

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-11071

UGI CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2668356
(I.R.S. Employer
Identification No.)

460 North Gulph Road, King of Prussia, PA 19406
(Address of Principal Executive Offices) (Zip Code)

(610) 337-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock, without par value	UGI	New York Stock Exchange
Corporate Units	UGIC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At April 30, 2022, there were 209,993,488 shares of UGI Corporation Common Stock, without par value, outstanding.

UGI CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Terms and Abbreviations	1
Part I Financial Information	
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2022, September 30, 2021 and March 31, 2021	5
Condensed Consolidated Statements of Income for the three and six months ended March 31, 2022 and 2021	6
Condensed Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2022 and 2021	7
Condensed Consolidated Statements of Cash Flows for the six months ended March 31, 2022 and 2021	8
Condensed Consolidated Statements of Changes in Equity for the three and six months ended March 31, 2022 and 2021	9
Notes to Condensed Consolidated Financial Statements	10
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3. Quantitative and Qualitative Disclosures About Market Risk	51
Item 4. Controls and Procedures	53
Part II Other Information	
Item 1A. Risk Factors	54
Item 6. Exhibits	56
Signatures	58

GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this Form 10-Q are defined below:

UGI Corporation and Related Entities

AmeriGas OLP - AmeriGas Propane, L.P., the principal operating subsidiary of AmeriGas Partners

AmeriGas Partners - AmeriGas Partners, L.P., a Delaware limited partnership and an indirect wholly-owned subsidiary of UGI; also referred to as the “Partnership”

AmeriGas Propane - Reportable segment comprising AmeriGas Propane, Inc. and its subsidiaries, including AmeriGas Partners and AmeriGas OLP

AmeriGas Propane, Inc. - A wholly owned second-tier subsidiary of UGI and the general partner of AmeriGas Partners

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

Company - UGI and its consolidated subsidiaries collectively

DVEP - DVEP Investeren B.V., an indirect wholly owned subsidiary of UGI International, LLC

Electric Utility - UGI Utilities’ regulated electric distribution utility located in Pennsylvania

Energy Services - UGI Energy Services, LLC, a wholly owned second-tier subsidiary of UGI

ESFC - Energy Services Funding Corporation, a wholly owned subsidiary of Energy Services

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

Gas Utility - UGI’s regulated natural gas businesses, inclusive of PA Gas Utility and WV Gas Utility

GHI - GHI Energy, LLC, a Houston-based RNG company and indirect wholly owned subsidiary of Energy Services

Midstream & Marketing - Reportable segment comprising Energy Services and UGID

Mountaineer - Mountaineer Gas Company, a natural gas distribution company in West Virginia and an indirect wholly owned subsidiary of Mountaintop Energy Holdings, LLC

Mountaintop Energy Holdings, LLC - Indirect parent company of Mountaineer and wholly owned subsidiary of UGI, acquired on September 1, 2021

PA Gas Utility - UGI Utilities’ regulated natural gas distribution business, primarily located in Pennsylvania

Partnership - AmeriGas Partners and its consolidated subsidiaries, including AmeriGas OLP

Stonehenge - Stonehenge Appalachia, LLC, a midstream natural gas gathering business, which includes 47 miles of pipeline and associated compression assets

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, LLC

UGI International - Reportable segment principally comprising UGI’s foreign operations

UGI International, LLC - UGI International, LLC, a wholly owned second-tier subsidiary of UGI

UGI Utilities - UGI Utilities, Inc., a wholly owned subsidiary of UGI comprising PA Gas Utility and Electric Utility

UGID - UGI Development Company, a wholly owned subsidiary of Energy Services

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

Utilities - Reportable segment comprising UGI Utilities and Mountaintop Energy Holdings, LLC

WV Gas Utility - Mountaineer's regulated natural gas distribution business, located in West Virginia

Other Terms and Abbreviations

2021 Annual Report - UGI Annual Report on Form 10-K for the fiscal year ended September 30, 2021

2021 six-month period - Six months ended March 31, 2021

2021 three-month period - Three months ended March 31, 2021

2022 six-month period - Six months ended March 31, 2022

2022 three-month period - Three months ended March 31, 2022

2024 Purchase Contract - A forward stock purchase contract issued by UGI Corporation as a part of the issuance of Equity Units which obligates holders to purchase a number of shares of UGI common stock from the Company on June 1, 2024

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

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

ASC 980 - ASC 980, "Regulated Operations"

ASU - Accounting Standards Update

Bcf - Billions of cubic feet

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

CDC - Centers for Disease Control and Prevention

COA - Consent Order and Agreement

CODM - Chief Operating Decision Maker as defined in ASC 280, "Segment Reporting"

Common Stock - shares of UGI common stock

Convertible Preferred Stock - Preferred stock of UGI titled 0.125% series A cumulative perpetual convertible preferred stock without par value and having a liquidation preference of \$1,000 per share

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

DS - Default service

DSIC - Distribution System Improvement Charge

Energy Services Credit Agreement - Third amended and restated credit agreement entered into by Energy Services, as borrower, providing for borrowings up to \$260 million, including a letter of credit subfacility of up to \$50 million, scheduled to expire in March 2025

Equity Unit - A corporate unit consisting of a 2024 Purchase Contract and 1/10th or 10% undivided interest in one share of Convertible Preferred Stock

Exchange Act - Securities Exchange Act of 1934, as amended

FASB - Financial Accounting Standards Board

FDIC - Federal Deposit Insurance Corporation

FERC - Federal Energy Regulatory Commission

Fiscal 2019 - The fiscal year ended September 30, 2019

Fiscal 2020 - The fiscal year ended September 30, 2020

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ending September 30, 2022

Fiscal 2023 - The fiscal year ending September 30, 2023

GAAP - U.S. generally accepted accounting principles

Gwh - Millions of kilowatt hours

ICE - Intercontinental Exchange

IRPA - Interest rate protection agreement

LNG - Liquefied natural gas

LPG - Liquefied petroleum gas

MDPSC - Maryland Public Service Commission

MGP - Manufactured gas plant

Mountaineer Acquisition - Acquisition of Mountaintop Energy Holdings LLC, which closed on September 1, 2021

NOAA - National Oceanic and Atmospheric Administration

NPNS - Normal purchase and normal sale

NYDEC - New York State Department of Environmental Conservation

NYMEX - New York Mercantile Exchange

PADEP - Pennsylvania Department of Environmental Protection

PAPUC - Pennsylvania Public Utility Commission

PGC - Purchased gas costs

PRP - Potentially Responsible Party

Purchase Contracts - Forward stock purchase contracts issued by UGI Corporation in May 2021, which obligate holders to purchase a number of shares of UGI common stock from the Company on June 1, 2024

Receivables Facility - A receivables purchase facility of Energy Services with an issuer of receivables-backed commercial paper

Retail core-market - Comprises firm residential, commercial and industrial customers to whom Utilities has a statutory obligation to provide service that purchase their natural gas from Utilities

RNG - Renewable natural gas

ROD - Record of Decision

SEC - U.S. Securities and Exchange Commission

Stonehenge Acquisition - Acquisition of Stonehenge Appalachia, LLC, which closed January 27, 2022

UGI Corporation Senior Credit Facility - An amended unsecured senior facilities agreement entered into on May 4, 2021, by UGI comprising (1) a \$250 million term loan due August 2024; (2) a \$300 million term loan due May 2025; (3) a \$215 million term loan due May 2025 and (3) a five-year \$300 million revolving credit facility (including a \$10 million sublimit for letters of credit)

UGI International 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

UGI International 3.25% Senior Notes - An underwritten private placement of €350 million principal amount of senior unsecured notes due November 1, 2025, issued by UGI International, LLC

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

U.S. - United States of America

USD - U.S. dollar

WHO - World Health Organization

WVPSC - Public Service Commission of West Virginia

UGI CORPORATION AND SUBSIDIARIES
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS

 (unaudited)
 (Millions of dollars)

	March 31, 2022	September 30, 2021	March 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 718	\$ 855	\$ 444
Restricted cash	55	22	28
Accounts receivable (less allowances for doubtful accounts of \$70, \$53 and \$52, respectively)	1,690	880	1,183
Accrued utility revenues	77	15	32
Income taxes receivable	128	128	127
Inventories	398	469	268
Derivative instruments	877	665	127
Prepaid expenses and other current assets	211	236	175
Total current assets	4,154	3,270	2,384
Property, plant and equipment, (less accumulated depreciation of \$4,117, \$3,950 and \$3,869, respectively)	7,812	7,558	7,020
Goodwill	3,722	3,770	3,524
Intangible assets, net	545	583	640
Utility regulatory assets	372	373	392
Derivative instruments	340	338	61
Other assets	832	831	924
Total assets	<u>\$ 17,777</u>	<u>\$ 16,723</u>	<u>\$ 14,945</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	\$ 130	\$ 110	\$ 51
Short-term borrowings	447	367	340
Accounts payable	915	837	627
Derivative instruments	69	60	42
Other current liabilities	938	923	832
Total current liabilities	2,499	2,297	1,892
Long-term debt	6,390	6,339	5,953
Deferred income taxes	1,306	1,137	833
Derivative instruments	40	38	46
Other noncurrent liabilities	1,332	1,381	1,393
Total liabilities	11,567	11,192	10,117
Commitments and contingencies (Note 9)			
Equity:			
UGI Corporation stockholders' equity:			
Preferred stock, without par value (authorized – 5,000,000 shares; issued – 220,000, 220,000 and 0 Series A shares, respectively)	161	213	—
UGI Common Stock, without par value (authorized — 450,000,000 shares; issued — 210,127,957, 209,843,296 and 209,636,619 shares, respectively)	1,465	1,394	1,428
Retained earnings	4,757	4,081	3,557
Accumulated other comprehensive loss	(178)	(140)	(126)
Treasury stock, at cost	(5)	(26)	(40)
Total UGI Corporation stockholders' equity	6,200	5,522	4,819
Noncontrolling interests	10	9	9
Total equity	6,210	5,531	4,828
Total liabilities and equity	<u>\$ 17,777</u>	<u>\$ 16,723</u>	<u>\$ 14,945</u>

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(Millions of dollars, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Revenues	\$ 3,466	\$ 2,581	\$ 6,139	\$ 4,513
Costs and expenses:				
Cost of sales (excluding depreciation and amortization shown below)	1,470	1,274	3,590	2,107
Operating and administrative expenses	553	515	1,067	1,004
Depreciation and amortization	128	126	257	250
Other operating income, net	(17)	(5)	(39)	(21)
	2,134	1,910	4,875	3,340
Operating income	1,332	671	1,264	1,173
Income from equity investees	5	10	13	17
Loss on extinguishment of debt	—	—	(11)	—
Other non-operating income (expense), net	11	18	21	(1)
Interest expense	(82)	(78)	(163)	(156)
Income before income taxes	1,266	621	1,124	1,033
Income tax expense	(332)	(132)	(286)	(241)
Net income including noncontrolling interests	934	489	838	792
Deduct net income attributable to noncontrolling interests	(1)	—	(2)	—
Net income attributable to UGI Corporation	\$ 933	\$ 489	\$ 836	\$ 792
Earnings per common share attributable to UGI Corporation stockholders:				
Basic	\$ 4.44	\$ 2.34	\$ 3.98	\$ 3.79
Diluted	\$ 4.32	\$ 2.33	\$ 3.87	\$ 3.77
Weighted-average common shares outstanding (thousands):				
Basic	210,163	208,930	209,919	208,849
Diluted	215,928	210,092	215,936	209,863

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)
(Millions of dollars)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Net income including noncontrolling interests	\$ 934	\$ 489	\$ 838	\$ 792
Other comprehensive income (loss):				
Net gains on derivative instruments (net of tax of \$(12), \$(2), \$(14) and \$(2), respectively)	24	4	34	4
Reclassifications of net losses on derivative instruments (net of tax of \$(1), \$(2), \$(3) and \$(4), respectively)	6	4	10	9
Foreign currency adjustments (net of tax of \$(9), \$(10), \$(13) and \$2, respectively)	(53)	(56)	(85)	7
Benefit plans (net of tax of \$0, \$0, \$(1) and \$0, respectively)	1	1	3	1
Other comprehensive (loss) income	(22)	(47)	(38)	21
Comprehensive income including noncontrolling interests	912	442	800	813
Deduct comprehensive income attributable to noncontrolling interests	(1)	—	(2)	—
Comprehensive income attributable to UGI Corporation	\$ 911	\$ 442	\$ 798	\$ 813

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(Millions of dollars)

	Six Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interest	\$ 838	\$ 792
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	257	250
Deferred income tax expense, net	160	191
Provision for uncollectible accounts	33	19
Changes in unrealized gains and losses on derivative instruments	(341)	(185)
Loss on extinguishment of debt	11	—
Income from equity investees	(13)	(17)
Other, net	15	32
Net change in:		
Accounts receivable and accrued utility revenues	(943)	(573)
Income taxes receivable	—	(47)
Inventories	64	(27)
Utility deferred fuel and power costs, net of changes in unsettled derivatives	—	(6)
Accounts payable	106	181
Derivative instruments collateral deposits received	138	44
Other current assets	38	(29)
Other current liabilities	37	21
Net cash provided by operating activities	<u>400</u>	<u>646</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(355)	(304)
Acquisitions of businesses and assets, net of cash and restricted cash acquired	(188)	(12)
Investments in equity method investees	(10)	(61)
Other, net	38	20
Net cash used by investing activities	<u>(515)</u>	<u>(357)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends on UGI Common Stock	(145)	(138)
Issuances of long-term debt, net of issuance costs	644	30
Repayments of long-term debt and finance leases, including redemption premiums	(552)	(65)
Increase (decrease) in short-term borrowings	80	(5)
Receivables Facility net repayments	—	(2)
Payments on Purchase Contracts	(8)	—
Issuances of UGI Common Stock	6	6
Net cash provided (used) by financing activities	<u>25</u>	<u>(174)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(14)	—
Cash, cash equivalents and restricted cash (decrease) increase	<u>\$ (104)</u>	<u>\$ 115</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash, cash equivalents and restricted cash at end of period	\$ 773	\$ 472
Cash, cash equivalents and restricted cash at beginning of period	877	357
Cash, cash equivalents and restricted cash (decrease) increase	<u>\$ (104)</u>	<u>\$ 115</u>

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

(Millions of dollars, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Preferred stock, without par value				
Balance, beginning of period	\$ 214	\$ —	\$ 213	\$ —
Other	(53)	—	(52)	—
Balance, end of period	\$ 161	\$ —	\$ 161	\$ —
Common stock, without par value				
Balance, beginning of period	\$ 1,402	\$ 1,419	\$ 1,394	\$ 1,416
Common Stock issued in connection with employee and director plans, net of tax withheld	3	2	8	3
Equity-based compensation expense	7	7	10	9
Other	53	—	53	—
Balance, end of period	\$ 1,465	\$ 1,428	\$ 1,465	\$ 1,428
Retained earnings				
Balance, beginning of period	\$ 3,908	\$ 3,139	\$ 4,081	\$ 2,908
Losses on common stock transactions in connection with employee and director plans	(11)	(2)	(15)	(5)
Net income attributable to UGI Corporation	933	489	836	792
Cash dividends on UGI Common Stock (\$0.345, \$0.33, \$0.69, and \$0.66, respectively)	(73)	(69)	(145)	(138)
Balance, end of period	\$ 4,757	\$ 3,557	\$ 4,757	\$ 3,557
Accumulated other comprehensive income (loss)				
Balance, beginning of period	\$ (156)	\$ (79)	\$ (140)	\$ (147)
Net gains on derivative instruments	24	4	34	4
Reclassification of net losses on derivative instruments	6	4	10	9
Benefit plans	1	1	3	1
Foreign currency adjustments	(53)	(56)	(85)	7
Balance, end of period	\$ (178)	\$ (126)	\$ (178)	\$ (126)
Treasury stock				
Balance, beginning of period	\$ (19)	\$ (42)	\$ (26)	\$ (49)
Common Stock issued in connection with employee and director plans, net of tax withheld	23	3	30	10
Reacquired UGI Common Stock - employee and director plans	(9)	(1)	(9)	(1)
Balance, end of period	\$ (5)	\$ (40)	\$ (5)	\$ (40)
Total UGI stockholders' equity	\$ 6,200	\$ 4,819	\$ 6,200	\$ 4,819
Noncontrolling interests				
Balance, beginning of period	\$ 10	\$ 9	\$ 9	\$ 9
Net income attributable to noncontrolling interests	1	—	2	—
Other	(1)	—	(1)	—
Balance, end of period	\$ 10	\$ 9	\$ 10	\$ 9
Total equity	\$ 6,210	\$ 4,828	\$ 6,210	\$ 4,828

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Note 1 — Nature of Operations

UGI is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the United States, we own and operate (1) a retail propane marketing and distribution business; (2) natural gas and electric distribution utilities; and (3) energy marketing, midstream infrastructure, storage, natural gas gathering and processing, natural gas production, electricity generation and energy services businesses. In Europe, we market and distribute propane and other LPG and market other energy products and services.

We conduct a domestic propane marketing and distribution business through AmeriGas Partners. AmeriGas Partners conducts a national propane distribution business through its principal operating subsidiary AmeriGas OLP.

UGI International, through 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.

Energy Services conducts, directly and through subsidiaries and affiliates, energy marketing, including RNG, midstream transmission, LNG storage, natural gas gathering and processing, natural gas and RNG production, electricity generation and energy services businesses primarily in the eastern region of the U.S., eastern Ohio, the panhandle of West Virginia and California. UGID owns electricity generation facilities principally located in Pennsylvania. Energy Services and its subsidiaries' storage, LNG and portions of its midstream transmission operations are subject to regulation by the FERC.

On September 1, 2021, UGI acquired Mountaineer, the largest natural gas distribution company in West Virginia for a purchase price of \$540, which includes the assumption of approximately \$140 principal amounts of long-term debt. Mountaineer serves more than 200,000 customers across 50 of the state's 55 counties. Mountaineer is subject to regulation by the WVPSC. For additional information on the Mountaineer Acquisition, see Note 5.

Upon the acquisition of Mountaineer, our Utilities segment includes UGI Utilities and Mountaintop Energy Holdings, LLC. UGI Utilities directly owns and operates PA Gas Utility, a natural gas distribution utility business in eastern and central Pennsylvania and in a portion of one Maryland county. PA Gas Utility is subject to regulation by the PAPUC, the FERC, and, with respect to a small service territory in one Maryland county, the MDPSC. UGI Utilities also owns and operates Electric Utility, an electric distribution utility located in northeastern Pennsylvania. Electric Utility is subject to regulation by the PAPUC and the FERC.

Note 2 — Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the SEC. 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, 2021, 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 2021 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

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

cash reported on the Condensed Consolidated Balance Sheets to the corresponding amounts reported on the Condensed Consolidated Statements of Cash Flows.

	March 31, 2022	March 31, 2021
Cash and cash equivalents	\$ 718	\$ 444
Restricted cash	55	28
Cash, cash equivalents and restricted cash	<u>\$ 773</u>	<u>\$ 472</u>

Earnings Per Common Share. Basic earnings per share attributable to UGI stockholders reflect the weighted-average number of common shares outstanding. Diluted earnings per share attributable to UGI stockholders include the effects of dilutive stock options, common stock awards and Equity Units. Shares used in computing basic and diluted earnings per share are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Denominator (thousands of shares):				
Weighted-average common shares outstanding — basic	210,163	208,930	209,919	208,849
Incremental shares issuable for stock options, common stock awards and Equity Units (a)	5,765	1,162	6,017	1,014
Weighted-average common shares outstanding — diluted	<u>215,928</u>	<u>210,092</u>	<u>215,936</u>	<u>209,863</u>

(a) For the three and six months ended March 31, 2022 and 2021, there were 6,535 and 5,102 shares, respectively, associated with outstanding stock option awards that were not included in the computation of diluted earnings per share above because their effect was antidilutive.

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, whether it is subject to regulatory ratemaking mechanisms or if 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. Gains and losses on substantially all of the commodity derivative instruments used by Utilities are included in regulatory assets or liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers. 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 12.

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

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

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. For purposes of comparability, certain prior-period amounts have been reclassified to conform to the current-period presentation. During the second quarter of Fiscal 2022, the Company reclassified certain amounts on the Consolidated Balance Sheet and Consolidated Statement of Changes in Equity related to the accounting for the Equity Units issued in May 2021.

Note 3 — Accounting Changes**New Accounting Standard Adopted in Fiscal 2022**

Income Taxes. Effective October 1, 2021, the Company adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" prospectively and retrospectively where deemed applicable. 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. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

Accounting Standard Not Yet Adopted

Debt and Derivatives and Hedging. In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)." The amendments in this ASU affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity's own equity. This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock, expands disclosure requirements for convertible instruments, and simplifies the related earnings per share guidance. This new guidance is effective for the Company for interim and annual periods beginning October 1, 2022 (Fiscal 2023). Early adoption is permitted. The amendments in this ASU may be adopted using the modified or full retrospective transition methods. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the transition method and the period in which the new guidance will be adopted.

Note 4 — Revenue from Contracts with Customers

The Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See Note 4 in the Company's 2021 Annual Report for additional information on our revenues from contracts with customers.

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Revenue Disaggregation

The following tables present our disaggregated revenues by reportable segment:

Three Months Ended March 31, 2022	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
<u>Utility:</u>							
Core Market:							
Residential	\$ 400	\$ —	\$ —	\$ —	\$ —	\$ 400	\$ —
Commercial & Industrial	167	—	—	—	—	167	—
Large delivery service	54	—	—	—	—	54	—
Off-system sales and capacity releases	37	(40)	—	—	—	77	—
Other	7	—	—	—	—	7	—
Total Utility	665	(40)	—	—	—	705	—
<u>Non-Utility:</u>							
LPG:							
Retail	1,554	—	908	646	—	—	—
Wholesale	154	—	68	86	—	—	—
Energy Marketing	909	(81)	—	466	524	—	—
Midstream:							
Pipeline	50	—	—	—	50	—	—
Peaking	23	(57)	—	—	80	—	—
Other	2	—	—	—	2	—	—
Electricity Generation	14	—	—	—	14	—	—
Other	71	—	54	17	—	—	—
Total Non-Utility	2,777	(138)	1,030	1,215	670	—	—
Total revenues from contracts with customers	3,442	(178)	1,030	1,215	670	705	—
Other revenues (b)	24	(1)	18	9	1	2	(5)
Total revenues	\$ 3,466	\$ (179)	\$ 1,048	\$ 1,224	\$ 671	\$ 707	\$ (5)

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Three Months Ended March 31, 2021	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
Utility:							
Core Market:							
Residential	\$ 243	\$ —	\$ —	\$ —	\$ —	\$ 243	\$ —
Commercial & Industrial	96	—	—	—	—	96	—
Large delivery service	44	—	—	—	—	44	—
Off-system sales and capacity releases	22	(25)	—	—	—	47	—
Other	7	—	—	—	—	7	—
Total Utility	412	(25)	—	—	—	437	—
Non-Utility:							
LPG:							
Retail	1,395	—	833	562	—	—	—
Wholesale	99	—	38	61	—	—	—
Energy Marketing	514	(39)	—	186	367	—	—
Midstream:							
Pipeline	48	—	—	—	48	—	—
Peaking	9	(53)	—	—	62	—	—
Other	2	—	—	—	2	—	—
Electricity Generation	3	—	—	—	3	—	—
Other	70	—	54	16	—	—	—
Total Non-Utility	2,140	(92)	925	825	482	—	—
Total revenues from contracts with customers	2,552	(117)	925	825	482	437	—
Other revenues (b)	29	(1)	15	9	2	5	(1)
Total revenues	\$ 2,581	\$ (118)	\$ 940	\$ 834	\$ 484	\$ 442	\$ (1)

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Six Months Ended March 31, 2022	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
Utility:							
Core Market:							
Residential	\$ 634	\$ —	\$ —	\$ —	\$ —	\$ 634	\$ —
Commercial & Industrial	261	—	—	—	—	261	—
Large delivery service	97	—	—	—	—	97	—
Off-system sales and capacity releases	56	(62)	—	—	—	118	—
Other	12	(1)	—	—	—	13	—
Total Utility	1,060	(63)	—	—	—	1,123	—
Non-Utility:							
LPG:							
Retail	2,804	—	1,554	1,250	—	—	—
Wholesale	294	—	124	170	—	—	—
Energy Marketing	1,623	(136)	—	799	960	—	—
Midstream:							
Pipeline	96	—	—	—	96	—	—
Peaking	29	(96)	—	—	125	—	—
Other	4	—	—	—	4	—	—
Electricity Generation	19	—	—	—	19	—	—
Other	149	—	112	37	—	—	—
Total Non-Utility	5,018	(232)	1,790	2,256	1,204	—	—
Total revenues from contracts with customers	6,078	(295)	1,790	2,256	1,204	1,123	—
Other revenues (b)	61	(2)	36	17	2	3	5
Total revenues	\$ 6,139	\$ (297)	\$ 1,826	\$ 2,273	\$ 1,206	\$ 1,126	\$ 5

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Six Months Ended March 31, 2021	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
Utility:							
Core Market:							
Residential	\$ 408	\$ —	\$ —	\$ —	\$ —	\$ 408	\$ —
Commercial & Industrial	156	—	—	—	—	156	—
Large delivery service	84	—	—	—	—	84	—
Off-system sales and capacity releases	37	(39)	—	—	—	76	—
Other	11	(1)	—	—	—	12	—
Total Utility	696	(40)	—	—	—	736	—
Non-Utility:							
LPG:							
Retail	2,450	—	1,405	1,045	—	—	—
Wholesale	158	—	57	101	—	—	—
Energy Marketing	894	(65)	—	341	618	—	—
Midstream:							
Pipeline	93	—	—	—	93	—	—
Peaking	11	(89)	—	—	100	—	—
Other	4	—	—	—	4	—	—
Electricity Generation	7	—	—	—	7	—	—
Other	142	—	110	32	—	—	—
Total Non-Utility	3,759	(154)	1,572	1,519	822	—	—
Total revenues from contracts with customers	4,455	(194)	1,572	1,519	822	736	—
Other revenues (b)	58	(2)	34	15	3	6	2
Total revenues	\$ 4,513	\$ (196)	\$ 1,606	\$ 1,534	\$ 825	\$ 742	\$ 2

(a) Includes intersegment revenues principally among Midstream & Marketing, Utilities and AmeriGas Propane.

(b) Primarily represents revenues from tank rentals at AmeriGas Propane and UGI International, revenues from certain gathering assets at Midstream & Marketing, revenues from alternative revenue programs at UGI Utilities and gains and losses on commodity derivative instruments not associated with current-period transactions reflected in Corporate & Other, none of which are within the scope of ASC 606 and are 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" and, in the case of Utilities, "Accrued utility revenues" 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 \$100, \$149 and \$93 at March 31, 2022, September 30, 2021 and March 31, 2021, respectively, and are included in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets. Revenues recognized for the six months ended March 31, 2022 and 2021, from the amounts included in contract liabilities at September 30, 2021 and 2020, were \$112 and \$131, respectively.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Remaining Performance Obligations

The Company excludes disclosures related to the aggregate amount of the transaction price allocated to certain 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. Certain contracts with customers at Midstream & Marketing and Utilities contain minimum future performance obligations through 2047 and 2053, respectively. At March 31, 2022, Midstream & Marketing and Utilities expect to record approximately \$2.3 billion and \$0.2 billion of revenues, respectively, related to the minimum future performance obligations over the remaining terms of the related contracts.

Note 5 — Acquisitions**Stonehenge Acquisition**

On January 27, 2022, UGI through its wholly owned indirect subsidiary, Energy Services, completed the Stonehenge Acquisition in which Energy Services acquired all of the equity interests in Stonehenge, for total cash consideration of approximately \$190. The Stonehenge business includes a natural gas gathering system, located in Western Pennsylvania, with more than 47 miles of pipeline and associated compression assets. The Stonehenge Acquisition is consistent with our growth strategies, including expanding our midstream natural gas gathering assets within the Appalachian basin production region. The Stonehenge Acquisition was funded using available cash. The Company has accounted for the Stonehenge Acquisition using the acquisition method and the purchase price has been primarily allocated to property, plant and equipment.

Mountaineer Acquisition

On September 1, 2021, UGI completed the Mountaineer Acquisition in which UGI acquired all of the equity interests in Mountaineer, the largest natural gas distribution company in West Virginia, for a purchase price of \$540, including the assumption of \$140 principal amounts of long-term debt. The Mountaineer Acquisition was consummated pursuant to a purchase and sale agreement between UGI and the iCON Sellers and is consistent with our growth strategies, including expanding our core utility operations in the mid-Atlantic region. The Mountaineer Acquisition was funded with cash proceeds from the UGI Corporation Senior Credit Facility \$215 term loan and cash on hand including proceeds from the issuance of Equity Units. Accounts associated with Mountaineer are included within our Utilities reportable segment.

The Company has accounted for the Mountaineer Acquisition using the acquisition method. During the six months ended March 31, 2022, the Company recorded an adjustment to decrease goodwill by \$5 primarily reflecting an adjustment to a valuation allowance on certain deferred income taxes. The Condensed Balance Sheet at March 31, 2022, reflects the final allocation of the purchase price to the assets acquired and liabilities assumed for the Mountaineer Acquisition.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

The components of the Mountaineer purchase price allocations are as follows:

Assets acquired:	
Cash and cash equivalents	\$ 3
Accounts receivable	14
Inventories	41
Other current assets	21
Property, plant and equipment	397
Other noncurrent assets	48
Total assets acquired	<u>\$ 524</u>
Liabilities assumed:	
Short-term borrowings	\$ 55
Accounts payable	20
Other current liabilities	52
Long-term debt	164
Pension and other postretirement benefit obligation	33
Deferred income taxes	21
Other noncurrent liabilities	29
Total liabilities assumed	<u>\$ 374</u>
Goodwill	<u>250</u>
Net consideration transferred	<u>\$ 400</u>

Mountaineer is a regulated entity which accounts for the financial effects of regulation in accordance with ASC 980. The effects of regulation can impact the fair value of certain assets and liabilities acquired, and as such, the measurement of the fair value of regulated property assets using the predecessor's carrying value is generally accepted since regulation attaches to the assets and regulation is so pervasive that the regulation extends to the individual assets. In certain other instances where assets or liabilities are subject to rate recovery, we recorded fair value adjustments to such assets and liabilities as regulatory assets and liabilities.

The excess of the purchase price for the Mountaineer Acquisition over the fair values of the assets acquired and liabilities assumed has been reflected as goodwill, assigned to the Utilities reportable segment. Goodwill is attributable to the assembled workforce of Mountaineer, planned customer growth and planned growth in rate base through continued investment in utility infrastructure. The goodwill recognized from the Mountaineer Acquisition is not expected to be deductible for income tax purposes.

The impact of the Mountaineer Acquisition on a pro forma basis as if the Mountaineer Acquisition had occurred on October 1, 2020 was not material to the Company's revenues or net income for the three and six months ended March 31, 2021.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Note 6 — Inventories

Inventories comprise the following:

	March 31, 2022	September 30, 2021	March 31, 2021
Non-utility LPG and natural gas	\$ 253	\$ 278	\$ 179
Gas Utility natural gas	6	68	3
Energy certificates	63	53	31
Materials, supplies and other	76	70	55
Total inventories	<u>\$ 398</u>	<u>\$ 469</u>	<u>\$ 268</u>

Note 7 — Utility Regulatory Assets and Liabilities and Regulatory Matters

For a description of the Company's regulatory assets and liabilities other than those described below, see Note 9 in the Company's 2021 Annual Report. Other than removal costs, Utilities currently does not recover a rate of return on its regulatory assets listed below. The following regulatory assets and liabilities associated with Utilities are included on the Condensed Consolidated Balance Sheets:

	March 31, 2022	September 30, 2021	March 31, 2021
Regulatory assets (a):			
Income taxes recoverable	\$ 148	\$ 143	\$ 128
Underfunded pension and postretirement plans	104	108	169
Environmental costs	55	58	59
Deferred fuel and power costs	6	11	—
Removal costs, net	22	24	24
Other	49	53	18
Total regulatory assets	<u>\$ 384</u>	<u>\$ 397</u>	<u>\$ 398</u>
Regulatory liabilities (a):			
Postretirement benefit overcollections	\$ 12	\$ 13	\$ 12
Deferred fuel and power refunds	17	36	17
State tax benefits — distribution system repairs	34	32	29
Excess federal deferred income taxes	283	287	270
Other	14	20	7
Total regulatory liabilities	<u>\$ 360</u>	<u>\$ 388</u>	<u>\$ 335</u>

(a) Current regulatory assets are included in "Prepaid expenses and other current assets" and regulatory liabilities are included in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets.

Deferred fuel and power - costs and refunds. Utilities' tariffs contain clauses that permit recovery of all prudently incurred purchased gas and power costs through the application of PGC rates and DS tariffs. These clauses provide for periodic adjustments to PGC and DS rates for differences between the total amount of purchased gas and electric generation supply costs collected from customers and recoverable costs incurred. Net undercollected costs are classified as a regulatory asset and net overcollections are classified as a regulatory liability.

PA Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for retail core-market customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel and power costs or refunds. Net unrealized gains on such contracts at March 31, 2022, September 30, 2021 and March 31, 2021 were \$21, \$35 and \$1, respectively.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Other Regulatory Matters

Base Rate Filings. On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by \$83 annually. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service and continue to fund programs designed to promote and reward customers' efforts to increase efficient use of natural gas. PA Gas Utility requested that the new gas rates become effective March 29, 2022. The PAPUC entered an Order on February 24, 2022, suspending the effective date for the rate increase to allow for investigation and public hearings. Unless a settlement is reached sooner, the review process is expected to last up to nine months from the date of filing. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by \$9. On October 28, 2021, the PAPUC issued a final order approving a settlement that permitted Electric Utility, effective November 9, 2021, to increase its base distribution revenues by \$6.

On January 28, 2020, PA Gas Utility filed a request with the PAPUC to increase its annual base distribution operating revenues by \$75 annually. On October 8, 2020, the PAPUC issued a final Order approving a settlement that permitted PA Gas Utility to increase its annual base distribution rates by \$20, through a phased approach, with \$10 beginning January 1, 2021 and an additional \$10 beginning July 1, 2021. Additionally, PA Gas Utility was authorized to implement a DSIC once PA Gas Utility total property, plant and equipment less accumulated depreciation reached \$2,875. This threshold was achieved in December 2020, and PA Gas Utility implemented a DSIC effective April 1, 2021. The PAPUC's final Order also included enhanced COVID-19 customer assistance measures, including the establishment of an Emergency Relief Program for a defined set of payment troubled customers ("ERP"). Additionally, the PAPUC's final order permitted PA Gas Utility to establish a regulatory asset for certain incremental expenses attributable to the ongoing COVID-19 pandemic, most notably expenses related to the ERP and uncollectible accounts expense, through the effective date of rates in the next PA Gas Utility base rate case, to be recovered and amortized over a 10-year period. In accordance with the terms of the Joint Petition, PA Gas Utility was not permitted to file a rate case prior to January 1, 2022.

Note 8 — Debt

UGI International. On December 7, 2021, UGI International, LLC issued, in an underwritten private placement, €400 principal amount of the UGI International 2.50% Senior Notes due December 1, 2029. The UGI International 2.50% Senior Notes rank equal in right of payment with indebtedness issued under the UGI International Credit Facilities Agreement.

The net proceeds from the UGI International 2.50% Senior Notes were used (1) to repay all of the UGI International 3.25% Senior Notes due November 1, 2025 and associated fees and expenses and (2) for general corporate purposes. We have designated the UGI International 2.50% Senior Notes as a net investment hedge. In connection with this early repayment of debt, UGI International recognized a pre-tax loss of \$11, which is reflected in "Loss on extinguishment of debt" on the Condensed Consolidated Statements of Income, and primarily comprises the write-off of unamortized debt issuance costs and early redemption premiums.

Note 9 — Commitments and Contingencies**Environmental Matters*****UGI Utilities***

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of MGPs prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. By the early 1950s, UGI Utilities divested all of its utility operations other than certain gas and electric operations. Beginning in 2006 and 2008, UGI Utilities also owned and operated two acquired subsidiaries, with similar histories of owning, and in some cases operating, MGPs in Pennsylvania.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

UGI Utilities is subject to a COA with the PADEP to address the remediation of specified former MGP sites in Pennsylvania which is scheduled to terminate at the end of 2031. In accordance with the COA, UGI Utilities is required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs, or make expenditures for such activities in an amount equal to an annual environmental minimum expenditure threshold. The annual minimum expenditure threshold of the COA is \$5. The COA permits the transfer of the specified wells, with related costs counted towards the annual minimum expenditure. At March 31, 2022, September 30, 2021 and March 31, 2021, our aggregate estimated accrued liabilities for environmental investigation and remediation costs related to the current COA and the predecessor agreements totaled \$49, \$50 and \$50, respectively.

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities' results of operations because UGI Utilities receives ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COA. This ratemaking recognition reconciles the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. As such, UGI Utilities has recorded an associated regulatory asset for these costs because recovery of these costs from customers is probable (see Note 7).

From time to time, UGI Utilities is notified of sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by a former subsidiary. Such parties generally investigate the extent of environmental contamination or perform environmental remediation. Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by a former subsidiary of UGI Utilities if a court were to conclude that (1) the subsidiary's separate corporate form should be disregarded, or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP. Neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Utilities' MGP sites outside Pennsylvania was material for all periods presented.

AmeriGas Propane

AmeriGas OLP Saranac Lake. In 2008, the NYDEC notified AmeriGas OLP that the NYDEC had placed property purportedly owned by AmeriGas OLP in Saranac Lake, New York on the New York State Registry of Inactive Hazardous Waste Disposal Sites. A site characterization study performed by the NYDEC disclosed contamination related to a former MGP. AmeriGas OLP responded to the NYDEC in 2009 to dispute the contention it was a PRP as it did not operate the MGP and appeared to only own a portion of the site. In 2017, the NYDEC communicated to AmeriGas OLP that the NYDEC had previously issued three RODs related to remediation of the site totaling approximately \$28 and requested additional information regarding AmeriGas OLP's purported ownership. AmeriGas OLP renewed its challenge to designation as a PRP and identified potential defenses. The NYDEC subsequently identified a third party PRP with respect to the site.

The NYDEC commenced implementation of the remediation plan in the spring of 2018. Based on our evaluation of the available information as of March 31, 2022, the Partnership has an undiscounted environmental remediation liability of \$8 related to the site. Our share of the actual remediation costs could be significantly more or less than the accrued amount.

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

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

Note 10 — Defined Benefit Pension and Other Postretirement Plans

The Company maintains defined benefit plans and other postretirement plans for certain current and former employees. The service cost component of our pension and other postretirement plans, net of amounts capitalized, is reflected in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income. The non-service cost component, net of

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

amounts capitalized by Utilities as a regulatory asset, is reflected in “Other non-operating income (expense), net” on the Condensed Consolidated Statements of Income. Other postretirement benefit cost was not material for all periods presented. Net periodic pension cost includes the following components:

Three Months Ended March 31,	2022	2021
Service cost	\$ 4	\$ 3
Interest cost	7	6
Expected return on assets	(13)	(10)
Amortization of:		
Actuarial loss	2	3
Net cost	<u>\$ —</u>	<u>\$ 2</u>

Six Months Ended March 31,	2022	2021
Service cost	\$ 8	\$ 6
Interest cost	13	11
Expected return on assets	(25)	(20)
Amortization of:		
Actuarial loss	4	7
Net cost	<u>\$ —</u>	<u>\$ 4</u>

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Note 11 — Fair Value Measurements**Recurring Fair Value Measurements**

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
March 31, 2022:				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 823	\$ 1,146	\$ —	\$ 1,969
Foreign currency contracts	\$ —	\$ 35	\$ —	\$ 35
Interest rate contracts	\$ —	\$ 31	\$ —	\$ 31
Liabilities:				
Commodity contracts	\$ (308)	\$ (13)	\$ —	\$ (321)
Foreign currency contracts	\$ —	\$ (2)	\$ —	\$ (2)
Interest rate contracts	\$ —	\$ (1)	\$ —	\$ (1)
Non-qualified supplemental postretirement grantor trust investments (a)	\$ 50	\$ —	\$ —	\$ 50
September 30, 2021:				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 641	\$ 1,008	\$ —	\$ 1,649
Foreign currency contracts	\$ —	\$ 38	\$ —	\$ 38
Liabilities:				
Commodity contracts	\$ (264)	\$ (16)	\$ —	\$ (280)
Foreign currency contracts	\$ —	\$ (8)	\$ —	\$ (8)
Interest rate contracts	\$ —	\$ (29)	\$ —	\$ (29)
Non-qualified supplemental postretirement grantor trust investments (a)	\$ 53	\$ —	\$ —	\$ 53
March 31, 2021:				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 73	\$ 162	\$ —	\$ 235
Foreign currency contracts	\$ —	\$ 25	\$ —	\$ 25
Liabilities:				
Commodity contracts	\$ (63)	\$ (9)	\$ —	\$ (72)
Foreign currency contracts	\$ —	\$ (12)	\$ —	\$ (12)
Interest rate contracts	\$ —	\$ (39)	\$ —	\$ (39)
Non-qualified supplemental postretirement grantor trust investments (a)	\$ 40	\$ —	\$ —	\$ 40

(a) Consists primarily of mutual fund investments held in grantor trusts associated with non-qualified supplemental retirement plans.

The fair values of our Level 1 exchange-traded commodity futures and option contracts and 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 certain non-exchange-traded 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

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

investments held in grantor trusts are derived from quoted market prices as substantially all of the investments in these trusts have active markets.

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:

	March 31, 2022		September 30, 2021		March 31, 2021	
Carrying amount	\$	6,559	\$	6,491	\$	6,046
Estimated fair value	\$	6,543	\$	6,996	\$	6,362

Financial instruments other than derivative instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit credit risk from short-term investments by investing only in investment-grade commercial paper, money market mutual funds, securities guaranteed by the U.S. Government or its agencies and FDIC insured bank deposits. The credit risk arising from concentrations of trade accounts receivable is limited because we have a large customer base that extends across many different U.S. markets and a number of foreign countries. For information regarding concentrations of credit risk associated with our derivative instruments, see Note 12.

Note 12 — 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 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**Regulated Utility Operations***Natural Gas*

UGI Utilities' tariffs contain clauses that permit recovery of all prudently incurred costs of natural gas it sells to retail core-market customers, including the cost of financial instruments used to hedge purchased gas costs. As permitted and agreed to by the PAPUC pursuant to PA Gas Utility's annual PGC filings, PA Gas Utility currently uses NYMEX natural gas futures and option contracts to reduce commodity price volatility associated with a portion of the natural gas it purchases for its retail core-market customers. See Note 7 for further information on the regulatory accounting treatment for these derivative instruments.

Non-utility Operations*LPG*

In order to manage market price risk associated with the Partnership's fixed-price programs and to reduce the effects of short-term commodity price volatility, the Partnership uses over-the-counter derivative commodity instruments, principally price

UGI CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements**

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

swap contracts. In addition, the Partnership and our UGI International operations also use over-the-counter price swap contracts to reduce commodity price volatility associated with a portion of their forecasted LPG purchases.

Natural Gas

In order to manage market price risk relating to fixed-price sales contracts for physical natural gas, Midstream & Marketing enters into NYMEX and over-the-counter natural gas futures and over-the-counter and ICE natural gas basis swap contracts. In addition, Midstream & Marketing uses NYMEX and over-the-counter futures and options contracts to economically hedge price volatility associated with the gross margin derived from the purchase and anticipated later near-term sale of natural gas storage inventories. Outside of the financial market, Midstream & Marketing also uses ICE and over-the-counter forward physical contracts. UGI International also uses natural gas futures and forward contracts to economically hedge market price risk associated with a substantial portion of anticipated volumes under fixed-price sales contracts with its customers.

Electricity

In order to manage market price risk relating to fixed-price sales contracts for electricity, Midstream & Marketing enters into electricity futures and forward contracts. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge the price of a portion of its anticipated future sales of electricity from its electric generation facilities. UGI International also uses electricity futures and forward contracts to economically hedge market price risk associated with fixed-price sales and purchase contracts for electricity.

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. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time, we enter into IRPAs. We account for IRPAs as cash flow hedges. There were no unsettled IRPAs during any of the periods presented. At March 31, 2022, the amount of pre-tax net losses associated with interest rate hedges (excluding pay-fixed, receive-variable interest rate swaps) expected to be reclassified into earnings during the next twelve months is \$3.

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 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 income (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, 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.

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Concurrent with the repayment of UGI International's 3.25% Senior Notes on December 7, 2021, we terminated an associated net investment hedge having a notional value of €93. Cash flows from this termination are included in cash flows from investing activities on the Condensed Consolidated Statements of Cash Flows.

Our euro-denominated long-term debt has also been designated as net investment hedges, representing a portion of our UGI International euro-denominated net investment. We recognized pre-tax gains (losses) associated with these net investment hedges in the cumulative translation adjustment component in AOCI of \$21 and \$31 during the three months ended March 31, 2022 and 2021, respectively, \$34 and \$(1) during the six months ended March 31, 2022 and 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 March 31, 2022, September 30, 2021 and March 31, 2021, and the final settlement dates of the Company's open derivative contracts as of March 31, 2022, excluding those derivatives that qualified for the NPNS exception:

Type	Units	Settlements Extending Through	Notional Amounts (in millions)		
			March 31, 2022	September 30, 2021	March 31, 2021
Commodity Price Risk:					
<i>Regulated Utility Operations</i>					
PA Gas Utility NYMEX natural gas futures and option contracts	Dekatherms	February 2023	11	20	12
<i>Non-utility Operations</i>					
LPG swaps	Gallons	September 2024	622	708	557
Natural gas futures, forward, basis swap, options and pipeline contracts	Dekatherms	March 2026	346	355	338
Electricity forward and futures contracts	Kilowatt hours	January 2026	3,098	4,302	4,773
Interest Rate Risk:					
Interest rate swaps	Euro	October 2022	€ 300	€ 300	€ 300
Interest rate swaps	USD	September 2024	\$ 1,414	\$ 1,421	\$ 1,302
Foreign Currency Exchange Rate Risk:					
Forward foreign currency exchange contracts	USD	September 2024	\$ 274	\$ 509	\$ 384
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 486	€ 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.

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 March 31, 2022, 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 \$2,035. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At March 31, 2022, we had received cash collateral from derivative instrument counterparties totaling \$603. 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. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At March 31, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

Offsetting Derivative Assets and Liabilities

Derivative assets and liabilities are presented net by counterparty on the 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 include both those that are executed on an exchange through brokers and centrally cleared and over-the-counter transactions. Exchange contracts utilize a financial intermediary, exchange or clearinghouse to enter, execute or clear the transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter and exchange 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 and all exchange contracts are subject to collateral requirements. Types of collateral generally include cash or letters of credit. Cash collateral paid by us to our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative liabilities. Cash collateral received by us from our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative assets. Certain other accounts receivable and accounts payable balances recognized on the 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.

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and 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:

	March 31, 2022	September 30, 2021	March 31, 2021
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	\$ 18	\$ 20	\$ 16
Interest rate contracts	31	—	—
	<u>49</u>	<u>20</u>	<u>16</u>
Derivatives subject to PGC and DS mechanisms:			
Commodity contracts	38	58	2
Derivatives not designated as hedging instruments:			
Commodity contracts	1,931	1,591	233
Foreign currency contracts	17	18	9
	<u>1,948</u>	<u>1,609</u>	<u>242</u>
Total derivative assets — gross	2,035	1,687	260
Gross amounts offset in the balance sheet	(215)	(216)	(35)
Cash collateral received	(603)	(468)	(37)
Total derivative assets — net	<u>\$ 1,217</u>	<u>\$ 1,003</u>	<u>\$ 188</u>
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Interest rate contracts	\$ (1)	\$ (29)	\$ (39)
Derivatives subject to PGC and DS mechanisms:			
Commodity contracts	(17)	(23)	(1)
Derivatives not designated as hedging instruments:			
Commodity contracts	(304)	(257)	(71)
Foreign currency contracts	(2)	(8)	(12)
	<u>(306)</u>	<u>(265)</u>	<u>(83)</u>
Total derivative liabilities — gross	(324)	(317)	(123)
Gross amounts offset in the balance sheet	215	216	35
Cash collateral pledged	—	3	—
Total derivative liabilities — net	<u>\$ (109)</u>	<u>\$ (98)</u>	<u>\$ (88)</u>

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and 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:

Three Months Ended March 31,:

	Gain Recognized in AOCI		Loss Reclassified from AOCI into Income		Location of Loss Reclassified from AOCI into Income
	2022	2021	2022	2021	
Cash Flow Hedges:					
Interest rate contracts	\$ 36	\$ 6	\$ (7)	\$ (6)	Interest expense

Net Investment Hedges:

Foreign currency contracts	\$ 11	\$ 7			
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	Gain (Loss) Recognized in Income		Location of Gain (Loss) Recognized in Income
	2022	2021	
Derivatives Not Designated as Hedging Instruments:			
Commodity contracts	\$ (7)	\$ (2)	Revenues
Commodity contracts	599	135	Cost of sales
Commodity contracts	—	(2)	Operating and administrative expenses
Foreign currency contracts	7	17	Other non-operating income (expense), net
Total	\$ 599	\$ 148	

Six Months Ended March 31,:

	Gain (Loss) Recognized in AOCI		Loss Reclassified from AOCI into Income		Location of Loss Reclassified from AOCI into Income
	2022	2021	2022	2021	
Cash Flow Hedges:					
Interest rate contracts	\$ 48	\$ 6	\$ (13)	\$ (13)	Interest expense

Net Investment Hedges:

Foreign currency contracts	\$ 11	\$ (1)			
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	Gain (Loss) Recognized in Income		Location of Gain (Loss) Recognized in Income
	2022	2021	
Derivatives Not Designated as Hedging Instruments:			
Commodity contracts	\$ 1	\$ 1	Revenues
Commodity contracts	326	238	Cost of sales
Commodity contracts	—	5	Other operating income, net
Foreign currency contracts	15	(3)	Other non-operating income (expense), net
Total	\$ 342	\$ 241	

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, contracts that provide for the purchase and delivery, or sale, of energy products, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments.

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Note 13 — Accumulated Other Comprehensive Income (Loss)

The tables below present changes in AOCI, net of tax:

Three Months Ended March 31, 2022	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — December 31, 2021	\$ (15)	\$ (19)	\$ (122)	\$ (156)
Other comprehensive income (loss) before reclassification adjustments	—	24	(53)	(29)
Amounts reclassified from AOCI	1	6	—	7
Other comprehensive income (loss) attributable to UGI	1	30	(53)	(22)
AOCI — March 31, 2022	\$ (14)	\$ 11	\$ (175)	\$ (178)

Three Months Ended March 31, 2021	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — December 31, 2020	\$ (26)	\$ (49)	\$ (4)	\$ (79)
Other comprehensive income (loss) before reclassification adjustments	—	4	(56)	(52)
Amounts reclassified from AOCI	1	4	—	5
Other comprehensive income (loss) attributable to UGI	1	8	(56)	(47)
AOCI — March 31, 2021	\$ (25)	\$ (41)	\$ (60)	\$ (126)

Six Months Ended March 31, 2022	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2021	\$ (17)	\$ (33)	\$ (90)	\$ (140)
Other comprehensive income (loss) before reclassification adjustments	—	34	(85)	(51)
Amounts reclassified from AOCI	3	10	—	13
Other comprehensive income (loss) attributable to UGI	3	44	(85)	(38)
AOCI — March 31, 2022	\$ (14)	\$ 11	\$ (175)	\$ (178)

Six Months Ended March 31, 2021	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2020	\$ (26)	\$ (54)	\$ (67)	\$ (147)
Other comprehensive income before reclassification adjustments	—	4	7	11
Amounts reclassified from AOCI	1	9	—	10
Other comprehensive income attributable to UGI	1	13	7	21
AOCI — March 31, 2021	\$ (25)	\$ (41)	\$ (60)	\$ (126)

Note 14 — Segment Information

Our operations comprise four reportable segments generally based upon products or services sold, geographic location and regulatory environment: (1) AmeriGas Propane; (2) UGI International; (3) Midstream & Marketing; and (4) Utilities.

Corporate & Other includes certain items that are excluded from our CODM's assessment of segment performance (see below for further details on these items). Corporate & Other also includes the net expenses of UGI's captive general liability insurance company, UGI's corporate headquarters facility and UGI's unallocated corporate and general expenses as well as interest expense on UGI debt that is not allocated. Corporate & Other assets principally comprise cash and cash equivalents of UGI and

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

its captive insurance company, and UGI corporate headquarters' assets. The accounting policies of our reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies," in the Company's 2021 Annual Report.

Three Months Ended March 31, 2022	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	\$ 3,466	\$ —	\$ 1,048	\$ 1,224	\$ 533	\$ 667	\$ (6)
Intersegment revenues	\$ —	\$ (179) (b)	\$ —	\$ —	\$ 138	\$ 40	\$ 1
Cost of sales	\$ 1,470	\$ (178) (b)	\$ 545	\$ 930	\$ 540	\$ 380	\$ (747)
Operating income	\$ 1,332	\$ —	\$ 227	\$ 111	\$ 85	\$ 191	\$ 718
Income from equity investees	5	—	—	—	5	—	—
Other non-operating income (expense), net	11	—	—	9	—	3	(1)
Earnings before interest expense and income taxes	1,348	—	227	120	90	194	717
Interest expense	(82)	—	(38)	(8)	(10)	(16)	(10)
Income before income taxes	\$ 1,266	\$ —	\$ 189	\$ 112	\$ 80	\$ 178	\$ 707
Depreciation and amortization	\$ 128	\$ —	\$ 44	\$ 29	\$ 18	\$ 36	\$ 1
Capital expenditures (including the effects of accruals)	\$ 170	\$ —	\$ 36	\$ 23	\$ 10	\$ 101	\$ —
Three Months Ended March 31, 2021	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	\$ 2,581	\$ —	\$ 940	\$ 834	\$ 392	\$ 417	\$ (2)
Intersegment revenues	\$ —	\$ (118) (b)	\$ —	\$ —	\$ 92	\$ 25	\$ 1
Cost of sales	\$ 1,274	\$ (117) (b)	\$ 431	\$ 491	\$ 343	\$ 202	\$ (76)
Operating income	\$ 671	\$ —	\$ 239	\$ 147	\$ 90	\$ 142	\$ 53
Income from equity investees	10	—	—	—	10	—	—
Other non-operating income, net	18	—	—	2	—	—	16
Earnings before interest expense and income taxes	699	—	239	149	100	142	69
Interest expense	(78)	—	(40)	(6)	(11)	(14)	(7)
Income before income taxes	\$ 621	\$ —	\$ 199	\$ 143	\$ 89	\$ 128	\$ 62
Depreciation and amortization	\$ 126	\$ —	\$ 44	\$ 34	\$ 19	\$ 29	\$ —
Capital expenditures (including the effects of accruals)	\$ 124	\$ —	\$ 30	\$ 18	\$ 12	\$ 64	\$ —
Six Months Ended March 31, 2022	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	\$ 6,139	\$ —	\$ 1,826	\$ 2,273	\$ 974	\$ 1,063	\$ 3
Intersegment revenues	\$ —	\$ (297) (b)	\$ —	\$ —	\$ 232	\$ 63	\$ 2
Cost of sales	\$ 3,590	\$ (295) (b)	\$ 963	\$ 1,723	\$ 953	\$ 580	\$ (334)
Operating income	\$ 1,264	\$ —	\$ 313	\$ 189	\$ 159	\$ 287	\$ 316
Income from equity investees	13	—	—	—	13	—	—
Loss on extinguishments of debt	(11)	—	—	—	—	—	(11)
Other non-operating income, net	21	—	—	13	—	5	3
Earnings before interest expense and income taxes	1,287	—	313	202	172	292	308
Interest expense	(163)	—	(79)	(15)	(20)	(32)	(17)
Income before income taxes	\$ 1,124	\$ —	\$ 234	\$ 187	\$ 152	\$ 260	\$ 291
Depreciation and amortization	\$ 257	\$ —	\$ 88	\$ 60	\$ 37	\$ 71	\$ 1
Capital expenditures (including the effects of accruals)	\$ 345	\$ —	\$ 71	\$ 46	\$ 16	\$ 212	\$ —
As of March 31, 2022	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Total assets	\$ 17,777	\$ (163)	\$ 4,563	\$ 4,905	\$ 3,195	\$ 5,106	\$ 171

UGI CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Six Months Ended March 31, 2021	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	\$ 4,513	\$ —	\$ 1,606	\$ 1,534	\$ 671	\$ 702	\$ —
Intersegment revenues	\$ —	\$ (196) (b)	\$ —	\$ —	\$ 154	\$ 40	\$ 2
Cost of sales	\$ 2,107	\$ (194) (b)	\$ 703	\$ 874	\$ 580	\$ 334	\$ (190)
Operating income	\$ 1,173	\$ —	\$ 380	\$ 282	\$ 142	\$ 219	\$ 150
Income from equity investees	17	—	—	—	17	—	—
Other non-operating (expense) income, net	(1)	—	—	3	—	1	(5)
Earnings before interest expense and income taxes	1,189	—	380	285	159	220	145
Interest expense	(156)	—	(80)	(13)	(21)	(28)	(14)
Income before income taxes	\$ 1,033	\$ —	\$ 300	\$ 272	\$ 138	\$ 192	\$ 131
Depreciation and amortization	\$ 250	\$ —	\$ 87	\$ 67	\$ 37	\$ 58	\$ 1
Capital expenditures (including the effects of accruals)	\$ 276	\$ —	\$ 57	\$ 47	\$ 29	\$ 143	\$ —
As of March 31, 2021							
Total assets	\$ 14,945	\$ (227)	\$ 4,515	\$ 3,576	\$ 2,893	\$ 3,982	\$ 206

(a) Corporate & Other includes specific items attributable to our reportable segments that are not included in the segment profit measures used by our CODM in assessing our reportable segments' performance or allocating resources. The following table presents such pre-tax gains (losses) which have been included in Corporate & Other, and the reportable segments to which they relate:

Three Months Ended March 31, 2022	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net gains (losses) on commodity derivative instruments not associated with current-period transactions	Revenues	\$ —	\$ 2	\$ (9)
Net gains on commodity derivative instruments not associated with current-period transactions	Cost of sales	\$ 32	\$ 560	\$ 154
Restructuring costs	Operating and administrative expenses	\$ (14)	\$ (2)	\$ —
Unrealized gains on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ (1)	\$ —
Three Months Ended March 31, 2021	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net losses on commodity derivative instruments not associated with current-period transactions	Revenues	\$ —	\$ —	\$ (6)
Net gains on commodity derivative instruments not associated with current-period transactions	Cost of sales	\$ 27	\$ 48	\$ —
Business transformation expenses	Operating and administrative expenses	\$ (14)	\$ (3)	\$ —
Unrealized gains on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ 15	\$ —
Six Months Ended March 31, 2022	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net gains (losses) on commodity derivative instruments not associated with current-period transactions	Revenues	\$ —	\$ 5	\$ (2)
Net (losses) gains on commodity derivative instruments not associated with current-period transactions	Cost of sales	\$ (37)	\$ 348	\$ 22
Restructuring costs	Operating and administrative expenses	\$ (14)	\$ (2)	\$ —
Loss on extinguishment of debt	Loss on extinguishment of debt	\$ —	\$ (11)	\$ —
Unrealized gains on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ 5	\$ —

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Currency in millions, except per share amounts and where indicated otherwise)

Six Months Ended March 31, 2021	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net gains (losses) on commodity derivative instruments not associated with current-period transactions	Cost of sales	\$ 64	\$ 154	\$ (28)
Unrealized losses on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ (5)	\$ —
Business transformation expenses	Operating and administrative expenses	\$ (26)	\$ (6)	\$ —

(b) Represents the elimination of intersegment transactions principally among Midstream & Marketing, Utilities and AmeriGas Propane.

Note 15 — Business Transformation Initiatives

AmeriGas and UGI International. Beginning in Fiscal 2019, we began executing on multi-year business transformation initiatives at our AmeriGas Propane and UGI International business segments. These initiatives are 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, these business transformation initiatives focus on enhancing the customer experience through, among other things, enhanced customer relationship management and an improved digital customer experience. During the three and six months ended March 31, 2021, we incurred \$17 and \$32 of costs, respectively, principally comprising consulting, advisory, marketing and employee-related costs. These costs are primarily reflected in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income. These previously announced business transformation initiatives are substantially complete.

Corporate Services. Beginning in Fiscal 2020, we initiated a transformation project focused on our support functions including: finance, procurement, human resources, and information technology. This initiative will standardize processes and activities across our global platform, while leveraging the use of best practices and efficiencies between our businesses. Amounts reflected in “Operating and administrative expenses” on the Condensed Consolidated Statement of Income in connection with this initiative during the three and six months ended March 31, 2022 and 2021, were not material.

Note 16 — 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 has implemented a variety of procedures to protect its employees, third-party business partners, and customers worldwide. The Company continues to provide essential products and services to its 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 it serves. The Company continues to evaluate and react to the effects of a prolonged disruption and the potential of 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; commodity price volatility and supply chain constraints; and the effects of government stimulus efforts including tax legislation in response to COVID-19. The Company cannot predict the duration or magnitude of the pandemic and the total effects on its business, financial position, results of operations, liquidity or cash flows at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Forward-Looking Statements**

Information contained in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Such statements use forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the following important factors that could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) weather conditions, including increasingly uncertain weather patterns due to climate change, resulting in reduced demand, and the seasonal nature of our business; (2) cost volatility and availability of propane and other LPG, electricity, and natural gas, as well as the availability of LPG cylinders, and the capacity to transport product to our customers; (3) changes in domestic and foreign laws and regulations, including safety, tax, consumer protection, data privacy, accounting, and environmental matters, such as regulatory responses to climate change; (4) inability to timely recover costs through utility rate proceedings; (5) the impact of pending and future legal or regulatory proceedings, inquiries or investigations; (6) competitive pressures from the same and alternative energy sources; (7) failure to acquire new customers or retain current customers thereby reducing or limiting any increase in revenues; (8) liability for environmental claims; (9) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (10) adverse labor relations and our ability to address existing or potential workforce shortages; (11) customer, counterparty, supplier, or vendor defaults; (12) liability for uninsured claims and for claims in excess of insurance coverage, including those for personal injury and property damage arising from explosions, terrorism, natural disasters, pandemics and other catastrophic events that may result from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas in all forms; (13) transmission or distribution system service interruptions; (14) political, regulatory and economic conditions in the United States, Europe and other foreign countries, including uncertainties related to the military conflict between Russia and Ukraine, and foreign currency exchange rate fluctuations, particularly the euro; (15) capital market conditions, including reduced access to capital markets and interest rate fluctuations; (16) changes in commodity market prices resulting in significantly higher cash collateral requirements; (17) reduced distributions from subsidiaries impacting the ability to pay dividends; (18) changes in Marcellus and Utica Shale gas production; (19) the availability, timing and success of our acquisitions, commercial initiatives and investments to grow our businesses; (20) our ability to successfully integrate acquired businesses and achieve anticipated synergies; (21) the interruption, disruption, failure or malfunction of our information technology systems, and those of our third-party vendors or service providers, including due to cyber attack; (22) the inability to complete pending or future energy infrastructure projects; (23) our ability to achieve the operational benefits and cost efficiencies expected from the completion of pending and future business transformation initiatives, including the impact of customer service disruptions resulting in potential customer loss due to the transformation activities; (24) uncertainties related to a global pandemic, including the duration and/or impact of the COVID-19 pandemic; (25) the impact of proposed or future tax legislation, including the potential reversal of existing tax legislation that is beneficial to us; and (26) our ability to overcome supply chain issues that may result in delays or shortages in, as well as increased costs of, equipment, materials or other resources that are critical to our business operations.

These factors, and those factors set forth in Item 1A. Risk Factors in this report and in the Company's 2021 Annual Report, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

ANALYSIS OF RESULTS OF OPERATIONS

The following analysis compares the Company's results of operations for the 2022 three-month period with the 2021 three-month period and the 2022 six-month period with the 2021 six-month period. Our analysis of results of operations should be read in conjunction with the segment information included in Note 14 to Condensed Consolidated Financial Statements.

Because most of our businesses sell or distribute energy products used in large part for heating purposes, our results are significantly influenced by temperatures in our service territories, particularly during the heating-season months of October through March. As a result, our operating results, excluding the effects of gains and losses on derivative instruments not

associated with current-period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

Non-GAAP Financial Measures

UGI management uses “adjusted net income attributable to UGI Corporation” and “adjusted diluted earnings per share,” both of which are non-GAAP financial measures, when evaluating UGI’s overall performance. Management believes that these non-GAAP measures provide meaningful information to investors about UGI’s performance because they eliminate gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions and other significant discrete items that can affect the comparison of period-over-period results.

UGI does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP. Volatility in net income attributable to UGI Corporation can occur as a result of gains and losses on such 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 and, to a much lesser extent, certain realized gains and losses on settled commodity derivative instruments that are not associated with current-period transactions. However, because these derivative instruments 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, we expect that such gains or losses will be largely offset by gains or losses on anticipated future energy commodity transactions or mitigate volatility in anticipated future earnings. Non-GAAP 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.

The following tables reflect the adjustments referred to above and reconcile net income attributable to UGI Corporation, the most directly comparable GAAP measure, to adjusted net income attributable to UGI Corporation, and reconcile diluted earnings per share, the most directly comparable GAAP measure, to adjusted diluted earnings per share:

UGI CORPORATION AND SUBSIDIARIES

Adjusted net income attributable to UGI Corporation (Dollars in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
AmeriGas Propane	\$ 138	\$ 150	\$ 172	\$ 224
UGI International	89	99	146	191
Midstream & Marketing	58	64	109	99
Utilities	134	99	197	148
Corporate & Other (a)	514	77	212	130
Net income attributable to UGI Corporation	933	489	836	792
Net gains on commodity derivative instruments not associated with current-period transactions (net of tax of \$204, \$22, \$93 and \$53, respectively)	(535)	(52)	(243)	(137)
Unrealized (gains) losses on foreign currency derivative instruments (net of tax of \$(1), \$4, \$1, and \$(1), respectively)	—	(11)	(4)	4
Loss on extinguishment of debt (net of tax of \$0, \$0, \$(3) and \$0, respectively)	—	—	8	—
Acquisition and integration expenses associated with the Mountaineer Acquisition (net of tax of \$0, \$0, \$0 and \$(1), respectively)	—	1	1	2
Business transformation expenses (net of tax of \$0, \$(5), \$(1) and \$(9), respectively)	2	14	3	27
Impact of change in Italian tax law	—	(23)	—	(23)
Restructuring costs (net of tax of \$(5), \$0, \$(5) and \$0, respectively)	13	—	13	—
Total adjustments (a) (b)	(520)	(71)	(222)	(127)
Adjusted net income attributable to UGI Corporation	\$ 413	\$ 418	\$ 614	\$ 665

Adjusted diluted earnings per share	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
AmeriGas Propane	\$ 0.64	\$ 0.71	\$ 0.80	\$ 1.07
UGI International	0.41	0.47	0.68	0.91
Midstream & Marketing	0.26	0.31	0.50	0.47
Utilities	0.62	0.47	0.91	0.71
Corporate & Other (a)	2.39	0.37	0.98	0.61
Earnings per share - diluted	4.32	2.33	3.87	3.77
Net gains on commodity derivative instruments not associated with current-period transactions	(2.48)	(0.25)	(1.11)	(0.65)
Unrealized (gains) losses on foreign currency derivative instruments	—	(0.05)	(0.02)	0.02
Loss on extinguishment of debt	—	—	0.03	—
Acquisition and integration expenses associated with the Mountaineer Acquisition	—	—	—	0.01
Business transformation expenses	0.01	0.07	0.01	0.13
Impact of change in Italian tax law	—	(0.11)	—	(0.11)
Restructuring costs	0.06	—	0.06	—
Total adjustments (a)	(2.41)	(0.34)	(1.03)	(0.60)
Adjusted earnings per share - diluted	\$ 1.91	\$ 1.99	\$ 2.84	\$ 3.17

(a) Corporate & Other includes certain adjustments made to our reporting segments in arriving at net income attributable to UGI Corporation. These adjustments have been excluded from the segment results to align with the measure used by our

CODM in assessing segment performance and allocating resources. See Note 14 to Condensed Consolidated Financial Statements for additional information related to these adjustments, as well as other items included within Corporate & Other.

(b) Income taxes associated with pre-tax adjustments determined using statutory business unit tax rates.

EXECUTIVE OVERVIEW

Recent Developments

Global Macroeconomic Conditions. During Fiscal 2021 and continuing into the current fiscal year, global commodity and labor markets experienced significant inflationary pressures attributable to economic recovery and supply chain issues associated with the ongoing COVID-19 pandemic, as discussed below. These inflationary pressures led to significant volatility across various consumer price indices during Fiscal 2021 and have continued during the 2022 three- and six-month period. We have experienced substantial shifts in commodity prices, particularly in LPG, natural gas and electricity prices, which, in turn, have led to extensive mark-to-market impacts on commodity derivatives instruments not associated with current-period activity. The ongoing strain on supply costs has resulted in increased inventory costs and certain distribution expenses across all of our businesses. It has also affected requirements around cash collateral and restricted cash associated with our outstanding derivatives. The Company believes that the impact of these external factors and the associated extreme cost volatility are temporary and their impact is expected to be mitigated by our continued cost control initiatives, and liquidity management.

Ongoing COVID-19 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, we have implemented a variety of procedures to protect our employees, third-party business partners, and customers worldwide. 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 effects of a prolonged disruption and the potential of continued impact 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; commodity price volatility and supply chain constraints; and the effects of government stimulus efforts including tax legislation in response to COVID-19.

We cannot predict the duration or total magnitude of the pandemic and the 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.

Continuing Business Transformation Initiatives. By the end of Fiscal 2021, AmeriGas Propane and UGI International substantially completed their previously announced business transformation initiatives. Anticipated benefits to be fully recognized in Fiscal 2022 for both programs remain on target.

Beginning in Fiscal 2020, we initiated a transformation project focused on our corporate support functions including: finance, procurement, human resources, and information technology. This initiative will standardize processes and activities across our global platform, while leveraging the use of best practices and efficiencies between our businesses. While this initiative is being coordinated across multiple support functions, each function is at a different stage of transformation and will undergo the required changes by the end of Fiscal 2023. In connection with these activities, we expect to incur approximately \$40 million of non-recurring costs during that time resulting in more than \$15 million of ongoing annualized savings by the end of Fiscal 2023.

2022 three-month period compared with 2021 three-month period

Discussion. Net income attributable to UGI Corporation for the 2022 three-month period was \$933 million (equal to \$4.32 per diluted share) compared to \$489 million (equal to \$2.33 per diluted share) during the 2021 three-month period. These results include net gains from changes in unrealized commodity derivative instruments and certain foreign currency derivative instruments of \$535 million and \$63 million, respectively, during the 2022 and 2021 three-month periods, as well as business transformation expenses of \$2 million and \$14 million, respectively, in the 2022 and 2021 three-month periods. The 2022 three-month period also includes restructuring costs of \$13 million largely attributable to a reduction in workforce and related

costs, while the 2021 three-month period includes a \$23 million tax benefit related to an election made in connection with a tax law change in Italy and \$1 million of integration expenses associated with Mountaineer.

Adjusted net income attributable to UGI Corporation for the 2022 three-month period was \$413 million (equal to \$1.91 per diluted share) compared to \$418 million (equal to \$1.99 per diluted share) during the 2021 three-month period. The decrease in adjusted net income attributable to UGI Corporation during the 2022 three-month period reflects lower earnings contributions from our LPG businesses which were significantly impacted by the effects of commodity price volatility on current-period margins and related volumes. Results for the prior-year period also included a tax benefit under the CARES Act. These factors were partially offset by improved earnings from Utilities largely attributable to contributions from the Mountaineer Acquisition.

AmeriGas Propane's adjusted net income attributable to UGI Corporation decreased \$12 million in the 2022 three-month period. This decrease principally reflects lower retail propane margin primarily attributable to lower volumes sold and higher operating and administrative expenses primarily attributable to increasing distribution costs and other expenses attributable to inflationary pressures.

UGI International's adjusted net income attributable to UGI Corporation decreased \$10 million in the 2022 three-month period principally reflecting lower total margin from our energy marketing business. This decrease was partially offset by strong margin management efforts at UGI International's LPG business despite the rising commodity cost environment.

Midstream & Marketing's adjusted net income attributable to UGI Corporation decreased \$6 million in the 2022 three-month period primarily attributable to lower total margin which was negatively impacted by the settlement timing of certain multi-year commodity storage hedge contracts during the current-year period, partially offset by the absence of a contingent consideration adjustment related to the GHI acquisition in the prior-year period.

Utilities' adjusted net income attributable to UGI Corporation increased \$35 million in the 2022 three-month period compared to the prior-year period. The increase was largely related to incremental earnings attributable to the Mountaineer Acquisition. Colder weather and the implementation of a DSIC at UGI Utilities, effective during the second half of Fiscal 2021, also contributed to the earnings improvement during the current-year period.

2022 six-month period compared with 2021 six-month period

Discussion. Net income attributable to UGI Corporation for the 2022 six-month period was \$836 million (equal to \$3.87 per diluted share) compared to \$792 million (equal to \$3.77 per diluted share) during the 2021 six-month period. These results include net gains from changes in unrealized commodity derivative instruments and certain foreign currency derivative instruments of \$247 million and \$133 million, respectively, during the 2022 and 2021 six-month periods. Net income attributable to UGI Corporation also reflects business transformation expenses of \$3 million and \$27 million, respectively, in the 2022 and 2021 six-month periods, as well as acquisition and integration expenses associated with Mountaineer of \$1 million and \$2 million, respectively, in the 2022 and 2021 six-month periods. The 2022 six-month period also includes restructuring costs of \$13 million largely attributable to a reduction in workforce and related costs and a loss on extinguishment of debt of \$8 million associated with financing activities at UGI International, while the 2021 six-month period includes a \$23 million tax benefit related to an election made in connection with a tax law change in Italy.

Adjusted net income attributable to UGI Corporation for the 2022 six-month period was \$614 million (equal to \$2.84 per diluted share) compared to \$665 million (equal to \$3.17 per diluted share) during the 2021 six-month period. The decrease in adjusted net income attributable to UGI Corporation during the 2022 six-month period reflects lower earnings contributions from our LPG businesses which were impacted by the effects of commodity price volatility on current-period margins and related volumes. Results for the prior-year period also included a tax benefit under the CARES Act. These factors were partially offset by improved earnings from Utilities largely attributable to contributions from the Mountaineer Acquisition and higher renewable energy and peaking margin at our Midstream & Marketing business compared to the prior-year period.

AmeriGas Propane's adjusted net income attributable to UGI Corporation decreased \$52 million in the 2022 six-month period. This decrease principally reflects lower retail propane margin primarily attributable to lower volumes sold and higher operating and administrative expenses primarily attributable to increasing distribution costs and other expenses attributable to inflationary pressures.

UGI International's adjusted net income attributable to UGI Corporation decreased \$45 million in the 2022 six-month period principally reflecting lower total margin from our energy marketing business and higher distribution, packaging and personnel costs associated with higher retail LPG volumes sold and inflationary pressures. This decrease was partially offset by strong margin management efforts at UGI International's LPG business despite the rising commodity cost environment.

UGI CORPORATION AND SUBSIDIARIES

Midstream & Marketing's adjusted net income attributable to UGI Corporation increased \$10 million in the 2022 six-month period primarily attributable to higher margins related to renewable energy marketing activities compared to the prior-year period.

Utilities' adjusted net income attributable to UGI Corporation increased \$49 million in the 2022 six-month period compared to the prior-year period. The increase was largely related to incremental earnings attributable to the Mountaineer Acquisition. The increase in base rates and the implementation of a DSIC at UGI Utilities, both effective during the second half of Fiscal 2021, also contributed to the earnings improvement during the current-year period.

SEGMENT RESULTS OF OPERATIONS
2022 Three-Month Period Compared with the 2021 Three-Month Period
AmeriGas Propane

For the three months ended March 31, (Dollars in millions)	2022	2021	Increase (Decrease)	
Revenues	\$ 1,048	\$ 940	\$ 108	11 %
Total margin (a)	\$ 503	\$ 509	\$ (6)	(1)%
Operating and administrative expenses	\$ 240	\$ 233	\$ 7	3 %
Operating income/earnings before interest expense and income taxes	\$ 227	\$ 239	\$ (12)	(5)%
Retail gallons sold (millions)	329	356	(27)	(8)%
Heating degree days—% colder (warmer) than normal (b)	2.9 %	(2.2)%	—	—

(a) Total margin represents total revenues less total cost of sales.

(b) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for 344 regions in the United States, excluding Alaska and Hawaii.

Average temperatures during the 2022 three-month period were 2.9% colder than normal and 4.8% colder than the prior-year period. Total retail gallons sold decreased 8% during the 2022 three-month period principally reflecting the continued impact of customer service challenges that occurred in Fiscal 2021, increased price sensitivity in the higher commodity cost environment and the prior-year impact of COVID-19 on cylinder exchange and resale volumes.

Average daily wholesale propane commodity prices during the 2022 three-month period at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 45% higher than such prices during the 2021 three-month period. This increase in prices has impacted both total revenues and total costs of sales during the 2022 three-month period. Total revenues increased \$108 million during the 2022 three-month period largely reflecting higher average propane selling prices (\$152 million) and higher wholesale volumes sold (\$13 million) compared to the prior-year period. These positive impacts were partially offset by the effects of the previously mentioned decrease in retail propane volumes sold (\$61 million).

Total cost of sales increased \$114 million during the 2022 three-month period largely attributable to the higher average propane product costs (\$125 million) and higher wholesale propane volumes sold (\$12 million). These increases in cost of sales were partially offset by the decrease in retail propane volumes sold (\$28 million). Total margin decreased \$6 million in the 2022 three-month period largely attributable to the lower retail propane volumes (\$33 million) partially offset by higher average retail margins (\$27 million).

Operating income and earnings before interest expense and income taxes decreased \$12 million during the 2022 three-month period primarily reflecting the decrease in total margin and higher operating and administrative expenses (\$7 million) compared to the prior-year period. The increase in operating and administrative expenses was impacted by the inflationary cost environment and reflects, among other things, higher expenses associated with general insurance (\$6 million), vehicle fuel (\$4 million) and bad debt reserves (\$4 million) compared to the prior-year period. These increases were partially offset by lower employee compensation and benefits (\$7 million).

UGI International

For the three months ended March 31, (Dollars in millions)	2022	2021	Increase (Decrease)	
Revenues	\$ 1,224	\$ 834	\$ 390	47 %
Total margin (a)	\$ 294	\$ 343	\$ (49)	(14)%
Operating and administrative expenses	\$ 162	\$ 164	\$ (2)	(1)%
Operating income	\$ 111	\$ 147	\$ (36)	(24)%
Earnings before interest expense and income taxes	\$ 120	\$ 149	\$ (29)	(19)%
LPG retail gallons sold (millions)	247	242	5	2 %
Heating degree days—% warmer than normal (b)	(5.7)%	(3.4)%	—	—

(a) Total margin represents revenues less cost of sales.

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

Average temperatures during the 2022 three-month period were 5.7% warmer than normal and 4.9% warmer than the prior-year period. Total LPG retail gallons sold during the 2022 three-month period increased slightly and was attributable to the recovery of certain bulk and autogas volumes that were negatively impacted by COVID-19 offset by the effects of weather that was warmer than the prior-year period.

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 the 2022 and 2021 three-month periods, the average unweighted euro-to-dollar translation rates were approximately \$1.12 and \$1.21, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately \$1.34 and \$1.38, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The net effect of changes in foreign currency exchange rates on UGI International's earnings before interest expense and income taxes resulted in a net loss of \$7 million in the 2022 three-month period. However, the impact of these changes is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to substantially offset this volatility. These forward foreign currency exchange contracts resulted in realized net gains of \$6 million and \$1 million in the 2022 and 2021 three-month periods, respectively.

UGI International revenues and cost of sales increased \$390 million and \$439 million, respectively, during the 2022 three-month period compared to the prior-year period. Average wholesale prices for propane and butane during the 2022 three-month period in northwest Europe were approximately 59% and 94% higher, respectively, compared with the prior-year period. The increase in revenues and cost of sales principally reflects the impact of significant increases and volatility in natural gas and power prices on our energy marketing business and the effects of these higher average propane and butane selling prices and product costs compared to the prior-year period. These increases were partially offset by the translation effects of weaker foreign currencies (approximately \$88 million and \$68 million, respectively).

UGI International total margin decreased \$49 million during the 2022 three-month period primarily reflecting lower total margin from our energy marketing business and the translation effects of weaker foreign currencies (approximately \$20 million). This decrease was partially offset by higher total margin from our LPG business attributable to strong margin management efforts despite the effects of the previously mentioned higher product costs and weather that was warmer than the prior-year period. The lower total margin from our energy marketing business is largely due to the impact of significant volatility in commodity costs and its effects on the unit margins of certain customer contracts during the 2022 three-month period. The effects of this volatility on such customer contracts are expected to be largely confined to the primary heating season.

UGI International operating income and earnings before interest expense and income taxes decreased \$36 million and \$29 million, respectively, during the 2022 three-month period compared to the prior-year period. The decrease in operating income principally reflects the previously mentioned decrease in total margin partially offset by higher other operating income related to gains on the sale of assets and slightly lower operating and administrative expenses which includes the impact of weaker foreign currencies in the 2022 three-month period. The decrease in earnings before interest expense and income taxes in the 2022 three-month period largely reflects the decrease in operating income partially offset by higher realized gains on foreign

UGI CORPORATION AND SUBSIDIARIES

currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates (\$5 million).

Midstream & Marketing

For the three months ended March 31, (Dollars in millions)	2022		2021		Increase (Decrease)	
Revenues	\$	671	\$	484	\$	187 39 %
Total margin (a)	\$	131	\$	141	\$	(10) (7)%
Operating and administrative expenses	\$	30	\$	28	\$	2 7 %
Operating income	\$	85	\$	90	\$	(5) (6)%
Earnings before interest expense and income taxes	\$	90	\$	100	\$	(10) (10)%

(a) Total margin represents revenues less cost of sales.

Average temperatures across Midstream & Marketing's energy marketing territory during the 2022 three-month period were 2.8% warmer than normal and relatively consistent with the prior-year period.

Midstream & Marketing revenues and cost of sales for the 2022 three-month period increased \$187 million and \$197 million, respectively, compared to the prior-year period. These increases were largely driven by natural gas marketing, including the effects of peaking and capacity management activities, which were impacted by significantly higher average natural gas prices compared to the prior-year period, partially offset by lower volumes. As a result, natural gas revenues and cost of sales increased \$183 million and \$186 million, respectively, during the 2022 three-month period.

Midstream & Marketing total margin decreased \$10 million in the 2022 three-month period largely reflecting lower margin from capacity management contracts (\$15 million) and natural gas marketing activities (\$3 million). Capacity management margin was negatively impacted by the settlement timing of certain multi-year commodity storage hedge contracts during the 2022 three-month period. These impacts were partially offset by improved margin from peaking contracts (\$6 million) compared to the prior-year period and incremental margin attributable to the Stonehenge Acquisition (\$4 million).

Midstream & Marketing operating income and earnings before interest expense and income taxes during the 2022 three-month period decreased \$5 million and \$10 million, respectively, compared to the prior-year period. The decrease in operating income primarily reflects the lower total margin and higher operating and administrative expenses (\$2 million), partially offset by the absence of a contingent consideration adjustment related to the GHI acquisition in the prior-year period. The decrease in earnings before interest expense and income taxes reflects the decrease in operating income and lower income from equity-method investments compared to the prior-year period.

Utilities

For the three months ended March 31, (Dollars in millions)	2022		2021		Increase	
Revenues	\$	707	\$	442	\$	265 60 %
Total margin (a)	\$	317	\$	238	\$	79 33 %
Operating and administrative expenses (a)	\$	91	\$	67	\$	24 36 %
Operating income	\$	191	\$	142	\$	49 35 %
Earnings before interest expense and income taxes	\$	194	\$	142	\$	52 37 %
Gas Utility system throughput—bcf						
Core market		52		38		14 37 %
Total		123		100		23 23 %
Electric Utility distribution sales - gwh		284		276		8 3 %
Natural gas heating degree days—% warmer than normal (b)		(3.4)%		(8.1)%		— —

(a) Total margin represents revenues less cost of sales and revenue-related taxes (i.e., gross receipts and business and occupation taxes) of \$10 million and \$2 million, respectively, during the 2022 and 2021 three-month periods. For financial statement purposes, revenue-related taxes are included in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income (but are excluded from operating and administrative expenses presented above).

(b) Deviation from average heating degree days is determined on a 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Gas Utility's service territories.

Temperatures in Gas Utility's service territories during the 2022 three-month period were 3.4% warmer than normal but 3.7% colder than the prior-year period. The increase in Gas Utility core market and total volumes during the 2022 three-month period are largely related to incremental volumes attributable to the acquisition of Mountaineer and the effects of colder weather compared to the prior-year period. The increase in Electric Utility distribution sales volumes was also attributable to colder weather during the current-year period.

Utilities revenues increased \$265 million in the 2022 three-month period reflecting a \$255 million increase in Gas Utility revenues and a \$10 million increase in Electric Utility revenues. The increase in Gas Utility revenues principally reflects incremental revenues attributable to Mountaineer (\$121 million), higher PGC rates compared to the prior-year period, higher pricing on off system sales and higher volumes attributable to the colder weather. The increase in Electric Utility revenues during the 2022 three-month period reflects the increase in base rates that went into effect in November 2021 and higher sales volumes and DS rates compared to the prior-year period.

Utilities cost of sales increased \$186 million compared to the prior-year period. The increase in Gas Utility cost of sales (\$179 million) during the 2022 three-month period reflects incremental cost attributable to Mountaineer (\$69 million), higher PGC rates compared to the prior-year period, increased cost of sales associated with off-system sales, and the increase in volumes. Electric Utility cost of sales increased during the 2022 three-month period largely reflecting the higher volumes and DS rates compared to the prior-year period.

Utilities total margin increased \$79 million during the 2022 three-month period largely reflecting incremental margin attributable to Mountaineer (\$52 million). The implementation of a DSIC, higher margin from large delivery service customers including the effects of customer growth compared to the prior-year period, and higher volumes also contributed to the increase in Gas Utility margin. Electric Utility margin increased \$3 million largely attributable to the increase in base rates and higher volumes compared to the prior-year period.

Utilities operating income and earnings before interest expense and income taxes increased \$49 million and \$52 million, respectively, during the 2022 three-month period. These increases largely reflect the previously mentioned increase in total margin partially offset by higher operating and administrative expenses (\$24 million) and higher depreciation expense (\$7 million) compared to the prior-year period, both principally related to incremental expenses attributable to Mountaineer. The higher depreciation expense compared to the prior-year period also includes the effects of continued distribution system capital expenditure activity. The increase in earnings before interest expense and income taxes also includes a higher non-service pension benefit compared to the prior-year period.

Interest Expense and Income Taxes

Our consolidated interest expense during the 2022 three-month period was \$82 million compared to \$78 million during the 2021 three-month period. This increase largely reflects the effects of incremental long-term debt outstanding during the current period, net of repayments, primarily related to the Mountaineer Acquisition and UGI Utilities' issuance of senior notes during the second half of Fiscal 2021.

The increase in the Company's effective income tax rate for the 2022 three-month period reflects the absence of benefits from the prior-year period related to an election made in connection with a tax law change in Italy and under the CARES Act. These items were partially offset by the net effects of a decrease in the concentration of foreign earnings, including the effects of higher gains on commodity derivative instruments compared to the prior-year period, reflecting foreign statutory tax rates that exceed the U.S. statutory rate.

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

2022 Six-Month Period Compared with the 2021 Six-Month Period
AmeriGas Propane

For the six months ended March 31, (Dollars in millions)	2022	2021	Increase (Decrease)	
Revenues	\$ 1,826	\$ 1,606	\$ 220	14 %
Total margin (a)	\$ 863	\$ 903	\$ (40)	(4)%
Operating and administrative expenses	\$ 480	\$ 454	\$ 26	6 %
Operating income/earnings before interest expense and income taxes	\$ 313	\$ 380	\$ (67)	(18)%
Retail gallons sold (millions)	570	631	(61)	(10)%
Heating degree days—% warmer than normal (b)	(2.7)%	(3.3)%	—	—

(a) Total margin represents total revenues less total cost of sales.

(b) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for 344 regions in the United States, excluding Alaska and Hawaii.

Average temperatures during the 2022 six-month period were 2.7% warmer than normal and relatively consistent with the prior-year period. Total retail gallons sold decreased 10% during the 2022 six-month period reflecting the continued impact of customer service challenges that occurred in Fiscal 2021, increased price sensitivity in the higher commodity cost environment and the prior-year impact of COVID-19 on cylinder exchange and resale volumes.

Average daily wholesale propane commodity prices during the 2022 six-month period at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 73% higher than such prices during the 2021 six-month period. This significant increase in prices has impacted both total revenues and total costs of sales during the 2022 six-month period. Total revenues increased \$220 million during the 2022 six-month period largely reflecting higher average propane selling prices (\$323 million) and higher wholesale volumes sold (\$29 million) compared to the prior-year period. These positive impacts were partially offset by the effects of the previously mentioned decrease in retail propane volumes sold (\$136 million).

Total cost of sales increased \$260 million during the 2022 six-month period largely attributable to the higher average propane product costs (\$286 million) and higher wholesale propane volumes sold (\$27 million). These increases in cost of sales were partially offset by the decrease in retail propane volumes sold (\$59 million). Total margin decreased \$40 million in the 2022 six-month period largely attributable to the lower retail propane volumes (\$77 million) partially offset by higher average propane margins (\$37 million).

Operating income and earnings before interest expense and income taxes decreased \$67 million during the 2022 six-month period primarily reflecting the decrease in total margin and higher operating and administrative expenses (\$26 million) compared to the prior-year period. The increase in operating and administrative expenses was impacted by the inflationary cost environment and reflects, among other things, higher expenses associated with general insurance (\$8 million), vehicle fuel (\$7 million), bad debt reserves (\$7 million) and telecommunications (\$5 million) compared to the prior-year period.

UGI International

For the six months ended March 31, (Dollars in millions)	2022	2021	Increase (Decrease)	
Revenues	\$ 2,273	\$ 1,534	\$ 739	48 %
Total margin (a)	\$ 550	\$ 660	\$ (110)	(17)%
Operating and administrative expenses	\$ 323	\$ 321	\$ 2	1 %
Operating income	\$ 189	\$ 282	\$ (93)	(33)%
Earnings before interest expense and income taxes	\$ 202	\$ 285	\$ (83)	(29)%
LPG retail gallons sold (millions)	496	478	18	4 %
Heating degree days—% warmer than normal (b)	(1.1)%	(2.8)%	—	—

(a) Total margin represents revenues less cost of sales.

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

Average temperatures during the 2022 six-month period were 1.1% warmer than normal and relatively consistent with the prior-year period. Total LPG retail gallons sold during the 2022 six-month period increased 4% compared to the prior-year period largely attributable to favorable crop drying campaigns and the recovery of certain bulk and autogas volumes that were negatively impacted by COVID-19.

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 the 2022 and 2021 six-month periods, the average unweighted euro-to-dollar translation rates were approximately \$1.13 and \$1.20, respectively, and the average unweighted British pound sterling-to-dollar translation rate was approximately \$1.35 in both periods. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The net effect of changes in foreign currency exchange rates on UGI International's earnings before interest expense and income taxes resulted in a net loss of \$11 million in the 2022 six-month period. However, the impact of these changes is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to substantially offset this volatility. These forward foreign currency exchange contracts resulted in realized net gains of \$10 million and \$2 million in the 2022 and 2021 six-month periods, respectively.

UGI International revenues and cost of sales increased \$739 million and \$849 million, respectively, during the 2022 six-month period compared to the prior-year period. Average wholesale prices for propane and butane during the 2022 six-month period in northwest Europe were approximately 76% and 96% higher, respectively, compared with the prior-year period. The increase in revenues and cost of sales principally reflects the impact of significant increases and volatility in natural gas and power prices on our energy marketing business and the effects of these higher average propane and butane selling prices and product costs compared to the prior-year period. These increases were partially offset by the translation effects of weaker foreign currencies (approximately \$125 million and \$94 million, respectively).

UGI International total margin decreased \$110 million during the 2022 six-month period primarily reflecting lower total margin from our energy marketing business and the translation effects of weaker foreign currencies (approximately \$31 million). This decrease was partially offset by higher total margin from our LPG business attributable to strong margin management efforts despite the effects of the previously mentioned higher product costs. The lower total margin from our energy marketing business is largely due to the impact of significant volatility in commodity costs and its effects on the unit margins of certain customer contracts during the 2022 six-month period. The effects of this volatility on such customer contracts are expected to be largely confined to the primary heating season.

UGI International operating income and earnings before interest expense and income taxes decreased \$93 million and \$83 million, respectively, during the 2022 six-month period compared to the prior-year period. The decrease in operating income principally reflects the previously mentioned decrease in total margin and slightly higher operating and administrative expenses (\$2 million) partially offset by higher other operating income related to gains on the sale of assets. The slight increase in operating and administrative expenses reflects higher distribution, packaging and personnel costs associated with higher retail LPG volumes sold and the inflationary cost environment, largely offset by the impact of weaker foreign currencies in the 2022 six-month period (\$18 million). The decrease in earnings before interest expense and income taxes in the 2022 six-month period largely reflects the decrease in operating income partially offset by higher realized gains on foreign currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates (\$8 million).

UGI CORPORATION AND SUBSIDIARIES
Midstream & Marketing

For the six months ended March 31,	2022	2021	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 1,206	\$ 825	\$ 381	46 %
Total margin (a)	\$ 253	\$ 245	\$ 8	3 %
Operating and administrative expenses	\$ 59	\$ 60	\$ (1)	(2)%
Operating income	\$ 159	\$ 142	\$ 17	12 %
Earnings before interest expense and income taxes	\$ 172	\$ 159	\$ 13	8 %

(a) Total margin represents revenues less cost of sales.

Average temperatures across Midstream & Marketing's energy marketing territory during the 2022 six-month period were 8.4% warmer than normal and 4.5% warmer than the prior-year period.

Midstream & Marketing revenues and cost of sales for the 2022 six-month period increased \$381 million and \$373 million, respectively, compared to the prior-year period. These increases were largely driven by natural gas marketing, including the effects of peaking and capacity management activities, which were impacted by significantly higher average natural gas prices compared to the prior-year period, partially offset by lower volumes attributable to the warmer weather. As a result, natural gas marketing revenues and cost of sales increased \$353 million and \$360 million, respectively, during the 2022 six-month period.

Midstream & Marketing total margin increased \$8 million in the 2022 six-month period reflecting higher margin from renewable energy marketing activities (\$11 million) including the impact of increased volumes and average pricing related to environmental credits compared to the prior-year period, improved margin from peaking activities (\$9 million) and incremental margin attributable to the Stonehenge Acquisition (\$4 million). These positive impacts were partially offset by lower margin from capacity management contracts (\$10 million) and natural gas marketing activities (\$7 million) which includes the effects of lower volumes due to warmer weather compared to the prior-year period.

Midstream & Marketing operating income and earnings before interest expense and income taxes during the 2022 six-month period increased \$17 million and \$13 million, respectively, compared to the prior-year period. The increase in operating income is largely attributable to the increase in total margin and the absence of a contingent consideration adjustment related to the GHI acquisition in the prior-year period. The increase in earnings before interest expense and income taxes principally reflects the increase in operating income partially offset by lower income from equity-method investments (\$3 million).

Utilities

For the six months ended March 31,	2022	2021	Increase	
(Dollars in millions)				
Revenues	\$ 1,126	\$ 742	\$ 384	52 %
Total margin (a)	\$ 530	\$ 405	\$ 125	31 %
Operating and administrative expenses (a)	\$ 171	\$ 127	\$ 44	35 %
Operating income	\$ 287	\$ 219	\$ 68	31 %
Earnings before interest expense and income taxes	\$ 292	\$ 220	\$ 72	33 %
Gas Utility system throughput—bcf				
Core market	81	62	19	31 %
Total	216	183	33	18 %
Electric Utility distribution sales - gwh	526	520	6	1 %
Gas Utility heating degree days—% warmer than normal (b)	(8.1)%	(8.8)%	—	—

(a) Total margin represents revenues less cost of sales and revenue-related taxes (i.e., gross receipts and business and occupation taxes) of \$16 million and \$3 million, respectively, during the 2022 and 2021 six-month periods. For financial statement purposes, revenue-related taxes are included in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income (but are excluded from operating and administrative expenses presented above).

(b) Deviation from average heating degree days is determined on a 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Gas Utility's service territories.

UGI CORPORATION AND SUBSIDIARIES

Temperatures in Gas Utility's service territories during the 2022 six-month period were 8.1% warmer than normal and slightly warmer compared to the prior-year period. The increase in Gas Utility core market and total volumes during the 2022 six-month period are largely related to incremental volumes attributable to the acquisition of Mountaineer.

Utilities revenues increased \$384 million in the 2022 six-month period reflecting a \$370 million increase in Gas Utility revenues and a \$14 million increase in Electric Utility revenues. The increase in Gas Utility revenues principally reflects incremental revenues attributable to Mountaineer (\$191 million), higher PGC rates compared to the prior-year period, the effects of the increase in base rates that went into effect during the second quarter of Fiscal 2021, and higher pricing on off-system sales. The increase in Electric Utility revenues during the 2022 six-month period reflects the increase in base rates that went into effect in November 2021 and higher DS rates compared to the prior-year period.

Utilities cost of sales increased \$259 million in the 2022 six-month period largely attributable to Gas Utility (\$250 million) which reflects incremental cost attributable to Mountaineer (\$106 million), higher PGC rates compared to the prior-year period, and increased cost of sales associated with off-system sales. Electric Utility cost of sales increased during the 2022 six-month period largely reflecting the higher DS rates compared to the prior-year period.

Utilities total margin increased \$125 million during the 2022 six-month period largely reflecting incremental margin attributable to Mountaineer (\$85 million). Gas Utility's total margin increase also includes higher natural gas margin attributable to the positive impacts of the increase in base rates, implementation of a DSIC and higher margin from large delivery service customers including the effects of customer growth compared to the prior-year period. Electric Utility margin increased \$5 million largely attributable to the increase in base rates compared to the prior-year period.

Utilities operating income and earnings before interest expense and income taxes increased \$68 million and \$72 million, respectively, during the 2022 six-month period. These increases largely reflect the previously mentioned increase in total margin partially offset by higher operating and administrative expenses (\$44 million) and higher depreciation expense (\$13 million) compared to the prior-year period, both principally related to incremental expenses attributable to Mountaineer. The higher depreciation expense compared to the prior-year period also includes the effects of continued distribution system capital expenditure activity. The increase in earnings before interest expense and income taxes also includes a higher non-service pension benefit compared to the prior-year period.

Interest Expense and Income Taxes

Our consolidated interest expense during the 2022 six-month period was \$163 million compared to \$156 million during the 2021 six-month period. This increase reflects the effects of incremental long-term debt outstanding during the current period, net of repayments, primarily related to the Mountaineer Acquisition and UGI Utilities' issuance of senior notes during the second half of Fiscal 2021, and higher average short-term borrowings outstanding compared to the prior-year period.

The increase in the Company's effective income tax rate for the 2022 six-month period reflects the absence of benefits from the prior-year period related to an election made in connection with a tax law change in Italy and under the CARES Act. These items were partially offset by the net effects of a decrease in the concentration of foreign earnings, including the effects of higher gains on commodity derivative instruments compared to the prior-year period, reflecting foreign statutory tax rates that exceed the U.S. statutory rate.

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

FINANCIAL CONDITION AND LIQUIDITY

The Company expects to have sufficient liquidity including cash on hand and available borrowing capacity to continue to support long-term commitments and ongoing operations despite uncertainties associated with the COVID-19 pandemic and ongoing commodity price volatility. Our total available liquidity balance, comprising cash and cash equivalents and available borrowing capacity on our revolving credit facilities, totaled approximately \$1.9 billion and \$2.2 billion at March 31, 2022 and September 30, 2021, respectively. Our total available liquidity at March 31, 2022 was affected, in part, by \$603 million of cash collateral received from derivative counterparties resulting from the impact of rising commodity prices and an accumulation of derivative assets associated with our commodity derivative instruments. The Company does not have any near-term senior note or term loan maturities, other than the UGI Utilities variable-rate term loan, which is set to mature in October 2022. The Company cannot predict the duration or magnitude that the COVID-19 pandemic and ongoing commodity price volatility will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. UGI and its subsidiaries were in compliance with all debt covenants as of March 31, 2022.

UGI CORPORATION AND SUBSIDIARIES

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 from operations are generally satisfied with borrowings under credit facilities and, in the case of Midstream & Marketing, also from a Receivables Facility. Long-term cash requirements are generally met through the issuance of long-term debt or equity securities. We believe that each of our business units has sufficient liquidity in the forms of cash and cash equivalents on hand; cash expected to be generated from operations; credit facility and Receivables Facility borrowing capacity; and the ability to obtain long-term financing to meet anticipated contractual and projected cash commitments. Issuances of debt and equity securities in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

The primary sources of UGI's cash and cash equivalents are the dividends and other cash payments made to UGI or its corporate subsidiaries by its principal business units. Our cash and cash equivalents totaled \$718 million at March 31, 2022, compared with \$855 million at September 30, 2021. The decrease in cash and cash equivalents since September 30, 2021 is primarily attributable to commodity price volatility experienced in the 2022 six-month period and the seasonality of our business as further described in "Cash Flows" below. Excluding cash and cash equivalents that reside at UGI's operating subsidiaries, at March 31, 2022 and September 30, 2021, UGI had \$222 million and \$172 million of cash and cash equivalents, respectively. Such cash is available to pay dividends on UGI Common Stock, to make quarterly payments on outstanding Purchase Contracts and for investment purposes.

Long-term Debt and Credit Facilities
Long-term Debt

The Company's debt outstanding at March 31, 2022 and September 30, 2021, comprises the following:

(Millions of dollars)	March 31, 2022						September 30, 2021
	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corp & Other	Total	Total
Short-term borrowings	\$ 30	\$ 189	\$ —	\$ 228	\$ —	\$ 447	\$ 367
Long-term debt (including current maturities):							
Senior notes	\$ 2,575	\$ 443	\$ —	\$ 1,290	\$ —	\$ 4,308	\$ 4,270
Term loans	—	332	681	138	765	1,916	1,938
Other long-term debt	1	2	41	26	265	335	283
Unamortized debt issuance costs	(14)	(7)	(9)	(5)	(4)	(39)	(42)
Total long-term debt	\$ 2,562	\$ 770	\$ 713	\$ 1,449	\$ 1,026	\$ 6,520	\$ 6,449
Total debt	\$ 2,592	\$ 959	\$ 713	\$ 1,677	\$ 1,026	\$ 6,967	\$ 6,816

Credit Facilities

Additional information related to the Company's credit agreements can be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 6 to Consolidated Financial Statements in the Company's 2021 Annual Report.

UGI CORPORATION AND SUBSIDIARIES

Information about the Company's principal credit agreements (excluding the Receivables Facility discussed below) as of March 31, 2022 and 2021, is presented in the table below.

(Currency in millions)	Total Capacity	Borrowings Outstanding	Letters of Credit and Guarantees Outstanding	Available Borrowing Capacity
As of March 31, 2022				
AmeriGas OLP	\$ 600	\$ 30	\$ 3	\$ 567
UGI International, LLC (a)	€ 300	€ 170	€ —	€ 130
Energy Services	\$ 260	\$ —	\$ —	\$ 260
UGI Utilities	\$ 350	\$ 192	\$ —	\$ 158
Mountaineer	\$ 100	\$ 36	\$ —	\$ 64
UGI Corporation (b)	\$ 300	\$ 260	\$ —	\$ 40
As of March 31, 2021				
AmeriGas OLP	\$ 600	\$ 130	\$ 60	\$ 410
UGI International, LLC (a)	€ 300	€ —	€ —	€ 300
Energy Services	\$ 260	\$ —	\$ —	\$ 260
UGI Utilities	\$ 350	\$ 193	\$ —	\$ 157
UGI Corporation (b)	\$ 300	\$ 275	\$ —	\$ 25

(a) Permits UGI International, LLC to borrow in euros or dollars. At March 31, 2022, the amount borrowed comprised USD-denominated borrowings of \$188 million, equal to €170 million.

(b) Borrowings outstanding have been classified as "Long-term debt" on the Condensed Consolidated Balance Sheets.

The average daily and peak short-term borrowings under the Company's principal credit agreements are as follows:

(Millions of dollars or euros)	For the six months ended March 31, 2022		For the six months ended March 31, 2021	
	Average	Peak	Average	Peak
AmeriGas OLP	\$ 220	\$ 388	\$ 212	\$ 293
UGI International, LLC	€ 119	€ 250	€ —	€ —
Energy Services	\$ —	\$ —	\$ 7	\$ 32
UGI Utilities	\$ 208	\$ 270	\$ 228	\$ 279
Mountaineer	\$ 58	\$ 80	\$ —	\$ —
UGI Corporation	\$ 185	\$ 260	\$ 265	\$ 300

Receivables Facility. Energy Services has a Receivables Facility with an issuer of receivables-backed commercial paper currently scheduled to expire in October 21, 2022. At March 31, 2022, the outstanding balance of ESFC trade receivables was \$120 million, none of which were sold to the bank. At March 31, 2021, the outstanding balance of ESFC trade receivables was \$81 million, of which \$17 million was sold to the bank. Amounts sold to the bank are reflected as "Short-term borrowings" on the Condensed Consolidated Balance Sheets. During the six months ended March 31, 2022 and 2021, peak sales of receivables were \$98 million and \$87 million, respectively, and average daily amounts sold were \$4 million and \$38 million, respectively.

Significant Financing Activities

UGI International. On December 7, 2021, UGI International, LLC issued, in an underwritten private placement, €400 million principal amount of the UGI International 2.50% Senior Notes due December 1, 2029. The UGI International 2.50% Senior Notes rank equal in right of payment with indebtedness issued under the UGI International Credit Facilities Agreement. The net proceeds from the UGI International 2.50% Senior Notes were used (1) to repay all of the UGI International 3.25% Senior Notes due November 1, 2025 and associated fees and expenses and (2) for general corporate purposes.

Dividends and Repurchases of Common Stock

On November 18, 2021, UGI's Board of Directors declared a cash dividend equal to \$0.345 per common share. The dividend was paid on January 1, 2022, to shareholders of record on December 15, 2021. On February 2, 2022, UGI's Board of Directors declared a quarterly dividend of \$0.345 per common share. The dividend was paid on April 1, 2022, to shareholders of record on March 15, 2022. On May 4, 2022, UGI's Board of Directors approved an increase in the quarterly dividend rate on UGI Common Stock to \$0.36 per common share, or \$1.44 on an annual basis. The new dividend rate reflects an approximate 4% increase from the previous quarterly rate of \$0.345. The new quarterly dividend rate is effective with the dividend payable on July 1, 2022, to shareholders of record on June 15, 2022.

On February 2, 2022, UGI's Board of Directors authorized an extension of an existing share repurchase program for up to 8 million shares of UGI Corporation Common Stock for an additional four-year period, expiring in February 2026.

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 natural gas, LPG, electricity and other energy products and services 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.

Operating Activities. Year-to-year variations in our cash flows from operating activities can be significantly affected by changes in operating working capital especially during periods with significant changes in energy commodity prices. Cash flow provided by operating activities was \$400 million in the 2022 six-month period compared to \$646 million in the 2021 six-month period. Cash flow from operating activities before changes in operating working capital was \$960 million in the 2022 six-month period compared to \$1,082 million in the 2021 six-month period. The lower cash flow from operating activities before changes in working capital reflects, in large part, lower operating results at AmeriGas Propane and UGI International. Cash used to fund changes in operating working capital totaled \$560 million in the 2022 six-month period compared to \$436 million in the 2021 six-month period. Changes in operating working capital during the 2022 six-month period reflect, among other things, increases in cash used to fund accounts receivable and accounts payable, principally due to increases in commodity prices during the 2022 six-month period. These increases in cash used to fund changes in working capital were partially offset by cash inflows associated with income taxes receivable, inventories, other current assets and other current liabilities. Additionally, the 2022 six-month period includes \$138 million of cash collateral received from derivative counterparties as compared to \$44 million of cash collateral received in the prior-year period. The impact of commodity price volatility and increasing supply chain costs are pervasive throughout these changes in working capital.

Investing Activities. Investing activity cash flow is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses and assets; investments in investees; and proceeds from sales of assets and businesses. Cash flow used by investing activities was \$515 million in the 2022 six-month period compared to \$357 million in the 2021 six-month period. Cash expenditures for property, plant and equipment were \$355 million in the 2022 six-month period compared with \$304 million in the 2021 six-month period. Cash used for acquisitions of businesses and assets reflects the Stonehenge Acquisition in the 2022 six-month period and UGI International's acquisition of an LPG retail business in Europe in the 2021 six-month period. Investments in equity method investments in the 2021 six-month period includes our investment in Pine Run. Cash inflows associated with investing activities during the 2022 six-month period includes cash received from the termination of a forward foreign currency contract previously designated at a net investment hedge associated with the UGI International 3.25% Senior Notes.

Financing Activities. Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt; net short-term borrowings/repayments; dividends on UGI Common Stock; quarterly payments on outstanding Purchase Contracts; and issuances and repurchases of equity instruments.

Cash flow provided by financing activities was \$25 million in the 2022 six-month period compared with \$174 million of cash used in the 2021 six-month period. The change in cash flows provided by financing activities is primarily attributable to the issuance of UGI International's 2.50% Senior Notes and concurrent repayment of the UGI International 3.25% Senior Notes during the 2022 six-month period. Additionally, the 2022 six-month period includes net borrowings on revolving credit facilities as compared to net repayments in the prior-year period.

UTILITY REGULATORY MATTERS

Base Rate Filings. On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by \$83 million annually. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service and continue to fund programs designed to promote and reward customers' efforts to increase efficient use of natural gas. PA Gas Utility requested that the new gas rates become effective March 29, 2022. The PAPUC entered an Order on February 24, 2022, suspending the effective date for the rate increase to allow for investigation and public hearings. Unless a settlement is reached sooner, the review process is expected to last up to nine months from the date of filing. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by \$9 million. On October 28, 2021, the PAPUC issued a final order approving a settlement that permitted Electric Utility, effective November 9, 2021, to increase its base distribution revenues by \$6 million.

On January 28, 2020, PA Gas Utility filed a request with the PAPUC to increase its annual base distribution operating revenues by \$75 million annually. On October 8, 2020, the PAPUC issued a final Order approving a settlement that permitted PA Gas Utility to increase its annual base distribution rates by \$20 million, through a phased approach, with \$10 million beginning January 1, 2021 and an additional \$10 million beginning July 1, 2021. Additionally, PA Gas Utility was authorized to implement a DSIC once Gas Utility total property, plant and equipment less accumulated depreciation reached \$2,875 million. This threshold was achieved in December 2020, and PA Gas Utility implemented a DSIC effective April 1, 2021. The PAPUC's final Order also included enhanced COVID-19 customer assistance measures, including the establishment of an Emergency Relief Program for a defined set of payment troubled customers ("ERP"). Additionally, the PAPUC's final order permitted PA Gas Utility to establish a regulatory asset for certain incremental expenses attributable to the ongoing COVID-19 pandemic, most notably expenses related to the ERP and uncollectible accounts expense, through the effective date of rates in the next PA Gas Utility base rate case, to be recovered and amortized over a 10-year period. In accordance with the terms of the Joint Petition, PA Gas Utility was not permitted to file a rate case prior to January 1, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE 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 the Partnership and our UGI International operations pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Their profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. The Partnership and UGI International 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, the Partnership uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements and over-the-counter derivative commodity instruments including price swap contracts. Our UGI International operations use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts, similar to those used by the Partnership, to reduce market risk associated with a portion of their LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract.

UGI Utilities' tariffs contain clauses that permit recovery of all prudently incurred costs of natural gas it sells to its retail core-market customers, including the cost of financial instruments used to hedge purchased gas costs. The recovery clauses provide for periodic adjustments for the difference between the total amounts actually billed to customers through PGC rates and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Utilities operations. PA Gas Utility uses derivative financial instruments, including natural gas futures and option contracts traded on the NYMEX, to reduce volatility in the cost of gas it purchases for its retail core-market customers. The cost of these derivative financial instruments, net of any associated gains or losses, is included in PA Gas Utility's PGC recovery mechanism.

In order to manage market price risk relating to substantially all of Midstream & Marketing's fixed-price sale contracts for physical natural gas and electricity, Midstream & Marketing enters into NYMEX, ICE and over-the-counter natural gas and electricity futures and option contracts, and natural gas basis swap contracts or enters into fixed-price supply arrangements. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge a portion of its anticipated sales of electricity from its electricity generation facilities. Although Midstream & Marketing's fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas or electricity would adversely impact Midstream & Marketing's results. In order to reduce this risk of supplier nonperformance, Midstream & Marketing has diversified its purchases across a number of suppliers. UGI International's natural gas and electricity marketing businesses also use natural gas and electricity futures and forward contracts to economically hedge market risk associated with a substantial portion of anticipated volumes under fixed-price sales and purchase contracts.

Midstream & Marketing has entered into fixed-price sales agreements for a portion of the electricity expected to be generated by its electric generation assets. In the event that these generation assets would not be able to produce all of the electricity needed to supply electricity under these agreements, Midstream & Marketing would be required to purchase electricity on the spot market or under contract with other electricity suppliers. Accordingly, increases in the cost of replacement power could negatively impact Midstream & Marketing's results.

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 at March 31, 2022, includes revolving credit facility borrowings and variable-rate term loans at UGI International, UGI Utilities, Energy Services and UGI Corporation. These debt agreements have interest rates that are generally indexed to short-term market interest rates. We have entered into pay-fixed, receive-variable interest rate swap agreements on all or a significant portion of the term loans' principal balances and all or a significant portion of the term loans' tenor. We have designated these interest rate swaps as cash flow hedges. At March 31, 2022, combined borrowings outstanding under variable-rate debt agreements, excluding the previously mentioned effectively fixed-rate debt, totaled \$837 million.

Long-term debt associated with our domestic businesses is typically issued at fixed rates of interest based upon market rates for debt with similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce interest rate risk associated with near- to medium-term forecasted issuances of fixed rate debt, from time to time we enter into IRPAs.

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, including anticipated foreign currency denominated dividends. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our net investments in our UGI International operations, a 10% decline in the value of the associated foreign currencies versus the U.S. dollar would reduce their aggregate net book value at March 31, 2022, by approximately \$170 million, which amount would be reflected in other comprehensive income. We have designated certain euro-denominated borrowings as net investment hedges.

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 between 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 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 maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate.

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of March 31, 2022, 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 \$2,035 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 March 31, 2022, we had received cash collateral from derivative instrument counterparties totaling \$603 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. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At March 31, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at March 31, 2022 and changes in their fair values due to market risks. Certain of UGI Utilities' commodity derivative instruments are excluded from the table below because any associated net gains or losses are refundable to or recoverable from customers in accordance with UGI Utilities ratemaking.

(Millions of dollars)	Asset (Liability)	
	Fair Value	Change in Fair Value
March 31, 2022		
Commodity price risk (1)	\$ 1,627	\$ (309)
Interest rate risk (2)	\$ 30	\$ (13)
Foreign currency exchange rate risk (3)	\$ 33	\$ (32)

(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.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were effective at the reasonable assurance level.

(b) Change in Internal Control over Financial Reporting

On September 1, 2021, UGI acquired Mountaineer and on June 30, 2021, UGI International acquired Redeo Energies. The Company is currently in the process of integrating the processes and internal controls of Mountaineer and Redeo Energies with the rest of the Company.

Other than the foregoing, no change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the information presented in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2021 Annual Report, which could materially affect our business, financial condition or future results. The risks described below and in our 2021 Annual Report are not the only risks facing the Company. Other unknown or unpredictable factors could also have material adverse effects on future results.

The risk of natural disasters, pandemics and catastrophic events, including terrorism and military conflict, may adversely affect the economy and the price, volatility and availability of LPG, other refined fuels and natural gas.

Natural disasters, pandemics and catastrophic events, such as fires, earthquakes, explosions, floods, tornadoes, hurricanes, terrorist attacks, military conflict, political unrest and other similar occurrences, may adversely impact the demand for, price and availability of LPG (including propane), other refined fuels and natural gas, which could adversely impact our financial condition and results of operations, our ability to raise capital and our future growth. The impact that the foregoing may have on our industries in general, and on us in particular, is not known at this time. A natural disaster, pandemic, act of terror, or military conflict could result in disruptions of crude oil or natural gas supplies and markets (the sources of LPG), cause price volatility in the cost of LPG, fuel oil and natural gas, and our infrastructure facilities could be directly or indirectly impacted. Additionally, if our means of supply transportation, such as rail, truck or pipeline, are delayed or temporarily unavailable due to a natural disaster, pandemic, terrorist activity, or military conflict, we may be unable to transport LPG and other refined fuels in a timely manner or at all. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of a natural disaster, pandemic, terrorism, or military conflict could also affect our ability to raise capital. We have opted to purchase insurance coverage for natural disasters and terrorist acts within our property and casualty insurance programs, but we can give no assurance that our insurance coverage would be adequate to fully compensate us for any losses to our business or property resulting from natural disasters or terrorist acts.

In February 2022, military conflict escalated between Russia and Ukraine which could adversely impact price, volatility and availability of energy products in parts of our European market, customer and supplier relationships, and result in supply chain issues, heightened economic sanctions, embargoes and regional instability. It is not possible to estimate the impact on our business of a continued military conflict in Ukraine.

Our international operations could be subject to increased risks, which may negatively affect our business results.

We operate LPG distribution and energy marketing businesses in Europe through our subsidiaries and we continue to explore the expansion of our international businesses. As a result, we face risks in conducting business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- potentially adverse tax consequences, including restrictions on repatriating earnings, the threat of “double taxation,” and potential increases to corporate income taxes (including the proposed OECD framework that aims to reform international taxation rules with the goal of ensuring that multinational corporations pay adequate taxes in the jurisdictions in which they operate and other similar proposals);
- fluctuations in currency exchange rates, particularly the euro, which can affect demand for our products, increase our costs and adversely affect our profitability and reported results;
- new or revised regulatory requirements, including European competition laws that may adversely affect the terms of contracts with customers, including with respect to exclusive supply rights, and stricter regulations applicable to the storage and handling of LPG;
- economic and political uncertainty relating to the United Kingdom’s withdrawal from the EU, commonly known as “Brexit,” which may result in, among other things, increased regulatory costs and challenges, greater volatility in the British pound sterling and euro, business disruptions and increased tariffs;
- new and inconsistently enforced industry regulatory requirements, which can have an adverse effect on our competitive position;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- longer payment cycles;
- local political and economic conditions as well as geopolitical conditions that could cause instability and adversely impact the global economy or specific markets, such as the military conflict between Russia and Ukraine; and

- potential violations of federal regulatory requirements, including anti-bribery, anti-corruption, and anti-money laundering law, economic sanctions, the Foreign Corrupt Practices Act of 1977, as amended, and EU regulatory requirements, including the GDPR and Sapin II.

In particular, certain legal and regulatory risks are associated with international business operations. We are subject to various anti-corruption, economic sanctions and trade compliance laws, rules and regulations. For example, the U.S. government imposes restrictions and prohibitions on transactions in certain foreign countries, including restrictions directed at oil and gas activities in Russia. U.S. laws also prohibit the improper offer, payment, promise to pay, or authorization of the payment of money or anything of value to any foreign official or political party, or to any person, knowing that all or a portion of it will be used to influence a foreign official in his or her official duties or to secure an improper advantage. Ensuring compliance with all relevant laws, rules and regulations is a complex task. Violation of one or more of these laws, rules or regulations could lead to loss of import or export privileges, civil or criminal penalties for us or our employees, or potential reputational harm, which could have a material adverse impact on earnings, cash flows and financial condition.

Changes in and volatility of commodity market prices may have a significant negative effect on our liquidity and our operating results.

Depending on the terms of our contracts with suppliers as well as our use of financial instruments to reduce volatility in the cost of LPG and natural gas, changes in the market price of LPG and natural gas can create margin payment obligations for us and expose us to increased liquidity risk. In addition, increased demand for domestically produced LPG and natural gas overseas may, depending on production volumes in the U.S., result in higher domestic prices and expose us to additional liquidity risks.

It is difficult to predict future commodity costs and our hedging program includes inherent assumptions about consumption and pricing. As a result, there is risk that actual consumption and pricing may be different than contemplated by the program and, further, that sharp increases in commodity prices, particularly when coupled with rapid or unexpected increases in customer consumption, may result in a risk of significant unforeseen costs in performing fixed price and full requirement contracts. While we employ an active and robust hedging program, any shortfalls resulting from the risks associated with fixed price and full requirement programs will reduce our overall profitability. During Fiscal 2022, our UGI International energy marketing margins were negatively impacted by significant increases and unprecedented volatility in natural gas commodity prices exacerbated by higher-than-anticipated volumes purchased by certain customers under fixed price and full requirement contracts.

ITEM 6. EXHIBITS

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and last date of the period for which it was filed, and the exhibit number in such filing):

Exhibit No.	Incorporation by Reference			Exhibit
	Exhibit	Registrant	Filing	
31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2022, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2022, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2022, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS	XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.SCH	XBRL Taxonomy Extension Schema			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase			
101.DEF	XBRL Taxonomy Extension Definition Linkbase			
101.LAB	XBRL Taxonomy Extension Labels Linkbase			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

EXHIBIT INDEX

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104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

UGI CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, 2022

UGI Corporation
(Registrant)

By: /s/ Ted J. Jastrzebski
Ted J. Jastrzebski
Chief Financial Officer

Date: May 5, 2022

By: /s/ Jean Felix Tematio Dontsop
Jean Felix Tematio Dontsop
Vice President, Chief Accounting Officer
and Corporate Controller

CERTIFICATION

I, Roger Perreault, certify that:

1. I have reviewed this periodic report on Form 10-Q of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ Roger Perreault

Roger Perreault
President and Chief Executive Officer of
UGI Corporation

CERTIFICATION

I, Ted J. Jastrzebski, certify that:

1. I have reviewed this periodic report on Form 10-Q of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ Ted J. Jastrzebski

Ted J. Jastrzebski

Chief Financial Officer of UGI Corporation

**Certification by the Chief Executive Officer and Chief Financial Officer
Relating to a Periodic Report Containing Financial Statements**

I, Roger Perreault, Chief Executive Officer, and I, Ted J. Jastrzebski, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the “Company”), hereby certify that to our knowledge:

- (1) The Company’s periodic report on Form 10-Q for the period ended March 31, 2022 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHIEF EXECUTIVE OFFICER

/s/ Roger Perreault

Roger Perreault

Date: May 5, 2022

CHIEF FINANCIAL OFFICER

/s/ Ted J. Jastrzebski

Ted J. Jastrzebski

Date: May 5, 2022