UGI INTERNATIONAL, LLC
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
and
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the years ended September 30, 2023, 2022 and 2021

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

ABO - Accumulated Benefit Obligation

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

ASC 606 - ASC 606, "Revenue from Contracts with Customers"

ASC 820 - ASC 820, "Fair Value Measurement"

ASU - Accounting Standards Update

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

Euribor - Euro Interbank Offered Rate

Fiscal 2020 - The fiscal year ended September 30, 2020

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

Fiscal 2025 - The fiscal year ending September 30, 2025

Fiscal 2026 - The fiscal year ending September 30, 2026

Fiscal 2027 - The fiscal year ending September 30, 2027

Fiscal 2028 - The fiscal year ending September 30, 2028

GAAP - U.S. generally accepted accounting principles

GILTI - Global Intangible Low Taxed Income

IRC - Internal Revenue Code

IRS - Internal Revenue Service

IT - Information technology

LPG - Liquefied petroleum gas

NPNS - Normal purchase and normal sale

PBO - Projected benefit obligation

ROU - Right-of-use

TCJA - Tax Cuts and Jobs Act

UGI International 2023 Credit Facilities Agreement - A five-year unsecured senior facilities agreement entered into in March 2023 comprising a €300 million variable-rate term loan facility and a €500 million multicurrency revolving credit facility scheduled to expire in March 2028

UGI International Credit Facilities Agreement - A five-year unsecured senior facilities agreement entered into in October 2018, by UGI International, LLC comprising a €300 million term loan facility and a €300 million revolving credit facility, scheduled to expire in October 2023, repaid in full and terminated concurrently with the execution of the UGI International 2023 Credit Facilities Agreement

UGI International 3.25% Senior Notes - An underwritten private placement of €350 million principal amount of senior unsecured notes originally due November 1, 2025, issued by UGI International, LLC. The UGI International 3.25% Senior Notes were repaid in December 2021.

U.K. - United Kingdom

U.S. - United States of America

USD - U.S. dollar

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Report of Independent Auditors

To the Member and Management of UGI International, LLC:

Opinion

We have audited the consolidated financial statements of UGI International, LLC and subsidiaries (the Company) (a wholly-owned subsidiary of UGI Corporation), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2023, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

December 15, 2023

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

	September 30, 2023	September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 143	$ 298
Restricted cash	45	2
Accounts receivable (less allowances for doubtful accounts of $27 and $20, respectively)	403	530
Inventories	156	188
Derivative instruments	49	751
Held for sale assets (Note 4)	13	295
Prepaid expenses and other current assets	86	48
Total current assets	895	2,112
Property, plant and equipment:		
Gross property, plant and equipment	2,012	1,771
Accumulated depreciation	(1,020)	(870)
Net property, plant and equipment	992	901
Goodwill	911	840
Intangible assets, net	107	119
Derivative instruments	38	497
Other assets	169	141
Total assets	$ 3,112	$ 4,610
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1	$ 1
Short-term borrowings	214	1
Accounts payable	274	301
Employee compensation and benefits accrued	54	55
Derivative instruments	16	87
Held for sale liabilities (Note 4)	16	19
Other current liabilities	210	219
Total current liabilities	785	683
Long-term debt	738	681
Deferred income taxes	179	599
Derivative instruments	2	24
Customer tank and cylinder deposits	249	243
Other noncurrent liabilities	73	70
Total liabilities	2,026	2,300
Commitments and contingencies (Note 12)		
Equity:		
Member's equity	1,078	2,302
Noncontrolling interests	8	8
Total equity	1,086	2,310
Total liabilities and equity	$ 3,112	$ 4,610

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars)

	Year Ended September 30, 2023	2022	2021
Revenues	$ 2,965	$ 3,695	$ 2,651
Costs and expenses:			
Cost of sales	3,447	1,954	533
Operating and administrative expenses	627	614	664
Operating and administrative expenses - related parties	15	10	11
Depreciation and amortization	116	117	134
Loss on disposal of energy marketing business	221	—	—
Other operating income, net	(35)	(31)	(17)
	4,391	2,664	1,325
Operating (loss) income	(1,426)	1,031	1,326
Loss from equity investees	(4)	(2)	—
Loss on extinguishments of debt	—	(11)	—
Other non-operating (expense) income, net	(15)	69	11
Interest expense	(37)	(28)	(27)
(Loss) income before income taxes	(1,482)	1,059	1,310
Income tax benefit (expense)	406	(250)	(331)
Net (loss) income including noncontrolling interests	(1,076)	809	979
Deduct net income attributable to noncontrolling interests	—	(1)	—
Net (loss) income attributable to UGI International, LLC	$ (1,076)	$ 808	$ 979

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of dollars)

	Year Ended September 30,		
	2023	2022	2021
Net (loss) income including noncontrolling interests	$ (1,076)	$ 809	$ 979
Other comprehensive income (loss):			
Net gains on derivative instruments (net of tax of $(1), $0, and $0, respectively)	2	—	—
Reclassifications of net losses on derivative instruments (net of tax of $0, $0, and $0, respectively)	—	—	1
Foreign currency translation adjustments (net of tax of $21, $(55), and $(4), respectively)	68	(193)	(11)
Foreign currency gains (losses) on long-term intra-company transactions	64	(148)	(12)
Benefit plans, principally actuarial gains (net of tax of $(1), $(4), and $(1), respectively)	1	11	1
Reclassifications of benefit plans net actuarial gains and prior service benefits (net of tax of $0, $0, and $0, respectively)	(1)	(1)	—
Other comprehensive income (loss) including noncontrolling interests	134	(331)	(21)
Deduct comprehensive income attributable to noncontrolling interests	$ —	(1)	$ —
Comprehensive (loss) income attributable to UGI International, LLC	$ (942)	$ 477	$ 958

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)

	Year Ended September 30, 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income including noncontrolling interests	$ (1,076)	$ 809	$ 979
Adjustments to reconcile net (loss) income including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	116	117	134
Deferred income tax (benefit) expense, net	(433)	179	251
Changes in unrealized gains and losses on derivative instruments	1,436	(858)	(1,073)
Impairments of assets	14	5	20
Loss on disposal of energy marketing business	221	—	—
Loss on extinguishments of debt	—	11	—
Other, net	18	(5)	10
Net change in:			
Accounts receivable	169	(225)	(126)
Inventories	47	(70)	(78)
Accounts payable	(51)	(8)	198
Derivative instruments collateral (paid) received	(283)	49	326
Other current assets	(6)	25	(3)
Other current liabilities	(33)	53	5
Net cash provided by operating activities	139	82	643
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(129)	(107)	(107)
Acquisitions of businesses, net of cash acquired	(9)	—	—
Settlement of net investment hedges	22	26	—
Cash payments for sale of energy marketing business	(44)	—	—
Other, net	(16)	5	21
Net cash used by investing activities	(176)	(76)	(86)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	199	1	(1)
Distributions paid	(322)	(278)	(153)
Capital contribution received	40	—	5
Distribution related to common control transaction (see Note 17)	—	—	(9)
Issuances of long-term debt, net of issuance costs	319	444	—
Repayments of long-term debt and finance leases	(320)	(419)	—
Net cash used by financing activities	(84)	(252)	(158)
Foreign exchange effect on cash, cash equivalents and restricted cash	9	(61)	(14)
Cash, cash equivalents and restricted cash (decrease) increase	$ (112)	$ (307)	$ 385
CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash, cash equivalents and restricted cash at end of year	$ 188	$ 300	$ 607
Cash, cash equivalents and restricted cash at beginning of year	300	607	222
Cash, cash equivalents and restricted cash (decrease) increase	$ (112)	$ (307)	$ 385
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for:			
Interest	$ 34	$ 28	25
Income taxes	$ 51	$ 50	76

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Millions of dollars)

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2020	$ 1,302	$ 9	$ 1,311
Net income	979	—	979
Capital contribution	5	—	5
Cash distributions	(153)	—	(153)
Distribution related to common control transaction (Note 17)	(9)	—	(9)
Changes in AOCI balance (Note 15)	(21)	—	(21)
Balance at September 30, 2021	$ 2,103	$ 9	$ 2,112
Net income	808	1	809
Cash distributions	(278)	—	(278)
Changes in AOCI balance (Note 15)	(331)	—	(331)
Other	—	(2)	(2)
Balance at September 30, 2022	$ 2,302	$ 8	$ 2,310
Net loss	(1,076)	—	(1,076)
Capital contribution	40	—	40
Cash distributions	(322)	—	(322)
Changes in AOCI balance (Note 15)	134	—	134
Balance at September 30, 2023	$ 1,078	$ 8	$ 1,086

See accompanying notes to consolidated financial statements.

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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, conducts (1) an LPG distribution business throughout much of Europe and (2) an energy marketing business in France and the Netherlands and, prior to their sale in October 2023 and during Fiscal 2023, in France, Belgium and the United Kingdom. These businesses are conducted principally through our subsidiaries, UGI France, Flaga, AvantiGas, DVEP and UniverGas. See Note 4 for additional information regarding the energy marketing business.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements are prepared in accordance with GAAP. 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.

Principles of Consolidation

The consolidated financial statements include the accounts of UGI International and its controlled subsidiary companies which are majority-owned. We report outside ownership interests in other consolidated but less than 100%-owned subsidiaries, as noncontrolling interests. We eliminate intercompany accounts and transactions when we consolidate.

We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. Investments in equity securities related to entities in which we do not have significant influence over operating and financial policies are generally initially valued at their cost less impairment (if any) and subsequently remeasured at fair value, as applicable, in accordance with the relevant provisions under GAAP. Our investments in such entities totaled $79 and $62 at September 30, 2023 and 2022, respectively, and are included in "Other assets" on the Consolidated Balance Sheets.

Fair Value Measurements

The Company applies fair value measurements on a recurring and, as otherwise required under ASC 820, on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements performed on a recurring basis principally relate to derivative instruments.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We use the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.

- Level 2 — Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

- Level 3 — Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability.

Fair value is based upon assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and risks inherent in valuation techniques and inputs to valuations. This includes not only the credit standing of counterparties and credit enhancements but also the impact of our own nonperformance risk on our liabilities. We evaluate the need for credit adjustments to our derivative instrument fair values. These credit adjustments were not material to the fair values of our derivative instruments.

Derivative Instruments

Derivative instruments are reported on the 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 certain net investment hedges, if any, are included in cash flows from operating activities on the Consolidated Statements of Cash Flows. Cash flows from net investment hedges, if any, are included in cash flows from investing activities on the 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 14.

Foreign Currency Translation

Balance sheets of international subsidiaries are translated into USD using the exchange rate at the balance sheet date. Income statements and equity investee results are translated into USD using an average exchange rate for each reporting period. Where the local currency is the functional currency, translation adjustments are recorded in other comprehensive income. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise with the impact of subsequent changes in such rates reflected in the income statement. The functional currency of a significant portion of our operations is the euro.

Revenue Recognition

In accordance with ASC 606, 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. Certain revenues such as revenue from leases, financial instruments and other revenues are not within the scope of ASC 606 because they are not from contracts with customers. Such revenues are accounted for in accordance with other GAAP. Revenue-related taxes collected on behalf of customers and remitted to taxing authorities are not included in revenues. The Company has elected to use the practical expedient to expense the costs to obtain contracts when incurred as such amounts are generally not material.

See Note 3 for additional disclosures regarding the Company's revenue from contracts with customers.

Accounts Receivable

Accounts receivable are reported on the Consolidated Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. Provisions for uncollectible accounts are established based upon our collection experience, and the assessment of the collectability of specific amounts and the Company's best estimate of current expected credit losses. Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

LPG Delivery Expenses

Expenses associated with the delivery of LPG to customers (including vehicle expenses, expenses of delivery personnel, vehicle repair and maintenance and general liability expenses) are classified as "Operating and administrative expenses" on the Consolidated Statements of Income. Depreciation expense associated with delivery vehicles is classified in "Depreciation and amortization" on the Consolidated Statements of Income.

Income Taxes

We file income tax returns in the United States, and various local, state and foreign jurisdictions. We join with UGI and its subsidiaries in filing a consolidated U.S. federal income tax return and in filing state tax returns. Our U.S. subsidiaries are charged or credited for their share of current taxes resulting from the effects of transactions in the UGI consolidated federal income tax return including giving effect to intercompany transactions. With respect to state income taxes, our U.S. subsidiaries are charged or credited for their share of current taxes resulting from the effects of transactions in the UGI state income tax return, including giving effect to intercompany transactions. The result of these allocations is consistent with income taxes calculated on a separate return basis. Accordingly, income tax-related payments and accrued income tax balances reflect both the impact of separate jurisdictional filings in European countries and transactions with UGI, resulting from the allocation from the U.S. consolidation. We record interest on tax deficiencies and income tax penalties, if any, in "Income tax benefit (expense)" on the Consolidated Statements of Income. Interest income or expense recognized in "Income tax benefit (expense)" on the Consolidated Statements of Income was not material for all periods presented.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, cash in banks and highly liquid investments with maturities of three months or less when purchased. Restricted cash principally represents those cash balances in our commodity futures brokerage accounts that are restricted from withdrawal.

(Currency in millions, except where indicated otherwise)

The following table provides a reconciliation of the total cash, cash equivalents and restricted cash reported on the Company's Consolidated Balance Sheets to the corresponding amounts reported on the Consolidated Statements of Cash Flows.

	2023	2022	2021
Cash and cash equivalents	$ 143	$ 298	$ 606
Restricted cash	45	2	1
Cash, cash equivalents and restricted cash	$ 188	$ 300	$ 607

Inventories

Our inventories are stated at the lower of cost or net realizable value. We determine cost primarily using an average cost method.

The Company accounts for renewable energy certificates as inventory, which generally represents costs incurred to generate a certificate for sale. The Company recognizes revenue from the sale of renewable energy certificates when control of the certificate is transferred to the buyer, and the cost of the certificate, if any, is then recorded within "Cost of sales" on the Consolidated Statements of Income.

Property, Plant and Equipment and Related Depreciation

We record property, plant and equipment at the lower of original cost or fair value, if impaired. Capitalized costs include labor, materials and other direct and indirect costs. We also include in property, plant and equipment costs associated with computer software we develop or obtain for use in our business. The amounts assigned to property, plant and equipment of acquired businesses are based upon estimated fair value at date of acquisition. When we retire or otherwise dispose of plant and equipment, we eliminate the associated cost and accumulated depreciation and recognize any resulting gain or loss in "Other operating income, net" on the Consolidated Statements of Income.

We record depreciation expense on property, plant and equipment on a straight-line basis over estimated economic useful lives. We classify amortization of computer software and related IT system installation costs included in property, plant and equipment as depreciation expense. No depreciation expense is included in "Cost of sales" on the Consolidated Statements of Income.

Segment Information

We have determined that we have a single reportable operating segment that primarily engages in the distribution of LPG and related equipment and supplies. Substantially all of our revenues are derived from sources in Europe and substantially all of our long-lived assets are located in Europe. Our revenues and long-lived assets associated with operations in France represent approximately 50% and 70% of the respective consolidated amounts. No single customer represents ten percent or more of consolidated revenues.

Goodwill and Intangible Assets

Intangible Assets. We amortize intangible assets over their estimated useful lives unless we determine their lives to be indefinite. Estimated useful lives of definite-lived intangible assets, primarily consisting of customer relationships and certain tradenames, do not exceed 15 years. We test definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the associated carrying amounts may be impaired. Determining whether an impairment loss occurred requires comparing the carrying amount to the estimated fair value of the asset in accordance with ASC 820. Intangible assets with indefinite lives, consisting of certain tradenames and trademarks, are not amortized but are tested for impairment annually (and more frequently if events or changes in circumstances between annual tests indicate that it is more likely than not that they are impaired) and written down to fair value, if impaired. See Note 10 for additional information related to intangible asset impairments recognized in Fiscal 2023 and 2021.

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. 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.

An impairment charge is recognized if the carrying amount of a reporting unit exceeds its fair value. From time to time, we assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. We may bypass the qualitative assessment and perform the quantitative assessment by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of our reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit.

In Fiscal 2023, the Company bypassed the qualitative assessment and performed a quantitative assessment. Such assessment used a weighting of income and market approaches to determine fair value. With respect to the income approach, management used a discounted cash flow ("DCF") method, using unobservable inputs. The significant assumptions in our DCF model include projected EBITDA, and a discount rate (and estimates in the discount rate inputs). With respect to the market approach, management used recent transaction market multiples for similar companies. Based on our evaluation, 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 its 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 is approximately $911 of goodwill as of September 30, 2023. The Company will continue to monitor its goodwill for any possible future non-cash impairment charges.

There were no accumulated goodwill impairment losses at September 30, 2023 and 2022, and no provisions for goodwill impairment were recognized for all periods presented. For further information on our goodwill and intangible assets, see Note 10.

Impairment of Long-Lived Assets

Impairment testing for long-lived assets (or an asset group) is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we perform a recoverability test based upon estimated undiscounted cash flow projections expected to be realized over the remaining useful life of the long-lived asset. If the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, we determine its fair value. If the fair value is determined to be less than its carrying amount, the long-lived asset is reduced to its estimated fair value and an impairment loss is recognized in an amount equal to such short fall. When determining whether a long-lived asset has been impaired, management groups assets at the lowest level that has identifiable cash flows that are independent of other assets. No material provisions for impairments of long-lived assets were recorded for all periods presented.

Refundable Tank and Cylinder Deposits

Included in "Other current liabilities" and "Customer tank and cylinder deposits" on our Consolidated Balance Sheets are customer paid deposits on tanks and cylinders primarily owned by subsidiaries of UGI France. Deposits are refundable to customers when the tanks or cylinders are returned in accordance with contract terms.

Subsequent Events

Management has evaluated the impact of subsequent events through December 15, 2023, the date these consolidated financial statements were issued and the effects, if any, of such evaluation have been reflected in the consolidated financial statements and related disclosures.

Note 3 — Revenue from Contracts with Customers

The Company recognizes revenue when control of promised goods or services is transferred to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The Company generally has the right to consideration from a customer in an amount that corresponds directly with the value to the customer for our performance completed to date. As such, we have elected to recognize revenue in the amount to which we have a right to invoice.

We do not have a significant financing component in our contracts because we receive payment shortly before, at, or shortly after the transfer of control of the good or service. Because the period between the time the performance obligation is satisfied and payment is received is generally one year or less, the Company has elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

(Currency in millions, except where indicated otherwise)

The Company's revenues from contracts with customers are discussed below.

LPG. We record revenue principally from the sale of LPG to retail and wholesale customers. The primary performance obligation associated with the sale of LPG is the delivery of LPG to (1) the customer's point of delivery for retail customers and (2) the customer's specified location where LPG is picked up by wholesale customers, at which point control of the LPG is transferred to the customer, the performance obligation is satisfied, and the associated revenue is recognized.

Contracts with customers comprise different types of contracts with varying length terms, fixed or variable prices, and fixed or variable quantities. Contracts with our residential customers, which comprise a substantial number of our customer contracts, are generally five years or less. Customer contracts for the sale of LPG include fixed-price, fixed-quantity contracts under which LPG is provided to a customer at a fixed price and a fixed volume, and contracts that provide for the sale of LPG at either fixed prices or market prices at date of delivery with no fixed volumes.

We also distribute LPG to customers in portable cylinders. Under certain contracts, filled cylinders are delivered, and control is transferred, to a reseller. In such instances, the reseller is our customer and we record revenue upon delivery to the reseller. Under other contracts, filled cylinders are delivered to a reseller, but the Company retains control of the cylinders. In such instances, we record revenue at the time the reseller transfers control of the cylinder to the end user.

Energy Marketing. The Company operates an energy marketing business that sells energy commodities, principally natural gas and electricity, to residential, commercial, industrial and wholesale customers.

We market natural gas and electricity on full-requirements or agreed-upon volume bases under contracts with varying length terms and at fixed or floating prices that are based on market indices adjusted for differences in price between the market location and delivery locations. Performance obligations associated with these contracts primarily comprise the delivery of the natural gas and electricity over a contractual period of time. Performance obligations also include other energy-related ancillary services provided to customers such as capacity. For performance obligations that are satisfied at a point in time such as the delivery of natural gas, revenue is recorded when customers take control of the natural gas. Revenue is recorded for performance obligations that qualify as a series, when customers consume the natural gas or electricity is delivered, which corresponds to the amount invoiced to the customer. For transactions where the price or volume is not fixed, the transaction price is not determined until delivery occurs. The billed amount, and the revenue recorded, is based upon consumption by the customer.

Other. Other revenues from contracts with customers are generated primarily from certain fees we charge associated with the delivery of LPG. Revenues from fees are typically recorded when the LPG is delivered to the customer or the associated service is completed.

Revenue Disaggregation

The following table presents our disaggregated revenues during Fiscal 2023, Fiscal 2022 and Fiscal 2021:

	2023	2022	2021
Revenues from contracts with customers:			
LPG:			
Retail	$ 1,768	$ 1,997	$ 1,754
Wholesale	207	278	189
Energy Marketing	872	1,298	605
Other	80	79	69
Total revenues from contracts with customers	2,927	3,652	2,617
Other revenues (a)	38	43	34
Total revenues	$ 2,965	$ 3,695	$ 2,651

(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 at September 30, 2023 and 2022. Substantially all of our receivables are unconditional rights to consideration and are included in "Accounts receivable" on the 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 and $56 at September 30, 2023 and 2022, respectively, and are included in "Other current liabilities" on the Consolidated Balance Sheets. Revenue recognized during Fiscal 2023, Fiscal 2022 and Fiscal 2021 from the amount included in contract liabilities at September 30, 2022, September 30, 2021 and September 30, 2020 was $56, $52 and $64 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 4 — Energy Marketing Business

UGI International Energy Marketing Transactions

During Fiscal 2023 and in October 2023, the Company entered into a number of transactions pursuant to its previously announced decision to exit its energy marketing business. The energy marketing business primarily markets natural gas and electricity to customers through third-party distribution systems in France, the Netherlands and, prior to its sales, in Belgium 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 $25 (which approximates a pre-tax loss), subject to certain adjustments principally related to the pending transfer of certain customer contracts. As of September 30, 2023, the $25 cash to be paid to the buyer in October 2023 had been placed in escrow and is reflected in "Prepaid expenses and other current assets" on the September 30, 2023 Consolidated Balance Sheet. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, have been classified as held-for-sale on the September 30, 2023 Consolidated Balance Sheet. The Company did not recognize any impairment associated with the assets held for sale in Fiscal 2023 because, in accordance with our policy related to such assets, any impairment is limited to the disposal group's long-lived assets, and such assets 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. 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, the Company recorded a pre-tax loss of $6 ($5 after-tax) which amount includes the net payment to the buyer, the write-off of certain prepaid energy broker payments and associated transaction costs and fees. The loss is reflected in "Loss on disposal of energy marketing business" on the Consolidated Statements of Income.

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, the Company recorded a pre-tax loss of $215 ($160 after-tax) substantially all of which loss 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 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. At September 30, 2022, these derivative instruments were classified as held-for-sale assets and liabilities on the

Consolidated Balance Sheets and had a net carrying value of $276. The change in the carrying value of these derivative instruments between September 30, 2022 and October 21, 2022 resulted from changes in their fair values during that period.

Netherlands. In September 2023, a substantial number of DVEP's customers agreed to modify their energy marketing contracts whereby the Company will continue to provide for the delivery of electricity and natural gas at fixed prices through December 31, 2023, but the Company's obligations to provide future services will be 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 carrying values of these commodity derivative instruments are subject to change until such contracts are settled, and the cash payments are made during the first quarter of Fiscal 2024. At September 30, 2023, the carrying value of these commodity derivative instruments was $44. The early termination agreements with DVEP customers are considered contract modifications and the cash consideration to be paid to these customers has been, and will be reflected, as a reduction in revenues, on a pro-rata basis, over the remaining performance period of such agreements through December 31, 2023. Accordingly, during the fourth quarter of Fiscal 2023, the Company reduced its revenues from these customers by $4, which represents the pro-rated performance obligation through September 30, 2023 from the aforementioned $44.

In conjunction with the wind-down of its energy marketing business, in July 2023, DVEP agreed to sell a substantial portion of its power purchase agreements to a third party for a cash payment to the buyer of $6. The closing of the sale is expected to occur during the first quarter of Fiscal 2024. The loss from the sale is not expected to be material.

During the first quarter of Fiscal 2023, 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 Consolidated Statements of Income.

Note 5 — Debt

On March 7, 2023, the Company and its indirect wholly-owned subsidiary, UGI International Holdings B.V., entered into the UGI International 2023 Credit Facilities Agreement, a five-year unsecured senior facilities agreement, maturing March 7, 2028, with a consortium of banks. The UGI International 2023 Credit Facilities Agreement consists of (1) a €300 variable-rate term loan facility ("Facility A") and (2) a €500 multicurrency revolving credit facility, including a €100 sublimit for swingline loans ("Facility B"). We have designated borrowings under Facility A as a net investment hedge. In connection with entering into the UGI International 2023 Credit Facilities Agreement, the Company paid off in full and terminated the UGI International Credit Facilities Agreement, dated as of October 18, 2018. Borrowings under the multicurrency revolving credit facility may be used to finance the working capital needs of the Company and for general corporate purposes.

Borrowings under Facility A bear interest at the euro interbank offered rate plus the applicable margin and borrowings under Facility B bear interest at the daily non-cumulative compounded Reference Rate Terms, as defined in the Agreement plus the applicable margin. The applicable margin for Facility A ranges from 1.70% to 3.35%, and for Facility B from 1.35% to 3.35%, and are dependent on the total net leverage ratio of the Company on a consolidated basis. The Company entered into an interest rate swap, effective March 31, 2023, that fixes the underlying market-based interest rate on Facility A at 3.10% through March 2026.

The UGI International 2023 Credit Facilities Agreement contains customary covenants and default provisions and requires compliance with certain financial covenants including a consolidated net leverage ratio as defined in the agreement.

Credit Facilities and Short-term Borrowings

The UGI International 2023 Credit Facilities Agreement multicurrency revolving credit facility permits UGI International to borrow in euros or USD. At September 30, 2023, there were €202 borrowings outstanding under this facility and the Company's available borrowing capacity under the facility was €298. The weighted average interest rate on borrowings outstanding at September 30, 2023 was 5.17%. At September 30, 2022, there were no borrowings outstanding under the previous UGI

(Currency in millions, except where indicated otherwise)

International Credit Facilities Agreement. Borrowings outstanding under these agreements, if any, are classified as "Short-term borrowings" on the Consolidated Balance Sheets.

Long-term Debt

Long-term debt comprises the following at September 30:

	2023	2022
2.50% Senior Notes due December 2029	$ 424	$ 392
UGI International variable-rate term loan due March 2028 (a)	317	—
UGI International variable-rate term loan due October 2023 (b)	—	294
Other	6	2
Unamortized debt issuance costs	(8)	(6)
Total long-term debt	739	682
Less current maturities	(1)	(1)
Total long-term debt due after one year	$ 738	$ 681

(a) At September 30, 2023, the effective interest rate on the term loan was 4.95%. We have entered into pay-fixed, receive-variable interest rate swap that fix the underlying variable rate at 3.10% through March 2026.
(b) The effective interest rate on the term loan was 1.89% at September 30, 2022. The term loan was repaid in full and terminated concurrently with the execution of the UGI International 2023 Credit Facilities Agreement.

Scheduled principal repayments of long-term debt for each of the next five fiscal years ending September 30 are as follows:

	2024	2025	2026	2027	2028
Total	$ 1	$ —	$ —	$ —	$ 317

Restrictive Covenants. Our debt agreements generally contain customary covenants and default provisions which may include, among other things, restrictions on the incurrence of additional indebtedness and also restrict liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The UGI International 2023 Credit Facilities Agreement contains standard provisions which require compliance with certain financial ratios. The Company was in compliance with its debt covenants as of September 30, 2023.

Note 6 — Income Taxes

The provisions for income taxes consist of the following:

	2023	2022	2021
Current expense (benefit):			
Federal	$ (14)	$ 15	$ (2)
State	(8)	6	(2)
Foreign	49	50	84
Total current expense	27	71	80
Deferred (benefit) expense:			
Federal	(3)	(11)	(11)
State	1	(4)	—
Foreign	(431)	194	262
Total deferred (benefit) expense	(433)	179	251
Total income tax (benefit) expense	$ (406)	$ 250	$ 331

(Currency in millions, except where indicated otherwise)

Federal income taxes for Fiscal 2023 and Fiscal 2022 are net of foreign tax credits of $25 and $5, respectively. There were no foreign tax credits utilized in Fiscal 2021.

A reconciliation of income tax (benefit) expense attributable to continuing operations to the amount of income tax (benefit) expense that would result from applying the U.S. federal statutory tax rate to (loss) income before income taxes is as follows:

	2023	2022	2021
Income tax (benefit) expense at U.S. federal statutory tax rate	$ (312)	$ 222	$ 275
Difference in income tax (benefit) expense due to:			
Other effects of foreign operations (a)	(59)	71	106
Valuation allowance adjustments	(16)	(6)	(10)
Notional interest deduction	(13)	(13)	(17)
State income tax benefit, net of federal expense	(5)	2	(2)
French CVAE taxes	1	2	3
Deferred tax effects of International tax rate changes	—	(32)	(26)
Effects of U.S. tax legislation	—	—	(4)
French interest disallowance	—	—	(1)
Other, net	(2)	4	7
Total income tax (benefit) expense	$ (406)	$ 250	$ 331

(a) Comprises foreign tax rate differentials, U.S. tax on foreign earnings net of foreign tax credits, and other foreign tax effects not separately disclosed.

In February 2021, tax legislation was enacted in Italy which allowed the Company to align book basis with tax basis on certain assets in exchange for paying a three percent substitute tax payment payable in three annual installments. This election resulted in a $23 net benefit in Fiscal 2021. Timing of the recovery of the resulting incremental tax basis was changed with legislation in Fiscal 2022 extending the deductible period of recovery from eighteen to fifty years.

On March 27, 2020, the CARES Act was enacted into law. The primary impact of the legislation was the change in federal net operating loss carryback rules which allowed the Company's U.S. federal tax losses generated in Fiscal 2021 to be carried back to Fiscal 2016. The carryback of the Fiscal 2021 U.S. federal tax losses from a 21% rate environment to offset taxable income in Fiscal 2016 in a 35% rate environment generated an incremental benefit of $4.

For all periods presented, our effective tax rate was subject to the impact of changes to the taxation of foreign source income made by the TCJA and the high tax exception regulations issued in July 2020. Income tax expense for Fiscal 2023, Fiscal 2022 and Fiscal 2021 includes $13, $3, and $8, respectively, of GILTI taxes that are treated as current period costs and carry no related deferred taxes.

In January 2021, the Netherlands cancelled their previously enacted tax rate decreases to 21.01% in Fiscal 2021 and 20.5% in Fiscal 2022 to maintain the corporate tax rate at 25%. In December 2021 the Netherlands increased their statutory rate to 25.8%. In June 2021, the United Kingdom enacted legislation increasing the corporate tax rate to 25% beginning April 2023. The aforementioned future rate decrease in France on temporary differences arising in Fiscal 2022 and Fiscal 2021 that will reverse in future periods in the lower tax rate environment resulted in a $33 and $31 benefit, respectively. The impact on deferred income tax liabilities and income tax expense related to the other changes were not material in any periods presented.

In December of 2022 French Parliament enacted legislation to reduce the added value contribution tax, or CVAE, rate by 50% for Fiscal 2023 and eliminate the tax for Fiscal 2024.

(Currency in millions, except where indicated otherwise)

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

	2023	2022
Excess book basis over tax basis of property, plant and equipment	$ 135	$ 130
Intangible assets and goodwill	11	13
Derivative instrument assets	31	452
Other	18	25
Gross deferred tax liabilities	195	620
Employee-related benefits	(3)	(5)
Operating loss carryforwards	(22)	(11)
Foreign tax credit carryforwards	(64)	(76)
Derivative instrument liabilities	—	—
Other	(57)	(55)
Gross deferred tax assets	(146)	(147)
Deferred tax assets valuation allowance	115	115
Net deferred tax liabilities	$ 164	$ 588

At September 30, 2023, we carried foreign net operating loss carryforwards of $6 relating to Flaga, $23 to certain subsidiaries of UGI France, $10 relating to Belgium, $5 relating to the U.K. and $44 in the Netherlands with no expiration dates.

Valuation allowances against deferred tax assets exist for foreign tax credit carryforwards, net operating loss carryforwards of foreign subsidiaries and a notional interest deduction. The valuation allowance for all deferred tax assets in Fiscal 2023 remained the same as an increase of $10 for foreign net operating losses, an increase of $5 for a notional interest deduction, and an increase of $1 for other deferred assets were offset by a $16 decrease against FTC's that will become realizable in the future.

The valuation allowance for all deferred tax assets in Fiscal 2022 contained an increase of $18 on the notional interest deduction carryover offset by a $6 decrease against FTC's.

Our U.S. federal income tax returns are settled through the 2019 tax year and, our European tax returns are effectively settled for various years from 2015 to 2020. State and other income tax returns in the U.S. are generally subject to examination for a period of three to five years after the filing of the respective returns.

The Company's unrecognized tax benefits including amounts related to accrued interest, which if subsequently recognized would be recorded as a benefit to income taxes, amounted to $2, $2, and $2, respectively, at September 30, 2023, 2022 and 2021. Activity related to these unrecognized tax benefits was not material for all periods presented.

Note 7 — Employee Retirement Plans

Certain employees of the Company are covered by defined benefit pension and other postretirement benefit plans. Benefits under defined benefit pension plans are generally based upon years of service and final average pay. Benefit obligations and benefit costs associated with our other postretirement benefit plans are not material.

(Currency in millions, except where indicated otherwise)

The following table provides a reconciliation of the PBOs, the fair values of assets and the funded status associated with our pension plans as of September 30, 2023 and 2022. ABO is the present value of benefits earned to date with benefits based upon current compensation levels. PBO is ABO increased to reflect estimated future compensation.

	Pension Benefits	
	2023	2022
Change in benefit obligations:		
Benefit obligations - beginning of year	$ 26	$ 45
Service cost	2	2
Interest cost	1	—
Actuarial gain	(1)	(15)
Plan amendments	—	1
Foreign currency	2	(6)
Benefits paid	(1)	(1)
Benefit obligations - end of year (a)	$ 29	$ 26
Change in plan assets:		
Fair value of plan assets - beginning of year	$ 16	$ 19
Actual gain on plan assets	1	—
Foreign currency	1	(3)
Employer contributions	1	1
Benefits paid	(1)	(1)
Fair value of plan assets - end of year	$ 18	$ 16
Funded status of the plans - end of year (b)	$ (11)	$ (10)
Amounts recorded in UGI International member's equity (pre-tax):		
Prior service cost	$ 3	$ 3
Net actuarial gain	(13)	(13)
Total	$ (10)	$ (10)

(a) The ABO for the pension plans was $29 and $26 as of September 30, 2023 and 2022, respectively.
(b) Amounts are reflected in "Other noncurrent liabilities" and "Other assets" on the Consolidated Balance Sheets. Amounts reflected in "Other assets" are not material.

In Fiscal 2023 and Fiscal 2022, the change in the pension plans' PBO due to actuarial gains is principally the result of changes in discount rates.

Assumptions for the pension benefit plans are based upon market conditions in France and Belgium. The discount rates are determined principally by reference to the yields on high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The expected rate of return on assets assumption is based on current and future expected returns on plan assets (as further described below).

	Pension Plan		
	2023	2022	2021
Weighted-average assumptions:			
Discount rate – benefit obligations	4.00%	3.44% to 3.70%	0.76% to 0.85%
Discount rate – benefit cost	3.44% to 3.70%	0.76% to 0.85%	0.53% to 0.68%
Expected return on plan assets	2.50%	0.75% to 2.50%	2.00% to 2.98%
Rate of increase in salary levels	2.50% to 4.20%	2.50% to 4.20%	2.50% to 3.80%

(Currency in millions, except where indicated otherwise)

The service cost component of our pension and other postretirement plans is reflected in "Operating and administrative expenses" on the Consolidated Statements of Income. The non-service cost component is reflected in "Other non-operating income (expense), net" on the Consolidated Statements of Income. Net periodic pension and other postretirement benefit cost and its components were not material for all periods presented.

As of September 30, 2023, pension plan benefits are funded through guaranteed or group insurance contracts. In these types of investment contracts, the Company is not entitled to the actual assets held by the insurance company but has a claim on the insurance company corresponding to the mathematical reserves generally equal to the compounded value of the paid contributions after deducting administrative fees and payments, at the contractual interest rate, or the surrender value. The fair values of the assets associated with the insured plans included in the tables above are generally the greater of the value of the discounted vested benefit or the policy surrender value. These investment balances are classified as Level 2 in the fair value hierarchy. Cash contributions, including estimated future payments, associated with our pension and other postretirement benefit plans are not material.

Certain employees of the Company may be eligible for long-service award lump-sum payments upon their departure from the Company. These awards are accounted for using the full expense method which requires that actuarial gains and losses be reflected in earnings immediately rather than being deferred and amortized over future periods of service. Benefits under these plans are unfunded. Benefit obligations and benefit expense associated with these plans were not material for all periods presented.

Note 8 — Inventories

Inventories comprise the following at September 30:

	2023	2022
LPG	$ 77	$ 70
Natural gas	—	37
Energy certificates	62	69
Materials, supplies and other	17	12
Total inventories	$ 156	$ 188

Note 9 — Property, Plant and Equipment

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

	2023	2022	Estimated Useful Life
Land	$ 29	$ 27	
Buildings and improvements	136	121	10 - 40 years
Transportation equipment	29	28	3 - 10 years
Equipment, primarily cylinders and tanks	1,731	1,528	5 - 30 years
Other	46	37	1 - 10 years
Work in process	41	30	
Property, plant and equipment	$ 2,012	$ 1,771	

Depreciation expense totaled $104, $103, and $116 for Fiscal 2023, Fiscal 2022, and Fiscal 2021, respectively.

(Currency in millions, except where indicated otherwise)

Note 10 — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill are as follows:

Balance at September 30, 2021	$	993
Foreign currency translation		(153)
Balance at September 30, 2022		840
Acquisitions		3
Foreign currency translation		68
Balance at September 30, 2023	$	911

Intangible assets comprise the following at September 30:

	2023	2022
Customer relationships and other	$ 258	$ 261
Trademarks and tradenames	4	3
Accumulated amortization	(193)	(186)
Intangible assets, net (subject to amortization)	69	78
Trademarks and tradenames (not subject to amortization)	38	41
Total intangible assets, net	$ 107	$ 119

Changes in amounts above include the effects of currency translation. During Fiscal 2023, the Company recognized a $10 non-cash, pre-tax impairment charge related to customer relationship intangible assets and indefinite-lived tradenames at DVEP in connection with the wind-down of the energy marketing business in the Netherlands (see Note 4). During Fiscal 2021, the Company recognized a $20 non-cash, pre-tax impairment charge related to a customer relationship intangible asset at DVEP resulting from a decline in anticipated volumes attributable to a historical customer. These charges are reflected in "Operating and administrative expenses" on the Consolidated Statements of Income.

Amortization expense of intangible assets was $13, $15 and $22 for Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively. Estimated amortization of intangible assets during each of the next five fiscal years is as follows: Fiscal 2024 - $12; Fiscal 2025 - $11; Fiscal 2026 - $10; Fiscal 2027 - $8; and Fiscal 2028 - $8.

Note 11 — Leases

Lessee

We lease various buildings and other facilities, real estate, vehicles, rail cars and other equipment, the majority of which are operating leases. We determine if a contract is or contains a lease by evaluating whether the contract explicitly or implicitly identifies an asset, whether we have the right to obtain substantially all of the economic benefits of the identified leased asset and to direct its use.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize ROU assets at the lease commencement date at the value of the lease liability adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. These payments are discounted using the discount rate implicit in the lease, when available. We apply an incremental borrowing rate, which is developed utilizing a credit notching approach based on information available at the lease commencement date, to substantially all of our leases as the implicit rate is often not available.

Lease expense is recognized on a straight-line basis over the expected lease term. Renewal and termination options are not included in the lease term unless we are reasonably certain that such options will be exercised. Leases with an original lease term of one year or less, including consideration of any renewal options assumed to be exercised, are not included in the Consolidated Balance Sheets.

(Currency in millions, except where indicated otherwise)

Certain leasing arrangements require variable payments that are dependent on asset usage or are based on changes in index rates, such as the Consumer Price Index. The variable payments component of such leases cannot be determined at lease commencement and is not recognized in the measurement of ROU assets or lease liabilities, but is recognized in earnings in the period in which the obligation occurs.

ROU assets and lease liabilities recorded in the Consolidated Balance Sheets at September 30 are as follows:

	2023	2022	Location on the Balance Sheet
ROU assets:			
Operating lease ROU assets	$ 44	$ 45	Other assets
Finance lease ROU assets	6	1	Property, plant and equipment
Total ROU assets	$ 50	$ 46	
Lease liabilities:			
Operating lease liabilities — current	$ 10	$ 10	Other current liabilities
Operating lease liabilities — noncurrent	35	36	Other noncurrent liabilities
Finance lease liabilities — current	1	—	Current maturities of long-term debt
Finance lease liabilities — noncurrent	5	1	Long-term debt
Total lease liabilities	$ 51	$ 47	

The components of lease cost for Fiscal 2023, Fiscal 2022 and Fiscal 2021 are as follows:

	2023	2022	2021
Operating lease cost	$ 13	$ 14	$ 14
Finance lease cost:			
Amortization of ROU assets	1	1	1
Total lease cost	$ 14	$ 15	$ 15

Lease costs associated with variable lease components were not material for Fiscal 2023, Fiscal 2022 and Fiscal 2021.

The following table presents the cash and non-cash activity related to lease liabilities included in the Consolidated Statements of Cash Flows occurring during Fiscal 2023, Fiscal 2022 and Fiscal 2021:

	2023	2022	2021
Cash paid related to lease liabilities:			
Operating cash flows — operating leases	$ 12	$ 11	$ 12
Financing cash flows — finance leases	$ 1	$ 1	$ 1
Non-cash lease liability activities:			
ROU assets obtained in exchange for operating lease liabilities	$ 6	$ 8	$ 38
ROU assets obtained in exchange for finance lease liabilities	$ 6	$ —	$ 1

(Currency in millions, except where indicated otherwise)

The following table presents the weighted-average remaining lease terms and weighted-average discount rates:

Weighted-average remaining lease term (in years)	2023	2022
Operating leases	6.6	7.1
Finance leases	1.8	4.2

Weighted-average discount rate (%)	2023	2022
Operating leases	1.7%	1.4%
Finance leases	0.9%	1.6%

Expected annual lease payments based on maturities of operating and finance leases, as well as a reconciliation to the lease liabilities on the Consolidated Balance Sheet, as of September 30, 2023, were as follows:

	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	After 2028	Total Lease Payments	Imputed Interest	Lease Liabilities
Operating leases	$ 11	$ 8	$ 7	$ 6	$ 5	$ 10	$ 47	$ (2)	$ 45
Finance leases	$ 2	$ 1	$ 1	$ 1	$ 1	$ 2	$ 8	$ (2)	$ 6

At September 30, 2023, operating and finance leases that had not yet commenced were not material.

Lessor

We enter into lessor arrangements for the purposes of storing LPG that grant customers the right to use small, medium and large storage tanks, which we classify as operating leases. These agreements contain renewal options for periods up to nine years and certain agreements contain a purchase option. Lease income is generally recognized on a straight-line basis over the lease term and included in "Revenues" on the Consolidated Statements of Income (see Note 3).

Note 12 — Commitments and Contingencies

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 position, results of operations or cash flows.

(Currency in millions, except where indicated otherwise)

Note 13 — Fair Value Measurements

Derivative Financial 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 as described in Note 2:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
September 30, 2023				
Derivative instruments:				
Assets:				
Commodity contracts (b)	$ 7	$ 103	$ —	$ 110
Foreign currency contracts	$ —	$ 38	$ —	$ 38
Interest rate contracts	$ —	$ 3	$ —	$ 3
Liabilities:				
Commodity contracts (b)	$ (6)	$ (40)	$ —	$ (46)
Foreign currency contracts	$ —	$ (2)	$ —	$ (2)
September 30, 2022				
Derivative instruments:				
Assets:				
Commodity contracts (a)	$ 540	$ 1,189	$ 27	$ 1,756
Foreign currency contracts	$ —	$ 119	$ —	$ 119
Liabilities:				
Commodity contracts (a)	$ (87)	$ (70)	$ —	$ (157)
Foreign currency contracts	$ —	$ (2)	$ —	$ (2)

(a) Includes derivative assets and liabilities associated with the October 2022 sale of the energy marketing business located in the U.K., classified as held for sale (see Note 4).

(b) Includes derivative assets and liabilities associated with certain energy marketing business transactions (see Note 4)

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 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. The fair values of our Level 3 natural gas commodity contracts at September 30, 2022 have been determined using unobservable inputs in an illiquid market and ranged from $7 to $27 given the available inputs considered.

(Currency in millions, except where indicated otherwise)

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:

	September 30, 2023	September 30, 2022
Carrying amount	$ 747	$ 688
Estimated fair value	$ 675	$ 589

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 14.

Note 14 — 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 fixed-price sales contracts for natural gas and electricity and purchase contracts for electricity. 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 September 30, 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 U.S. dollar 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) income, net" on the 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.

Concurrent with the repayment of UGI International's 3.25% Senior Notes on December 7, 2021, we settled an associated net investment hedge having a notional value of €93. Additionally, in May 2022, we restructured certain net investment hedges associated with anticipated foreign currency denominated dividends. Cash flows from these settlements are included in cash flows from investing activities on the Consolidated Statements of Cash Flows.

Our euro-denominated long-term debt has been designated as net investment hedges, representing a portion of our euro-denominated net investment. We recognized pre-tax (losses) gains associated with these net investment hedges in the cumulative translation adjustment component in AOCI of \$(57) and \$123 and \$9 during Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively.

Quantitative Disclosures Related to Derivative Instruments

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

			Notional Amounts (in millions)	
			September 30,	
Type	Units	Settlements Extending Through	2023	2022
Commodity Price Risk:				
LPG swaps	Gallons	February 2026	412	484
Natural gas forward and futures contracts (a)	Dekatherms	September 2025	2	28
Electricity long forward and futures contracts	Kilowatt hours	January 2026	645	1,630
Interest Rate Risk:				
Interest rate swaps	Euro	March 2026	€ 300	€ 300
Foreign Currency Exchange Rate Risk:				
Forward foreign exchange contracts	USD	September 2026	$ 425	$ 465
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 256	€ 411

(a) Amounts at September 30, 2023 and 2022 include contracts associated with certain energy marketing business transactions (see Note 4).

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 and ongoing basis. As of September 30, 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 $151. 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 September 30, 2023 the Company had received cash collateral from derivative instrument counterparties totaling $39. 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.

Offsetting Derivative Assets and Liabilities

Derivative assets and liabilities are presented net by counterparty on our 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 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.

(Currency in millions, except where indicated otherwise)

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, as of September 30:

	2023	2022
Derivative assets:		
Derivatives designated as hedging instruments:		
Foreign currency contracts	$ 14	$ 57
Interest rate contracts	3	—
	17	57
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	110	1,756
Foreign currency contracts	24	62
	134	1,818
Total derivative assets - gross	151	1,875
Gross amounts offset in balance sheet	(15)	(25)
Cash collateral received	(39)	(307)
Total derivative assets - net	$ 97	$ 1,543
Derivative liabilities:		
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	(46)	(157)
Foreign currency contracts	(2)	(2)
Total derivative liabilities - gross	(48)	(159)
Gross amounts offset in balance sheet	15	25
Cash collateral pledged	3	4
Total derivative liabilities - net	$ (30)	$ (130)

(a) Includes certain derivative contracts associated with the energy marketing business transactions (see Note 4) that are classified as held for sale on the Consolidated Balance Sheets at September 30, 2023 and 2022. At September 30, 2023 and 2022, there were $10 and $295 of derivative assets, respectively, included in Held for sale assets, and $12 and $19 of derivative liabilities, respectively, included in Held for sale liabilities, on the Consolidated Balance Sheets.

Effects of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Consolidated Statements of Income and changes in AOCI for Fiscal 2023, Fiscal 2022 and Fiscal 2021:

	Gain (Loss) Recognized in AOCI			Loss Reclassified from AOCI into Income			Location of Gain (Loss) Reclassified from AOCI into Income
	2023	2022	2021	2023	2022	2021	
Cash Flow Hedges:							
Interest rate contracts	3	—	—	—	—	(1)	Interest expense
Total	$ 3	$ —	$ —	$ —	$ —	$ (1)	
Net Investment Hedges:							
Foreign currency contracts	$ (21)	$ 69	$ 4				

(Currency in millions, except where indicated otherwise)

	Gain (Loss) Recognized in Income 2023	2022	2021	Location of Gain (Loss) Recognized in Income
Derivatives Not Designated as Hedging Instruments:				
Commodity contracts	$ 4	$ 9	$ —	Revenues
Commodity contracts	(1,393)	980	1,111	Cost of sales
Commodity contracts	2	1	—	Other operating income, net
Foreign currency contracts	(23)	63	9	Other non-operating (expense) income, net
Total	$ (1,410)	$ 1,053	$ 1,120	

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.

Note 15 — Accumulated Other Comprehensive Income

Other comprehensive income (loss) principally comprises (1) gains and losses on derivative instruments qualifying as cash flow hedges, net of reclassifications to net income; (2) actuarial gains and losses on postretirement benefit plans, net of associated amortization; and (3) foreign currency translation and long-term intracompany transaction adjustments.

The tables below present changes in AOCI, net of tax, during Fiscal 2023, Fiscal 2022 and Fiscal 2021 are as follows:

	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI - September 30, 2020	$ (2)	$ (1)	$ (68)	$ (71)
Other comprehensive income (loss) before reclassification adjustments	1	—	(23)	(22)
Amounts reclassified from AOCI	—	1	—	1
Other comprehensive income (loss)	1	1	(23)	(21)
AOCI - September 30, 2021	$ (1)	$ —	$ (91)	$ (92)
Other comprehensive income (loss) before reclassification adjustments	11	—	(341)	(330)
Amounts reclassified from AOCI	(1)	—	—	(1)
Other comprehensive income (loss)	10	—	(341)	(331)
AOCI - September 30, 2022	$ 9	$ —	$ (432)	$ (423)
Other comprehensive income before reclassification adjustments	1	2	132	135
Amounts reclassified from AOCI	(1)	—	—	(1)
Other comprehensive income	—	2	132	134
AOCI - September 30, 2023	$ 9	$ 2	$ (300)	$ (289)

(Currency in millions, except where indicated otherwise)

Note 16 — Other Operating Income, Net and Other Non-Operating Income (Expense), Net

Other Operating Income, Net

Other operating income, net, comprises the following:

	2023	2022	2021
Cylinder deposit income	$ 23	$ 18	$ 9
Gain on sales of assets	—	10	5
Foreign currency transaction gains (losses)	7	(5)	—
Other	5	8	3
Total other operating income, net	$ 35	$ 31	$ 17

Other Non-Operating Income (Expense), Net

Other non-operating (expense) income, net comprises the following:

	2023	2022	2021
(Losses) gains on foreign currency contracts, net	$ (23)	$ 63	$ 9
Amortization of excluded components of certain net investment hedges	8	6	2
Total other non-operating (expense) income, net	$ (15)	$ 69	$ 11

Note 17 — 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, have been included in Operating and administrative expenses - related parties" on the Consolidated Statements of Income.

Pursuant to a Platform Contribution Agreement, on October 1, 2020, the Company purchased the right to use certain business strategies, models, technology and other similar proprietary information from AmeriGas OLP for $9. Because these entities are under common control, the transaction was considered an equity transaction and the excess of the amount paid over the carrying value has been recorded as a distribution in the Consolidated Statements of Changes in Equity.

Note 18 — Business Transformation Initiatives

Beginning in Fiscal 2019, we began executing a multi-year business transformation initiative. This initiative is designed to improve long-term operational performance. In addition, this business transformation initiative also focuses on enhancing the customer experience through, among other things, enhanced sales and marketing initiatives and an improved digital customer experience. This business transformation initiative was substantially complete by the end of Fiscal 2021. During Fiscal 2021 we incurred related expenses of $33, principally comprising consulting, advisory, employee-related costs as well as the effect of discontinuance of certain tradenames. These costs are primarily reflected in "Operating and administrative expenses" on the Consolidated Statements of Income.

Executive Overview

Net loss attributable to UGI International was $1,076 million in Fiscal 2023 compared to net income of $808 million in Fiscal 2022. Fiscal 2023 results reflect (1) unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of $1,062 million; and (2) $186 million of costs associated with the exit of our energy marketing business, principally reflecting loss on the sale of the energy marketing business located in the U.K. and Belgium and wind-down activities in the Netherlands. Fiscal 2022 results reflect (1) unrealized gains on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of $651 million; (2) loss on extinguishment of debt of $8 million; (3) restructuring costs of $6 million largely attributable to reductions in workforce and related costs; and (4) $4 million of costs associated with the exit of our energy marketing business in the U.K.

Adjusted net income attributable to UGI International was $172 million in Fiscal 2023 compared to $175 million in Fiscal 2022. This decrease mainly reflects the translation effects of weaker foreign currencies. Our operating results principally reflect (1) lower total LPG margin principally due to the effects of the lower LPG retail volumes sold attributable to the significantly warmer weather and lower residential LPG consumption resulting from energy conservation measures in Europe due in large part to the war between Ukraine and Russia; and (2) higher operating and administrative expenses primarily resulting from the effects of continuing inflationary pressures. These decreases were partially offset by higher margin from our natural gas energy marketing activities and higher retail LPG average unit margins attributable to strong margin management efforts and lower commodity prices.

Energy Marketing Transactions

During Fiscal 2023 and in October 2023, the Company entered into a number of transactions pursuant to its previously announced decision to exit its energy marketing business. The energy marketing business primarily markets natural gas and electricity to customers through third-party distribution systems in France, the Netherlands and, prior to its sales, in Belgium 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 $25 million (which approximates a pre-tax loss) subject to certain adjustments principally related to the pending transfer of certain customer contracts. As of September 30, 2023, the $25 million cash to be paid to the buyer in October 2023 had been placed in escrow and is reflected in "Prepaid expenses and other current assets" on the September 30, 2023 Consolidated Balance Sheet. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, have been classified as held-for-sale on the September 30, 2023 Consolidated Balance Sheet. The Company did not recognize any impairment associated with the assets held for sale in Fiscal 2023 because in accordance with our policy related to such assets, any impairment is limited to the disposal group's long-lived assets, and such assets 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, the Company recorded a pre-tax loss of $6 million ($5 million after-tax) which amount includes the net payment to the buyer, the write-off of certain prepaid energy broker payments and associated transaction costs and fees. The loss is reflected in "Loss on disposal of energy marketing business" on the Consolidated Statements of Income.

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, the Company recorded a pre-tax loss of $215 million ($160 million after-tax) substantially all of which loss 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 Consolidated Statements of Income. At the date of closing of the sale, these commodity derivative instruments had a net carrying value of $206 million which is attributable to net unrealized gains on such instruments. At September 30, 2022, these derivative instruments were classified as held-for-sale assets and liabilities on the Consolidated Balance Sheets and had a net carrying value of $276 million. The change in the carrying value of these derivative instruments between September 30, 2022 and October 21, 2022 resulted from changes in their fair values during that period.

Netherlands. In September 2023, a substantial number of DVEP's customers agreed to modify their energy marketing contracts whereby the Company will continue to provide for the delivery of electricity and natural gas at fixed prices through December 31, 2023 but the Company's obligations to provide future services will be 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 carrying values of these commodity derivative instruments are subject to change until such contracts are settled, and the cash payments are made, during the first quarter of Fiscal 2024. At September 30, 2023, the carrying value of these commodity derivative instruments was $44 million. The early termination agreements with DVEP customers are considered contract modifications and the cash consideration to be paid to these customers has been, and will be, reflected as a reduction in revenues, on a pro-rata basis, over the remaining performance period of such agreements through December 31, 2023. Accordingly, during the fourth quarter of Fiscal 2023, the Company reduced its revenues from these customers by $4 million, which represents the pro-rated performance obligation through September 30, 2023 from the aforementioned $44 million.

In conjunction with the wind-down of its energy marketing business, in July 2023, DVEP agreed to sell a substantial portion of its power purchase agreements to a third party for a cash payment to the buyer of $6 million. The closing of the sale is expected to occur during the first quarter of Fiscal 2024. The loss from the sale is not expected to be material.

During the first quarter of Fiscal 2023, 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. The impairment charge is reflected in "Operating and administrative expenses" on the Consolidated Statements of Income.

Global Macroeconomic Conditions

Beginning in Fiscal 2021 and continuing into Fiscal 2023, global commodity and labor markets have experienced significant inflationary pressures attributable to various economic and political factors, including, among others: supply chain issues including those associated with labor shortages; significant increases and volatility in energy commodity prices; and geopolitical and regulatory conditions resulting from the war between Russia and Ukraine. These factors have contributed to inflationary pressures as evidenced by recent increases in various consumer price indices. In response to these inflationary pressures, central banks in the U.S. and Europe increased interest rates during Fiscal 2022 and Fiscal 2023. 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. These inflationary pressures and commodity price fluctuations have resulted in, among other things, fluctuations in inventory and cost of sales, and increases in certain operating and distribution expenses across all of our businesses. Commodity price fluctuations have also significantly affected the cash collateral deposit requirements of our derivative instrument counterparties and the restricted cash required to be held in our derivative broker and clearing institution accounts. We cannot predict the duration or total magnitude of these conditions and the effects such conditions may have on our future business, financial results, financial position, and liquidity and cash flows. However, we continue to monitor and respond to these global economic and political conditions and remain focused on managing our financial condition and liquidity as these conditions 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. 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.

	Year Ended September 30,	
(Millions of dollars)	2023	2022
Adjusted total margin:		
Total revenues	$ 2,965	$ 3,695
Cost of sales	(3,447)	(1,954)
Total margin	(482)	1,741
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	1,398	(806)
Costs associated with exit of the energy marketing business	4	—
Adjusted total margin	$ 920	$ 935
Adjusted operating income:		
Operating (loss) income	$ (1,426)	$ 1,031
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	1,399	(808)
Costs associated with exit of the energy marketing business	243	5
Restructuring costs	—	9
Adjusted operating income	$ 216	$ 237
Adjusted income before income taxes:		
(Loss) income before income taxes	$ (1,482)	$ 1,059
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	1,399	(808)
Unrealized losses (gains) on foreign currency derivative instruments	38	(50)
Costs associated with exit of the energy marketing business	243	5
Loss on extinguishments of debt	—	11
Restructuring costs	—	9
Adjusted income before income taxes	$ 198	$ 226
Adjusted net income attributable to UGI International:		
Net (loss) income attributable to UGI International, LLC	$ (1,076)	$ 808
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	1,035	(615)
Unrealized losses (gains) on foreign currency derivative instruments	27	(36)
Costs associated with exit of the energy marketing business	186	4
Loss on extinguishments of debt	—	8
Restructuring costs	—	6
Adjusted net income attributable to UGI International	$ 172	$ 175

Analysis of Results of Operations

UGI International	2023	2022	Increase (Decrease)	
(Dollars in millions)				
Revenues	$ 2,965	$ 3,695	$ (730)	(20)%
Total margin (a)	$ (482)	$ 1,741	$ (2,223)	(128)%
Operating and administrative expenses	$ 642	$ 624	$ 18	3 %
Operating (loss) income	$ (1,426)	$ 1,031	$ (2,457)	(238)%
(Loss) income before income taxes	$ (1,482)	$ 1,059	$ (2,541)	(240)%
Net (loss) income attributable to UGI International	$ (1,076)	$ 808	$ (1,884)	(233)%
Non-GAAP financial measures (b):				
Adjusted total margin	$ 920	$ 935	$ (15)	(2)%
Adjusted operating income	$ 216	$ 237	$ (21)	(9)%
Adjusted income before income taxes	$ 198	$ 226	$ (28)	(12)%
Adjusted net income attributable to UGI International	$ 172	$ 175	$ (3)	(2)%
LPG retail gallons sold (millions)	729	799	(70)	(9)%
Degree days – % (warmer) than normal (c)	(10.5)%	(2.6)%	—	—

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2023 and Fiscal 2022 includes net pre-tax (losses) gains of $(1,398) million and $806 million, respectively, on commodity derivative instruments not associated with current-period transactions.

(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 Fiscal 2023 were 10.5% warmer than normal and 8.4% warmer than Fiscal 2022. Total LPG retail gallons sold decreased 9% during Fiscal 2023, largely attributable to the significantly warmer weather; lower consumption, principally from residential customers, primarily resulting from the European conservation measures due in large part to high global energy prices and the war between Russia and Ukraine; lower cylinder volumes; and reduced crop drying campaigns. These decreases were partially offset by growth due to natural gas conversions.

UGI International base-currency results are translated into U.S. dollars 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 Fiscal 2023 and Fiscal 2022, the average unweighted euro-to-dollar translation rates were approximately $1.07 and $1.08, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.23 and $1.28, 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. These forward foreign currency exchange contracts resulted in realized net gains of $15 million and $13 million in Fiscal 2023 and Fiscal 2022, respectively.

Average wholesale prices for propane and butane during Fiscal 2023 in northwest Europe were approximately 25% and 26% lower, respectively, compared to Fiscal 2022. Revenues and cost of sales in Fiscal 2023 and Fiscal 2022 include net unrealized (losses) gains of $(1,398) million and $806 million, respectively, on commodity derivative instruments not associated with current-period transactions. Excluding these effects, revenues and cost of sales decreased $721 million and $706 million, respectively, in Fiscal 2023. The decrease in revenues and cost of sales principally reflects the impact from our energy marketing business of lower volumes sold, partially offset by the impact of higher prices. The decrease in revenues and cost of sales also reflects the impact of the lower LPG retail volumes sold and the lower average LPG product costs. The decrease in revenues and cost of sales also reflects the translation effects of the weaker foreign currencies (approximately $115 million and $88 million, respectively).

Total margin decreased $2,223 million. Adjusted total margin decreased $15 million primarily reflecting the effects of the lower LPG retail volumes sold ($90 million) and the translation effects of the weaker foreign currencies (approximately $27 million).

These factors were substantially offset by higher average LPG retail unit margins attributable to strong margin management efforts, the lower average LPG product costs and higher total margin from our energy marketing business ($29 million). The higher energy marketing margin reflects higher natural gas energy marketing margin, partially offset by lower electricity energy marketing margin.

Operating loss increased $2,457 million. Adjusted operating income decreased $21 million principally reflecting the decrease in adjusted total margin and higher operating and administrative expenses ($14 million), partially offset by higher other operating income ($8 million). The higher operating and administrative expenses during Fiscal 2023 primarily reflects the effects of inflationary increases, partially offset by lower distribution and personnel-related costs and the translation effects of the weaker foreign currencies (approximately $11 million). The higher other operating income during Fiscal 2023 primarily represents higher foreign currency transaction gains ($12 million) and higher cylinder deposit income ($5 million), partially offset by lower gains associated with sales of fixed assets ($11 million).

Loss before income taxes increased $2,541 million. Adjusted income before income taxes decreased $28 million in Fiscal 2023, principally reflecting the decrease in adjusted operating income and higher interest expense ($10 million), partially offset by higher realized gains on foreign currency exchange contracts ($2 million) entered into in order to reduce volatility in earnings resulting from the effects of changes in foreign currency exchange rates. The increase in interest expense in Fiscal 2023 largely reflects higher credit agreement interest rates and borrowings.

Interest Expense and Income Taxes

Interest expense was $37 million in Fiscal 2023 compared to $28 million in Fiscal 2022. The increase is attributable to higher credit agreement interest rates and borrowings compared to the prior year.

Our effective income tax rate increased between Fiscal 2022 and Fiscal 2023 due primarily to higher concentration of pre-tax loss in higher income tax rate jurisdictions resulting from losses on commodity derivatives, partially offset by the release of valuation allowance related to the utilization of foreign tax credits. For additional information on our income taxes, including tax law changes, see Note 6 to Consolidated Financial Statements.

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 September 30, 2023. The Company cannot predict the duration or total 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 September 30, 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 $143 million at September 30, 2023 and $298 million at September 30, 2022. A substantial portion of this cash is located outside of the United States. Our cash and cash equivalents at September 30, 2023 reflects in part $39 million of cash collateral deposits received from our derivative instrument counterparties. Depending upon changes in the fair values of our commodity derivative instruments, this cash could be returned, or counterparty cash collateral payments could be required, in the future.

Long-term debt and credit facility

On March 7, 2023, the Company and its indirect wholly-owned subsidiary, UGI International Holdings B.V., entered into the UGI International 2023 Credit Facilities Agreement, a five-year unsecured senior facilities agreement, maturing March 7, 2028, with a consortium of banks. The UGI International 2023 Credit Facilities Agreement consists of (1) a €300 million variable-rate term loan facility ("Facility A") and (2) a €500 million multicurrency revolving credit facility, including a €100 million sublimit for swingline loans ("Facility B"). We have designated borrowings under Facility A as a net investment hedge. In connection with the entering into of the UGI International 2023 Credit Facilities Agreement, the Company paid off in full and terminated the UGI International Credit Facilities Agreement, dated as of October 18, 2018. The net proceeds from the UGI International 2023 Credit Facilities Agreement were used to refinance the UGI International Credit Facilities Agreement. Borrowings under the multicurrency revolving credit facility may be used to finance the working capital needs of the Company and for general corporate purposes. See Note 5 to the Condensed Consolidated Financial Statements for additional information on this transaction.

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). UGI International's debt outstanding at September 30, 2022 totaled $683 million (including current maturities of long-term debt of $1 million and short-term borrowings of $1 million). Total long-term debt outstanding at September 30, 2023, including current maturities, comprises $424 million of 2.50% Senior Notes, a $317 million variable-rate term loan, and $6 million of other long-term debt, and is net of $8 million of unamortized debt issuance costs.

At September 30, 2023, there were €202 million 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 Credit Facilities Agreement multicurrency revolving facility in Fiscal 2023 were €203 million and €300 million, respectively. At September 30, 2023, the Company's available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility was €298 million. The weighted average interest rate on borrowings outstanding at September 30, 2023 was 5.17%. At September 30, 2022 there were no borrowings outstanding under the previous UGI International Credit Facilities Agreement multicurrency revolving credit facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility in Fiscal 2022 were €77 million and €250 million, respectively.

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 LPG 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 from operating activities was $139 million in Fiscal 2023 compared to $82 million in Fiscal 2022. Cash flow from operating activities before changes in operating working capital was $296 million in Fiscal 2023 and $258 million in Fiscal 2022. Changes in operating working capital used operating cash flow of $157 million in Fiscal 2023 compared to operating cash flow used of $176 million in Fiscal 2022. The lower cash flow used by changes in operating working capital during Fiscal 2022 reflects a significant decline in cash flow used to fund changes in accounts receivable and, to a much lesser extent, inventories largely offset by a significant increase in cash flow used to pay collateral deposits and, to a much lesser extent, accounts payable. These changes in operating working capital reflect in large part the effects of the previously mentioned significant decrease in commodity energy prices during Fiscal 2023.

Investing Activities:

Cash flow used by investing activities was $176 million in Fiscal 2023 compared to $76 million in Fiscal 2022. Cash capital expenditures for property, plant and equipment totaled $129 million in Fiscal 2023, slightly higher than the $107 million of cash capital expenditures in Fiscal 2022. Cash inflows associated with investing activities during Fiscal 2022 includes cash received from the settlement of certain forward foreign currency contracts previously designated at a net investment hedges. Fiscal 2023 also includes the cash paid in conjunction with the sale of its energy marketing businesses in Europe.

Financing Activities:

Cash flow used by financing activities was $84 million in Fiscal 2023 and $252 million in Fiscal 2022. Fiscal 2023 includes the cash flow effects from entering into the previously mentioned UGI International 2023 Credit Facilities Agreement in March 2023 and the concurrent repayment of borrowings under the UGI International Credit Facilities Agreement (a predecessor agreement). Cash flow used by financing activities in Fiscal 2022 includes net proceeds from the issuance of €400 million principal amount of UGI International 2.50% Senior Notes and the repayment of €350 million principal amount of 3.25% Senior Notes. The Company paid cash distributions of $322 million and $278 million in Fiscal 2023 and Fiscal 2022, respectively. Fiscal 2023 financing activities cash flow also includes cash from net short-term borrowings of $199 million compared to $1 million of cash from net borrowings in the prior year.

Capital Expenditures

Our capital expenditures include, among other things, amounts to replace and maintain our bulk tank and cylinder assets as well as amounts to enhance site safety to meet regulatory requirements. During Fiscal 2023 and Fiscal 2022, our capital expenditures totaled $129 million and $107 million, respectively. We expect capital expenditures of approximately $70 million in Fiscal 2024.

Contractual Obligations and Commitments

The following is a summary of our significant contractual obligations existing as of September 30, 2023:

	Payments Due by Period				
(Millions of dollars)	Total	Fiscal 2024	Fiscal 2025 - 2026	Fiscal 2027 - 2028	Thereafter
Short-term borrowings (a)	$ 214	$ 214	$ —	$ —	$ —
Long-term debt (a)	747	1	—	317	429
Interest on long-term-fixed rate debt (a)(b)(c)	118	26	46	34	12
Operating leases	47	11	15	11	10
Supply contracts	464	464	—	—	—
Derivative instruments (d)	30	25	5	—	—
Total	$ 1,620	$ 741	$ 66	$ 362	$ 451

(a) Based upon stated maturity dates for debt outstanding at September 30, 2023.

(b) Based upon stated interest rates adjusted for the effects of interest rate swaps.

(c) Calculated using applicable interest rates or forward interest rate curves and Company leverage levels at September 30, 2023.

(d) Represents the sum of amounts due if derivative instrument liabilities were settled at the September 30, 2023 amounts reflected in the Consolidated Balance Sheet (but excluding amounts associated with interest rate contracts).

Critical Accounting Policies and Estimates

The accounting policies and estimates discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. The application of these accounting policies and estimates necessarily requires management's most subjective or complex judgments regarding estimates and projected outcomes of future events. Changes in these policies and estimates could have a material effect on our financial statements. Also, see Note 2 to Consolidated Financial Statements which discusses our significant accounting policies.

Goodwill Impairment Evaluation

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.

From time to time, we assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We have an unconditional option to bypass the qualitative assessment and perform the quantitative assessment by comparing the fair value of the reporting unit with its carrying amount, including goodwill. We determine fair values generally based on a weighting of income and market approaches. For purposes of the income approach, fair values are determined based upon the present value of the reporting unit’s estimated future cash flows, including an estimate of the reporting unit’s terminal value based upon these cash flows, discounted at appropriate risk-adjusted rates. We use our internal forecasts to estimate future cash flows, which may include estimates of long-term future growth rates based upon our most recent reviews of the long-term outlook. Cash flow estimates used to establish fair values under our income approach involve management judgments based on a broad range of information and historical results. In addition, external economic and competitive conditions can influence future performance. For purposes of the market approach, we use valuation multiples for companies comparable to our reporting unit. The market approach requires judgment to determine the appropriate valuation multiples. If the carrying amount of our reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit.

In Fiscal 2023, the Company bypassed the qualitative assessment and performed a quantitative assessment. Such assessment used a weighting of income and market approaches to determine fair value. With respect to the income approach, management used a discounted cash flow ("DCF") method, using unobservable inputs. The significant assumptions in our DCF model include projected EBITDA, and a discount rate (and estimates in the discount rate inputs). With respect to the market approach, management used recent transaction market multiples for similar companies. Based on our evaluation, 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 its 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 is approximately $911 million of goodwill as of September 30, 2023. The Company will continue to monitor its goodwill for any possible future non-cash impairment charges.

No impairments of goodwill were recorded during any of the periods presented. For further information on our goodwill and intangible assets, see Note 10 to Consolidated Financial Statements.

Impairment of Long-Lived Assets

An impairment test for long-lived assets (or an asset group) is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we perform a recoverability test based upon estimated undiscounted cash flow projections expected to be realized over the remaining useful life of the long-lived asset. If the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, we determine its fair value. If the fair value is determined to be less than its carrying amount, the long-lived asset is reduced to its estimated fair value and an impairment loss is recognized in an amount equal to such shortfall. When determining whether a long-lived asset has been impaired, management groups assets at the lowest level that has identifiable cash flows. Performing an impairment test on long-lived assets involves judgment in areas such as identifying when a triggering event requiring evaluation occurs; identifying and grouping assets; and, if the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, determining the fair value of the long-lived asset. Although cash flow estimates are based upon relevant information at the time the estimates are made, estimates of future cash flows are by nature highly uncertain and contemplate factors that change over time such as the expected use of the asset including future production and sales volumes, expected fluctuations in prices of commodities and expected proceeds from disposition. No material provisions for impairments of long-lived assets were recorded during any of the periods presented.

Income Taxes

We use the asset and liability method of accounting for income taxes. We recognize the tax benefits from income tax positions that have a greater than more likely than not likelihood of being sustained upon examination by the taxing authorities. A liability is recorded for uncertain tax positions where it is more likely than not the position may not be sustained based on its technical merits. We use assumptions, judgments and estimates to determine our current provision for income taxes. We also use assumptions, judgments and estimates to determine our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. The interpretation of tax laws involves uncertainty since tax authorities may interpret the laws differently. Our assumptions, judgments and estimates relative to the current provision for income tax give consideration to current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation thereof and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income. Actual taxable income or future estimates of taxable income could render our current assumptions, judgments and estimates inaccurate. Changes in the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ significantly from our estimates. As of September 30, 2023, our net deferred tax liabilities totaled $164 million.

Off-Balance Sheet Arrangements

We do not have any off-balance-sheet arrangements that are expected to have a material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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 fixed-price sales and purchase contracts.

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. Volumes associated with diesel swap contracts were not material for all periods presented.

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 September 30, 2023, combined borrowings outstanding under variable-rate debt agreements were not material.

During Fiscal 2023, borrowings on variable-rate debt agreements (excluding the effectively fixed-rate term loan debt) were not material. For the remainder of our debt outstanding that is subject to fixed rates of interest, a 100 basis point increase in market interest rates would result in a decrease in the fair value of this fixed-rate debt of approximately $13 million at September 30, 2023. A 100 basis point decrease in market interest rates would result in an increase in the fair value of this fixed-rate debt of approximately $24 million at September 30, 2023.

Foreign Currency Exchange Rate Risk

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar 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 U.S. dollar would reduce their aggregate net book value at September 30, 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 a multi-year period 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 September 30, 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 $151 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 September 30, 2023 the Company had received cash collateral from derivative instrument counterparties totaling $39 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 September 30, 2023 and changes in fair values due to market risks.

	Asset (Liability)	
(Millions of dollars)	Fair Value	Change in Fair Value
September 30, 2023		
Commodity price risk (1)	$ 64	$ (58)
Interest rate risk (2)	$ 3	$ (3)
Foreign currency exchange rate risk (3)	$ 36	$ (46)

(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.