrants is conditional upon the realization of a minimum internal rate of return of 20%.

Changes in shareholders equity are presented below:

	<u>Capital</u>	<u>Additional paid-in capital</u>	<u>Consolidated reserves</u>	<u>Net income/(loss) of the year</u>	<u>Total Shareholders equity</u>
Balance as at March 31, 2002	50,106	187	(729)	12,018	61,582
Change in capital	10,021				10,021
Net income for the prior year			12,018	(12,018)	
Net loss of the year				(789)	(789)
Dividends					
Change in scope of consolidation			(3)		(3)
Other changes			3,159		3,159
Balance as at March 31, 2003	60,127	187	14,445	(789)	73,970



Other changes correspond to:

Reversal of contingency and loss provisions directly recorded in consolidated reserves in a net amount of 3,195, according to CRC 2000-06 issued by the *Comité de Réglementation Comptable* (see note 16), and

Adjustments of (36) related to goods under lease contracts for prior periods.

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The change in minority interests during the fiscal year is as follows:

	Total
	minority
	interest

Minority interests as at March 31, 2002	19,164
Net loss	(3,736)
Dividends	(234)
Other changes	3

Minority interests as at March 31, 2003	15,197

NOTE 15 BONDS REDEEMABLE IN SHARES

In July of 2002, the redeemable bonds were reimbursed through a \$90,188 cash payment, plus interest in an amount of \$8,113. The remaining portion of the reimbursement was affected by the redemption of \$10,021 in bonds by issuance of additional share capital.

NOTE 16 CONTINGENCY AND LOSS PROVISIONS

	March 31,						March 31,
	2002	Allowances	Uses	Reversals	Reclassification	Others	2003
	_____	_____	_____	_____	_____	_____	_____
Contingency provisions	17,982	6,493	(10)	(333)			24,132(1)
Loss provisions	12,324	27	(9,327)(3)	(1,259)(3)	2,158	(1,936)(2)	1,987
Provisions for retirement	11,136	953		(87)	(2,158)		9,844(4)

Provisions for other risks	4,539	111	(686)	(306)	(3,013)(2)	645
Other provisions	1,294		(428)			866
Total	47,275	7,584	(10,451)	(1,985)	0	37,474

- (1) accrual mainly to cover a risk related to business tax for 23,680.
- (2) reversal recorded directly in consolidated reserves according to CRC 2000-06 issued by the *Comité de Réglementation Comptable*, corresponding to regulatory compliance (3,013) and to the costs resulting from the change of trademark (1,936).
- (3) of which 9,986 relating to reorganization plans.
- (4) of which 976 recorded in the individual statements of Antargaz and 8,868 resulting from the preparation of consolidated financial statements.

NOTE 17 BORROWINGS AND OTHER LIABILITIES

This item includes:

Bank borrowings. Debt issuance costs are amortized over the life of the debt.

Obligations under finance leases. The amount of the obligation corresponds to the value of the capitalized assets at the inception of the lease. It is written off on the straight-line basis over the life of the lease. The interest component is determined on the basis of the discounted present value of the future minimum lease payments at the inception of the lease.

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AGZ HOLDING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All figures are expressed in thousands unless otherwise stated)

	March 31, 2002	Changes		March 31, 2003	Due in less than 1 year	Due between 1 and 5 years	Due in more than 5 years
		Capital	Interests				
Senior debt	346,503	(84,851)	(189)	261,463	15,361	82,102	164,000
Subordinated debt	40,045	(39,000)	(1,045)				
Other bank borrowings	5,429	(918)	(246)	4,265	755	2,440	1,070
High yield bonds		165,000	3,437	168,437	3,437		165,000
Other borrowings	6,070	(6,238)	259	91	30	61	
Lease contract	879	2,581		3,460	1,045	2,415	
Total borrowings	398,926	36,574	2,216	437,716	20,628	87,018	330,070
Bank overdrafts	7,454	(4,909)	397	2,942	2,942		
Other debts	959	(235)		724	200	472	52
Total overdrafts and other debts	8,413	(5,144)	397	3,666	3,142	472	52
Total	407,339	31,430	2,613	441,382	23,770	87,490	330,122

In July 2002, through AGZ Finance, the Company issued 165,000 in 10% Senior Notes due 2011 (the High Yield Bonds). The interest on the High Yield Bonds is payable semi-annually on January 15 and July 15 of each year commencing January 15, 2003. The Company may redeem the bonds in whole or in part by paying a customary premium to the bondholders, of which, the amount fluctuates based upon the characteristics of reimbursement.

In connection with the issuance of the High Yield Bonds, the remaining balance of the redeemable bonds, as discussed above in Note 9, was reimbursed and payments of 75,000 and 39,000 were made against the senior debt and subordinated debt respectively. As of March 31, 2003, all of the subordinated debt and redeemable bonds has been paid in full.

Payments towards the Senior Debt included an early reimbursement totaling 75,000 as discussed above, and a scheduled principal payment of 9,851.

The Senior Debt bears interest on a rate fluctuating between Euribor plus 2% and Euribor plus 3%.

The Euribor rate for the Senior Debt has been swapped against a fixed rate of 4.41%.

NOTE 18 OTHER LIABILITIES

	March 31, 2003
Other operating liabilities(1)	169,152
Advances and payments on account	3,111
Accrued taxes and personnel costs	34,622
Other operating liabilities	5,090
Deferred income	9,537
Due to suppliers of property	10,099
Other non-operating liabilities	3,397
Total	235,008

(1) This item relates to the deposits on cylinders and tanks provided to customers.

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Among all non-consolidated companies in which AGZ Holding has an equity interest, only Géogaz and Cobogal have significant transactions with the Company. These Géogaz and Cobogal provide the Company with storage services, for which the outstanding amounts as at March 31, 2003 are as follows:

	<u>Géogaz</u>	<u>Cobogal</u>
Trade notes and accounts payable	286	244

NOTE 20 SALES

The Company sales break down as follows:

	<u>March 31,</u>
	<u>2003</u>
Sales of products	640,899
Discounts	(2,092)
Sales of services	40,354
Net sales	<u>679,161</u>

Net sales of products represent substantially all of the Company's activity relating to the trade on distribution of LPG. Sales of services principally represent revenues from storage, filling and loading services provided to third parties.

Except sales realized by AGZ Holding with other foreign LPG operators (22,622), all sales are made in France.

NOTE 21 OTHER OPERATING EXPENSES

Other operating expenses detail as follows:

	March 31, 2003
Transport	(59,396)
Repairs and maintenance	(18,373)
General subcontracting	(15,502)
Rental charges	(9,369)