UGI INTERNATIONAL, LLC
AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the three months ended December 31, 2020 and 2019
(Unaudited)

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

TABLE OF CONTENTS

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

AmeriGas OLP - AmeriGas Propane, L.P., an indirect wholly owned subsidiary of UGI

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

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

2019 three-month period - Three months ended December 31, 2019

2020 Annual Report - UGI International's audited financial statements and related notes, along with Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended September 30, 2020

2020 three-month period - Three months ended December 31, 2020

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

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

ASU - Accounting Standards Update

CARES Act - Coronavirus Aid, Relief, and Economic Security Act

CDC - Centers for Disease Control and Prevention

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

Euribor - Euro Interbank Offered Rate

FASB - Financial Accounting Standards Board

Fiscal 2019 - The fiscal year ended September 30, 2019

Fiscal 2020 - The fiscal year ended September 30, 2020

Fiscal 2021 - The fiscal year ending September 30, 2021

Fiscal 2022 - The fiscal year ending September 30, 2022

GAAP - U.S. generally accepted accounting principles

IT - Information technology

LPG - Liquefied petroleum gas

NOL - Net operating loss

NPNS - Normal purchase and normal sale

ROU - Right-of-use

UGI International Credit Facilities Agreement - A five-year unsecured Senior Facilities Agreement entered into in October 2018 by UGI International comprising a €300 million term loan facility and a €300 million revolving credit facility

U.S. - United States of America

USD - U.S. dollar

WHO - World Health Organization

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(Millions of dollars)

	December 31, 2020	September 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 302	$ 209	$ 227
Restricted cash	2	13	47
Accounts receivable (less allowances for doubtful accounts of $14, $14 and $10, respectively)	465	313	442
Inventories	98	69	72
Derivative instruments	51	16	24
Prepaid expenses and other current assets	85	64	35
Total current assets	1,003	684	847
Property, plant and equipment, (less accumulated depreciation of $946, $880 and $791, respectively)	1,153	1,098	1,085
Goodwill	1,043	997	957
Intangible assets, net	202	197	203
Derivative instruments	26	21	27
Other assets	137	126	120
Total assets	$ 3,564	$ 3,123	$ 3,239
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 1	$ 1	$ 1
Short-term borrowings	1	1	181
Accounts payable	290	178	256
Employee compensation and benefits accrued	46	44	40
Derivative instruments	7	30	46
Other current liabilities	226	175	197
Total current liabilities	571	429	721
Long-term debt	811	777	742
Deferred income taxes	239	200	204
Derivative instruments	16	17	16
Customer tank and cylinder deposits	312	300	287
Other noncurrent liabilities	92	89	82
Total liabilities	2,041	1,812	2,052
Commitments and contingencies (Note 6)			
Equity:			
Member's equity	1,514	1,302	1,178
Noncontrolling interests	9	9	9
Total equity	1,523	1,311	1,187
Total liabilities and equity	$ 3,564	$ 3,123	$ 3,239

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(Millions of dollars)

	Three Months Ended December 31,	
	2020	2019
Revenues	$ 700	$ 651
Costs and expenses:		
Cost of sales	277	382
Operating and administrative expenses	157	161
Operating and administrative expenses - related parties	2	2
Depreciation and amortization	33	31
Other operating income, net	(7)	(2)
	462	574
Operating income	238	77
Other non-operating expense, net	(19)	(11)
Interest expense	(7)	(8)
Income before income taxes	212	58
Income tax expense	(58)	(16)
Net income attributable to UGI International, LLC	$ 154	$ 42

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(Millions of dollars)

	Three Months Ended December 31,	
	2020	2019
Net income attributable to UGI International, LLC	$ 154	$ 42
Other comprehensive income (loss):		
Net gains on derivative instruments (net of tax of $0 and $0, respectively)	—	1
Reclassifications of net gains on derivative instruments (net of tax of $0 and $0, respectively)	—	(1)
Foreign currency adjustments (net of tax of $12 and $7, respectively)	63	47
Other comprehensive income	63	47
Comprehensive income attributable to UGI International, LLC	$ 217	$ 89

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(Millions of dollars)

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to UGI International, LLC	$ 154	$ 42
Adjustments to reconcile net income attributable to UGI International, LLC to net cash provided by operating activities:		
Depreciation and amortization	33	31
Deferred income tax expense (benefit), net	30	(1)
Changes in unrealized gains and losses on derivative instruments	(86)	29
Other, net	(5)	1
Net change in:		
Accounts receivable	(133)	(130)
Inventories	(25)	(4)
Accounts payable	102	68
Derivative instruments collateral received	13	10
Other current assets	(23)	(10)
Other current liabilities	43	20
Net cash provided by operating activities	103	56
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(29)	(20)
Acquisitions of businesses and assets, net of cash acquired	(12)	—
Other, net	8	1
Net cash used by investing activities	(33)	(19)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	—	(30)
Capital contribution received	5	—
Repayments of long-term debt and finance leases	—	(1)
Net cash provided by (used by) financing activities	5	(31)
Foreign exchange effect on cash, cash equivalents and restricted cash	7	9
Cash, cash equivalents and restricted cash increase	$ 82	$ 15
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash, cash equivalents and restricted cash at end of period	$ 304	$ 274
Cash, cash equivalents and restricted cash at beginning of period	222	259
Cash, cash equivalents and restricted cash increase	$ 82	$ 15

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

(Millions of dollars)

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2020	$ 1,302	$ 9	$ 1,311
Net income	154	—	154
Cash contribution	5	—	5
Distribution related to common control transaction (Note 10)	(9)	—	(9)
Changes in AOCI balance	63	—	63
Other	(1)	—	(1)
Balance at December 31, 2020	$ 1,514	$ 9	$ 1,523

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2019	$ 1,088	$ 10	$ 1,098
Net income	42	—	42
Changes in AOCI balance	47	—	47
Other	1	(1)	—
Balance at December 31, 2019	$ 1,178	$ 9	$ 1,187

See accompanying notes to condensed consolidated financial statements.

(Currency in millions, except where indicated otherwise)

Note 1 — Nature of Operations

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

UGI International, through its subsidiaries and affiliates, conducts (1) an LPG distribution business throughout much of Europe and (2) an energy marketing business in France, Belgium, the Netherlands and the United Kingdom. These businesses are conducted principally through our subsidiaries, UGI France, Flaga, AvantiGas, DVEP and UniverGas.

Note 2 — Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with GAAP. They include all adjustments that we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2020, Condensed Consolidated Balance Sheet was derived from audited financial statements but does not include all footnote disclosures from the annual financial statements.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 2020 Annual Report. Due to the seasonal nature of our businesses, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

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

	December 31, 2020	December 31, 2019	September 30, 2020	September 30, 2019
Cash and cash equivalents	$ 302	$ 227	$ 209	$ 235
Restricted cash	2	47	13	24
Cash, cash equivalents and restricted cash	$ 304	$ 274	$ 222	$ 259

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

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

Cash flows from derivative instruments, other than certain cross-currency swaps and net investment hedges, if any, are included in cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. Cash flows from the interest portion of our cross-currency hedges, if any, are included in cash flows from operating activities while cash flows from the currency portion of such hedges, if any, are included in cash flows from financing activities. Cash flows from net investment hedges, if any, are included in cash flows from investing activities on the Condensed Consolidated Statements of Cash Flows.

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 8.

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

Reclassifications. Certain prior-period amounts have been reclassified to conform to the current-period presentation.

Subsequent Events. Management has evaluated the impact of subsequent events through February 4, 2021, the date these condensed consolidated financial statements were issued and the effects, if any, of such evaluation have been reflected in the condensed consolidated financial statements and related disclosures.

Note 3 — Accounting Changes

New Accounting Standard Adopted in Fiscal 2021

Credit Losses. In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU, as subsequently amended, requires entities to estimate lifetime expected credit losses for financial instruments not measured at fair value through net income, including trade and other receivables, net investments in leases, financial receivables, debt securities, and other financial instruments, which may result in earlier recognition of credit losses. Further, the new current expected credit loss model may affect how entities estimate their allowance for losses related to receivables that are current with respect to their payment terms. Effective October 1, 2020, the Company adopted this ASU, as updated, using a modified retrospective transition approach. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

Accounting Standard Not Yet Adopted

Income Taxes. In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This ASU simplifies the accounting for income taxes by eliminating certain exceptions within the existing guidance for recognizing deferred taxes for equity method investments, performing intraperiod allocations and calculating income taxes in interim periods. Further, this ASU clarifies existing guidance related to, among other things, recognizing deferred taxes for goodwill and allocated taxes to members of a consolidated group. ASU 2019-12 is effective for the Company for interim and annual periods beginning October 1, 2021 (Fiscal 2022). Early adoption is permitted. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.

Note 4 — Revenue from Contracts with Customers

The Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See Note 4 in the Company's 2020 Annual Report for additional information on our revenues from contracts with customers.

(Currency in millions, except where indicated otherwise)

Revenue Disaggregation

The following table presents our disaggregated revenues:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Revenues from contracts with customers:		
LPG:		
Retail	$ 483	$ 463
Wholesale	40	44
Energy Marketing	155	124
Other	16	12
Total revenues from contracts with customers	694	643
Other revenues (a)	6	8
Total revenues	$ 700	$ 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 for all periods presented. Substantially all of our receivables are unconditional rights to consideration and are included in "Accounts receivable" on the Condensed Consolidated Balance Sheets. Amounts billed are generally due within the following month.

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company's obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $9, $17 and $7 at December 31, 2020, September 30, 2020 and December 31, 2019, respectively, and are included in "Other current liabilities" on the Condensed Consolidated Balance Sheets. Revenues recognized for the three months ended December 31, 2020 and 2019, from the amounts included in contract liabilities at September 30, 2020 and 2019, were $17 and $15, respectively.

Remaining Performance Obligations

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

Note 5 — Inventories

Inventories comprise the following:

	December 31, 2020	September 30, 2020	December 31, 2019
LPG	$ 54	$ 43	$ 52
Natural gas	7	8	8
Other, principally materials & supplies	37	18	12
Total inventories	$ 98	$ 69	$ 72

(Currency in millions, except where indicated otherwise)

Note 6 — Commitments and Contingencies

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.

Note 7 — 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.

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
December 31, 2020				
Assets:				
Commodity contracts	$ 22	$ 54	$ —	$ 76
Foreign currency contracts	$ —	$ 14	$ —	$ 14
Liabilities:				
Commodity contracts	$ (2)	$ (1)	$ —	$ (3)
Foreign currency contracts	$ —	$ (25)	$ —	$ (25)
Interest rate contracts	$ —	$ (2)	$ —	$ (2)
September 30, 2020				
Assets:				
Commodity contracts	$ 7	$ 12	$ —	$ 19
Foreign currency contracts	$ —	$ 32	$ —	$ 32
Liabilities:				
Commodity contracts	$ (7)	$ (45)	$ —	$ (52)
Foreign currency contracts	$ —	$ (14)	$ —	$ (14)
Interest rate contracts	$ —	$ (2)	$ —	$ (2)
December 31, 2019				
Assets:				
Commodity contracts	$ 10	$ 13	$ —	$ 23
Foreign currency contracts	$ —	$ 40	$ —	$ 40
Liabilities:				
Commodity contracts	$ (16)	$ (49)	$ —	$ (65)
Foreign currency contracts	$ —	$ (4)	$ —	$ (4)
Interest rate contracts	$ —	$ (3)	$ —	$ (3)

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. The remainder of our 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.

(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:

	December 31, 2020	September 30, 2020	December 31, 2019
Carrying amount	$ 818	$ 785	$ 751
Estimated fair value	$ 833	$ 792	$ 774

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 8.

Note 8 — 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 summarizes the types of derivative instruments used by the Company to manage certain 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.

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 a multi-year period to eventually equal approximately 90% of anticipated UGI International local currency earnings before income taxes. Because these contracts are not designated as hedging instruments, realized and unrealized gains and losses on these contracts are recorded in “Other non-operating expense, net” on the Condensed Consolidated Statements of Income.

Net Investment Hedges

From time to time, we also enter into certain forward foreign currency exchange contracts to reduce the volatility of the U.S. dollar value of a portion of our UGI International euro-denominated net investments. 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.

Our euro-denominated long-term debt has also been designated as net investment hedges of a portion of our UGI International euro-denominated net investment. We recognized pre-tax losses associated with these net investment hedges in the cumulative translation adjustment component in AOCI of $32 and $20 during the three months ended December 31, 2020 and 2019, respectively.

Quantitative Disclosures Related to Derivative Instruments

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at December 31, 2020, September 30, 2020 and December 31, 2019 and the final settlement dates of the Company's open derivative contracts as of December 31, 2020, excluding those derivatives that qualified for the NPNS exception:

			Notional Amounts (in millions)		
Type	Units	Settlements Extending Through	December 31, 2020	September 30, 2020	December 31, 2019
Commodity Price Risk:					
LPG swaps	Gallons	September 2023	323	358	296
Natural gas forward and futures contracts	Dekatherms	January 2025	39	37	28
Electricity long forward and futures contracts	Kilowatt hours	January 2024	3,578	3,435	3,332
Interest Rate Risk:					
Interest rate swaps	Euro	October 2022	€ 300	€ 300	€ 300
Foreign Currency Exchange Rate Risk:					
Forward foreign exchange contracts	USD	September 2023	$ 457	$ 511	$ 431
Net investment hedge forward foreign exchange contracts	Euro	October 2024	€ 173	€ 173	€ 173

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. Certain of these agreements call for the posting of collateral by the counterparty or by the Company in the form of letters of credit, parental guarantees or cash. Additionally, our commodity exchange-traded futures contracts generally require cash deposits in margin accounts. Restricted cash in brokerage accounts is reporting in "Restricted cash" on the Condensed Consolidated Balance Sheets. Although we have concentrations of credit risk associated with derivative instruments, the maximum amount of loss we would incur if these counterparties failed to perform according to the terms of their contracts, based upon the gross fair values of the derivative instruments, was not material at December 31, 2020.

Offsetting Derivative Assets and Liabilities

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

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

(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:

	December 31, 2020	September 30, 2020	December 31, 2019
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	$ 8	$ 17	$ 14
Derivatives not designated as hedging instruments:			
Commodity contracts	76	19	23
Foreign currency contracts	6	15	26
	82	34	49
Total derivative assets - gross	90	51	63
Gross amounts offset in balance sheet	(7)	(14)	(10)
Cash collateral received	(6)	—	(2)
Total derivative assets - net	$ 77	$ 37	$ 51
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Interest rate contracts	$ (2)	$ (2)	$ (3)
Derivatives not designated as hedging instruments:			
Commodity contracts	(3)	(52)	(65)
Foreign currency contracts	(25)	(14)	(4)
	(28)	(66)	(69)
Total derivative liabilities - gross	(30)	(68)	(72)
Gross amounts offset in balance sheet	7	14	10
Cash collateral pledged	—	7	—
Total derivative liabilities - net	$ (23)	$ (47)	$ (62)

(Currency in millions, except where indicated otherwise)

Effects of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Condensed Consolidated Statements of Income and changes in AOCI for the three months ended December 31, 2020 and 2019:

	Gain (Loss) Recognized in AOCI		Gain Reclassified from AOCI into Income		
Cash Flow Hedges:	2020	2019	2020	2019	Location of Gain Reclassified from AOCI into Income
Interest rate contracts	$ —	$ 1	$ —	$ 1	Interest expense
Net Investment Hedges:					
Foreign currency contracts	$ (8)	$ (4)			

	Gain (Loss) Recognized in Income		
Derivatives Not Designated as Hedging Instruments:	2020	2019	Location of Gain (Loss) Recognized in Income
Commodity contracts	$ 110	$ (12)	Cost of sales
Foreign currency contracts	(20)	(11)	Other non-operating expense, net
Total	$ 90	$ (23)	

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 9 — Accumulated Other Comprehensive Income

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

For three months ended December 31, 2020:	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI - September 30, 2020	$ (2)	$ (1)	$ (68)	$ (71)
Other comprehensive income before reclassification adjustments (after-tax)	—	—	63	63
Other comprehensive income	—	—	63	63
AOCI - December 31, 2020	$ (2)	$ (1)	$ (5)	$ (8)

For three months ended December 31, 2019:	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI - September 30, 2019	$ (4)	$ (2)	$ (167)	$ (173)
Other comprehensive income before reclassification adjustments (after-tax)	—	1	47	48
Amounts reclassified from AOCI	—	(1)	—	(1)
Other comprehensive income	—	—	47	47
AOCI - December 31, 2019	$ (4)	$ (2)	$ (120)	$ (126)

Note 10 — Related Party Transactions

UGI provides certain financial and administrative services to the Company. UGI bills the Company for all direct expenses incurred or paid on behalf of the Company and the Company reimburses UGI for such direct expenses. The Company is billed for its allocated share of UGI indirect corporate expenses. This allocated share is based upon a weighted, three-component formula comprising revenues, operating expenses and net assets employed and considers the Company's relative percentage of such items to the total of such items for all UGI Corporation operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable. The amounts of UGI allocated indirect corporate expenses billed to the Company during the three months ended December 31, 2020 and 2019, have been included in "Operating and administrative expenses - related parties" on the Condensed 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 has been recorded as a distribution in the Condensed Consolidated Statements of Changes in Equity. The amount payable to AmeriGas OLP is recorded in "Accounts payable" on the December 31, 2020 Condensed Consolidated Balance Sheet.

Note 11 — 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 by, among other things, reducing costs and improving efficiency in the areas of sales and marketing, supply and logistics, operations, purchasing, and administration. 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. In connection with these initiatives, during the three months ended December 31, 2020 and 2019, we recognized $3 and $6, respectively, of expenses principally comprising consulting, advisory and employee-related costs. These expenses are primarily reflected in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income.

Note 12 — Impact of Global Pandemic

In March 2020, the WHO declared a global pandemic attributable to the outbreak and continued spread of COVID-19 that has had a significant impact throughout the global economy. In connection with the mitigation and containment procedures recommended by the WHO, the CDC, and as imposed by federal, state, and local governmental authorities, including shelter-in-place orders, quarantines and similar restrictions, the Company implemented a variety of procedures to protect its employees, third-party business partners, and customers. The Company continues to provide essential products and services to its customers in a safe and reliable manner, and will continue to do so in compliance with mandated restrictions presented by each of the markets it serves. The Company continues to evaluate and react to the potential effects of a prolonged disruption and the continued impact on its results of operations. These items may include, but are not limited to: the financial condition of its customers; decreased availability and demand for its products and services; realization of accounts receivable; impairment considerations related to certain current assets, long-lived assets and goodwill; delays related to current and future projects; and the effects of government stimulus efforts including tax legislation in response to COVID-19. While its operations and financial performance continue to be impacted by COVID-19, the Company cannot predict the duration or magnitude of the outbreak and the total effects on its business, financial position, results of operations, liquidity or cash flows at this time.

Recent Developments

In March 2020, the WHO declared a global pandemic attributable to the outbreak and continued spread of COVID-19 that has had a significant impact throughout the global economy. In connection with the mitigation and containment procedures recommended by the WHO, the CDC, and as imposed by federal, state, and local governmental authorities, including shelter-in-place orders, quarantines and similar restrictions, we implemented a variety of procedures to protect our employees, third-party business partners, and customers worldwide. Although our results continue to be impacted by COVID-19 in Fiscal 2021, we continue to provide essential products and services to our global customers in a safe and reliable manner and will continue to do so in compliance with mandated restrictions presented by each of the markets we serve. We continue to evaluate and react to the potential effects of a prolonged disruption and the related impacts on our results of operations. These items may include, but are not limited to: the financial condition of our customers; decreased availability and demand for our products and services; realization of accounts receivable; impairment considerations related to certain current assets, long-lived assets and goodwill; delays related to current and future projects; and the effects of government stimulus efforts including tax legislation in response to COVID-19.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. Among other things, the CARES Act includes provisions which modify the NOL limitation and carryback rules including a five-year carryback for NOLs and the temporary removal of the 80 percent limitation on NOL utilization for taxable years beginning before January 1, 2021.

We cannot predict the duration or magnitude of the pandemic and its total effects on our business, financial position, results of operations, liquidity or cash flows at this time, but we remain focused on managing our financial condition and liquidity throughout this global crisis.

Impact of Strategic Initiatives

We began executing on Business Transformation Initiatives during Fiscal 2019 designed to drive operational efficiencies, increase profitability and provide for an enhanced customer experience.

We embarked on a process of identifying operational synergies across all 17 countries in which we currently do business. We call this initiative Project Alliance, the goal of which is to focus attention on enhanced customer service and safe and efficient operations through the establishment of two centers of excellence. One such center will be focused on commercial excellence to identify and execute projects that improve the customer's experience. The second center will be focused on operational excellence across our distribution network and our filling centers. The business activities are in process and will continue to be executed primarily during Fiscal 2021. Once completed, these activities are expected to generate over €30 million of annual savings. We estimate the total cumulative cost of executing on these Project Alliance initiatives, including approximately €10 million related to IT capital expenditures, to be approximately €55 million.

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.

(Millions of dollars)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Adjusted total margin:		
Revenues	$ 700	$ 651
Cost of sales (a)	(277)	(382)
LPG cylinder filling costs (a)	—	(7)
Total margin	423	262
Net (gains) losses on commodity derivative instruments not associated with current-period transactions	(106)	14
Adjusted total margin	$ 317	$ 276
Adjusted operating income:		
Operating income	$ 238	$ 77
Net (gains) losses on commodity derivative instruments not associated with current-period transactions	(106)	14
Business transformation expenses	3	6
Adjusted operating income	$ 135	$ 97
Adjusted income before income taxes:		
Income before income taxes	$ 212	$ 58
Net (gains) losses on commodity derivative instruments not associated with current-period transactions	(106)	14
Unrealized losses on foreign currency derivative instruments	20	15
Business transformation expenses	3	6
Adjusted income before income taxes	$ 129	$ 93
Adjusted net income attributable to UGI International:		
Net income attributable to UGI International, LLC	$ 154	$ 42
Net (gains) losses on commodity derivative instruments not associated with current-period transactions	(76)	12
Unrealized losses on foreign currency derivative instruments	15	11
Business transformation expenses	2	4
Adjusted net income attributable to UGI International	$ 95	$ 69

(a) Total margin represents total revenue less total cost of sales. In the case of UGI International, total margin represents revenues less cost of sales and, in the 2019 three-month period, LPG cylinder filling costs of $7 million. For financial statement purposes, LPG cylinder filling costs in the 2019 three-month period are included in "Operating and administrative expenses" on the 2019 Condensed Consolidated Statement of Income (but excluded from operating and administrative expenses presented above). LPG cylinder filling costs are included in "Cost of Sales" on the 2020 Condensed Consolidated Statement of Income.

Executive Overview

The following analyses compare our results of operations for the 2020 three-month period with the 2019 three-month period.

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

Because the Company does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP, volatility in net income attributable to UGI International as determined in accordance with GAAP can occur as a result of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on unsettled commodity and certain foreign currency derivative instruments that economically hedge anticipated future purchases or sales of energy commodities, or in the case of certain foreign currency derivatives, reduce volatility in anticipated future earnings associated with our foreign operations. In order to adjust for the impacts of these changes in unrealized gains and losses and other significant discrete items that can affect the comparison of period-over-period results, we present the non-GAAP measures, 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. For further information on these non-GAAP measures and reconciliations to the most closely associated GAAP measures, see "Non-GAAP Financial Measures" below.

2020 three-month period compared with the 2019 three-month period

Net income attributable to UGI International was $154 million in the 2020 three-month period compared to $42 million in the prior-year period. These results reflect after-tax unrealized gains on commodity derivative instruments not associated with current-period transactions of $76 million in the 2020 three-month period compared to after-tax unrealized losses of $12 million in the prior-year period. Net income also reflects after-tax unrealized losses on foreign currency derivative instruments of $15 million and $11 million, respectively, and after-tax expenses related to business transformation initiatives of $2 million and $4 million, respectively, in the 2020 and 2019 three-month periods.

Adjusted net income attributable to UGI International was $95 million in the 2020 three-month period compared to $69 million in the prior-year period. The increase in the 2020 three-month period principally reflects higher total margin driven by colder weather compared to the prior-year period, higher average LPG unit margins, and the translation effects of the stronger euro during the 2020 three-month period. These positive factors were partially offset by slightly higher operating and administrative expenses compared to the prior-year period.

Average temperatures based upon heating degree days in the 2020 three-month period were 2.0% warmer than normal and 4.9% colder compared to the prior-year period. Total LPG retail gallons sold during the 2020 three-month period were 4% lower largely related to the termination of a high-volume, low-margin autogas contract in Italy during Fiscal 2020.

During the 2020 and 2019 three-month periods, the average unweighted euro-to-dollar translation rates were approximately $1.19 and $1.11, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.32 and $1.29, respectively.

Analysis of Results of Operations

The following table and analysis compares UGI International's results of operations for the 2020 three-month period with the 2020 three-month period with the 2019 three-month period.

For the three months ended December 31,	2020	2019	Increase (Decrease)	
(Dollars in millions)				
Revenues	$ 700	$ 651	$ 49	8 %
Total margin (a)	$ 423	$ 262	$ 161	61 %
Operating and administrative expenses (a)	$ 159	$ 156	$ 3	2 %
Operating income	$ 238	$ 77	$ 161	209 %
Income before income taxes	$ 212	$ 58	$ 154	266 %
Net income attributable to UGI International	$ 154	$ 42	$ 112	267 %
Non-GAAP financial measures (b):				
Adjusted total margin	$ 317	$ 276	$ 41	15 %
Adjusted operating income	$ 135	$ 97	$ 38	39 %
Adjusted income before income taxes	$ 129	$ 93	$ 36	39 %
Adjusted net income attributable to UGI International	$ 95	$ 69	$ 26	38 %
LPG retail gallons sold (millions)	236	246	(10)	(4)%
Degree days – % warmer than normal (c)	(2.0)%	(6.6)%	—	—

(a) Total margin represents revenues less cost of sales and, for the three months ended December 31, 2019, LPG cylinder filling costs of $7 million. For financial statement purposes, LPG cylinder filling costs in the three months ended December 31, 2019 are included in "Operating and administrative expenses" on the 2019 Condensed Consolidated Statement of Income (but are excluded from operating and administrative expenses presented in the table above). LPG cylinder filling costs are included in "Cost of sales" on the 2020 Condensed Consolidated Statement of Income. Total margin for the three months ended December 31, 2020 and 2019 includes net pre-tax unrealized gains of $106 million and unrealized losses of $14 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) Beginning in Fiscal 2021, 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. Prior-period amounts have been restated to conform to the current-period presentation.

Average temperatures during the 2020 three-month period were 2.0% warmer than normal but 4.9% colder than the prior-year period. Total LPG retail gallons sold during the 2020 three-month period were 4% lower reflecting the impact of the termination of a high-volume, low-margin autogas contract in Italy during Fiscal 2020 partially offset by increased bulk volumes attributable to crop drying and heating-related bulk sales. COVID-19 also continued to negatively impact commercial and industrial volumes during the during the 2020 three-month period. During the 2020 three-month period, average wholesale prices for propane and butane in northwest Europe were approximately 8% and 13% lower, respectively, compared with the prior-year period.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. Differences in these translation rates affect the comparison of line item amounts presented in the table above. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2020 and 2019 three-month periods, the average unweighted euro-to-dollar translation rates were approximately $1.19 and $1.11, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.32 and $1.29, respectively.

Revenues increased $49 million during the 2020 three-month period principally reflecting the translation effects of the stronger euro (approximately $44 million) and the previously mentioned bulk volume increases, partially offset by the low-margin volumes lost in connection with the autogas contract termination in Italy. Cost of sales in the 2020 and 2019 three-month periods include net unrealized gains of $106 million and net unrealized losses of $14 million, respectively, on commodity derivative instruments not associated with current-period transactions. Excluding the effects of these commodity instruments, cost of sales increased $8 million during the 2020 three-month period largely attributable to the translation effects of the stronger euro (approximately $23 million) partially offset by the decrease in low-margin wholesale and autogas volumes.

Total margin (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions) increased $161 million. Adjusted total margin increased $41 million largely attributable to higher average LPG unit margins and the previously mentioned increase in crop drying and heating-related bulk volumes. The translation effects of the stronger euro (approximately $21 million) compared to the prior-year period and higher margins from energy marketing activities also contributed to the improvement in total margin. These positive impacts were partially offset by lower autogas and other low-margin volumes and the continued impact of COVID-19. The increase in average LPG unit margins includes the effects of margin management efforts, lower LPG product costs, and lower costs associated with energy conservation certificates including adjustments related to the current compliance period.

Operating income (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions and business transformation expenses) was $238 million, an increase of $161 million compared to the prior-year period. Adjusted operating income increased $38 million largely reflecting the increase in total margin partially offset by slightly higher operating and administrative expenses compared to the prior-year period. The increase in operating and administrative expenses (excluding the effects of business transformation expenses) is largely attributable to the effects of the stronger euro (approximately $10 million) partially offset by lower expenses attributable to the effects of COVID-19.

Income before income taxes (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions, certain foreign currency contracts and business transformation expenses) was $212 million for the 2020 three-month period, an increase of $154 million compared with the prior-year period. Adjusted income before income taxes in the 2020 three-month period was $36 million higher than the prior-year period principally reflecting the $38 million increase in adjusted operating income and lower pre-tax realized gains on foreign currency exchange contracts entered into in order to reduce volatility in net income resulting from the translation effects of changes in foreign currency exchange rates.

Interest Expense and Income Taxes

Interest expense in the 2020 three-month period was $7 million compared to $8 million in the prior year. This decrease reflects the effects of lower average short-term borrowings in the 2020 three-month period as compared to the prior-year period.

The effective tax rate for the 2020 three-month period was largely consistent with the prior-year period.

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 the outbreak and continued spread of COVID-19. The Company does not have any near-term senior note or term loan maturities. While the Company’s operations and financial performance has been impacted by COVID-19 in the 2020 three-month period, it is a rapidly evolving situation and the Company cannot predict the ultimate impact that COVID-19 will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. The Company was in compliance with its debt covenants as of December 31, 2020.

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 principally to fund acquisitions of businesses. 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 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 $302 million at December 31, 2020, compared with $209 million at September 30, 2020.

Long-term debt and credit facility

UGI International's debt outstanding at December 31, 2020 totaled $813 million (including current maturities of long-term debt of $1 million and short-term borrowings of $1 million). UGI International's debt outstanding at September 30, 2020, totaled $779 million (including current maturities of long-term debt of $1 million and short-term borrowings of $1 million). Total long-term debt outstanding at December 31, 2020, including current maturities, comprises $428 million of 3.25% Senior Notes, a $366 million variable-rate term loan, and $24 million of other long-term debt, and is net of $6 million of unamortized debt issuance costs.

At December 31, 2020 and throughout the 2020 three-month period, there were no borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility. At December 31, 2019, there were $180 million (€161 million) of borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility during the three months ended December 31, 2019 was €187 million ($210 million). At December 31, 2020, the Company's available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility was €300 million.

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 reflecting changes in LPG commodity 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 Enterprises.

Operating Activities:

Cash flow provided by operating activities was $103 million in the 2020 three-month period compared to $56 million in the 2019 three-month period. Cash flow from operating activities before changes in operating working capital was $126 million in the 2020 three-month period compared to $102 million in the prior-year three-month period. Changes in operating working capital used operating cash flow of $23 million in the 2020 three-month period compared to $46 million in the 2019 three-month period. The lower net cash used to fund changes in operating working capital during the 2020 three-month period largely reflects greater cash provided by changes in accounts payable and other current liabilities, partially offset by greater cash required to fund changes in inventories and other current assets.

Investing Activities:

Cash flow used by investing activities was $33 million in the 2020 three-month period compared to $19 million in the 2019 three-month period. Cash capital expenditures for property, plant and equipment totaled $29 million in the 2020 three-month period compared with $20 million in the 2019 three-month period. The 2020 three-month period also included an acquisition totaling $12 million.

Financing Activities:

Cash flow provided by financing activities was $5 million in the 2020 three-month period related to cash contributions received. Cash flow used by financing activities was $31 million in the 2019 three-month period primarily related to net repayments of short-term borrowings of $30 million.

Qualitative and Quantitative Disclosures About Market Risk

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

Commodity Price Risk

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

To addition, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. December 31, 2020, volumes associated with diesel swap contracts were not material.

Interest Rate Risk

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows. Our variable-rate debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI International has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying euribor interest rate on such borrowings for a significant portion of their tenor. We have designated such interest rate swaps as cash flow hedges. At December 31, 2020, combined borrowings outstanding under variable-rate debt agreements, excluding UGI International's effectively fixed-rate debt, totaled $1 million.

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 December 31, 2020, by approximately $120 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 local 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 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.

Certain of these derivative instrument agreements call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2020, the Company had received net cash collateral of

$6 million. Additionally, our commodity exchange-traded futures contracts generally require cash deposits in margin accounts. At December 31, 2020, restricted cash in brokerage accounts was $2 million. Although we have concentrations of credit risk associated with derivative instruments, 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 not material at December 31, 2020.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at December 31, 2020 and changes in fair values due to market risks.

	Asset (Liability)	
(Millions of dollars)	Fair Value	Change in Fair Value
December 31, 2020		
Commodity price risk (1)	$ 73	(62)
Interest rate risk (2)	$ (2)	—
Foreign currency exchange rate risk (3)	$ (11)	(48)

(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.