



**AmeriGas**

**2004 Annual Report**

**The anywhere fuel from  
the everywhere company.**



## AmeriGas Partners, L.P.

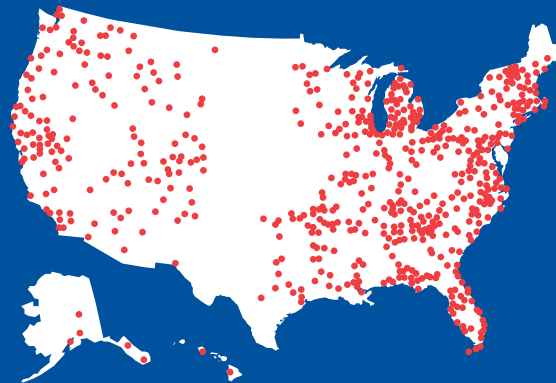
**AmeriGas is the nation's largest retail propane marketer, serving 1.3 million customers from more than 650 distribution locations in 46 states. AmeriGas also has approximately 22,000 PPX® grill cylinder exchange locations at well-known retailers around the nation. Total propane sales in 2004, including retail and wholesale, were nearly 1.3 billion gallons.**

The portability and versatility of propane make it the “anywhere fuel” for a wide variety of applications in the residential, commercial, industrial, motor fuel, agricultural and recreational markets. Propane can be used for anything from powering a backup generator after a hurricane to warming a fruit orchard during a cold snap. Propane is most commonly used for space heating, water heating, clothes drying, cooking and fueling engines. Propane and AmeriGas... the “anywhere fuel from the everywhere company!”

AmeriGas Partners, L.P. (NYSE:APU) operations are managed by its general partner, AmeriGas Propane, Inc., a wholly owned subsidiary of UGI Corporation (NYSE:UGI), a 122-year-old supplier of propane, butane, natural gas, electricity and related energy services. UGI, through subsidiaries, owns 46% of AmeriGas Partners, and more than 45,000 individual unitholders own the remaining 54%.

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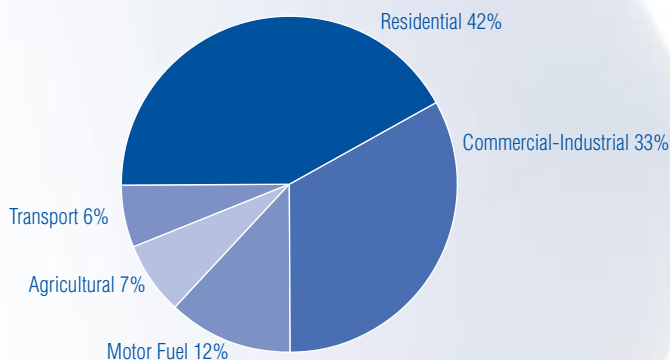


**AmeriGas has distribution offices in 46 states.**  
**Our extensive geographic coverage allows us to**  
**serve 95% of the U.S. population.**

## Financial Highlights

Year Ended September 30,	2004	2003	2002
(Millions of dollars, except as noted)			
Retail gallons sold (millions)	<b>1,059.1</b>	1,074.9	987.5
Degree days – % (warmer) colder than normal (1)	<b>(4.9)%</b>	0.2%	(10.0)%
Revenues	<b>\$ 1,775.9</b>	\$ 1,628.4	\$ 1,307.9
Operating income	<b>\$ 176.7</b>	\$ 164.0	\$ 145.3
Net income	<b>\$ 91.9</b>	\$ 72.0	\$ 55.4
Income tax expense	<b>0.2</b>	0.6	0.3
Interest expense	<b>83.2</b>	87.2	87.8
Depreciation and amortization	<b>80.6</b>	74.6	66.1
EBITDA (2)	<b>\$ 255.9</b>	\$ 234.4	\$ 209.6
Interest expense	<b>(83.2)</b>	(87.2)	(87.8)
Maintenance capital expenditures	<b>(23.1)</b>	(22.0)	(20.7)
Distributable cash (3)	<b>\$ 149.6</b>	\$ 125.2	\$ 101.1
Units outstanding – end of year (millions)	<b>54.5</b>	52.3	49.4

**Retail Markets by Volume**



(1) Deviation from average heating degree days based upon national weather statistics provided by the National Oceanic and Atmospheric Administration for 335 airports in the United States, excluding Alaska.

(2) EBITDA (earnings before interest expense, income taxes, depreciation and amortization) should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America. Management believes EBITDA is a meaningful non-GAAP financial measure used by investors to compare the Partnership's operating performance with other companies within the propane industry and to evaluate our ability to meet loan covenants.

(3) Management defines distributable cash as EBITDA less interest expense and maintenance capital expenditures. Maintenance capital expenditures are defined in the Partnership Agreement as expenditures made to maintain the operating capacity of the Partnership's existing capital assets. Management believes distributable cash is a meaningful non-GAAP measure for evaluating the Partnership's ability to declare and pay the Minimum Quarterly Distribution pursuant to the terms of the Partnership Agreement. The Partnership's definition of distributable cash may be different from that used by other entities.



## **Dear Fellow Investors:**

**The theme of our annual report this year, *the anywhere fuel from the everywhere company*, highlights the strengths that we are leveraging to grow our earnings: the inherent advantages of propane and the unmatched geographic coverage of AmeriGas.**

Propane is a portable, environmentally friendly fuel that is the most cost-effective choice in a wide variety of applications. In many parts of the country, the average cost of propane is one-half the cost of electricity. Propane produces some of the lowest levels of pollutants of all the fossil fuels, spurring many cities, airports and businesses to use the fuel to help improve air quality. We are working through the Propane Education and Research Council to increase consumer awareness of the benefits of propane and to advance the growth of our industry through a national advertising campaign and applications research. There are a number of promising new opportunities for our fuel to replace chemicals in agriculture, to generate electricity in remote locations and to expand the use of propane appliances. As the market for propane grows, we want to ensure that AmeriGas is the supplier of choice for the fuel of choice.

AmeriGas' unmatched geographic coverage gives us a number of distinct competitive advantages. We are in a position to serve 95% of the U.S. population from more than 650 locations. Our size and geographic diversity make us the logical choice to serve large, multi-location national customers. We also have the best supply infrastructure in the industry, including the largest fleet of transport trucks and rail cars. This translates into increased reliability and flexibility to respond to the needs of our customers. For example when multiple hurricanes hit Florida this year, local rail terminals were out of service, but AmeriGas used its transport fleet to bring in propane from terminals outside the state to meet the needs of our customers. Our size also enables us to negotiate favorable terms with our own suppliers, keeping costs down. Our geographic diversity makes us less vulnerable to the risk of regionalized warmer weather, resulting in greater earnings stability.

### **Our financial objective**

AmeriGas' financial objective is to leverage our strengths to deliver higher growth in net income per unit than our peer group of publicly traded propane partnerships. Consistent earnings growth will improve the quality of our balance sheet and allow us to increase our distributions at regular intervals. This year we made significant progress toward our objectives. Net income per unit of \$1.71 set a new record, a 20% increase compared to fiscal year 2003 despite weather that was 5% warmer than normal. Distribution coverage increased from 1.1 times last year to 1.3 times.

Customer growth remains the centerpiece of our strategy to deliver consistent increases in net income. We have established a track record of growth by acquiring profitable independent marketers, leveraging our footprint through our PPX® and Strategic Accounts programs and building our traditional base of customers. This year we added 38 million gallons through seven acquisitions. There is still ample opportunity to grow through acquisitions in our industry, with 3,500 small regional propane marketers operating in the U.S. In recent years we have recorded strong growth from PPX and Strategic Accounts, and fiscal year 2004 was no exception. PPX



added 1,600 locations, contributing an incremental \$3.5 million in EBITDA\* compared to fiscal 2003. Strategic Accounts sales volume increased by 6%. We expect to continue to grow PPX and Strategic Accounts, two areas in which we have translated our geographic scale into a significant competitive advantage. We service hundreds of locations for large customers in both of these markets.

Our greatest growth challenge is adding to our base of traditional residential and commercial customers. Competition in this arena is intense. In 2004 we exceeded our growth goal and added thousands of new residential and commercial customers. We attribute this success to a change in our culture over the last several years. AmeriGas employees at all levels have become more focused on customer service and growth. Our employees have embraced our customer service vision – to be *the most reliable, safest and most responsive propane company in every market that we serve*. We made progress on this vision this year by improving the reliability of our deliveries through enhancements to our fuel forecasting and delivery routing, and by increasing our service to customers who call us after hours.

While we have been highlighting our strategy, the credit for our success – and our confidence about the future – rests with our talented and dedicated employees. This year they again distinguished themselves by going above and beyond to take care of our customers. A prime example was their response to the series of hurricanes and tropical storms in Florida. More than 75 employee volunteers from around the country came to the aid of our Florida customers and to support our fellow employees. While many of our employees suffered damage to their own homes, they reported to work to help us restore service to the thousands of AmeriGas customers who were devastated by the storms. In addition to our appreciation for their caring response, we were honored to be recognized by a major customer, The Home Depot, for our service to the areas affected by the storms.

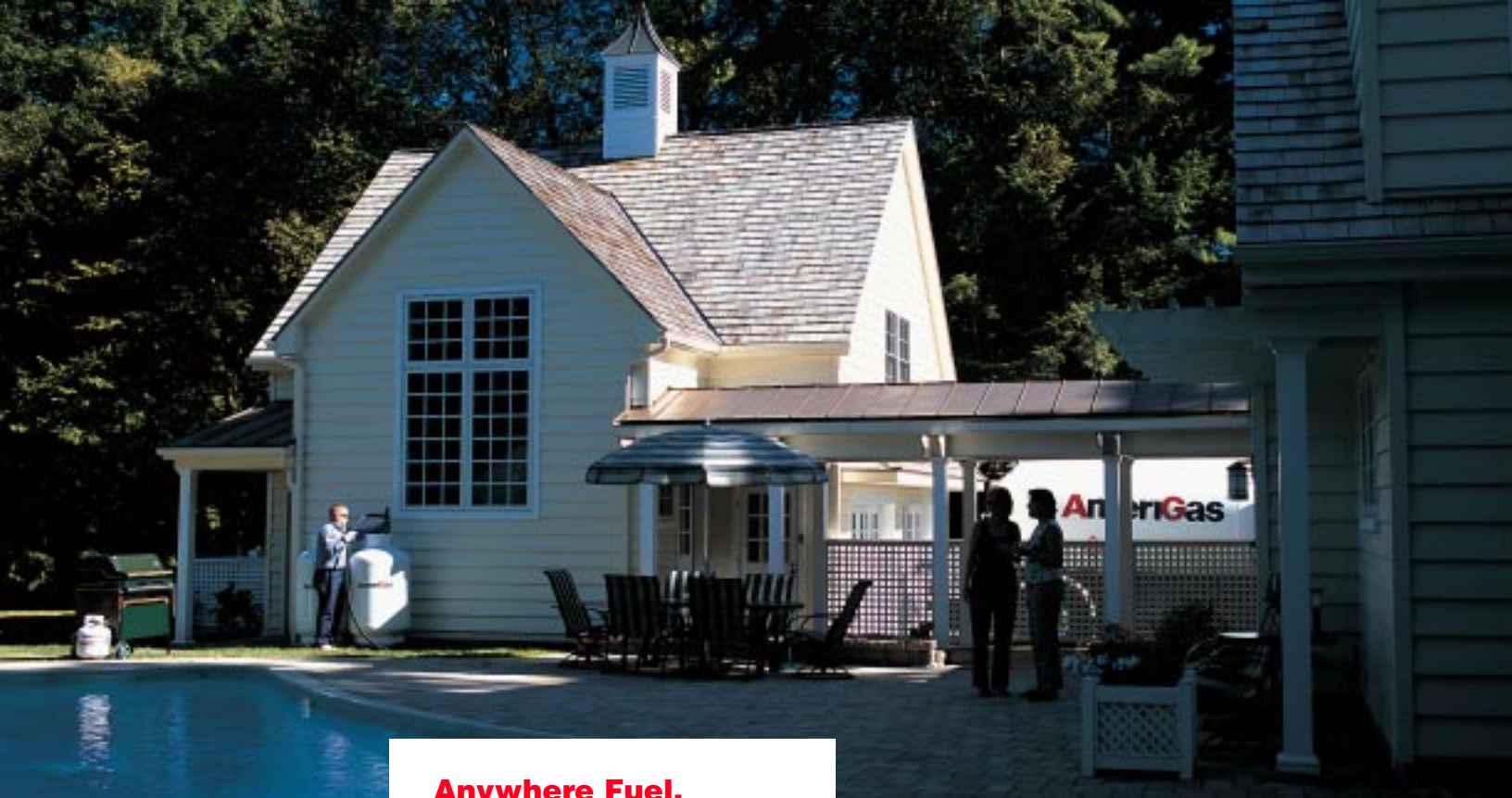
Finally, we would like to thank our Board of Directors for their advice and support. Their broad base of experience and active involvement helped us achieve record-breaking results in fiscal year 2004, and have helped us lay the foundation for an even brighter future.

**Eugene V. N. Bissell**  
**President and Chief Executive Officer**

**Lon R. Greenberg**  
**Chairman**

December 6, 2004

\*earnings before interest expense, income taxes, depreciation and amortization



## Anywhere Fuel.

**Propane has many uses around the home, from outdoor grilling to heating swimming pools. The most common residential applications include space heating, water heating, cooking and clothes drying.**

**The Anywhere Fuel.** A by-product of crude oil refining and natural gas processing, propane is the world's most versatile fuel. Its portability, affordability and clean-burning properties make it the preferred energy choice in dozens of residential, commercial, industrial and agricultural applications. Its most common uses are space and water heating, cooking, clothes drying and fueling engines. While the cost of all energy products has climbed in recent years, propane still offers a significant price advantage over electricity in many parts of the country, underscoring both the cost advantage and the market growth potential of propane.

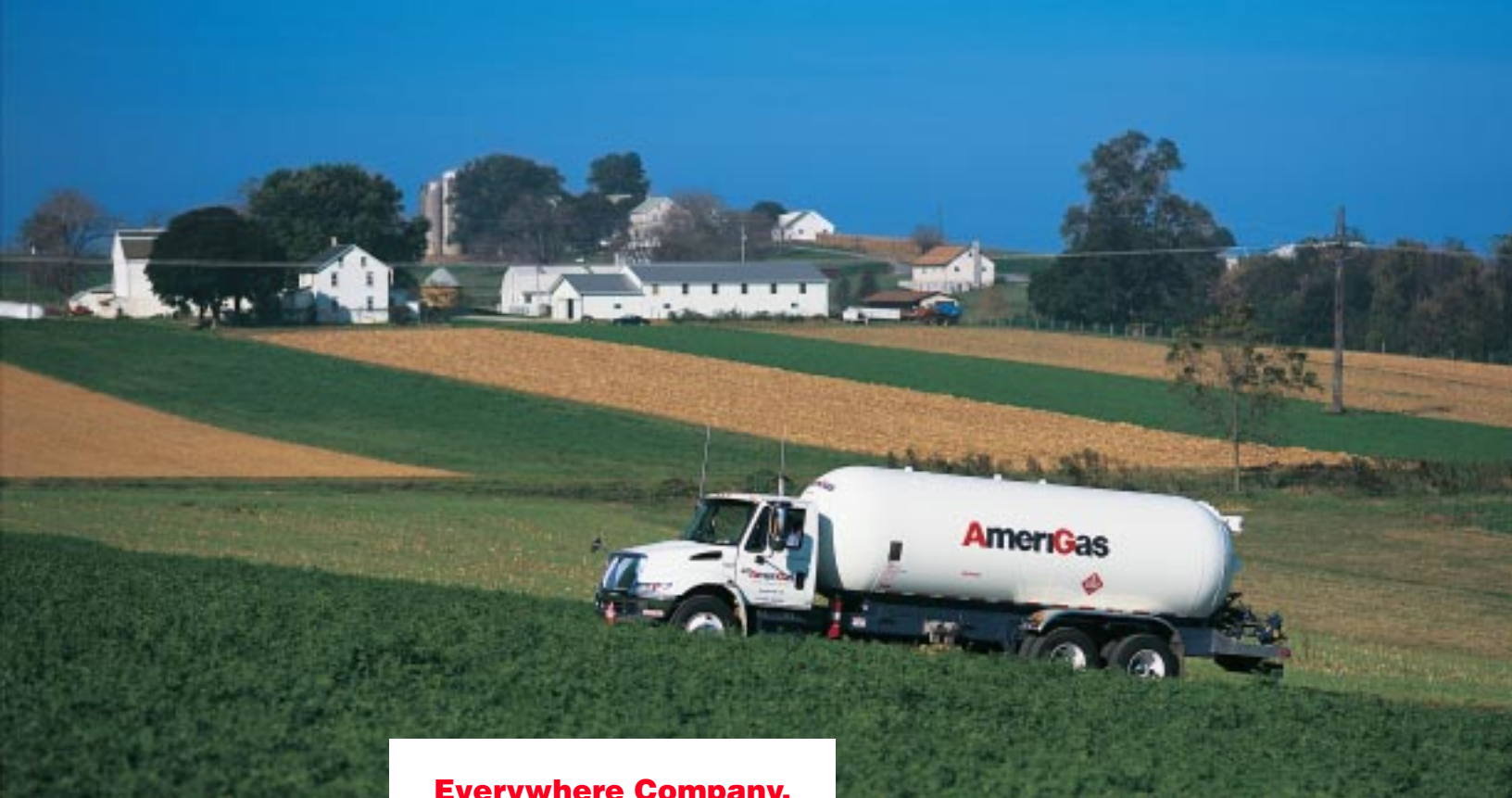
**The Everywhere Company.** AmeriGas is the nation's largest propane marketer, serving customers from more than 650 distribution locations in 46 states. Nearly 22,000 PPX® pre-filled grill cylinder exchange points allow customers convenient access to propane and enhance awareness of the AmeriGas brand. In addition to being the largest propane distributor in the U.S., we strive to be the industry leader by being the most reliable, safest and most responsive marketer.

**Strategies Drive Growth.** Our consistent adherence to our growth strategies produced results during 2004. In particular we:

- Grew our scale through acquisitions;
- Grew our PPX® pre-filled grill cylinder exchange business;
- Grew our strategic accounts business and remained the supplier of choice to large regional and national accounts; and
- Grew our customer base of residential and commercial customers.



**Propane is transported and stored in tanks as a liquid. Our fleet of more than 2,600 bobtail trucks delivers to customers anywhere they need it.**



## **Everywhere Company.**

**AmeriGas has more than 650 locations in 46 states. We serve customers primarily in suburban and rural areas where natural gas pipelines are not available. There are many agricultural applications for propane including crop drying, poultry brooding, orchard warming and barn and greenhouse heat.**

*Seven Acquisitions Add 38 Million Annual Gallons.* AmeriGas has a history of growth through acquisition. We expanded from a three-location propane distributorship in 1959 to our present size by acquiring nearly 100 propane companies ranging in size from single-location independents to large national companies. In fiscal 2004 we added nearly 38 million gallons of annual volume through seven acquisitions. The largest acquisition was Horizon Propane, with approximately 30 million gallons of annual volume. These transactions increased customer density in markets in which we already had a presence, allowing us to improve delivery efficiency.

*PPX® Pre-filled Propane Exchange Adds 1,600 Distribution Points.* Our PPX business helps to offset the seasonal nature of our heating business, as peak demand for cylinder exchange occurs between May and September. During 2004 customers exchanged a record 5.8 million PPX cylinders – a 12% increase over the prior year. We added more than 1,600 new retail locations, primarily in home centers and chain retailers like Albertsons, Circle K and Sears. We continue to grow this market segment by adding new locations and by providing superior service to our current retailers.

*Strategic Accounts Increase Volume by 6%.* As the largest propane supplier with the best supply and distribution network in the industry, we are the obvious choice to serve high volume, multi-location propane users. To support continued growth, we increased our sales staff and grouped our account service expertise by industry so that we may better serve the transportation and warehousing, retail, industrial gas and government markets. Online sales tracking technology is helping to increase both productivity and customer service. In 2004 we grew our strategic account sales volume by more than 6%.



**Our PPX® pre-filled cylinder exchange program brings the convenience of propane closer to the customer. PPX cylinders are available at nearly 22,000 locations around the country.**



## **Anywhere Fuel.**

**Propane allows people to live in rural areas and still enjoy the comfort and convenience of gas for all of their energy needs. We even airlift propane tanks by helicopter to fuel remote National Park Service cabins.**

*Efforts to Grow Base Business Net Thousands of New Customers.* We believe that attracting and retaining customers requires maintaining competitive prices and focusing on our service. We are committed to being the most reliable, the safest and the most responsive propane company in the industry. To fulfill that customer promise in 2004, we:

- Improved reliability by enhancing our fuel-forecasting process;
- Began offering extended store and service hours in select markets;
- Improved service from our Emergency Call Center by increasing staff and employing new call center technology;
- Improved customer service by focusing on the problem-solving and selling skills of our call handlers.

Price volatility is a concern of most energy users today. Propane prices are driven by the costs of crude oil and natural gas, which change daily. To protect customers from fuel price volatility, we now offer four different pre-pay, price-lock and price-cap plans to meet customer needs without AmeriGas taking additional commodity price risk. We also added two new methods for customers to pay their bills.

An important measure of the success of our efforts is customer satisfaction. Customer interaction surveys indicate that 97% of our customers who have had recent service work performed are satisfied or very satisfied with AmeriGas. In fact our commitment to reliability, safety, responsiveness and innovative marketing enabled us to add thousands of new customers in 2004, exclusive of acquisitions.



**AmeriGas sells more than 100 million gallons of clean-burning propane each year to power forklifts. Propane also fuels over-the-road vehicles, especially for fleets.**





### **Everywhere Company.**

**Even customers in tropical climates like Florida and Hawaii are frequent propane users. AmeriGas has 47 market locations in Florida alone! Propane heats pools and spas and is a popular choice for clothes drying, cooking, water heating and space heating in homes as well as hotels and resorts.**

### **Supply and Purchasing Strategies Ensure Reliability and Competitive Prices.**

Our extensive storage, supply and distribution infrastructure is unmatched in the industry. We use the most cost-effective combination of pipelines, storage terminals, rail cars and transport trucks to move fuel to our local market distribution locations. Our diverse supplier portfolio and our overall supply strategy help us to limit price volatility for our customers.

We continue to leverage our scale to gain purchasing efficiencies on everything from tanks to truck parts. In 2004 we upgraded our delivery fleet by removing more than 1,200 vehicles from service, and began introducing new “smart trucks” with on-board computers that help us operate more safely and reduce repair and maintenance costs. Our scale allows us to work with vehicle suppliers under single-source agreements to reduce cost and extend warranties.

**Continuous Improvement Efforts Increase Effectiveness.** AmeriGas has a culture of continuous improvement. Each year we implement new ways to improve service and reduce costs, which help us to remain the supplier of choice.

*Technology Fuels Growth Initiatives.* During 2004 we began implementing a technology plan that will strengthen our customer service process, reduce costs and support our growth. We are rolling out an internet-based information technology structure that will improve data sharing at all levels of the organization. A back-office centralization project is freeing field personnel to focus more on customer service.



**From coast to coast, AmeriGas supplies the nation's propane needs.**



## **AmeriGas.**

**We are the nation's largest propane supplier. Despite our size, we try to retain the friendliness of a corner store and we are committed to be the most reliable, safest and most responsive propane company.**

*Safety Performance.* We continued our intense focus on safety, reducing lost time injuries and vehicle accidents by more than 10%. While we have an impressive staff of dedicated safety professionals, including a new national safety training manager, all 750 of our field managers have responsibility and accountability for safety. To address customer safety concerns, our safety-trained Emergency Call Center staff is available 24 hours a day, seven days a week.

**Employees Central to Our Success.** In order to provide the best service to our customers, we need to focus on meeting the needs of employees. In a 2004 survey, employees reported greater satisfaction in all 10 measured categories, with highest satisfaction in the areas of performance direction, customer focus and safety. We have developed specific action plans to further improve our performance.

We believe that we have the best-trained and most motivated employee team in the industry. They deliver every day on our promise to be the most reliable, safest and most responsive propane company in the industry.



**Our 6,100 employees take care of customer needs each day. Their helpful attitude, attention to safety and willingness to go the extra mile to satisfy our customers helps us to remain the supplier of choice in the propane industry.**

## Operations Review

### Executive Summary

AmeriGas Partners, the largest retail propane marketer in the United States, achieved record financial results during Fiscal 2004. This year's increase in net income per unit reflects the benefits realized from the Partnership's growth and expense containment strategies. The Partnership was able to achieve these results notwithstanding warmer than normal weather and a high product cost environment. Weather and product cost volatility are risks that face all competitors in this industry.

The propane industry is mature, with residential customer growth estimated to be approximately 2%. Given the industry's maturity, the Partnership's growth strategy focuses on acquisition of other propane marketers and internal growth achieved by exploiting its geographical coverage and by offering superior customer service.

During Fiscal 2004, weather was 4.9% warmer than normal and our product costs increased approximately 13% compared to the prior year. The Partnership's earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") grew 9% to \$255.9 million compared to Fiscal 2003. The negative effects of warmer winter weather and price induced customer conservation on propane volumes were partially offset by volume growth from acquisitions, and growth in our Prefilled Propane Xchange® ("PPX") program, Strategic Accounts and the base business. The Partnership managed its margins effectively during a year of rising propane product costs while experiencing the benefits on operating expenses of the management realignment completed in late Fiscal 2003.

In Fiscal 2005 and beyond, the Partnership will continue to focus on growing its traditional customer base. The Partnership expects to achieve base business growth by improving customer service and the effectiveness of its sales force, while maintaining competitive prices. In addition, the Partnership will control operating and administrative expenses by executing a series of initiatives to enhance productivity.

### Fiscal 2004 Compared with Fiscal 2003

Based upon heating degree day data, temperatures in Fiscal 2004 were 4.9% warmer than normal compared to temperatures that were essentially normal in Fiscal 2003. Retail propane volumes sold during Fiscal 2004 decreased slightly compared to Fiscal 2003 as the effects of warmer than normal winter weather more than offset volume growth from acquisitions, principally the October 2003 acquisition of Horizon Propane LLC ("Horizon Propane"). In addition, Fiscal 2004 retail propane volumes were also negatively affected by customer conservation driven by record-high propane product costs. Low margin wholesale volumes increased primarily reflecting greater product cost hedging activities.

Retail propane revenues increased \$104.6 million as a \$124.8 million increase due to higher average selling prices was partially offset by a \$20.2 million decrease due to the lower retail volumes sold. Wholesale propane revenues increased \$32.5 million reflecting

(1) a \$23.3 million increase due to higher average selling prices and (2) a \$9.2 million increase due to the higher volumes sold relating to product cost hedging activities. In Fiscal 2004, the propane industry experienced sustained higher propane product costs which resulted in higher average retail and wholesale selling prices. Total propane cost of sales increased \$115.4 million principally reflecting the effects of significantly higher propane product costs.

Despite lower retail volumes sold as a result of the warmer weather, total margin increased \$28.6 million due to higher average retail propane margins per gallon and greater margin from non-propane sales and services. As a result of significantly higher propane product costs, the Partnership increased average retail selling prices realizing higher average margins per gallon while remaining competitive in the marketplace. Average PPX margin per gallon decreased in Fiscal 2004 as selling prices were lowered in response to competition in the marketplace. The effects of lower average PPX selling prices on PPX margin per gallon were partially offset by effective cost management initiatives. Margin from non-propane sales and services increased \$6.9 million principally reflecting higher margin from tank rentals, PPX cylinder sales and hauling and terminal sales and services.

EBITDA increased \$21.5 million in Fiscal 2004 reflecting (1) the previously mentioned increase in total margin, (2) the absence of a \$3.0 million loss on extinguishment of long-term debt incurred in Fiscal 2003, and (3) a \$2.8 million increase in other income. These increases were partially offset by a \$12.6 million increase in operating and administrative expenses principally due to higher compensation, distribution, administrative and general insurance expenses, partially offset by the absence of \$3.8 million of expenses associated with initiating the management realignment in Fiscal 2003 and the continued beneficial effects on Fiscal 2004 operating expenses of the realignment. Although EBITDA is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America, management believes EBITDA is a meaningful non-GAAP financial measure used by investors to compare the Partnership's operating performance with other companies within the propane industry and to evaluate the Partnership's ability to meet loan covenants. Other income in Fiscal 2004 increased principally due to greater income from finance charges.

Operating income in Fiscal 2004 increased \$12.7 million as the previously mentioned increases in margin and other income were partially offset by (1) higher depreciation and amortization expense related to recent acquisitions, (2) higher depreciation associated with PPX and (3) the aforementioned increase in operating expenses. Net income in Fiscal 2004 increased to \$91.9 million from \$72.0 million in Fiscal 2003 due to the increase in operating income, a \$4.0 million decrease in interest expense and the absence of the \$3.0 million loss on extinguishment of long-term debt incurred in Fiscal 2003. Interest expense decreased principally as a result of lower long-term debt outstanding.

## Consolidated Balance Sheets

(Thousands of dollars)

	September 30,	
	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 40,583</b>	\$ 45,872
Accounts receivable (less allowances for doubtful accounts of \$11,964 and \$9,192, respectively)	<b>141,709</b>	114,082
Accounts receivable – related parties	<b>5,137</b>	2,915
Inventories	<b>84,753</b>	70,171
Prepaid expenses and other current assets	<b>25,934</b>	17,204
Total current assets	<b>298,116</b>	250,244
Property, plant and equipment (less accumulated depreciation and amortization of \$520,447 and \$473,090, respectively)	<b>592,353</b>	594,604
Goodwill and excess reorganization value	<b>609,058</b>	602,475
Intangible assets (less accumulated amortization of \$16,158 and \$11,934, respectively)	<b>28,612</b>	27,032
Other assets	<b>22,088</b>	21,733
Total assets	<b>\$1,550,227</b>	\$1,496,088
<b>Liabilities and Partners' Capital</b>		
Current liabilities:		
Current maturities of long-term debt	<b>\$ 60,068</b>	\$ 58,705
Accounts payable – trade	<b>112,315</b>	87,352
Accounts payable – related parties	<b>1,309</b>	930
Employee compensation and benefits accrued	<b>30,023</b>	26,307
Interest accrued	<b>30,675</b>	31,987
Customer deposits and advances	<b>78,907</b>	66,683
Other current liabilities	<b>39,173</b>	39,996
Total current liabilities	<b>352,470</b>	311,960
Long-term debt	<b>841,283</b>	868,581
Other noncurrent liabilities	<b>59,687</b>	54,859
Commitments and contingencies (note 10)		
Minority interests	<b>7,749</b>	7,005
Partners' capital:		
Common unitholders (units issued – 54,473,272 and 52,333,208, respectively)	<b>276,887</b>	255,423
General partner	<b>2,783</b>	2,577
Accumulated other comprehensive income (loss)	<b>9,368</b>	(4,317)
Total partners' capital	<b>289,038</b>	253,683
Total liabilities and partners' capital	<b>\$1,550,227</b>	\$1,496,088

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

(Thousands of dollars, except per unit)

	Year Ended September 30,		
	2004	2003	2002
<b>Revenues:</b>			
Propane	\$1,639,700	\$1,502,564	\$1,191,649
Other	136,200	125,860	116,231
	<b>1,775,900</b>	1,628,424	1,307,880
<b>Costs and expenses:</b>			
Cost of sales – propane	972,302	856,883	605,695
Cost of sales – other	56,937	53,452	47,383
Operating and administrative expenses	501,073	488,434	447,809
Depreciation and amortization	80,612	74,625	66,104
Other income, net	(11,744)	(8,960)	(4,403)
	<b>1,599,180</b>	1,464,434	1,162,588
Operating income	<b>176,720</b>	163,990	145,292
Loss on extinguishments of debt	-	(3,023)	(752)
Interest expense	(83,175)	(87,195)	(87,839)
Income before income taxes	<b>93,545</b>	73,772	56,701
Income tax expense	(269)	(586)	(340)
Minority interests	(1,422)	(1,228)	(995)
Net income	<b>\$ 91,854</b>	\$ 71,958	\$ 55,366
General partner's interest in net income	<b>\$ 919</b>	\$ 720	\$ 554
Limited partners' interest in net income	<b>\$ 90,935</b>	\$ 71,238	\$ 54,812
Income per limited partner unit – basic and diluted	<b>\$ 1.71</b>	\$ 1.42	\$ 1.12
<b>Average limited partner units outstanding (thousands):</b>			
Basic	<b>53,097</b>	50,267	48,909
Diluted	<b>53,172</b>	50,337	48,932

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

(Thousands of dollars)

	Year Ended September 30,		
	2004	2003	2002
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 91,854	\$ 71,958	\$ 55,366
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	80,612	74,625	66,104
Other, net	7,466	6,747	1,321
Net change in:			
Accounts receivable	(34,460)	(20,281)	6,834
Inventories	(11,157)	(7,510)	10,576
Accounts payable	22,000	1,389	9,579
Other current assets and liabilities	21,344	12,375	9,740
Net cash provided by operating activities	177,659	139,303	159,520
<b>Cash Flows from Investing Activities</b>			
Expenditures for property, plant and equipment	(61,656)	(52,933)	(53,472)
Proceeds from disposals of assets	13,726	7,408	9,849
Acquisitions of businesses, net of cash acquired	(42,593)	(27,000)	(736)
Net cash used by investing activities	(90,523)	(72,525)	(44,359)
<b>Cash Flows from Financing Activities</b>			
Distributions	(117,537)	(111,462)	(108,504)
Minority interest activity	(1,059)	(686)	(624)
(Decrease) increase in bank loans	-	(10,000)	10,000
Issuance of long-term debt	30,135	122,780	40,900
Repayment of long-term debt	(55,678)	(144,701)	(99,149)
Proceeds from issuance of Common Units	51,197	75,005	56,556
Capital contributions from General Partner	517	758	571
Net cash used by financing activities	(92,425)	(68,306)	(100,250)
Cash and cash equivalents (decrease) increase	\$ (5,289)	\$ (1,528)	\$ 14,911
<b>Cash and Cash Equivalents</b>			
End of year	\$ 40,583	\$ 45,872	\$ 47,400
Beginning of year	45,872	47,400	32,489
(Decrease) increase	\$ (5,289)	\$ (1,528)	\$ 14,911

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Partners' Capital

(Thousands of dollars, except unit data)

	Number of units		Common	Subordinated	General partner	Accumulated other comprehensive income (loss)	Total partners' capital
	Common	Subordinated					
<b>Balance September 30, 2001</b>	36,761,239	9,891,072	\$ 187,001	\$ 28,513	\$ 2,174	\$(14,183)	\$ 203,505
Net income			43,719	11,093	554		55,366
Net losses on derivative instruments						(10,664)	(10,664)
Reclassification of net losses on derivative instruments						31,493	31,493
Comprehensive income			43,719	11,093	554	20,829	76,195
Distributions			(85,659)	(21,760)	(1,085)		(108,504)
Common Units issued in connection with executive compensation plan	2,000		43				43
Common Units issued in connection with public offering	2,428,047		49,623		501		50,124
Common Units sold to General Partner	350,000		6,933		70		7,003
<b>Balance September 30, 2002</b>	39,541,286	9,891,072	201,660	17,846	2,214	6,646	228,366
Net income			69,859	1,379	720		71,958
Net gains on derivative instruments						14,909	14,909
Reclassification of net gains on derivative instruments						(25,872)	(25,872)
Comprehensive income			69,859	1,379	720	(10,963)	60,995
Distributions			(104,907)	(5,440)	(1,115)		(111,462)
Common Units issued in connection with public offering	2,900,000		75,005		758		75,763
Common Units issued in connection with executive compensation plan	850		21				21
Conversion of Subordinated Units	9,891,072	(9,891,072)	13,785	(13,785)			–
<b>Balance September 30, 2003</b>	52,333,208	–	255,423	–	2,577	(4,317)	253,683
Net income			90,935		919		91,854
Net gains on derivative instruments						41,094	41,094
Reclassification of net gains on derivative instruments						(27,409)	(27,409)
Comprehensive income			90,935		919	13,685	105,539
Distributions			(116,362)		(1,175)		(117,537)
Common Units issued in connection with public offering	2,100,000		51,197		517		51,714
Common Units issued in connection with incentive compensation plans	40,064		1,090				1,090
Adjustment to goodwill contributed (note 2)			(5,396)		(55)		(5,451)
<b>Balance September 30, 2004</b>	54,473,272	–	\$ 276,887	\$ –	\$ 2,783	\$ 9,368	\$ 289,038

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

(Thousands of dollars, except per unit amounts)

## Note 1 – Partnership Organization and Formation

AmeriGas Partners, L.P. (“AmeriGas Partners”) was formed on November 2, 1994, and is a publicly traded limited partnership. AmeriGas Partners conducts a national propane distribution business through its principal operating subsidiaries AmeriGas Propane, L.P. (“AmeriGas OLP”) and AmeriGas OLP’s subsidiary, AmeriGas Eagle Propane, L.P. (“Eagle OLP”). AmeriGas Partners, AmeriGas OLP and Eagle OLP are Delaware limited partnerships. AmeriGas OLP and Eagle OLP are collectively referred to herein as “the Operating Partnerships,” and AmeriGas Partners, the Operating Partnerships and all of their subsidiaries are collectively referred to herein as “the Partnership” or “we.”

The Operating Partnerships are engaged in the distribution of propane and related equipment and supplies. The Operating Partnerships comprise the largest retail propane distribution business in the United States serving residential, commercial, industrial, motor fuel and agricultural customers from locations in 46 states, including Alaska and Hawaii.

At September 30, 2004, AmeriGas Propane, Inc. (the “General Partner”), an indirect wholly owned subsidiary of UGI Corporation (“UGI”), held a 1% general partner interest in AmeriGas Partners and a 1.01% general partner interest in AmeriGas OLP. The General Partner and its wholly owned subsidiary Petrolane Incorporated (“Petrolane,” a predecessor company of the Partnership) also owned 24,525,004 Common Units of AmeriGas Partners. The remaining 29,948,268 Common Units are publicly held. The Common Units represent limited partner interests in AmeriGas Partners.

AmeriGas Partners holds a 99% limited partner interest in AmeriGas OLP. AmeriGas OLP, indirectly through subsidiaries, owns an effective 0.1% general partner interest and a direct approximate 99.8% limited partner interest in Eagle OLP. An unrelated third party (“minority partner”) holds an approximate 0.1% limited partner interest in Eagle OLP.

AmeriGas Partners and the Operating Partnerships have no employees. Employees of the General Partner conduct, direct and manage our operations. The General Partner provides management and administrative services to AmeriGas Eagle Holdings, Inc. (“AEH”), the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed monthly for all direct and indirect expenses it incurs on our behalf.

## Note 2 – Summary of Significant Accounting Policies

**Consolidation Principles.** The consolidated financial statements include the accounts of AmeriGas Partners and its majority-owned subsidiaries. We eliminate all significant intercompany accounts and transactions when we consolidate. We account for the General Partner’s 1.01% interest in AmeriGas OLP and the minority partner’s 0.1% limited partner interest in Eagle OLP as minority interests in the consolidated financial statements. The Partnership’s 50% ownership interest in Atlantic Energy, Inc. (“Atlantic Energy”) was accounted for by the equity method (see Note 17). Atlantic Energy’s principal asset is a propane storage terminal located in Chesapeake, Virginia.

**Reclassifications.** We have reclassified certain prior year balances to conform to the current year presentation.

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

**Revenue Recognition.** We recognize revenue from the sale of propane principally as product is delivered to customers. Revenue from the sale of appliances and equipment is recognized at the time of sale or installation. Revenue from repairs and maintenance is recognized upon completion of the service. Revenues from annually billed nonrefundable tank fees are recorded on a straight-line basis over one year.

**Inventories.** Our inventories are stated at the lower of cost or market. We determine cost using an average cost method for propane, specific identification for appliances, and the first-in, first-out (“FIFO”) method for all other inventories.

### Property, Plant and Equipment and Related Depreciation.

We record property, plant and equipment at cost. The amounts we assign to property, plant and equipment of businesses we acquire are based upon estimated fair value at date of acquisition. When plant and equipment are retired or otherwise disposed of, we remove the cost and accumulated depreciation from the appropriate accounts and any resulting gain or loss is recognized in “Other income, net” in the Consolidated Statements of Operations. We compute depreciation expense on plant and equipment using the straight-line method over estimated service lives generally ranging from 15 to 40 years for buildings and improvements; 7 to 30 years for storage and customer tanks and cylinders; and 2 to 10 years for vehicles, equipment, and office furniture and fixtures. Costs to install Partnership-owned tanks at customer locations, net of amounts billed to customers, are capitalized and depreciated over the estimated period of benefit not exceeding ten years. Depreciation expense was \$75,468 in 2004, \$70,423 in 2003 and \$61,993 in 2002.

**Intangible Assets.** The Partnership’s intangible assets comprise the following at September 30:

	2004	2003
<b>Subject to amortization:</b>		
Customer relationships and noncompete agreements	\$ 44,770	\$ 38,966
Accumulated amortization	(16,158)	(11,934)
	<b>\$ 28,612</b>	\$ 27,032
<b>Not subject to amortization:</b>		
Goodwill	\$515,738	\$ 509,155
Excess reorganization value	93,320	93,320
	<b>\$609,058</b>	\$ 602,475



The increase in the carrying amounts of goodwill and other intangible assets during 2004 resulted from Partnership business acquisitions. The increase in goodwill was partially offset by the settlement of an income tax benefit held by Petrolane, which related to a period prior to the formation of the Partnership. The settlement resulted in a reduction to the value of the net assets contributed to AmeriGas OLP by Petrolane at the Partnership formation date. The adjustment was recorded by the Partnership during the year ended September 30, 2004 as a \$5,451 reduction in both goodwill and partners' capital.

We amortize customer relationship and noncompete agreement intangibles over their estimated periods of benefit which do not exceed 15 years. Amortization expense of intangible assets was \$4,224 in 2004, \$3,283 in 2003 and \$3,287 in 2002. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2005 - \$4,108; Fiscal 2006 - \$3,720; Fiscal 2007 - \$3,081; Fiscal 2008 - \$2,806; Fiscal 2009 - \$2,484.

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

SFAS 142 requires that we perform an impairment test annually or more frequently if events or circumstances indicate that the value of goodwill might be impaired. No provisions for goodwill impairments were recorded during 2004, 2003 and 2002.

**Deferred Debt Issuance Costs.** Included in other assets are net deferred debt issuance costs of \$12,638 and \$14,022 at September 30, 2004 and 2003, respectively. We are amortizing these costs over the terms of the related debt.

**Computer Software Costs.** We include in property, plant and equipment costs associated with computer software we develop or obtain for use in our business. We amortize computer software costs on a straight-line basis over expected periods of benefit not exceeding seven years once the installed software is ready for its intended use.

**Customer Deposits.** We offer certain of our customers prepayment programs which require customers to pay a fixed periodic amount, or to otherwise prepay a portion of their anticipated propane purchases. Customer prepayments, which exceed associated billings, are classified as customer deposits and advances on the Consolidated Balance Sheets.

**Environmental and Other Legal Matters.** We accrue environmental investigation and clean-up costs when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Amounts accrued generally reflect our best estimate of costs expected to be incurred or the minimum liability associated with a range of expected environmental response costs. Our estimated liability for environmental contamination is reduced to reflect anticipated participation of other responsible parties but is not reduced for possible recovery from insurance carriers. Similar to environmental matters, we accrue investigation and other legal costs when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. We do not discount to present value the costs of future expenditures for environmental liabilities.

**Income Taxes.** AmeriGas Partners and the Operating Partnerships are not directly subject to federal income taxes. Instead, their taxable income or loss is allocated to their individual partners. The Operating Partnerships have corporate subsidiaries which are directly subject to federal income taxes. Accordingly, our Consolidated Financial Statements reflect income taxes related to these corporate subsidiaries. Net income for financial statement purposes may differ significantly from taxable income reportable to unitholders. This is a result of (1) differences between the tax basis and financial reporting basis of assets and liabilities and (2) the taxable income allocation requirements of the Third Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. ("Partnership Agreement") and the Internal Revenue Code.

**Unit-Based Compensation.** As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we apply the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for grants of equity instruments to employees. We recorded unit-based compensation expense of \$1,265 in 2004, \$2,151 in 2003 and \$1,018 in 2002. If we had determined unit-based compensation expense under the fair value method prescribed by the provisions of SFAS 123, net income and basic and diluted income per unit would have been as follows:

	2004	2003	2002
Net income as reported	<b>\$91,854</b>	\$71,958	\$55,366
Add: Unit-based employee compensation expense included in reported net income	<b>1,265</b>	2,151	1,018
Deduct: Total unit-based employee compensation expense determined under the fair value method for all awards	<b>(1,795)</b>	(2,582)	(1,392)
Pro forma net income	<b>\$91,324</b>	\$71,527	\$54,992
Basic and diluted income per limited partner unit:			
As reported	<b>\$1.71</b>	\$1.42	\$1.12
Pro forma	<b>\$1.70</b>	\$1.41	\$1.11

For a description of unit-based compensation and related disclosure, see Note 9.

## Notes to Consolidated Financial Statements

(Thousands of dollars, except per unit amounts)

**Net Income Per Unit.** Net income per unit is computed by dividing net income, after deducting the General Partner's interest in AmeriGas Partners, by the weighted average number of limited partner units outstanding.

Effective April 2004, the Partnership adopted Emerging Issues Task Force Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128" ("EITF 03-6"), which results in the calculation of net income per limited partner unit for each period according to distributions declared and participation rights in undistributed earnings, as if all of the earnings for the period had been distributed. In periods with undistributed earnings above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the General Partner and a dilution of the earnings to the limited partners. Due to the seasonality of the propane business, the dilutive effect of EITF 03-6 on net income per limited partner unit will typically impact the first three fiscal quarters. EITF 03-6 did not impact net income per limited partner unit for the 2004 fiscal year.

Potentially dilutive Common Units included in the diluted limited partner units outstanding computation of 75,000 in 2004, 70,000 in 2003 and 23,000 in 2002 reflect the effects of Common Unit awards issued under AmeriGas Propane, Inc. incentive compensation plans.

**Derivative Instruments.** SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. For a detailed description of the derivative instruments we use, our objectives for using them, and related supplemental information required by SFAS 133, see Note 13.

**Consolidated Statements of Cash Flows.** We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. We paid interest totaling \$84,421 in 2004, \$89,157 in 2003 and \$86,556 in 2002.

**Comprehensive Income.** Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) results from gains and losses on derivative instruments qualifying as cash flow hedges.

**Segment Information.** We have determined that we have a single reportable operating segment which engages in the distribution of propane and related equipment and supplies. No single customer represents ten percent or more of consolidated revenues. In addition, virtually all of our revenues are derived from sources within the United States and virtually all of our long-lived assets are located in the United States.

**Recently Issued Accounting Pronouncements.** In December 2003, the Financial Accounting Standards Board ("FASB") revised Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which was originally issued in January 2003 and clarifies Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 was effective immediately for variable interest

entities created or obtained after January 31, 2003. For variable interest entities created or acquired before February 1, 2003, FIN 46 was effective beginning with our interim period ended March 31, 2004. If certain conditions are met, FIN 46 requires the primary beneficiary to consolidate certain variable interest entities. The Partnership has not created or obtained any variable interest entities prior to, or after January 31, 2003. Therefore, the adoption of FIN 46 did not affect the Partnership's financial position or results of operations.

### Note 3 – Acquisitions

During 2004, AmeriGas OLP acquired substantially all of the retail propane distribution assets and business of Horizon Propane LLC ("Horizon Propane") and several other retail propane businesses for total cash consideration of \$42,593. In conjunction with these acquisitions, liabilities of \$1,561 were incurred. The operating results of these businesses have been included in our operating results from their respective dates of acquisition. The total purchase price of these acquisitions has been allocated to the assets and liabilities acquired as follows:

Net current assets	\$ 1,958
Property, plant and equipment	24,431
Goodwill	11,977
Customer relationships and noncompete agreements (estimated useful life of 10 and 5 years, respectively)	5,788
<b>Total</b>	<b>\$44,154</b>

The pro forma effect of all of these transactions was not material to the Partnership's operations.

During 2003, AmeriGas OLP acquired several retail propane distribution businesses for total cash consideration of \$27,000. In conjunction with these acquisitions, liabilities of \$1,469 were incurred. The operating results of these businesses have been included in our operating results from their respective dates of acquisition. The total purchase price of these acquisitions has been allocated to the assets and liabilities acquired as follows:

Net current assets	\$ 2,260
Property, plant and equipment	6,095
Goodwill	12,552
Customer relationships and noncompete agreements (estimated useful life of 15 and 5 years, respectively)	7,729
Other assets and liabilities	(167)
<b>Total</b>	<b>\$28,469</b>

The pro forma effect of all of these transactions was not material to the Partnership's results of operations.

### Note 4 – Quarterly Distributions of Available Cash

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

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

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

Distributions of Available Cash are made 98% to limited partners and 2% to the General Partner. The Partnership may pay an incentive distribution if Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 ("MQD") on all units.

## Note 5 – Debt

Long-term debt comprises the following at September 30:

	2004	2003
AmeriGas Partners Senior Notes:		
8.875%, due May 2011 (including unamortized premium of \$8,301 and \$6,426, respectively, effective rate - 8.46%)	<b>\$396,301</b>	\$366,426
10%, due April 2006 (less unamortized discount of \$107 and \$167, respectively, effective rate - 10.125%)	<b>59,893</b>	59,833
AmeriGas OLP First Mortgage Notes:		
Series A, 9.34% - 11.71%, due April 2005 through April 2009 (including unamortized premium of \$5,159 and \$6,581, respectively, effective rate - 8.91%)	<b>165,159</b>	166,581
Series B, 10.07%, due April 2005 (including unamortized premium of \$301 and \$1,082, respectively, effective rate - 8.74%)	<b>40,301</b>	81,082
Series C, 8.83%, due April 2005 through April 2010	<b>82,500</b>	96,250
Series D, 7.11%, due March 2009 (including unamortized premium of \$1,595 and \$1,890, respectively, effective rate - 6.52%)	<b>71,595</b>	71,890
Series E, 8.50%, due July 2010 (including unamortized premium of \$124 and \$137, respectively, effective rate - 8.47%)	<b>80,124</b>	80,137
Other	<b>5,478</b>	5,087
<b>Total long-term debt</b>	<b>901,351</b>	927,286
Less current maturities (including net unamortized premium of \$3,104 and \$3,082, respectively)	<b>(60,068)</b>	(58,705)
<b>Total long-term debt due after one year</b>	<b>\$841,283</b>	\$868,581

Scheduled principal repayments of long-term debt for each of the next five fiscal years ending September 30 are as follows: 2005 - \$56,964; 2006 - \$114,854; 2007 - \$54,283; 2008 - \$54,044; 2009 - \$123,911.

**AmeriGas Partners Senior Notes.** The 8.875% Senior Notes generally cannot be redeemed at our option prior to May 20, 2006. A redemption premium applies thereafter through May 19, 2009. The 10% Senior Notes generally cannot be redeemed at our option prior to their maturity. AmeriGas Partners prepaid \$15,000 of 10.125% Senior Notes in November 2001 at a redemption price of 103.375% and the remaining \$85,000 of 10.125% Senior Notes in January 2003 at a redemption price of 102.25%, in each instance, including accrued interest. AmeriGas Partners recognized losses of \$3,023 and \$752 associated with these prepayments which amounts are reflected in "Loss on extinguishments of debt" in the 2003 and 2002 Consolidated Statements of Operations, respectively. AmeriGas Partners may, under certain circumstances following the disposition of assets or a change of control, be required to offer to prepay the Senior Notes.

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

**AmeriGas OLP Credit Agreement.** AmeriGas OLP's Credit Agreement ("Credit Agreement") consists of (1) a Revolving Credit Facility and (2) an Acquisition Facility. AmeriGas OLP's obligations under the Credit Agreement are collateralized by substantially all of its assets. The General Partner and Petrolane are guarantors of amounts outstanding under the Credit Agreement.

Under the Revolving Credit Facility, AmeriGas OLP may borrow up to \$100,000 (including a \$100,000 sublimit for letters of credit) subject to restrictions in the AmeriGas Partners Senior Notes indentures (see "Restrictive Covenants" below). The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Revolving Credit Facility expires on October 15, 2008, but may be extended for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. There were no borrowings outstanding under AmeriGas OLP's Revolving Credit Facility at September 30, 2004 and 2003. Issued and outstanding letters of credit, which reduce available borrowings under the Revolving Credit Facility, totaled \$45,938 and \$33,363 at September 30, 2004 and 2003, respectively.

The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75,000 to finance the purchase of propane businesses or propane business assets or, to the extent it is not so used, for working capital and general purposes, subject to restrictions in the AmeriGas Partners Senior Notes indentures. The Acquisition Facility operates as a revolving facility through October 15, 2008, at which time amounts then outstanding will be immediately due and payable. There were no amounts outstanding under the Acquisition Facility at September 30, 2004 and 2003.

The Revolving Credit Facility and the Acquisition Facility permit AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank's prime rate (4.75% at September 30,

## Notes to Consolidated Financial Statements

(Thousands of dollars, except per unit amounts)

2004), or at a two-week, one-, two-, three-, or six-month Eurodollar Rate, as defined in the Credit Agreement, plus a margin. The margin on Eurodollar Rate borrowings (which ranges from 1.00% to 2.25%), and the Credit Agreement facility fee rate (which ranges from 0.25% to 0.50%) are dependent upon AmeriGas OLP's ratio of funded debt to earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"), each as defined in the Credit Agreement.

**General Partner Facility.** AmeriGas OLP also has a Revolving Credit Agreement with the General Partner under which it may borrow up to \$20,000 for working capital and general purposes. This agreement is coterminous with, and generally comparable to, AmeriGas OLP's Revolving Credit Facility except that borrowings under the General Partner Facility are unsecured and subordinated to all senior debt of AmeriGas OLP. Interest rates on borrowings are based upon one-month offshore interbank offering rates. Facility fees are determined in the same manner as fees under the Revolving Credit Facility. UGI has agreed to contribute up to \$20,000 to the General Partner to fund such borrowings.

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

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

If the ratio in item 2 above is less than or equal to 1.75-to-1, the Partnership may make cash distributions in a total amount not to exceed \$24,000 less the total amount of distributions made during the immediately preceding 16 fiscal quarters. At September 30, 2004, such ratio was 3.14-to-1.

The Credit Agreement and the First Mortgage Notes restrict the incurrence of additional indebtedness and also restrict certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The Credit Agreement and First Mortgage Notes require the ratio of total indebtedness, as defined, to EBITDA, as defined (calculated on a rolling four-quarter basis or eight-quarter basis divided by two), to be less than or equal to 4.75-to-1 with respect to the Credit Agreement and 5.25-to-1 with respect to the First Mortgage Notes. In addition, the Credit Agreement requires that AmeriGas OLP maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. Generally, as long as no default exists or would result, AmeriGas OLP is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter. At September 30, 2004, the Partnership was in compliance with its financial covenants.

### Note 6 – Employee Retirement Plans

The General Partner sponsors a 401(k) savings plan for eligible employees. Participants in the savings plan may contribute a portion of their compensation on a before-tax basis. Generally, employee contributions are matched on a dollar-for-dollar (100%) basis up to 5% of eligible compensation. In conjunction with a short-term cost savings program, for the period March 1, 2002 to September 30, 2002, employee contributions were matched at a rate of 25% up to 5% of eligible compensation. The cost of benefits under our savings plan was \$6,397 in 2004, \$5,555 in 2003 and \$2,904 in 2002.

### Note 7 – Inventories

Inventories comprise the following at September 30:

	2004	2003
Propane gas	\$65,938	\$51,691
Materials, supplies and other	13,120	13,199
Appliances for sale	5,695	5,281
Total inventories	\$84,753	\$70,171

In addition to inventories on hand, we also enter into contracts to purchase propane to meet a portion of our supply requirements. Generally, these contracts are one- to three-year agreements subject to annual review and call for payment based on either market prices at date of delivery or fixed prices.

### Note 8 – Property, Plant and Equipment

Property, plant and equipment comprise the following at September 30:

	2004	2003
Land	\$ 60,833	\$ 62,419
Buildings and improvements	81,817	78,729
Transportation equipment	69,130	80,668
Storage facilities	91,779	88,472
Equipment, primarily cylinders and tanks	796,131	749,867
Other	13,110	7,539
Gross property, plant and equipment	1,112,800	1,067,694
Less accumulated depreciation and amortization	(520,447)	(473,090)
Net property, plant and equipment	\$ 592,353	\$ 594,604

### Note 9 – Partners' Capital and Incentive Compensation Plans

In accordance with the Partnership Agreement, the General Partner may, in its sole discretion, cause the Partnership to issue an unlimited number of additional Common Units and other equity securities of the Partnership ranking on a parity with the Common Units.

In May 2004, AmeriGas Partners sold 2,000,000 Common Units in an underwritten public offering at a public offering price of \$25.61 per unit. In June 2004, the underwriters partially exercised their overallotment option in the amount of 100,000 Common Units. The net proceeds of the public offering totaling \$51,197 and the associated capital contributions from the General Partner totaling \$1,045 were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for general partnership purposes.

In June 2003, AmeriGas Partners sold 2,900,000 Common Units in an underwritten public offering at a public offering price of \$27.12 per unit. The net proceeds of the public offering totaling \$75,005 and the associated capital contributions from the General Partner totaling \$1,531 were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for general partnership purposes.

In December 2001 and January 2002, AmeriGas Partners sold an aggregate 2,428,047 Common Units in conjunction with an underwritten public offering at a public offering price of \$21.50 per unit. The net proceeds of the public offering and the associated capital contributions from the General Partner totaling \$50,635 were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for working capital. In October 2001, AmeriGas Partners closed the sale of 350,000 Common Units to the General Partner at the trade-date market price of \$19.81 per unit. The proceeds of this sale and the associated capital contributions from the General Partner totaling \$7,075 were contributed to AmeriGas OLP which used the proceeds to reduce borrowings under its bank credit agreement and for working capital.

Under the AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan ("2000 Incentive Plan"), the General Partner may grant to key employees the rights to receive a total of 500,000 Common Units, or cash equivalent to the fair market value of such Common Units, upon the achievement of performance goals. In addition, the 2000 Incentive Plan may provide for the crediting of Partnership distribution equivalents to participants' accounts. Distribution equivalents will be paid in cash and such payment may, at the participant's request, be deferred. The actual number of Common Units (or their cash equivalents) ultimately issued, and the actual amount of distribution equivalents paid, is dependent upon the achievement of performance goals. Generally, each grant, unless paid, will terminate when the participant ceases to be employed by the General Partner. We also have a nonexecutive Common Unit plan under which the General Partner may grant awards of up to a total of 200,000 Common Units to key employees who do not participate in the 2000 Incentive Plan. Generally, awards under the nonexecutive plan vest at the end of a three-year period and will be paid in Common Units and cash. During 2004, 2003 and 2002, the General Partner made awards under the 2000 Incentive Plan and the nonexecutive plan representing 51,200, 112,500 and 43,250 Common Units, respectively. We recorded compensation expense of \$1,265 in 2004, \$2,151 in 2003 and \$1,018 in 2002 relating to these plans. At September 30, 2004, and 2003, awards representing 142,788 and 209,336 Common Units, respectively, were outstanding.

#### Note 10 – Commitments and Contingencies

We lease various buildings and other facilities and transportation, computer and office equipment under operating leases. Certain of the leases contain renewal and purchase options and also contain step-rent provisions. Our aggregate rental expense for such leases was \$45,613 in 2004, \$43,179 in 2003 and \$41,974 in 2002.

Minimum future payments under noncancelable operating leases are as follows:

Year Ending September 30,	
2005	\$ 40,747
2006	34,725
2007	29,722
2008	24,690
2009	19,582
Thereafter	45,075
<b>Total minimum operating lease payments</b>	<b>\$194,541</b>

The Partnership enters into fixed price contracts with suppliers to purchase a portion of its propane supply requirements. These contracts generally have terms of less than one year. As of September 30, 2004, contractual obligations under these contracts totaled \$12,826.

The Partnership also enters into contracts to purchase propane to meet additional supply requirements. Generally, these contracts are one- to three-year agreements subject to annual review and call for payment based on either market prices at the date of delivery or fixed prices.

The Partnership has succeeded to certain lease guarantee obligations of Petrolane relating to Petrolane's divestiture of non-propane operations before its 1989 acquisition by QFB Partners. Future lease payments under these leases total approximately \$12,000 at September 30, 2004. The leases expire through 2010 and some of them are currently in default. The Partnership has succeeded to the indemnity agreement of Petrolane by which Texas Eastern Corporation ("Texas Eastern"), a prior owner of Petrolane, agreed to indemnify Petrolane against any liabilities arising out of the conduct of businesses that do not relate to, and are not a part of, the propane business, including lease guarantees. In December 1999, Texas Eastern filed for dissolution under the Delaware General Corporation Law. PanEnergy Corporation ("PanEnergy"), Texas Eastern's sole stockholder, subsequently assumed all of Texas Eastern's liabilities as of December 20, 2002, to the extent of the value of Texas Eastern's assets transferred to PanEnergy as of that date (which was estimated to exceed \$94,000), and to the extent that such liabilities arise within ten years from Texas Eastern's date of dissolution. Notwithstanding the dissolution proceeding, and based on Texas Eastern previously having satisfied directly defaulted lease obligations without the Partnership's having to honor its guarantee, we believe that the probability that the Partnership will be required to directly satisfy the lease obligations subject to the indemnification agreement is remote.

On August 21, 2001, AmeriGas Partners, through AmeriGas OLP, acquired the propane distribution businesses of Columbia Energy Group (the "2001 Acquisition") pursuant to the terms of a purchase agreement (the "2001 Acquisition Agreement") by and among Columbia Energy Group ("CEG"), Columbia Propane Corporation ("Columbia Propane"), Columbia Propane, L.P. ("CPLP"), CP Holdings, Inc. ("CPH," and together with Columbia Propane and CPLP, the "Company Parties"), AmeriGas Partners, AmeriGas OLP and the General Partner (together with AmeriGas Partners and AmeriGas OLP, the "Buyer Parties"). As a result of the

## Notes to Consolidated Financial Statements

(Thousands of dollars, except per unit amounts)

2001 Acquisition, AmeriGas OLP acquired all of the stock of Columbia Propane and CPH and substantially all of the partnership interests of CPLP. Under the terms of an earlier acquisition agreement (the "1999 Acquisition Agreement"), the Company Parties agreed to indemnify the former general partners of National Propane Partners, L.P. (a predecessor company of the Columbia Propane businesses) and an affiliate (collectively, "National General Partners") against certain income tax and other losses that they may sustain as a result of the 1999 acquisition by CPLP of National Propane Partners, L.P. (the "1999 Acquisition") or the operation of the business after the 1999 Acquisition ("National Claims"). At September 30, 2004, the potential amount payable under this indemnity by the Company Parties was approximately \$60,000. These indemnity obligations will expire on the date that CPH acquires the remaining outstanding partnership interest of CPLP, which is expected to occur on or after July 19, 2009.

Under the terms of the 2001 Acquisition Agreement, CEG agreed to indemnify the Buyer Parties and the Company Parties against any losses that they sustain under the 1999 Acquisition Agreement and related agreements ("Losses"), including National Claims, to the extent such claims are based on acts or omissions of CEG or the Company Parties prior to the 2001 Acquisition. The Buyer Parties agreed to indemnify CEG against Losses, including National Claims, to the extent such claims are based on acts or omissions of the Buyer Parties or the Company Parties after the 2001 Acquisition. CEG and the Buyer Parties have agreed to apportion certain losses resulting from National Claims to the extent such losses result from the 2001 Acquisition itself.

Samuel and Brenda Swiger and their son (the "Swigers") sustained personal injuries and property damage as a result of a fire that occurred when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as "UGI/AmeriGas, Inc."), in the Circuit Court of Monongalia County, West Virginia, in which they sought to recover an unspecified amount of compensatory and punitive damages and attorney's fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, allegedly resulting from the defendants' failure to install underground propane lines at depths required by applicable safety standards. The court recently granted the plaintiffs' motion to include customers acquired from Columbia Propane in August 2001 as additional potential class members and to amend their complaint to name additional parties consistent with such ruling. In 2003, we settled the individual personal injury and property damage claims of the Swigers. Class counsel has indicated that the class is seeking compensatory damages in excess of \$12,000 plus punitive damages, civil penalties and attorneys' fees. We believe we have good defenses to the claims of the class members and intend to vigorously defend against the remaining claims in this lawsuit.

We also have other contingent liabilities, pending claims and legal actions arising in the normal course of our business. We cannot predict with certainty the final results of these and the aforementioned matters. However, it is reasonably possible that some of them could be resolved unfavorably to us. Although management currently believes, after consultation with counsel, that damages or

settlements, if any, recovered by the plaintiffs in such claims or actions will not have a material adverse effect on our financial position, damages or settlements could be material to our operating results or cash flows in future periods depending on the nature and timing of future developments with respect to these matters and the amounts of future operating results and cash flows.

### Note 11 – Related Party Transactions

Pursuant to the Partnership Agreement and a Management Services Agreement among AEH, the general partner of Eagle OLP, and the General Partner, the General Partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership. These costs, which totaled \$304,575 in 2004, \$284,266 in 2003 and \$262,398 in 2002, include employee compensation and benefit expenses of employees of the General Partner and general and administrative expenses.

UGI provides certain financial and administrative services to the General Partner. UGI bills the General Partner for all direct and indirect corporate expenses incurred in connection with providing these services and the General Partner is reimbursed by the Partnership for these expenses. Such corporate expenses totaled \$11,307 in 2004, \$8,295 in 2003 and \$6,341 in 2002. In addition, UGI and certain of its subsidiaries provide office space and automobile liability insurance to the Partnership. These expenses totaled \$2,679 in 2004, \$1,683 in 2003 and \$1,502 in 2002.

Subsequent to the Columbia Propane acquisition and prior to the sale of the Partnership's 50% ownership interest in Atlantic Energy (see Note 17), the Partnership purchased propane on behalf of Atlantic Energy. Atlantic Energy reimbursed AmeriGas OLP for its purchases plus interest as Atlantic Energy sold such propane to third parties or to AmeriGas OLP itself. The total dollar value of propane purchased on behalf of Atlantic Energy was \$30,034, \$17,225 and \$11,370 in 2004, 2003 and 2002, respectively. Purchases of propane by AmeriGas OLP from Atlantic Energy during 2004, 2003 and 2002 totaled \$29,279, \$23,940 and \$12,131, respectively.

In November 2004, in conjunction with the Partnership's sale of its 50% ownership interest in Atlantic Energy, UGI Asset Management, Inc. ("UGI Asset Management") and AmeriGas OLP entered into a Product Sales Agreement whereby UGI Asset Management has agreed to sell and AmeriGas OLP has agreed to purchase a minimum of 25 million gallons of propane annually at the Atlantic Energy terminal in Chesapeake, Virginia. The Product Sales Agreement will take effect on April 1, 2005 and continue for a primary term of five years with an option to extend the agreement for up to an additional five years. The price to be paid for product purchased under the agreement will be determined annually using a contractual formula that takes into account published index prices and the locational value of deliveries at the Atlantic Energy terminal.

Prior to the sale of Atlantic Energy, the General Partner provided it with other services including accounting, insurance and other administrative services and was reimbursed for the related costs. Such costs were not material during 2004, 2003 or 2002. In addition, AmeriGas OLP entered into product cost hedging contracts on behalf of Atlantic Energy. When these contracts were settled, AmeriGas OLP was reimbursed the cost of any losses, or distributed the proceeds of any gains, to Atlantic Energy.

Amounts due from Atlantic Energy at September 30, 2004 and 2003 totaled \$2,906 and \$2,042, respectively, which amounts are included in accounts receivable – related parties in the Consolidated Balance Sheets.

### Note 12 – Other Current Liabilities

Other current liabilities comprise the following at September 30:

	2004	2003
Self-insured property and casualty liability	<b>\$15,824</b>	\$ 12,672
Taxes other than income taxes	<b>5,564</b>	4,994
Fair value of derivative instruments	–	2,970
Propane exchange liability	<b>6,587</b>	8,689
Deferred tank fee revenue	<b>7,787</b>	7,563
Other	<b>3,411</b>	3,108
<b>Total other current liabilities</b>	<b>\$39,173</b>	\$ 39,996

### Note 13 – Financial Instruments

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

On occasion, we enter into interest rate protection agreements (“IRPAs”) designed to manage interest rate risk associated with planned issuances of fixed-rate long-term debt. We designate these IRPAs as cash flow hedges. Gains or losses on IRPAs are included in other comprehensive income and are reclassified to interest expense as the interest expense on the associated debt issue affects earnings.

During the years ended September 30, 2004, 2003 and 2002, the net loss recognized in earnings representing cash flow hedge ineffectiveness was \$1,534, \$3,146 and \$2,123, respectively. Gains and losses included in accumulated other comprehensive income at September 30, 2004 relating to cash flow hedges will be reclassified into (1) cost of sales when the forecasted purchase of propane subject to the hedges impacts net income and (2) interest expense when interest on anticipated issuances of fixed-rate long-term debt is reflected in net income. Included in accumulated other comprehensive income at September 30, 2004 are net losses of approximately \$1,716 from IRPAs associated with forecasted issuances of ten-year debt generally anticipated to occur during the next two years. The amount of net loss which is expected to be reclassified into net income during the next twelve months is not material. The remaining net gain on derivative instruments included in accumulated other comprehensive income at September 30, 2004 of \$12,046 is princi-

pally associated with future purchases of propane generally anticipated to occur during the next twelve months. The actual amount of gains or losses on unsettled derivative instruments that ultimately is reclassified into net income will depend upon the value of such derivative contracts when settled. The fair value of derivative instruments is included in other current assets, other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheets.

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

	Carrying Amount	Estimated Fair Value
<b>2004:</b>		
Propane swap and option contracts	\$ 13,139	\$ 13,139
Interest rate protection agreements	(1,734)	(1,734)
Long-term debt	901,351	959,355
<b>2003:</b>		
Propane swap and option contracts	\$ (637)	\$ (637)
Interest rate protection agreements	(188)	(188)
Long-term debt	927,286	1,024,717

We estimate the fair value of long-term debt by using current market prices and by discounting future cash flows using rates available for similar type debt. Fair values of derivative instruments reflect the estimated amounts that we would receive or (pay) to terminate the contracts at the reporting date based upon quoted market prices of comparable contracts.

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

### Note 14 – Other Income, Net

Other income, net, comprises the following:

	2004	2003	2002
Gain on sales of fixed assets	<b>\$ (2,306)</b>	\$(2,173)	\$(1,719)
Finance charges	<b>(6,456)</b>	(3,942)	(2,169)
Derivative loss	–	–	2,123
Other	<b>(2,982)</b>	(2,845)	(2,638)
<b>Total other income, net</b>	<b>\$ (11,744)</b>	\$(8,960)	\$(4,403)

Derivative losses of \$1,534 and \$3,146 are included in “cost of sales – propane” in the 2004 and 2003 Consolidated Statement of Operations, respectively.

## Notes to Consolidated Financial Statements

(Thousands of dollars, except per unit amounts)

### Note 15 – Management Realignment

In June 2003, the General Partner announced a plan to realign its management structure. Pursuant to the plan, the Partnership closed its seven regional offices located across the country and relocated four regional vice presidents to its Valley Forge, Pennsylvania headquarters. In addition, the Partnership reconfigured its eighty geographically-based market areas into approximately sixty market areas.

The new management structure further streamlined business processes, eliminated duplication and reduced overhead expenses. As a result of the management realignment, the Partnership incurred charges for severance, lease termination and other expenses totaling \$3,756 which are reflected as operating and administrative expenses in the 2003 Consolidated Statement of Operations. As of September 30, 2003, \$736 of costs associated with the management realignment, principally comprising employee severance and lease termination costs, were included in employee compensation and benefits accrued and other current liabilities in the 2003 Consolidated Balance Sheet.

### Note 16 – Conversion of Subordinated Units

In December 2002, the General Partner determined that the cash-based performance and distribution requirements for the conversion of the then-remaining 9,891,072 Subordinated Units, all of which were held by the General Partner, had been met in respect of the quarter ended September 30, 2002. As a result, the Subordinated Units were converted to an equivalent number of Common Units effective November 18, 2002. The conversion of the Subordinated Units did not result in an increase in the total number of AmeriGas Partners limited partner units outstanding.

### Note 17 – Subsequent Event

In November 2004, the Partnership sold its 50% ownership interest in Atlantic Energy consisting of 3,500 shares of common stock (“Shares”) pursuant to a Stock Purchase Agreement (“Agreement”) by and between AmerE Holdings, Inc. (“AmerE”), an indirect wholly owned subsidiary of AmeriGas OLP, and UGI Asset Management, an indirect wholly owned subsidiary of UGI. UGI Asset Management purchased AmerE’s Shares for \$11,850 in cash, subject to post-closing adjustments, as defined in the Agreement.

### Note 18 – Quarterly Data (Unaudited)

The following unaudited quarterly data includes all adjustments (consisting only of normal recurring adjustments) which we consider necessary for a fair presentation. Our quarterly results fluctuate because of the seasonal nature of our propane business.

	December 31,		March 31,		June 30,		September 30,	
	2003	2002	2004	2003	2004	2003	2004	2003
Revenues	<b>\$460,198</b>	\$445,031	<b>\$687,710</b>	\$625,546	<b>\$315,107</b>	\$287,136	<b>\$312,885</b>	\$270,711
Operating income (loss)	<b>\$ 65,559</b>	\$ 64,414	<b>\$127,959</b>	\$115,547	<b>\$ (3,993)</b>	\$ (6,467)	<b>\$ (12,805)</b>	\$ (9,504)
Net income (loss)	<b>\$ 43,149</b>	\$ 40,912	<b>\$105,650</b>	\$ 89,876	<b>\$ (24,132)</b>	\$ (27,414)	<b>\$ (32,813)</b>	\$ (31,416)
Net income (loss) per limited partner unit (a):								
Basic	<b>\$ 0.78</b>	\$ 0.79	<b>\$ 1.68</b>	\$ 1.64	<b>\$ (0.45)</b>	\$ (0.54)	<b>\$ (0.60)</b>	\$ (0.59)
Diluted	<b>\$ 0.77</b>	\$ 0.79	<b>\$ 1.68</b>	\$ 1.64	<b>\$ (0.45)</b>	\$ (0.54)	<b>\$ (0.60)</b>	\$ (0.59)

(a) The Partnership adopted EITF 03-6 effective April 2004 (see Note 2). Basic and diluted net income per limited partner unit have been recalculated in accordance with EITF 03-6 for the periods presented prior to June 30, 2004.



## Report of Independent Registered Public Accounting Firm

### To the Partners of AmeriGas Partners, L.P. and the Board of Directors of AmeriGas Propane, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of partners' capital and of cash flows present fairly, in all material respects, the financial position of AmeriGas Partners, L.P. and its subsidiaries at September 30, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of

material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Partnership adopted Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets" in fiscal 2002.



Philadelphia, Pennsylvania  
December 6, 2004

## General Partner's Report


The Partnership's consolidated financial statements and other financial information contained in this Annual Report are prepared by the management of the General Partner, AmeriGas Propane, Inc., which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's best judgments and estimates.

The General Partner maintains a system of internal controls. Management of the General Partner believes the system provides reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of reliable financial information. There are limits in all systems of internal control, based on the recognition that the cost of the system should not exceed the benefits to be derived. We believe that the internal control system is cost effective and provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period. The internal control system and compliance therewith are monitored by UGI Corporation's internal audit staff. However, this report is not the same as the report of management on the effectiveness of internal control over financial reporting that will be included in the Partnership's annual report on Form 10-K for the fiscal year ending September 30, 2005.

The Audit Committee of the Board of Directors of the General Partner is composed of three members, none of whom is an employee of the General Partner. This Committee is responsible for overseeing the financial reporting process and the adequacy of controls, and for monitoring the independence of the Partnership's

independent accountants and the performance of the independent accountants and internal audit staff. The Committee appoints the independent accountants to conduct the annual audit of the Partnership's consolidated financial statements. The Committee is also responsible for maintaining direct channels of communication among the Board of Directors, management, and both the independent accountants and internal auditors.

The independent accountants perform certain procedures in order to express an opinion on the consolidated financial statements and to obtain reasonable assurance that such financial statements are free of material misstatement.



Eugene V. N. Bissell  
Chief Executive Officer



Martha B. Lindsay  
Chief Financial Officer



William J. Stanczak  
Chief Accounting Officer

## Board of Directors

AmeriGas Propane, Inc., General Partner

### Lon R. Greenberg

Chairman, AmeriGas Propane, Inc.  
Chairman, President and Chief Executive Officer,  
UGI Corporation

### Eugene V. N. Bissell

President and Chief Executive Officer,  
AmeriGas Propane, Inc.

### Thomas F. Donovan <sup>2</sup>

Retired, former Vice Chairman,  
Mellon Bank Corporation

### Richard C. Gozon <sup>2,3</sup>

Retired, former Executive Vice President,  
Weyerhaeuser Company  
(integrated forest products)

### William J. Marrazzo <sup>1,2</sup>

Chief Executive Officer and President,  
WHYY, Inc.  
(public television and radio)

### James W. Stratton <sup>3</sup>

Chairman and Chief Executive Officer,  
Stratton Management Company  
(investment adviser)

### Stephen A. Van Dyck <sup>1</sup>

Chairman, Maritrans Inc.  
(petroleum transportation)

### Roger B. Vincent <sup>1,3</sup>

President, Springwell Corporation  
(corporate finance adviser)

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation/Pension Committee

<sup>3</sup> Corporate Governance Committee

## Officers

AmeriGas Propane, Inc., General Partner

### Lon R. Greenberg

Chairman

### Eugene V. N. Bissell

President and Chief Executive Officer

### Earle A. Compton

Vice President – Management Information Systems

### William D. Katz

Vice President – Human Resources

### Robert H. Knauss

Vice President, General Counsel and Secretary

### Robert W. Krick

Vice President and Treasurer

### James M. Lahey

Vice President – PPX<sup>®</sup>

### Martha B. Lindsay

Vice President – Finance and Chief Financial Officer

### David L. Lugar

Vice President – Supply and Logistics

### Carey M. Monaghan

Vice President – Sales and Marketing

### Robert C. Roseler

Vice President – Operations

### William J. Stanczak

Controller and Chief Accounting Officer

### Colleen T. Fay

Region Vice President Midwest

### Randy A. Hannigan

Region Vice President South

### John S. Iannarelli

Region Vice President West

### John A. Sette

Region Vice President Northeast

### Margaret M. Calabrese

Assistant Secretary

### Samuel R. Mauriello

Assistant Treasurer

## Unitholder Information

### Unit Data

#### Common Units – AmeriGas Partners, L.P.

The Partnership's Common Units are traded on the New York Stock Exchange under the symbol APU. The number of Common Unitholders on September 30, 2004 was approximately 45,000 and the Common Units outstanding totaled 54,473,272 of which 29,948,268 were held by the public.

#### Market Price of Common Units and Distributions Paid

2004 Fiscal Year	High	Low	Distributions
1st Quarter	\$28.37	\$24.80	\$.55
2nd Quarter	30.19	27.84	.55
3rd Quarter	29.98	25.09	.55
4th Quarter	29.64	25.91	.55

2003 Fiscal Year	High	Low	Distributions
1st Quarter	\$24.73	\$20.25	\$.55
2nd Quarter	25.09	23.30	.55
3rd Quarter	27.25	24.00	.55
4th Quarter	27.13	22.50	.55

AmeriGas Partners intends to distribute to each holder of its Common Units \$.55 per Common Unit per quarter – \$2.20 on an annualized basis – to the extent there is sufficient Available Cash to do so. Distributions are scheduled to be paid on the 18th day of November, February, May and August.

### Corporate Governance

The General Partner submitted the certification required by Section 303A.12(a) of the New York Stock Exchange corporate governance rules on September 28, 2004. In addition, the General Partner's Chief Executive Officer and Chief Financial Officer have each filed the certification required by Section 302 of the Sarbanes-Oxley Act as an exhibit to the Partnership's Annual Report on Form 10-K for the year ended September 30, 2004.

### Tax Information

AmeriGas Partners, L.P. is a publicly traded limited partnership. All unitholders are partners eligible to receive cash distributions.

A partnership has different tax implications for its owners than a corporation. The annual income, gains, losses, deductions or credits of a partnership flow through to its unitholders, or limited partners, who are required to report their allocated share of these amounts on their own income tax returns.

By March 15, 2005, each unitholder of AmeriGas Partners, L.P. will be provided with information in the form of a Schedule K-1, which will summarize his or her allocated share of the Partnership's reportable tax items for the relevant period.

For additional information regarding taxes, unitholders should consult with their personal tax adviser. AmeriGas Tax Information Services, at 1-800-310-9145, is available for questions regarding the Schedule K-1.

### Investor Services

#### Transfer Agent & Registrar

Unitholder communications regarding transfer of units, lost certificates, lost distribution checks or changes of address should be directed to:

Mellon Investor Services LLC  
Overpeck Centre  
85 Challenger Road  
Ridgefield Park, NJ 07660  
1-800-756-3353

Shareholders can also view real-time account information and request transfer agent services online at the Mellon Investor Services website: [www.melloninvestor.com](http://www.melloninvestor.com)

Mellon Investor Services can be accessed through telecommunications devices for the hearing impaired by calling 1-800-231-5469.

#### Investor Relations

Securities analysts, portfolio managers and other members of the professional investment community should direct inquiries about the Partnership to:

Robert W. Krick  
Vice President and Treasurer  
AmeriGas Propane, Inc.  
P.O. Box 965  
Valley Forge, PA 19482  
1-610-337-7000

#### News, Earnings, Financial Reports and Governance Documents

AmeriGas Partners has a toll-free, 24-hour news and investor information service. By calling 1-800-UGI-9453, you can hear Partnership news on distributions, earnings and other matters and access other unitholder services. You can also request copies of news releases, annual reports, annual reports on Form 10-K and quarterly reports on Form 10-Q – all without charge.

Comprehensive news, webcast events and other information about AmeriGas Partners and our parent company UGI Corporation are available via the Internet at: [www.amerigas.com](http://www.amerigas.com)

You can also request all reports and governance documents, including the company's Codes of Ethics and Principles of Corporate Governance, by writing to Robert W. Krick, Vice President and Treasurer, AmeriGas Propane, Inc. at the address above.

**AmeriGas Partners, L.P.**

P.O. Box 965

Valley Forge, PA 19482

You can obtain news  
and other information about  
AmeriGas Partners, L.P.  
24 hours a day at 1-800-UGI-9453  
or [www.amerigas.com](http://www.amerigas.com)