**UGI INTERNATIONAL, LLC**
**AND SUBSIDIARIES**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the three months ended December 31, 2023 and 2022
(Unaudited)

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

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**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**
**GLOSSARY OF TERMS AND ABBREVIATIONS**

Terms and abbreviations used in this document are defined below:

***UGI International and Related Entities***

***AvantiGas -*** AvantiGas Limited, an indirect wholly owned subsidiary of UGI International

***Company -*** UGI International and its consolidated subsidiaries collectively

***DVEP -*** DVEP Investeringen B.V., an indirect wholly owned subsidiary of UGI International

***Enterprises -*** UGI Enterprises, LLC, a Pennsylvania limited liability company and wholly owned subsidiary of UGI

***Flaga -*** Flaga GmbH, an indirect wholly owned subsidiary of UGI International

***UGI -*** UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries

***UGI France -*** UGI France SAS (*a Société par actions simplifiée*), an indirect wholly owned subsidiary of UGI International

***UGI International -*** UGI International, LLC, a wholly owned subsidiary of Enterprises

***UniverGas -*** UniverGas Italia S.r.l, an indirect wholly owned subsidiary of UGI International

***Other Terms and Abbreviations***

***2.50% Senior Notes -*** An underwritten private placement of €400 million principal amount of senior unsecured notes due December 1, 2029, issued by UGI International, LLC

***2023 Annual Report -*** UGI International's audited financial statements and related notes, along with Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended September 30, 2022

***2022 three-month period -*** Three months ended December 31, 2022

***2023 three-month period -*** Three months ended December 31, 2023

***AOCI -*** Accumulated Other Comprehensive Income (Loss)

***ASC -*** Accounting Standards Codification

***ASC 606 -*** ASC 606, “Revenue from Contracts with Customers”

***ASU -*** Accounting Standards Update

***COVID-19 -*** A novel strain of coronavirus disease discovered in 2019

***Euribor*** - Euro Interbank Offered Rate

***Fiscal 2021*** - The fiscal year ended September 30, 2021

***Fiscal 2022*** - The fiscal year ended September 30, 2022

***Fiscal 2023*** - The fiscal year ended September 30, 2023

***Fiscal 2024*** - The fiscal year ending September 30, 2024

***GAAP -*** U.S. generally accepted accounting principles

***LPG -*** Liquefied petroleum gas

***NPNS -*** Normal purchase and normal sale

***UGI International 2023 Credit Facilities Agreement -*** Unsecured senior facilities agreement entered into by UGI International, LLC on March 7, 2023, comprising a term loan facility and a multicurrency revolving credit facility scheduled to expire in March 2028

***U.K. -*** United Kingdom

***U.S.*** - United States of America

***USD*** - U.S. dollar

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited)

(Millions of dollars)

| | December 31, 2023 | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 101 | $ 143 | $ 238 |
| Restricted cash | 38 | 45 | 157 |
| Accounts receivable (less allowances for doubtful accounts of $29, $27 and $22, respectively) | 513 | 403 | 686 |
| Inventories | 156 | 156 | 218 |
| Derivative instruments | 23 | 49 | 193 |
| Prepaid expenses and other current assets | 43 | 99 | 63 |
| Total current assets | 874 | 895 | 1,555 |
| Property, plant and equipment, (less accumulated depreciation of $1,091, $1,020 and $975, respectively) | 1,025 | 992 | 983 |
| Goodwill | 953 | 911 | 924 |
| Intangible assets, net | 109 | 107 | 117 |
| Derivative instruments | 9 | 38 | 146 |
| Other assets | 197 | 169 | 168 |
| Total assets | $ 3,167 | $ 3,112 | $ 3,893 |
| **LIABILITIES AND EQUITY** | | | |
| Current liabilities: | | | |
| Current maturities of long-term debt | $ 1 | $ 1 | $ 1 |
| Short-term borrowings | 182 | 214 | 327 |
| Accounts payable | 346 | 274 | 370 |
| Employee compensation and benefits accrued | 53 | 54 | 55 |
| Derivative instruments | 22 | 16 | 69 |
| Other current liabilities | 184 | 226 | 233 |
| Total current liabilities | 788 | 785 | 1,055 |
| Long-term debt | 773 | 738 | 745 |
| Deferred income taxes | 170 | 179 | 253 |
| Derivative instruments | 12 | 2 | 13 |
| Customer tank and cylinder deposits | 257 | 249 | 263 |
| Other noncurrent liabilities | 73 | 73 | 78 |
| Total liabilities | 2,073 | 2,026 | 2,407 |
| Commitments and contingencies (Note 7) | | | |
| Equity: | | | |
| Member's equity | 1,085 | 1,078 | 1,478 |
| Noncontrolling interests | 9 | 8 | 8 |
| Total equity | 1,094 | 1,086 | 1,486 |
| Total liabilities and equity | $ 3,167 | $ 3,112 | $ 3,893 |

See accompanying notes to condensed consolidated financial statements.

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(Millions of dollars)

| | Three Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | $ 684 | $ 879 |
| Costs and expenses: | | |
| Cost of sales | 489 | 1,831 |
| Operating and administrative expenses | 147 | 153 |
| Operating and administrative expenses - related parties | 3 | 4 |
| Depreciation and amortization | 30 | 28 |
| Loss on disposal of energy marketing business | 28 | 215 |
| Other operating income, net | (3) | (10) |
| | 694 | 2,221 |
| Operating loss | (10) | (1,342) |
| Loss from equity investees | (2) | — |
| Other non-operating expense, net | (14) | (29) |
| Interest expense | (11) | (7) |
| Loss before income taxes | (37) | (1,378) |
| Income tax benefit | 1 | 363 |
| Net loss attributable to UGI International, LLC | $ (36) | $ (1,015) |

See accompanying notes to condensed consolidated financial statements.

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(unaudited)

(Millions of dollars)

| | Three Months Ended December 31, 2023 | Three Months Ended December 31, 2022 |
|---|---|---|
| Net loss including noncontrolling interests | $ (36) | $ (1,015) |
| Other comprehensive income: | | |
| Net losses on derivative instruments (net of tax of $2 and $0, respectively) | (5) | — |
| Reclassifications of net gains on derivative instruments (net of tax of $0 and $0, respectively) | (1) | — |
| Foreign currency adjustments (net of tax of $12 and $30, respectively) | 49 | 151 |
| Other comprehensive income | 43 | 151 |
| Comprehensive income (loss) attributable to UGI International, LLC | $ 7 | $ (864) |

See accompanying notes to condensed consolidated financial statements.

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

(Millions of dollars)

| | Three Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss including noncontrolling interests | $ (36) | $ (1,015) |
| Adjustments to reconcile net loss including noncontrolling interests to net cash used by operating activities: | | |
| Depreciation and amortization | 30 | 28 |
| Deferred income tax benefit, net | (22) | (356) |
| Changes in unrealized gains and losses on derivative instruments | 88 | 1,209 |
| Loss on disposal of energy marketing business | 28 | 215 |
| Impairment of assets | — | 14 |
| Other, net | (4) | 17 |
| Net change in: | | |
| Accounts receivable | (91) | (102) |
| Inventories | 10 | (10) |
| Accounts payable | 53 | 38 |
| Derivative instruments collateral paid | (34) | (246) |
| Other current assets | (3) | (13) |
| Other current liabilities | (19) | (10) |
| Net cash used by operating activities | — | (231) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Expenditures for property, plant and equipment | (12) | (27) |
| Acquisitions of businesses and assets, net of cash acquired | — | (9) |
| Other, net | (1) | (26) |
| Net cash used by investing activities | (13) | (62) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| (Decrease) increase in short-term borrowings | (41) | 310 |
| Capital contribution received | — | 40 |
| Net cash (used) provided by financing activities | (41) | 350 |
| Foreign exchange effect on cash, cash equivalents and restricted cash | 5 | 38 |
| Cash, cash equivalents and restricted cash (decrease) increase | $ (49) | $ 95 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | |
| Cash, cash equivalents and restricted cash at end of period | $ 139 | $ 395 |
| Cash, cash equivalents and restricted cash at beginning of period | 188 | 300 |
| Cash, cash equivalents and restricted cash (decrease) increase | $ (49) | $ 95 |

See accompanying notes to condensed consolidated financial statements.

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(unaudited)

(Millions of dollars)

| | Member's Equity | Noncontrolling Interests | Total |
|---|---|---|---|
| **Balance at September 30, 2023** | $ 1,078 | $ 8 | $ 1,086 |
| Net loss | (36) | — | (36) |
| Other comprehensive income | 43 | — | 43 |
| Other | — | 1 | 1 |
| **Balance at December 31, 2023** | $ 1,085 | $ 9 | $ 1,094 |

| | Member's Equity | Noncontrolling Interests | Total |
|---|---|---|---|
| **Balance at September 30, 2022** | $ 2,302 | $ 8 | $ 2,310 |
| Net loss | (1,015) | — | (1,015) |
| Cash contribution | 40 | — | 40 |
| Other comprehensive income | 151 | — | 151 |
| **Balance at December 31, 2022** | $ 1,478 | $ 8 | $ 1,486 |

See accompanying notes to condensed consolidated financial statements.

(Currency in millions, except where indicated otherwise)

## Note 1 — Nature of Operations

UGI International is a limited liability company domiciled in the Commonwealth of Pennsylvania in the U.S. UGI International is a wholly owned subsidiary of Enterprises, and is a second-tier wholly owned subsidiary of UGI. UGI is a U.S.-based holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services principally in the U.S. and Europe.

UGI International, through its subsidiaries and affiliates, primarily conducts an LPG distribution business throughout much of Europe. The LPG business is conducted principally through our subsidiaries, UGI France, Flaga, AvantiGas, and UniverGas. During Fiscal 2023, we made significant progress on our strategic decision to exit the energy marking business at UGI International. In Fiscal 2023, we divested our energy marketing business in the United Kingdom and Belgium. During the three months ended December 31, 2023 we divested substantially all of our energy marketing business in France and continued to make significant progress on the wind-down of our energy marketing business in the Netherlands. See Note 5 for additional information regarding the energy marketing business.

## Note 2 — Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with GAAP. They include all adjustments that we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2023, Condensed Consolidated Balance Sheet was derived from audited financial statements but does not include all footnote disclosures from the annual financial statements.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 2023 Annual Report. Due to the seasonal nature of our businesses, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

***Restricted Cash.*** Restricted cash principally represents those cash balances in our commodity futures brokerage accounts that are restricted from withdrawal. The following table provides a reconciliation of the total cash, cash equivalents and restricted cash reported on the Condensed Consolidated Balance Sheets to the corresponding amounts reported on the Condensed Consolidated Statements of Cash Flows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 101 | $ 238 |
| Restricted cash | 38 | 157 |
| Cash, cash equivalents and restricted cash | $ 139 | $ 395 |

***Derivative Instruments.*** Derivative instruments are reported on the Condensed Consolidated Balance Sheets at their fair values, unless the NPNS exception is elected. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it qualifies and is designated as a hedge for accounting purposes.

Certain of our derivative instruments qualify and are designated as cash flow hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in AOCI, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. We discontinue cash flow hedge accounting if occurrence of the forecasted transaction is determined to be no longer probable. Hedge accounting is also discontinued for derivatives that cease to be highly effective. We do not designate our commodity and certain foreign currency derivative instruments as hedges under GAAP. Changes in the fair values of these derivative instruments are reflected in net income. From time to time, we also enter into net investment hedges. Gains and losses on net investment hedges that relate to our foreign operations are included in the cumulative translation adjustment component in AOCI until such foreign net investment is substantially sold or liquidated.

Cash flows from derivative instruments, other than net investment hedges, are included in cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. Cash flows from net investment hedges are included in cash flows from investing activities on the Condensed Consolidated Statements of Cash Flows.

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 9.

***Use of Estimates.*** The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and costs. These estimates are based on management's knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may be different from these estimates and assumptions.

***Goodwill.*** We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment (a component) if it constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Components are aggregated into a single reporting unit if they have similar economic characteristics. A reporting unit with goodwill is required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

With respect to the Company's Fiscal 2023 goodwill impairment test, we determined that the Company's fair value exceeded its carrying value by approximately 10%. While the Company believes that its judgments used in the quantitative assessment of Company's fair value are reasonable based upon currently available facts and circumstances, if the Company were not able to achieve its anticipated results and/or if its discount rate were to increase, its fair value would be adversely affected, which may result in an impairment. There were no changes in facts and circumstances that would indicate that it is more likely than not that the fair value of the Company may not be in excess of its book value at December 31, 2023. There is approximately $953 of goodwill as of December 31, 2023. The Company will continue to monitor its reporting units and related goodwill for any possible future non-cash impairment charges.

***Subsequent Events.*** Management has evaluated the impact of subsequent events through February 1, 2024, the date these condensed consolidated financial statements were issued and the effects, if any, of such evaluation have been reflected in the condensed consolidated financial statements and related disclosures.

## Note 3 — Accounting Changes

### Accounting Standards Not Yet Adopted

***Improvements to Income Tax Disclosures.*** In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures (Topic 740)" which requires entities to disclose, among other items, disaggregated information about a reporting entity's effective tax rate reconciliation and income taxes paid. This new guidance is effective for the Company for annual periods beginning October 1, 2025 (Fiscal 2026). Early adoption is permitted. The amendments in this ASU may be adopted using the prospective or retrospective methods. The Company is in the process of assessing the impact on its financial statements and determining the transition method and the period in which the new guidance will be adopted.

## Note 4 — Revenue from Contracts with Customers

The Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See Note 3 in the Company's 2023 Annual Report for additional information on our revenues from contracts with customers.

(Currency in millions, except where indicated otherwise)

**Revenue Disaggregation**

The following table presents our disaggregated revenues:

| | Three Months Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Revenues from contracts with customers:** | | |
| LPG: | | |
| Retail | $ 524 | $ 482 |
| Wholesale | 49 | 51 |
| Energy Marketing | 81 | 318 |
| Other | 19 | 18 |
| **Total revenues from contracts with customers** | 673 | 869 |
| Other revenues (a) | 11 | 10 |
| **Total revenues** | $ 684 | $ 879 |

(a) Primarily represents revenues from tank rentals that are not within the scope of ASC 606 and accounted for in accordance with other GAAP.

**Contract Balances**

The timing of revenue recognition may differ from the timing of invoicing to customers or cash receipts. Contract assets represent our right to consideration after the performance obligations have been satisfied when such right is conditioned on something other than the passage of time. Contract assets were not material for all periods presented. Substantially all of our receivables are unconditional rights to consideration and are included in "Accounts receivable" on the Condensed Consolidated Balance Sheets. Amounts billed are generally due within the following month.

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company's obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $65, $65 and $49 at December 31, 2023, September 30, 2023 and December 31, 2022, respectively, and are included in "Other current liabilities" on the Condensed Consolidated Balance Sheets. Revenues recognized for the three months ended December 31, 2023 and 2022, from the amounts included in contract liabilities at September 30, 2023 and 2022, were $43 and $39, respectively.

**Remaining Performance Obligations**

We exclude disclosures related to the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period because these contracts have an initial expected term of one year or less or we have a right to bill the customer in an amount that corresponds directly with the value of services provided to the customer to date.

**Note 5 — Energy Marketing Business**

**UGI International Energy Marketing Transactions**

As of December 31, 2023, pursuant to its previously announced decision, the Company has exited substantially all of its European energy marketing business which primarily marketed natural gas and electricity to customers through third-party distribution systems in France, Belgium, the Netherlands, and the United Kingdom.

***France.*** In October 2023, UGI International, through a wholly-owned subsidiary, sold substantially all of its energy marketing business located in France for a net cash payment to the buyer of $28. In conjunction with the sale, during the three months ended December 31, 2023, the Company recorded a pre-tax loss of $28, which amount principally represents the net payment to the buyer. The loss is reflected in "Loss on disposal of energy marketing business" on the Condensed Consolidated Statements of Income. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, were not material.

(Currency in millions, except where indicated otherwise)

***Belgium.*** In September 2023, UGI International, through a wholly-owned subsidiary, sold its energy marketing business located in Belgium for a net cash payment to the buyer of $3. Pursuant to the sale agreement, the Company transferred to the buyer certain assets, principally comprising customer and energy broker contracts. In conjunction with the sale, during the fourth quarter of Fiscal 2023, the Company recorded a pre-tax loss of $6 which amount includes the net payment to the buyer, the write-off of certain prepaid energy broker payments and associated transaction costs and fees.

***United Kingdom***. In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment to the buyer of $19 which includes certain working capital adjustments. In conjunction with the sale, during the three months ended December 31, 2022, the Company recorded a pre-tax loss of $215 substantially all of which was due to the non-cash transfer of commodity derivative instruments associated with the business. The loss is reflected in "Loss on disposal of energy marketing business" on the Condensed Consolidated Statements of Income. At the date of closing of the sale, these commodity derivative instruments had a net carrying value of $206 which is attributable to net unrealized gains on such instruments.

***Netherlands.*** In September 2023, a substantial number of DVEP's customers agreed to modify their energy marketing contracts whereby the Company would continue to provide the delivery of electricity and natural gas at fixed prices through December 31, 2023, with the Company's obligations to provide future services terminated effective January 1, 2024. As consideration for the early termination of such contracts, the Company has agreed to make cash payments to the customers equal to the fair values of specific commodity derivative instruments associated with periods after December 31, 2023. The early termination agreements with DVEP customers are considered contract modifications and the cash consideration paid to these customers has been reflected as a reduction in revenues, on a pro-rata basis, over the remaining performance period of such agreements through December 31, 2023. For the three months ended December 31, 2023, the Company settled the commodity derivative instruments for a gain of $46, which represents the fair value of the specific commodity derivative instruments associated with periods after December 31, 2023. The Company reduced its revenues from these customers by $42, which represents the pro-rated performance obligation from October 1, 2023 through December 31, 2023.

In conjunction with the wind-down of its European energy marketing business, in December 2023, DVEP completed a sale of a substantial portion of its power purchase agreements to a third party for a total consideration to the buyer of $5. In conjunction with the sale, the Company recorded a loss of $5, which is reflected in "Other operating income, net" on the Condensed Consolidated Statements of Income. The loss from the sale was not material.

During the three months ended December 31, 2022, the Company recorded a $14 pre-tax impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets. The impairment charge is reflected in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income.

## Note 6 — Inventories

Inventories comprise the following:

| | December 31, 2023 | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| LPG | $ 72 | $ 77 | $ 87 |
| Natural gas | — | — | 38 |
| Energy certificates | 65 | 62 | 77 |
| Other, principally materials & supplies | 19 | 17 | 16 |
| Total inventories | $ 156 | $ 156 | $ 218 |

(Currency in millions, except where indicated otherwise)

## Note 7 — Commitments and Contingencies

### Contingencies

During 2023, UGI France outlined its strategic priorities to better align with business needs. As part of this initiative, in November 2023, the French Works Councils were engaged in consultations regarding the organizational transformation and the initiation of external mobility programs. The Company cannot estimate a range of reasonably possible costs at this time but such costs could be material.

There are pending claims and legal actions arising in the normal course of our businesses. Although we cannot predict the final results of these pending claims and legal actions, we believe, after consultation with counsel, that the final outcome of these matters will not have a material effect on our financial statements.

## Note 8 — Fair Value Measurements

### Derivative Instruments

The following table presents, on a gross basis, our financial assets and liabilities, including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy.

| | Asset (Liability) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **December 31, 2023** | | | | |
| Assets: | | | | |
| Commodity contracts | $ — | $ 44 | $ — | $ 44 |
| Foreign currency contracts | $ — | $ 12 | $ — | $ 12 |
| Liabilities: | | | | |
| Commodity contracts | $ (1) | $ (44) | $ — | $ (45) |
| Foreign currency contracts | $ — | $ (6) | $ — | $ (6) |
| Interest rate contracts | $ — | $ (4) | $ — | $ (4) |
| **September 30, 2023** | | | | |
| Assets: | | | | |
| Commodity contracts (a) | $ 7 | $ 103 | $ — | $ 110 |
| Foreign currency contracts | $ — | $ 38 | $ — | $ 38 |
| Interest rate contracts | $ — | $ 3 | $ — | $ 3 |
| Liabilities: | | | | |
| Commodity contracts (a) | $ (6) | $ (40) | $ — | $ (46) |
| Foreign currency contracts | $ — | $ (2) | $ — | $ (2) |
| **December 31, 2022** | | | | |
| Assets: | | | | |
| Commodity contracts | $ 134 | $ 293 | $ — | $ 427 |
| Foreign currency contracts | $ — | $ 35 | $ — | $ 35 |
| Liabilities: | | | | |
| Commodity contracts | $ (38) | $ (91) | $ — | $ (129) |
| Foreign currency contracts | $ — | $ (4) | $ — | $ (4) |

(a) Includes derivative assets and liabilities associated with certain energy marketing business transactions (see Note 5).

The fair values of our Level 1 non-exchange-traded commodity futures and forward contracts are based upon actively quoted market prices for identical assets and liabilities. Substantially all of the remaining derivative instruments are designated as

(Currency in millions, except where indicated otherwise)

Level 2. The fair values of commodity derivatives designated as Level 2 are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. The fair values of our Level 2 interest rate contracts and foreign currency contracts are based upon third-party quotes or indicative values based on recent market transactions.

**Other Financial Instruments**

The carrying amounts of other financial instruments included in current assets and current liabilities (except for current maturities of long-term debt) approximate their fair values because of their short-term nature. We estimate the fair value of long-term debt by using current market rates and by discounting future cash flows using rates available for similar type debt (Level 2). The carrying amounts and estimated fair values of our long-term debt (including current maturities but excluding unamortized debt issuance costs) were as follows:

| | December 31, 2023 | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Carrying amount | $ 781 | $ 747 | $ 752 |
| Estimated fair value | $ 715 | $ 675 | $ 652 |

Financial instruments other than derivative financial instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in major U.S. and international financial institutions. The credit risk from trade accounts receivable is limited because we have a large customer base, which extends across many different markets and several foreign countries. For information regarding concentrations of credit risk associated with our derivative financial instruments, see Note 9.

**Note 9 — Derivative Instruments and Hedging Activities**

We are exposed to certain market risks related to our ongoing business operations. Management uses derivative financial and commodity instruments, among other things, to manage: (1) commodity price risk, (2) interest rate risk and (3) foreign currency exchange rate risk. Although we use derivative financial and commodity instruments to reduce market risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes. The use of derivative instruments is controlled by our risk management and credit policies, which govern, among other things, the derivative instruments we can use, counterparty credit limits and contract authorization limits. Although our commodity derivative instruments extend over a number of years, a significant portion of our commodity derivative instruments economically hedge commodity price risk during the next twelve months. For additional information on the accounting for our derivative instruments, see Note 2.

The following sections summarize the types of derivative instruments used by the Company to manage these market risks.

**Commodity Price Risk**

In order to manage market price risk associated changes in prices for LPG, we use over-the-counter commodity derivative instruments, primarily price swap contracts, to reduce market risk associated with a portion of our forecasted LPG purchases. We also enter into natural gas and electricity futures and forward contracts, some of which qualify for NPNS under GAAP, to manage market price risk associated with a significant portion of anticipated volumes under fixed-price sales contracts for natural gas and electricity and purchase contracts for electricity. See Note 5 for information on the exit of substantially all of the Company's energy marketing business.

To mitigate short-term market volatility associated with commodity instruments, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. Volumes associated with diesel swap contracts were not material for all periods presented.

**Interest Rate Risk**

Certain of our long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. In order to fix the underlying short-term market interest rates, we may enter into pay-fixed, receive-variable interest rate swap agreements and designate such swaps as cash flow hedges. The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. At December 31, 2023, the amount of pre-tax gains associated with interest rate hedges expected to be reclassified into earnings during the next twelve months is not material.

**Foreign Currency Exchange Rate Risk**

Forward Foreign Currency Exchange Contracts

In order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the USD exchange rate to the euro and British pound sterling, we enter into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over multi-year periods to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes. Because these contracts are not designated as hedging instruments, realized and unrealized gains and losses on these contracts are recorded in "Other non-operating expense, net" on the Condensed Consolidated Statements of Income.

Net Investment Hedges

From time to time, we also enter into certain forward foreign currency exchange contracts to reduce the volatility of the USD value of a portion of our UGI International euro-denominated net investments, including anticipated foreign currency denominated dividends. We account for these foreign currency exchange contracts as net investment hedges and all changes in the fair value of these contracts are reported in the cumulative translation adjustment component in AOCI. We use the spot rate method to measure ineffectiveness of our net investment hedges.

Our euro-denominated long-term debt has also been designated as net investment hedges, representing a portion of our UGI International euro-denominated net investment. We recognized pre-tax losses associated with these net investment hedges in the cumulative translation adjustment component in AOCI of $32 and $64 during the three months ended December 31, 2023 and 2022, respectively.

**Quantitative Disclosures Related to Derivative Instruments**

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at December 31, 2023, September 30, 2023 and December 31, 2022 and the final settlement dates of the Company's open derivative contracts as of December 31, 2023, excluding those derivatives that qualified for the NPNS exception:

| Type | Units | Settlements Extending Through | Notional Amounts (in millions) December 31, 2023 | September 30, 2023 | December 31, 2022 |
|---|---|---|---|---|---|
| **Commodity Price Risk:** | | | | | |
| LPG swaps | Gallons | September 2026 | 379 | 412 | 470 |
| Natural gas forward and futures contracts (a) | Dekatherms | September 2025 | 2 | 2 | 15 |
| Electricity forward and futures contracts | Kilowatt hours | December 2024 | 13 | 645 | 1,407 |
| **Interest Rate Risk:** | | | | | |
| Interest rate swaps | Euro | March 2026 | € 300 | € 300 | € — |
| **Foreign Currency Exchange Rate Risk:** | | | | | |
| Forward foreign exchange contracts | USD | September 2026 | $ 348 | $ 425 | $ 390 |
| Net investment hedge forward foreign exchange contracts | Euro | December 2026 | € 256 | € 256 | € 331 |

(a) Amounts at September 30, 2023 include contracts associated with certain energy marketing business transactions (see Note 5).

**Derivative Instrument Credit Risk**

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate.

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2023, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $56. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2023, the Company had received cash collateral from derivative instrument counterparties totaling $15. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

(Currency in millions, except where indicated otherwise)

**Offsetting Derivative Assets and Liabilities**

Derivative assets and liabilities are presented net by counterparty on our Condensed Consolidated Balance Sheets if the right of offset exists. We offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty. Our derivative instruments principally comprise over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter contracts contain contractual rights of offset through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of offset through counterparty nonperformance, insolvency, or other conditions.

In general, many of our over-the-counter transactions are subject to collateral requirements. Types of collateral generally include cash or letters of credit. Cash collateral paid by us to our derivative counterparties, if any, is reflected in the table below to offset derivative liabilities. Cash collateral received by us from our derivative counterparties, if any, is reflected in the table below to offset derivative assets. Certain other accounts receivable and accounts payable balances recognized on our Condensed Consolidated Balance Sheets with our derivative counterparties are not included in the table below but could reduce our net exposure to such counterparties because such balances are subject to master netting or similar arrangements.

**Fair Value of Derivative Instruments**

The following table presents the Company's derivative assets and liabilities by type, as well as the effects of offsetting:

| | December 31, 2023 | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **Derivative assets:** | | | |
| **Derivatives designated as hedging instruments:** | | | |
| Foreign currency contracts | $ 5 | $ 14 | $ 11 |
| Interest rate contracts | — | 3 | — |
| | 5 | 17 | 11 |
| **Derivatives not designated as hedging instruments:** | | | |
| Commodity contracts (a) | 44 | 110 | 427 |
| Foreign currency contracts | 7 | 24 | 24 |
| | 51 | 134 | 451 |
| Total derivative assets - gross | 56 | 151 | 462 |
| Gross amounts offset in balance sheet | (9) | (15) | (21) |
| Cash collateral received | (15) | (39) | (102) |
| Total derivative assets - net | $ 32 | $ 97 | $ 339 |
| | | | |
| **Derivative liabilities:** | | | |
| **Derivatives designated as hedging instruments:** | | | |
| Interest rate contracts | $ (4) | $ — | $ — |
| Foreign currency contracts | (1) | — | — |
| | (5) | — | — |
| **Derivatives not designated as hedging instruments:** | | | |
| Commodity contracts (a) | (45) | (46) | (129) |
| Foreign currency contracts | (5) | (2) | (4) |
| | (50) | (48) | (133) |
| Total derivative liabilities - gross | (55) | (48) | (133) |
| Gross amounts offset in balance sheet | 9 | 15 | 21 |
| Cash collateral pledged | 12 | 3 | 30 |
| Total derivative liabilities - net | $ (34) | $ (30) | $ (82) |

(Currency in millions, except where indicated otherwise)

(a) Includes certain derivative contracts associated with energy marketing business transactions (see Note 5). At September 30, 2023 there were $10 of derivative assets and $12 of derivative liabilities classified as held for sale, which is reflected in "Prepaid expenses and other current assets" and "Other current liabilities," respectively, on the Condensed Consolidated Balance Sheets at September 30, 2023.

**Effects of Derivative Instruments**

The following tables provide information on the effects of derivative instruments on the Condensed Consolidated Statements of Income and changes in AOCI:

**Three Months Ended December 31,**

| | Loss Recognized in AOCI | | Gain Reclassified from AOCI into Income | | Location of Gain Reclassified from AOCI into Income |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | |
| **Cash Flow Hedges:** | | | | | |
| Interest rate contracts | $ (7) | $ — | $ 1 | $ — | Interest expense |
| **Net Investment Hedges:** | | | | | |
| Foreign currency contracts | $ (10) | $ (23) | | | |

| **Derivatives Not Designated as Hedging Instruments:** | Gain (Loss) Recognized in Income 2023 | Gain (Loss) Recognized in Income 2022 | Location of Gain (Loss) Recognized in Income |
|---|---|---|---|
| Commodity contracts | $ 1 | $ 2 | Revenues |
| Commodity contracts | (43) | (1,161) | Cost of sales |
| Commodity contracts | 3 | 3 | Other operating income, net |
| Foreign currency contracts | (16) | (32) | Other non-operating expense, net |
| Total | $ (55) | $ (1,188) | |

We are also a party to a number of other contracts that have elements of a derivative instrument. However, these contracts qualify for NPNS exception accounting because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business and the price in the contract is based on an underlying that is directly associated with the price of the product or service being purchased or sold. These contracts include, among others, binding purchase orders and contracts which provide for the purchase and delivery, or sale, of energy products.

(Currency in millions, except where indicated otherwise)

## Note 10 — Accumulated Other Comprehensive Income (Loss)

The tables below present changes in AOCI, net of tax, which amounts are included in "Member's equity" on the Condensed Consolidated Balance Sheets:

| Three Months Ended December 31, 2023 | Postretirement Benefit Plans | Derivative Instruments | Foreign Currency | Total |
|---|---|---|---|---|
| AOCI — September 30, 2023 | $ 9 | $ 2 | $ (300) | $ (289) |
| Other comprehensive (loss) income before reclassification adjustments | — | (5) | 49 | 44 |
| Amounts reclassified from AOCI | — | (1) | — | (1) |
| Other comprehensive (loss) income | — | (6) | 49 | 43 |
| AOCI — December 31, 2023 | $ 9 | $ (4) | $ (251) | $ (246) |

| Three Months Ended December 31, 2022 | Postretirement Benefit Plans | Derivative Instruments | Foreign Currency | Total |
|---|---|---|---|---|
| AOCI — September 30, 2022 | $ 9 | $ — | $ (432) | $ (423) |
| Other comprehensive income before reclassification adjustments | — | — | 151 | 151 |
| Other comprehensive income | — | — | 151 | 151 |
| AOCI — December 31, 2022 | $ 9 | $ — | $ (281) | $ (272) |

## Note 11 — Related Party Transactions

UGI provides certain financial and administrative services to the Company. UGI bills the Company for all direct expenses incurred or paid on behalf of the Company and the Company reimburses UGI for such direct expenses. The Company is billed for its allocated share of UGI indirect corporate expenses. This allocated share is based upon a weighted, three-component formula comprising revenues, operating expenses and net assets employed and considers the Company's relative percentage of such items to the total of such items for all UGI Corporation operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable. The amounts of UGI allocated indirect corporate expenses billed to the Company during the three months ended December 31, 2023 and 2022, have been included in "Operating and administrative expenses - related parties" on the Condensed Consolidated Statements of Income.

## Forward-Looking Statements

Information contained in this Quarterly Report contains forward-looking statements. Such statements use forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," or other similar words and terms of similar meaning, although not all forward-looking statements contain such words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future. Management believes that these are reasonable as of today's date only. Actual results may differ significantly because of risks and uncertainties that are difficult to predict and many of which are beyond management's control; accordingly, there is no assurance that results will be realized. We undertake no obligation (and expressly disclaim any obligation) to update publicly any forward-looking statement whether as a result of new information or future events.

Because many of our customers use LPG and natural gas for heating purposes, our results are significantly influenced by temperatures particularly during the heating-season months of October through March. As a result, our operating results, excluding the effects of gains and losses on derivative instruments not associated with current-period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

## Executive Overview

### Recent Developments

#### *UGI International Energy Marketing Transactions*

As of December 31, 2023, pursuant to its previously announced decision, the Company has exited substantially all of its European energy marketing business which primarily marketed natural gas and electricity to customers through third-party distribution systems in France, Belgium, the Netherlands, and the United Kingdom.

***France.*** In October 2023, UGI International, through a wholly-owned subsidiary, sold substantially all of its energy marketing business located in France for a net cash payment to the buyer of $28 million. In conjunction with the sale, during the three months ended December 31, 2023, the Company recorded a pre-tax loss of $28 million, which amount principally represents the net payment to the buyer. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, were not material.

***Belgium.*** In September 2023, UGI International, through a wholly-owned subsidiary, sold its energy marketing business located in Belgium for a net cash payment to the buyer of $3 million. Pursuant to the sale agreement, the Company transferred to the buyer certain assets, principally comprising customer and energy broker contracts. In conjunction with the sale, during the fourth quarter of Fiscal 2023, the Company recorded a pre-tax loss of $6 million which amount includes the net payment to the buyer, the write-off of certain prepaid energy broker payments and associated transaction costs and fees.

***United Kingdom.*** In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment to the buyer of $19 million which includes certain working capital adjustments. In conjunction with the sale, during the three months ended December 31, 2022, the Company recorded a pre-tax loss of $215 million substantially all of which was due to the non-cash transfer of commodity derivative instruments associated with the business.

***Netherlands.*** In September 2023, a substantial number of DVEP's customers agreed to modify their energy marketing contracts whereby the Company would continue to provide the delivery of electricity and natural gas at fixed prices through December 31, 2023, with the Company's obligations to provide future services terminated effective January 1, 2024. As consideration for the early termination of such contracts, the Company has agreed to make cash payments to the customers equal to the fair values of specific commodity derivative instruments associated with periods after December 31, 2023. For the three months ended December 31, 2023, the Company settled the commodity derivative instruments for a gain of $46 million, which represents the fair value of the specific commodity derivative instruments associated with periods after December 31, 2023; and reduced its revenues from these customers by $42 million, which represents the pro-rated performance obligation from October 1, 2023 through December 31, 2023.

In conjunction with the wind-down of its European energy marketing business, in December 2023, DVEP completed a sale of a substantial portion of its power purchase agreements to a third party for a total consideration to the buyer of $5 million. In conjunction with the sale, the Company recorded a loss of $5 million.

During the three months ended December 31, 2022, the Company recorded a $14 million pre-tax impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets.

See Note 5 to Condensed Consolidated Financial Statements for additional information.

***Global Macroeconomic Conditions***

Beginning in Fiscal 2021 and continuing through December 31, 2023, global commodity and labor markets have experienced significant inflationary pressures attributable to various economic and geopolitical factors, including but not limited to: supply chain disruptions including those associated with labor shortages; significant volatility in energy commodity prices; changes in consumer behavior; and geopolitical and regulatory conditions resulting from the war between Russia and Ukraine. These adverse macroeconomic factors continue to contribute to inflationary pressures as evidenced by increases in various consumer price indices. In an effort to curb these inflationary pressures, central banks in the U.S. and Europe began raising interest rates in Fiscal 2022. In addition, during the last several years, we have experienced significant volatility in energy commodity prices, particularly in LPG, natural gas and electricity prices, which have resulted in substantial fluctuations in the fair values of our commodity derivative instruments. Although these inflationary pressures and commodity price volatility have moderated more recently, they continue to result in, among other things, fluctuations in the cost of our inventory and associated cost of sales, increases in certain operating and distribution expenses and higher interest expense across all of our businesses. We cannot predict the duration or ultimate magnitude of these conditions and the effects such conditions may have on our future business, financial results, financial position, liquidity and cash flows. However, we believe that the Company is well positioned to address the challenges resulting from these global economic and geopolitical conditions as they continue to evolve.

## Non-GAAP Financial Measures

Our non-GAAP measures include adjusted total margin, adjusted operating income, adjusted income before income taxes and adjusted net income attributable to UGI International in order to assist in the evaluation of UGI International's overall performance. Management believes that these non-GAAP measures provide meaningful information to investors about UGI International's performance because they eliminate the impact of (1) gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions, principally comprising changes in unrealized gains and losses on such derivative instruments and (2) other significant discrete items that can affect the comparisons of period-over-period results.

Because the Company does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP, volatility in net income attributable to UGI International can occur as a result of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on unsettled commodity and certain foreign currency derivative instruments that economically hedge anticipated future purchases or sales of energy commodities, or in the case of certain foreign currency derivatives, reduce volatility in anticipated future earnings associated with our foreign operations. These financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures.

**UGI INTERNATIONAL, LLC AND SUBSIDIARIES**

The following table includes reconciliations of adjusted total margin, adjusted operating income, adjusted income before income taxes and adjusted net income attributable to UGI International to the most directly comparable financial measures calculated and presented in accordance with GAAP for the periods presented.

| | Three Months Ended December 31, | |
|---|---|---|
| (Millions of dollars) | 2023 | 2022 |
| **Adjusted total margin:** | | |
| Revenues | $ 684 | $ 879 |
| Cost of sales | (489) | (1,831) |
| Total margin | 195 | (952) |
| Net losses on commodity derivative instruments not associated with current-period transactions | 40 | 1,167 |
| Costs associated with exit of energy marketing business | 42 | — |
| Adjusted total margin | $ 277 | $ 215 |
| | | |
| **Adjusted operating income:** | | |
| Operating loss | $ (10) | $ (1,342) |
| Net losses on commodity derivative instruments not associated with current-period transactions | 43 | 1,169 |
| Costs associated with exit of energy marketing business | 78 | 229 |
| Adjusted operating income | $ 111 | $ 56 |
| | | |
| **Adjusted income before income taxes:** | | |
| Loss before income taxes | $ (37) | $ (1,378) |
| Net losses on commodity derivative instruments not associated with current-period transactions | 43 | 1,169 |
| Unrealized losses on foreign currency derivative instruments | 20 | 40 |
| Costs associated with exit of energy marketing business | 78 | 229 |
| Adjusted income before income taxes | $ 104 | $ 60 |
| | | |
| **Adjusted net income attributable to UGI International:** | | |
| Net loss attributable to UGI International, LLC | $ (36) | $ (1,015) |
| Net losses on commodity derivative instruments not associated with current-period transactions | 39 | 861 |
| Unrealized losses on foreign currency derivative instruments | 14 | 29 |
| Costs associated with exit of energy marketing business | 65 | 170 |
| Adjusted net income attributable to UGI International | $ 82 | $ 45 |

**2023 three-month period compared with the 2022 three-month period**

Net loss attributable to UGI International was $36 million in the 2023 three-month period compared to net loss of $1,015 million in the prior-year period. Results in the 2023 three-month period reflect (1) unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of $53 million; and (2) $65 million of costs associated with the exit of our energy marketing business, principally reflecting wind-down activities in the Netherlands and the loss on the sale of the energy marketing business located in France. Results in the prior-year period reflect (1) unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of $890 million; and (2) $170 million costs associated with exit of our energy marketing business, principally reflecting loss on the sale of the energy marketing business located in the U.K. and an impairment of assets.

Adjusted net income attributable to UGI International was $82 million in the 2023 three-month period compared to $45 million in the prior-year period. The increase during the 2023 three-month period mainly reflects higher margin contributions from both our LPG and energy marketing businesses and the translation effects of stronger foreign currencies. The operating results reflect (1) higher total LPG margin principally due to the effects of higher average unit margins attributable to strong margin management efforts and the effects of the higher LPG retail volumes sold; and (2) the absence of prior year losses from our electricity energy marketing activities principally reflecting the impact of the continued wind-down of the energy marketing business.

**Analysis of Results of Operations**

**2023 Three-Month Period Compared with the 2022 Three-Month Period**

| Three Months Ended December 31, | 2023 | | 2022 | | Increase (Decrease) | | |
|---|---|---|---|---|---|---|---|
| (Dollars in millions) | | | | | | | |
| Revenues | $ | 684 | $ | 879 | $ | (195) | (22)% |
| Total margin (a) | $ | 195 | $ | (952) | $ | 1,147 | 120 % |
| Operating and administrative expenses | $ | 150 | $ | 157 | $ | (7) | (4)% |
| Operating loss | $ | (10) | $ | (1,342) | $ | 1,332 | 99 % |
| Loss before income taxes | $ | (37) | $ | (1,378) | $ | 1,341 | 97 % |
| Net loss income attributable to UGI International | $ | (36) | $ | (1,015) | $ | 979 | 96 % |
| Non-GAAP financial measures (b): | | | | | | | |
| Adjusted total margin | $ | 277 | $ | 215 | $ | 62 | 29 % |
| Adjusted operating income | $ | 111 | $ | 56 | $ | 55 | 98 % |
| Adjusted income before income taxes | $ | 104 | $ | 60 | $ | 44 | 73 % |
| Adjusted net income attributable to UGI International | $ | 82 | $ | 45 | $ | 37 | 82 % |
| LPG retail gallons sold (millions) | | 214 | | 205 | | 9 | 4 % |
| Degree days – % (warmer) than normal (c) | | (12.0)% | | (12.3)% | | — | — |

(a) Total margin represents revenues less cost of sales. Total margin for the 2023 and 2022 three-month periods includes the impact of net unrealized losses of $40 million and $1,167 million, respectively, on commodity derivative instruments not associated with current-period transactions. The 2023 three-month period also includes a $42 million reduction in revenues in connection with the early termination of certain DVEP customer contracts (See Note 5 to Condensed Consolidated Financial Statements).

(b) These financial measures are non-GAAP financial measures and are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not a substitute for, the comparable GAAP measures. See "Non-GAAP Financial Measures" above.

(c) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data at locations in our UGI International service territories.

Average temperatures during the 2023 three-month period were 12.0% warmer than normal and 1.5% colder than the prior-year period. Total LPG retail gallons sold during the 2023 three-month period were 4% higher than the prior-year period largely attributable to growth from natural gas conversion to LPG, the slightly colder weather than the prior-year period, and higher crop drying volumes, partially offset by lower cylinder volumes.

UGI International base-currency results are translated into USD based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2023 and 2022 three-month periods, the average unweighted euro-to-USD translation rates were approximately $1.08 and $1.02, respectively, and the average unweighted British pound sterling-to-USD translation rates were approximately $1.24 and $1.17, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The Company uses forward foreign currency exchange contracts entered into over multi-year periods to reduce the volatility in earnings that may result from such changes in foreign currency exchange rates in earnings. These forward foreign currency exchange contracts resulted in realized net gains of $4 million and $8 million in the 2023 and 2022 three-month periods, respectively.

Average wholesale prices for propane and butane during the 2023 three-month period in northwest Europe were approximately 13% and 15% lower, respectively, compared with the prior-year period. Revenues and cost of sales in the 2023 and 2022 three-month periods include net unrealized losses of $40 million and $1,167 million, respectively, on commodity derivative instruments not associated with current-period transactions. The 2023 three-month period also includes a $42 million reduction in revenues in connection with the early termination of certain DVEP customer contracts. Excluding these effects, revenues and cost of sales decreased $152 million and $214 million, respectively, during the 2023 three-month period compared to the prior-year period. The decrease in revenues and cost of sales principally reflects significantly lower energy marketing activities during the 2023 three-month period resulting from the sale of substantially all of energy marketing business in Belgium and UGI France in September and October 2023, respectively. The decrease in revenues was partially offset by the translation effects of the stronger foreign currencies (approximately $38 million) and higher LPG retail volumes sold. The decrease in cost of sales was also attributable to lower LPG product costs, partially offset by the translation effects of the stronger foreign currencies (approximately $24 million) and the higher LPG retail volumes sold.

Total margin increased $1,147 million. Adjusted total margin increased $62 million during the 2023 three-month period primarily reflecting higher margin contributions from both our LPG business and our energy marketing activities and the translation effects of the stronger foreign currencies (approximately $15 million). The higher margin from our LPG business reflects the effects of higher average unit margins attributable to strong margin management efforts and the effects of the higher LPG retail volumes sold. The higher margin from our energy marketing activities primarily reflects the absence of losses experienced during the prior-year period, principally associated with electricity energy marketing activities, that were not repeated during the 2023 three-month period and the impact of the aforementioned wind-down of the energy marketing business.

Operating loss decreased $1,332 million compared to the prior-year period. Adjusted operating income increased $55 million principally reflects the previously mentioned $62 million increase in adjusted total margin, partially offset by lower foreign currency transaction gains ($4 million) and higher operating and administrative expenses ($4 million). The higher operating and administrative expenses in the 2023 three-month period primarily reflects the translation effects of the stronger foreign currencies (approximately $9 million) and the effects of inflationary increases, partially offset by, among other things, lower personnel and maintenance expenses.

Loss before income taxes decreased $1,341 million compared to the prior-year period. Adjusted income before income taxes was $44 million higher than the prior-year period principally reflecting the $55 million increase in adjusted operating income, partially offset by lower realized gains on foreign currency exchange contracts entered into in order to reduce volatility in earnings resulting from the effects of changes in foreign currency exchange rates ($4 million) and higher interest expense ($4 million).

***Interest Expense and Income Taxes***

Interest expense was $4 million higher during the 2023 three-month period largely reflecting higher credit agreement interest rates and average borrowings.

The decrease in the Company's effective income tax rate for the 2023 three-month period was principally reflects the effects of establishing a full valuation allowance against current year losses at DVEP and the effects on the estimated annual effective income tax rate from a greater concentration of pre-tax results in lower tax rate jurisdictions.

The Company continues to evaluate the elections available under current regulations and pending legislation. Impacts on the Company’s income tax provisions and taxes payable or refundable related to these items are subject to change.

**Liquidity and Capital Resources**

The Company expects to have sufficient liquidity in the forms of cash and available credit facility borrowings to continue to support long-term commitments and ongoing operations despite uncertainties associated with ongoing global macroeconomic conditions including, among others, the inflationary cost environment and ongoing energy commodity price volatility. The Company does not have any scheduled near-term maturities of long-term debt at December 31, 2023. The Company cannot predict the duration or magnitude of the uncertain economic factors mentioned above and the total effects they will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. The Company was in compliance with its debt covenants as of December 31, 2023.

We depend on both internal and external sources of liquidity to provide funds for working capital and to fund capital requirements. Our short-term cash requirements not met by cash generated from operations can generally be satisfied with borrowings under our revolving credit facility. Long-term cash requirements are generally met through the issuance of long-term debt or capital contributions. We believe that we have sufficient liquidity in the forms of cash and cash equivalents on hand; cash expected to be generated from operations; credit facility borrowing capacity; and the ability to obtain long-term financing to meet anticipated contractual and projected cash commitments. Issuances of debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

The primary sources of our cash and cash equivalents have been cash flows generated from operations and cash contributions made by UGI. However, there can be no assurance that UGI will make contributions to our capital or otherwise provide funding in the future. Our primary uses of cash have been to fund capital expenditures and acquisitions of businesses, repay long-term debt and pay distributions to our parent company. Our ability to service debt has been, and will continue to be, dependent upon our ability to generate cash from our operations.

Our cash and cash equivalents totaled $101 million at December 31, 2023, compared with $143 million at September 30, 2023. A substantial portion of this cash is located outside of the United States. The decrease in cash and cash equivalents since September 30, 2023 include the effects on cash of repayments of short-term debt and the effects of the seasonality of our business as further described in “Cash Flows” below.

***Long-term debt and credit facility***

UGI International's debt outstanding at December 31, 2023 totaled $956 million (including current maturities of long-term debt of $1 million and short-term borrowings of $182 million). UGI International's debt outstanding at September 30, 2023, totaled $953 million (including current maturities of long-term debt of $1 million and short-term borrowings of $214 million). Total long-term debt outstanding at December 31, 2023, including current maturities, comprises $443 million of 2.50% Senior Notes, a $331 million variable-rate term loan, and $7 million of other long-term debt, and is net of $7 million of unamortized debt issuance costs.

At December 31, 2023 there were €165 million of borrowings outstanding under the UGI International 2023 Credit Facilities Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International 2023 Credit Facilities Agreement multicurrency revolving facility for the three months ended December 31, 2023 were €204 million and €229 million, respectively. At December 31, 2023, the Company's available borrowing capacity under the UGI International 2023 Credit Facilities Agreement multicurrency revolving facility was €335 million. At December 31, 2022 there were €300 million of borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility for the three months ended December 31, 2022 were €168 million and €300 million, respectively. At December 31, 2022, the Company had no available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility.

***Cash Flows***

Due to the seasonal nature of the Company’s businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for LPG consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the fourth and first fiscal quarters when the Company’s investment in working capital, principally inventories and accounts receivable, is generally greatest.

Cash flows from operating activities can be significantly affected by year-to-year variations in changes in operating working capital principally resulting from changes in commodity energy prices. Cash flow from investing activity is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses; and net cash proceeds from sales and retirements of property, plant and equipment. Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt, cash capital contributions from UGI usually in conjunction with material business acquisitions, revolving credit facility borrowings, and distributions paid to UGI International's parent company, Enterprises.

***Operating Activities.*** Cash flow used by operating activities was $0 million in the 2023 three-month period compared to cash used of $231 million in the prior-year period. Cash flow provided by operating activities before changes in operating working capital was $84 million in the 2023 three-month period compared to $112 million in the prior-year period. Cash used to fund changes in operating working capital totaled $84 million in the 2023 three-month period compared to cash used to fund changes in operating working capital of $343 million in the 2022 three-month period. The $259 million decrease in cash used to fund changes in operating working capital during the 2023 three-month period reflects a significant decrease in collateral payments associated with derivative instruments and, to a much lesser extent, lower cash used to fund changes in accounts receivable and inventories during the 2023 three-month period. The changes in these operating working capital items reflect the effects of lower LPG commodity prices during the 2023 three-month period.

***Investing Activities.*** Cash flow used by investing activities was $13 million in the 2023 three-month period compared to $62 million of cash used in the prior-year period. Capital expenditures for property, plant and equipment totaled $12 million in the 2023 three-month period, lower than the $27 million of capital expenditures in the prior-year period. Investing activities cash flows in the 2022 three-month period reflects the acquisition for cash of a small LPG retail business in Europe. Cash used by investing activities during the prior-year period also reflects higher cash outflows associated with energy marketing business disposal activities and contributions to equity investees.

***Financing Activities.*** Cash flow used by financing activities was $41 million in the 2023 three-month period compared to cash flow provided by financing activities of $350 million in the prior-year period. The 2023 three-month period reflects net repayments of short-term borrowings totaling $41 million. The 2022 three-month period includes $310 million of borrowings under the UGI International multicurrency revolving credit facility and capital contributions of $40 million.

**Qualitative and Quantitative Disclosures About Market Risk**

Our primary market risk exposures are (1) commodity price risk; (2) interest rate risk; and (3) foreign currency exchange rate risk. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

***Commodity Price Risk***

The risk associated with fluctuations in the prices we pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Our profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. We may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, we use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts to reduce market risk associated with a portion of our LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract. Our natural gas and electricity marketing businesses also use natural gas and electricity futures and forward contracts to economically hedge market risk associated with a substantial portion of anticipated volumes under fixed-price sales and purchase contracts. See Note 5 to Condensed Consolidated Financial Statements for information on the exit of substantially all of the Company's European energy marketing business.

In addition, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. December 31, 2023, volumes associated with diesel swap contracts were not material.

***Interest Rate Risk***

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows. Our variable-rate debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI International has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying euribor interest rate on such borrowings for a significant portion of their tenor. We have designated such interest rate swaps as cash flow hedges. At December 31, 2023, combined borrowings outstanding under variable-rate debt agreements, excluding UGI International's effectively fixed-rate debt, totaled $182 million.

***Foreign Currency Exchange Rate Risk***

Our primary currency exchange rate risk is associated with the USD versus the euro and, to a lesser extent, the USD versus the British pound sterling. The USD value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our substantial net investments in foreign (non U.S. based) operations, a 10% decline in the value of the foreign currencies versus the USD would reduce their aggregate net book value at December 31, 2023, by approximately $70 million, which amount would be reflected in other comprehensive income. We have designated our euro-denominated loan borrowings as net investment hedges.

In order to reduce the volatility in net income associated with our operations, principally as a result of changes in the U.S. dollar exchange rate between the euro and British pound sterling, we have entered into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over multi-year periods to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes.

***Derivative Instrument Credit Risk***

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2023, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $56 million. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2023, the Company had received cash collateral from derivative instrument counterparties totaling $15 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at December 31, 2023 and changes in fair values due to market risks.

| | Asset (Liability) | |
|---|---|---|
| (Millions of dollars) | Fair Value | Change in Fair Value |
| Commodity price risk (1) | $ (1) | $ (31) |
| Interest rate risk (2) | $ (4) | $ (3) |
| Foreign currency exchange rate risk (3) | $ 6 | $ (40) |

(1) Change in fair value represents a 10% adverse change in the market prices of certain commodities.
(2) Change in fair value represents a 50 basis point adverse change in prevailing market interest rates.
(3) Change in fair value represents a 10% adverse change in the value of the Euro and the British pound sterling versus the U.S. dollar.