

**UGI INTERNATIONAL, LLC
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
and
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS
for the years ended September 30, 2024, 2023 and 2022

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Terms and Abbreviations	3
Financial Statements:	
Report of Independent Auditors	5
Consolidated Balance Sheets as of September 30, 2024 and 2023	8
Consolidated Statements of Income for the years ended September 30, 2024, 2023 and 2022	9
Consolidated Statements of Comprehensive Income for the years ended September 30, 2024, 2023 and 2022	10
Consolidated Statements of Cash Flows for the years ended September 30, 2024, 2023 and 2022	11
Consolidated Statements of Changes in Equity for the years ended September 30, 2024, 2023 and 2022	12
Notes to Consolidated Financial Statements	13
Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)	37

UGI INTERNATIONAL, LLC AND SUBSIDIARIES
GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this document are defined below:

UGI International and Related Entities

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

Company - UGI International and its consolidated subsidiaries collectively

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

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

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

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

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

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

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

Other Terms and Abbreviations

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

ABO - Accumulated Benefit Obligation

AOI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

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

ASC 820 - ASC 820, "Fair Value Measurement"

ASU - Accounting Standards Update

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

Euribor - Euro Interbank Offered Rate

Fiscal 2020 - The fiscal year ended September 30, 2020

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ended September 30, 2022

Fiscal 2023 - The fiscal year ended September 30, 2023

Fiscal 2024 - The fiscal year ending September 30, 2024

Fiscal 2025 - The fiscal year ending September 30, 2025

Fiscal 2026 - The fiscal year ending September 30, 2026

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Fiscal 2027 - The fiscal year ending September 30, 2027

Fiscal 2028 - The fiscal year ending September 30, 2028

Fiscal 2029 - The fiscal year ending September 30, 2029

GAAP - U.S. generally accepted accounting principles

GILTI - Global Intangible Low Taxed Income

IRC - Internal Revenue Code

IRS - Internal Revenue Service

IT - Information technology

LPG - Liquefied petroleum gas

NPNS - Normal purchase and normal sale

PBO - Projected benefit obligation

ROU - Right-of-use

TCJA - Tax Cuts and Jobs Act

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

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

U.K. - United Kingdom

U.S. - United States of America

USD - U.S. dollar

VDP - Voluntary Departure Plan



Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Member and Management of UGI International, LLC:

Opinion

We have audited the consolidated financial statements of UGI International, LLC and subsidiaries (the Company) (a wholly-owned subsidiary of UGI Corporation), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2024, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2024 and 2023 and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information

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



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

Ernst & Young LLP

January 9, 2025

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Millions of dollars)

	September 30,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127	\$ 143
Restricted cash	7	45
Accounts receivable (less allowances for doubtful accounts of \$28 and \$27, respectively)	317	403
Inventories	146	156
Derivative instruments	11	49
Prepaid expenses and other current assets	61	99
Total current assets	669	895
Property, plant and equipment:		
Gross property, plant and equipment	2,107	2,012
Accumulated depreciation	(1,120)	(1,020)
Net property, plant and equipment	987	992
Goodwill	950	911
Intangible assets, net	99	107
Derivative instruments	6	38
Other assets	195	169
Total assets	\$ 2,906	\$ 3,112
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 2	\$ 1
Short-term borrowings	128	214
Accounts payable	238	274
Employee compensation and benefits accrued	106	54
Derivative instruments	12	16
Other current liabilities	118	226
Total current liabilities	604	785
Long-term debt	785	738
Deferred income taxes	161	179
Derivative instruments	10	2
Customer tank and cylinder deposits	243	249
Other noncurrent liabilities	77	73
Total liabilities	1,880	2,026
Commitments and contingencies (Note 13)		
Equity:		
Member's equity	1,017	1,078
Noncontrolling interests	9	8
Total equity	1,026	1,086
Total liabilities and equity	\$ 2,906	\$ 3,112

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Millions of dollars)

	Year Ended September 30,		
	2024	2023	2022
Revenues	\$ 2,238	\$ 2,965	\$ 3,695
Costs and expenses:			
Cost of sales	1,308	3,447	1,954
Operating and administrative expenses	627	627	614
Operating and administrative expenses - related parties	16	15	10
Depreciation and amortization	119	116	117
Loss on disposal of energy marketing business	29	221	—
Other operating income, net	(15)	(35)	(31)
	<u>2,084</u>	<u>4,391</u>	<u>2,664</u>
Operating income (loss)	154	(1,426)	1,031
Loss from equity investees	(30)	(4)	(2)
Loss on extinguishment of debt	—	—	(11)
Other non-operating (expense) income, net	(15)	(15)	69
Interest expense	(44)	(37)	(28)
Income (loss) before income taxes	65	(1,482)	1,059
Income tax benefit (expense)	31	406	(250)
Net income (loss) including noncontrolling interests	96	(1,076)	809
Deduct net income attributable to noncontrolling interests	—	—	(1)
Net income (loss) attributable to UGI International, LLC	<u>\$ 96</u>	<u>\$ (1,076)</u>	<u>\$ 808</u>

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of dollars)

	Year Ended September 30,		
	2024	2023	2022
Net income (loss) including noncontrolling interests	\$ 96	\$ (1,076)	\$ 809
Other comprehensive income (loss):			
Net (loss) gains on derivative instruments (net of tax of \$1, \$(1), and \$0, respectively)	(4)	2	—
Reclassifications of net gains on derivative instruments (net of tax of \$1, \$0, and \$0, respectively)	(2)	—	—
Foreign currency translation adjustments (net of tax of \$14, \$21, and \$(55), respectively)	12	68	(193)
Foreign currency gains (losses) on long-term intra-company transactions	47	64	(148)
Benefit plans, principally actuarial (losses) gains (net of tax of \$0, \$(1), and \$(4), respectively)	(1)	1	11
Reclassifications of benefit plans net actuarial gains and prior service benefits (net of tax of \$0, \$0, and \$0, respectively)	—	(1)	(1)
Other comprehensive income (loss)	52	134	(331)
Deduct comprehensive income attributable to noncontrolling interests	—	—	(1)
Comprehensive income (loss) attributable to UGI International, LLC	<u>\$ 148</u>	<u>\$ (942)</u>	<u>\$ 477</u>

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) including noncontrolling interests	\$ 96	\$ (1,076)	\$ 809
Adjustments to reconcile net income (loss) including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	119	116	117
Deferred income tax (benefit) expense, net	(50)	(433)	179
Changes in unrealized gains and losses on derivative instruments	92	1,436	(858)
Impairments of assets	7	14	5
Loss on disposal of energy marketing business	29	221	—
Loss from equity investees	30	4	2
Loss on extinguishment of debt	—	—	11
Other, net	4	14	(7)
Net change in:			
Accounts receivable	103	169	(225)
Inventories	20	47	(70)
Accounts payable	(55)	(51)	(8)
Derivative instruments collateral (paid) received	(35)	(283)	49
Other current assets	(2)	(6)	25
Other current liabilities	(52)	(33)	53
Net cash provided by operating activities	<u>306</u>	<u>139</u>	<u>82</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(87)	(129)	(107)
Net proceeds (payments) from the disposition of businesses and assets	31	(42)	17
Acquisitions of businesses, net of cash acquired	—	(9)	—
Settlement of net investment hedges	3	22	26
Other, net	(5)	(18)	(12)
Net cash used by investing activities	<u>(58)</u>	<u>(176)</u>	<u>(76)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	(97)	199	1
Distributions paid	(209)	(322)	(278)
Capital contribution received	—	40	—
Issuances of long-term debt, net of issuance costs	—	319	444
Repayments of long-term debt and finance leases	—	(320)	(419)
Net cash used by financing activities	<u>(306)</u>	<u>(84)</u>	<u>(252)</u>
Foreign exchange effect on cash, cash equivalents and restricted cash	4	9	(61)
Cash, cash equivalents and restricted cash decrease	<u>\$ (54)</u>	<u>\$ (112)</u>	<u>\$ (307)</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash, cash equivalents and restricted cash at end of year	\$ 134	\$ 188	\$ 300
Cash, cash equivalents and restricted cash at beginning of year	188	300	607
Cash, cash equivalents and restricted cash decrease	<u>\$ (54)</u>	<u>\$ (112)</u>	<u>\$ (307)</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for:			
Interest	\$ 42	\$ 34	\$ 28
Income taxes	\$ 39	\$ 51	\$ 50

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Millions of dollars)

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2021	\$ 2,103	\$ 9	\$ 2,112
Net income	808	1	809
Cash distributions	(278)	—	(278)
Changes in AOCI balance (Note 16)	(331)	—	(331)
Other	—	(2)	(2)
Balance at September 30, 2022	\$ 2,302	\$ 8	\$ 2,310
Net loss	(1,076)	—	(1,076)
Capital contribution	40	—	40
Cash distributions	(322)	—	(322)
Changes in AOCI balance (Note 16)	134	—	134
Balance at September 30, 2023	\$ 1,078	\$ 8	\$ 1,086
Net income	96	—	96
Cash distributions	(209)	—	(209)
Changes in AOCI balance (Note 16)	52	—	52
Other	—	1	1
Balance at September 30, 2024	<u>\$ 1,017</u>	<u>\$ 9</u>	<u>\$ 1,026</u>

See accompanying notes to consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Index to Notes

Note 1 — Nature of Operations

Note 2 — Summary of Significant Accounting Policies

Note 4 — Revenue from Contracts with Customers

Note 5 — Energy Marketing Business

Note 6 — Debt

Note 7 — Income Taxes

Note 8 — Employee Retirement Plans

Note 9 — Inventories

Note 10 — Property, Plant and Equipment

Note 11 — Goodwill and Intangible Assets

Note 12 — Leases

Note 13 — Commitments and Contingencies

Note 14 — Fair Value Measurements

Note 15 — Derivative Instruments and Hedging Activities

Note 16 — Accumulated Other Comprehensive Income

Note 17 — Other Operating Income, Net and Other Non-Operating Income (Expense), Net

Note 18 — Related Party Transactions

Note 1 — Nature of Operations

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

UGI International, through its subsidiaries and affiliates, primarily conducts an LPG distribution business throughout much of Europe. The LPG business is conducted principally through our subsidiaries, UGI France, Flaga, AvantiGas, and UniverGas. As of the end of the first quarter of Fiscal 2024, UGI International had exited substantially all of its energy marketing business which primarily marketed natural gas and electricity to customers through third-party distribution systems in France, Belgium, the Netherlands, and the United Kingdom. See Note 5 for additional information regarding the energy marketing business.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. Investments in equity securities related to entities in which we do not have significant influence over operating and financial policies are generally initially valued at their cost less impairment (if any) and subsequently remeasured at fair value, as applicable, in accordance with the relevant provisions under GAAP. Our investments in such entities totaled \$58 and \$79 at September 30, 2024 and 2023, respectively, and are included in "Other assets" on the Consolidated Balance Sheets.

Fair Value Measurements

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

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

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

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.
- Level 3 — Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability.

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

Derivative Instruments

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

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

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

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 15.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Foreign Currency Translation

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

Revenue Recognition

The Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Certain revenues such as revenue from leases, financial instruments and other revenues are not within the scope of ASC 606 because they are not from contracts with customers. Such revenues are accounted for in accordance with other GAAP. Revenue-related taxes collected on behalf of customers and remitted to taxing authorities are not included in revenues. The Company has elected to use the practical expedient to expense the costs to obtain contracts when incurred as such amounts are generally not material.

See Note 4 for additional information regarding the Company's revenue from contracts with customers.

Accounts Receivable

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

LPG Delivery Expenses

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

Income Taxes

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

Cash, Cash Equivalents and Restricted Cash

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

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

	2024	2023	2022
Cash and cash equivalents	\$ 127	\$ 143	\$ 298
Restricted cash	7	45	2
Cash, cash equivalents and restricted cash	<u>\$ 134</u>	<u>\$ 188</u>	<u>\$ 300</u>

Inventories

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

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

Property, Plant and Equipment and Related Depreciation

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

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

Segment Information

We have determined that we have a single reportable operating segment that primarily engages in the distribution of LPG and related equipment and supplies. Substantially all of our revenues are derived from sources in Europe and substantially all of our long-lived assets are located in Europe. Our revenues and long-lived assets associated with operations in France represent approximately 60% and 70% of the respective consolidated amounts. No single customer represents ten percent or more of consolidated revenues.

Goodwill and Intangible Assets

Intangible Assets. We amortize intangible assets over their estimated useful lives unless we determine their lives to be indefinite. Estimated useful lives of definite-lived intangible assets, primarily consisting of customer relationships and certain tradenames, do not exceed 15 years. We test definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the associated carrying amounts may be impaired. Determining whether an impairment loss occurred requires comparing the carrying amount to the estimated fair value of the asset. Intangible assets with indefinite lives, consisting of certain tradenames and trademarks, are not amortized but are tested for impairment annually (and more frequently if events or changes in circumstances between annual tests indicate that it is more likely than not that they are impaired) and written down to fair value, if impaired. See Note 11 for additional information related to intangible asset impairment recognized in Fiscal 2023.

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

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

In Fiscal 2024, the Company bypassed the qualitative assessment and performed a quantitative assessment. Such assessment used a weighting of income and market approaches to determine fair value. With respect to the income approach, management used a discounted cash flow ("DCF") method, using unobservable inputs. The significant assumptions in our DCF model include projected EBITDA, and a discount rate (and estimates in the discount rate inputs). With respect to the market approach, management used recent transaction market multiples for similar companies. Based on our evaluation, we determined that the Company's fair value exceeded its carrying value by less than 30%. While the Company believes that its judgments used in the quantitative assessment of its fair value are reasonable based upon currently available facts and circumstances, if the Company were not able to achieve its anticipated results and/or if its discount rate were to increase, its fair value would be adversely affected, which may result in an impairment. There is \$950 of goodwill as of September 30, 2024. The Company will continue to monitor its goodwill for any possible future non-cash impairment charges.

There were no accumulated goodwill impairment losses at September 30, 2024 and 2023, and no provisions for goodwill impairment were recognized for all periods presented. See Note 11 for further information on our goodwill and intangible assets.

Impairment of Long-Lived Assets

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

Refundable Tank and Cylinder Deposits

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

Equity Method Investments

We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. Equity method investments are included in "Other assets" on the Consolidated Balance Sheets and equity method earnings are included in "Loss from equity investees" on the Consolidated Statements of Income. In Fiscal 2024, the Company recognized an other-than-temporary pre-tax impairment loss of \$26 related to its investment in a joint venture that invests in renewable energy projects. This loss was recorded in "Loss from equity investees" on the Consolidated Statements of Income.

Subsequent Events

Management has evaluated the impact of subsequent events through January 9, 2025, the date these consolidated financial statements were issued and the effects, if any, of such evaluation have been reflected in the consolidated financial statements and related disclosures.

Note 3 — Accounting Changes**Accounting Standards Not Yet Adopted**

Disaggregation of Income Statement Expenses. In November 2024, the FASB issued ASU 2024-03, “Disaggregation of Income Statement Expenses (Subtopic 220-40)” which requires enhanced disclosure of income statement expense categories to improve transparency and provide financial statement users with more detailed information about the nature, amount and timing of expenses impacting financial performance. This new guidance is effective for the Company for annual periods beginning October 1, 2027 (Fiscal 2028) and interim periods beginning October 1, 2028 (Fiscal 2029). Early adoption is permitted. The amendments in this ASU may be adopted using the prospective or retrospective methods. The Company is in the process of assessing the impact on its financial statements and determining the transition method and the period in which the new guidance will be adopted.

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

Note 4 — Revenue from Contracts with Customers

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

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

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

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

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

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

Energy Marketing. Prior to the exit of substantially all of its energy marketing business as of the end of the first quarter of Fiscal 2024, the Company operated an energy marketing business that sold energy commodities, principally natural gas and electricity, to residential, commercial, industrial and wholesale customers.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

We marketed natural gas and electricity on full-requirements or agreed-upon volume bases under contracts with varying length terms and at fixed or floating prices that were based on market indices adjusted for differences in price between the market location and delivery locations. Performance obligations associated with these contracts primarily comprised the delivery of the natural gas and electricity over a contractual period of time. Performance obligations also included other energy-related ancillary services provided to customers such as capacity. For performance obligations that were satisfied at a point in time such as the delivery of natural gas, revenue was recorded when customers took control of the natural gas. Revenue was recorded for performance obligations that qualify as a series, when customers consumed the natural gas or electricity was delivered, which corresponds to the amount invoiced to the customer. For transactions where the price or volume was not fixed, the transaction price was not determined until delivery occurs. The billed amount, and the revenue recorded, was based upon consumption by the customer. See Note 5 for additional information.

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

Revenue Disaggregation

The following table presents our disaggregated revenues:

	2024	2023	2022
Revenues from contracts with customers:			
LPG:			
Retail	\$ 1,816	\$ 1,768	\$ 1,997
Wholesale	180	207	278
Energy Marketing	128	872	1,298
Other	74	80	79
Total revenues from contracts with customers	2,198	2,927	3,652
Other revenues (a)	40	38	43
Total revenues	\$ 2,238	\$ 2,965	\$ 3,695

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

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers or cash receipts. Contract assets represent our right to consideration after the performance obligations have been satisfied when such right is conditioned on something other than the passage of time. Contract assets were not material at September 30, 2024 and 2023. Substantially all of our receivables are unconditional rights to consideration and are included in “Accounts receivable” on the Consolidated Balance Sheets. Amounts billed are generally due within the following month.

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company’s obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were \$41 and \$65 at September 30, 2024 and 2023, respectively, and are included in “Other current liabilities” on the Consolidated Balance Sheets. Revenue recognized during Fiscal 2024, Fiscal 2023 and Fiscal 2022 from the amount included in contract liabilities at September 30, 2023, September 30, 2022 and September 30, 2021 was \$65, \$56 and \$52, respectively.

Remaining Performance Obligations

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Note 5 — Energy Marketing Business

UGI International Energy Marketing Transactions

As of the end of the first quarter of Fiscal 2024, pursuant to its previously announced decision, the Company had exited substantially all of its European energy marketing business which primarily marketed natural gas and electricity to customers through third-party distribution systems in France, Belgium, the Netherlands, and the United Kingdom.

France. In October 2023, UGI International, through a wholly-owned subsidiary, sold substantially all of its energy marketing business located in France for a net cash payment to the buyer of \$29. In conjunction with the sale, the Company recorded a pre-tax loss of \$29 in Fiscal 2024, which amount principally represents the net payment to the buyer. The loss is reflected in “Loss on disposal of energy marketing business” on the Consolidated Statements of Income. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, were not material.

Belgium. In September 2023, UGI International, through a wholly-owned subsidiary, sold its energy marketing business located in Belgium for a net cash payment to the buyer of \$3. Pursuant to the sale agreement, the Company transferred to the buyer certain assets, principally comprising customer and energy broker contracts. In conjunction with the sale, the Company recorded a pre-tax loss of \$6 in Fiscal 2023, which amount includes the net payment to the buyer, the write-off of certain prepaid energy broker payments and associated transaction costs and fees. The loss is reflected in “Loss on disposal of energy marketing business” on the Consolidated Statements of Income.

United Kingdom. In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment to the buyer of \$19. In conjunction with the sale, the Company recorded a pre-tax loss of \$215 in Fiscal 2023, substantially all of which was due to the non-cash transfer of commodity derivative instruments associated with the business. The loss is reflected in “Loss on disposal of energy marketing business” on the Consolidated Statements of Income. At the date of closing of the sale, these commodity derivative instruments had a net carrying value of \$206 which is attributable to net unrealized gains on such instruments.

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

In conjunction with the wind-down of its European energy marketing business, in December 2023, DVEP completed a sale of a substantial portion of its power purchase agreements to a third party for a total consideration to the buyer of \$5. In conjunction with the sale, the Company recorded a loss of \$5, which is reflected in “Other operating income, net” on the Consolidated Statements of Income.

During the first quarter of Fiscal 2023, the Company recorded a \$14 pre-tax impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets. The impairment charge is reflected in “Operating and administrative expenses” on the Consolidated Statements of Income.

Note 6 — Debt

Significant Financing Activities During Fiscal 2024

UGI International 2023 Credit Agreement. In June 2024, UGI International, LLC and its indirect wholly-owned subsidiary, UGI International Holdings B.V., entered into the first amendment to the UGI International 2023 Credit Agreement, which

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

provides for the establishment and incorporation of specific key performance indicators with respect to Environmental, Social and Governance targets, whereby based on UGI International, LLC's performance against the key performance indicators, certain adjustments of up to 0.05% in total to the applicable margin may be made. All other significant terms of the credit agreement remain unchanged.

Credit Facilities and Short-term Borrowings

The UGI International 2023 Credit Agreement multicurrency revolving credit facility permits UGI International to borrow in euros or USD. At September 30, 2024, there were €115 borrowings outstanding under this facility and the Company's available borrowing capacity under the facility was €385. The weighted average interest rate on borrowings outstanding at September 30, 2024 was 4.88%. At September 30, 2023, there were €202 borrowings outstanding under this facility and the Company's available borrowing capacity under the facility was €298. The weighted average interest rate on borrowings outstanding at September 30, 2023 was 5.17%. Borrowings outstanding under these agreements, if any, are classified as "Short-term borrowings" on the Consolidated Balance Sheets.

Long-term Debt

Long-term debt comprises the following at September 30:

	2024	2023
2.50% Senior Notes due December 2029	\$ 446	\$ 424
UGI International variable-rate term loan due March 2028 (a)	335	317
Other	12	6
Unamortized debt issuance costs	(6)	(8)
Total long-term debt	787	739
Less current maturities	(2)	(1)
Total long-term debt due after one year	\$ 785	\$ 738

(a) At September 30, 2024, the effective interest rate on the term loan was 4.95%. We have entered into pay-fixed, receive-variable interest rate swap that fix the underlying variable rate at 3.10% through March 2026.

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

	2025	2026	2027	2028	2029
Total	\$ 2	\$ 2	\$ 2	\$ 336	\$ 2

Restrictive Covenants. Our debt agreements generally contain customary covenants and default provisions which may include, among other things, restrictions on the incurrence of additional indebtedness and also restrict liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The UGI International 2023 Credit Agreement contains standard provisions which require compliance with certain financial ratios. The Company was in compliance with its debt covenants as of September 30, 2024.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Note 7 — Income Taxes

The provisions for income taxes consist of the following:

	2024	2023	2022
Current expense (benefit):			
Federal	\$ (8)	\$ (14)	\$ 15
State	(5)	(8)	6
Foreign	32	49	50
Total current expense	19	27	71
Deferred (benefit) expense:			
Federal	14	(3)	(11)
State	(1)	1	(4)
Foreign	(63)	(431)	194
Total deferred (benefit) expense	(50)	(433)	179
Total income tax (benefit) expense	\$ (31)	\$ (406)	\$ 250

Federal income taxes for Fiscal 2024, Fiscal 2023 and Fiscal 2022 are net of foreign tax credits of \$17, \$25 and \$5, respectively.

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

	2024	2023	2022
Income tax expense (benefit) at U.S. federal statutory tax rate	\$ 14	\$ (312)	\$ 222
Difference in income tax (benefit) expense due to:			
Other effects of foreign operations (a)	(6)	(59)	69
Valuation allowance adjustments	(34)	(16)	(4)
Notional interest deduction	(13)	(13)	(13)
State income tax benefit, net of federal expense	(4)	(5)	2
Deferred tax effects of International tax rate changes	—	—	(32)
Impairment on equity investment	7	—	—
U.S. tax on foreign source income, net of FTC	2	1	2
Other, net	3	(2)	4
Total income tax (benefit) expense	\$ (31)	\$ (406)	\$ 250

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

For all periods presented, our effective tax rate was subject to the impact of changes to the taxation of foreign source income made by the TCJA and the high tax exception regulations issued in July 2020. Income tax expense for Fiscal 2024, Fiscal 2023 and Fiscal 2022 includes \$2, \$13, and \$3, respectively, of GILTI taxes that are treated as current period costs and carry no related deferred taxes.

The rate decrease in France on temporary differences arising in Fiscal 2022 that are reversing in future periods in the lower tax rate environment resulted in a \$33 benefit for Fiscal 2022.

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

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

	2024	2023
Excess book basis over tax basis of property, plant and equipment	\$ 135	\$ 135
Intangible assets and goodwill	9	11
Derivative instrument assets	4	31
Deposits	17	15
Other	2	3
Gross deferred tax liabilities	167	195
Employee-related benefits	(5)	(3)
Operating loss carryforwards	(27)	(22)
Foreign tax credit carryforwards	(49)	(64)
Notional interest carryforward	(67)	(50)
Other	(12)	(7)
Gross deferred tax assets	(160)	(146)
Deferred tax assets valuation allowance	97	115
Net deferred tax liabilities	\$ 104	\$ 164

At September 30, 2024, we carried foreign net operating loss carryforwards of \$9 relating to Flaga, \$22 to certain subsidiaries of UGI France, \$8 relating to Belgium, and \$66 in the Netherlands with no expiration dates.

Valuation allowances against deferred tax assets exist for foreign tax credit carryforwards, net operating loss carryforwards of foreign subsidiaries and a notional interest deduction. The valuation allowance for all deferred tax assets in Fiscal 2024 decreased \$18 due to the decrease of a net \$22 on the notional interest deduction carryforward and \$1 against FTC's that will become realizable in the future, offset by a \$5 increase in foreign net operating losses.

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

Our U.S. federal income tax returns are settled through the 2020 tax year and, our European tax returns are effectively settled for various years from 2016 to 2021. State and other income tax returns in the U.S. are generally subject to examination for a period of three to five years after the filing of the respective returns.

The Company's unrecognized tax benefits including amounts related to accrued interest, which if subsequently recognized would be recorded as a benefit to income taxes, and activity related to these unrecognized tax benefits were not material for all periods presented.

Note 8 — Employee Retirement Plans

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

The following table provides a reconciliation of the PBOs, the fair values of assets and the funded status associated with our pension plans as of September 30, 2024 and 2023. ABO is the present value of benefits earned to date with benefits based upon current compensation levels. PBO is ABO increased to reflect estimated future compensation.

	Pension Benefits	
	2024	2023
Change in benefit obligations:		
Benefit obligations - beginning of year	\$ 29	\$ 26
Service cost	2	2
Interest cost	1	1
Actuarial loss (gain)	1	(1)
Foreign currency	2	2
Benefits paid	(2)	(1)
Benefit obligations - end of year (a)	<u>\$ 33</u>	<u>\$ 29</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 18	\$ 16
Actual gain on plan assets	2	1
Foreign currency	1	1
Employer contributions	2	1
Benefits paid	(1)	(1)
Fair value of plan assets - end of year	<u>\$ 22</u>	<u>\$ 18</u>
Funded status of the plans - end of year (b)	<u>\$ (11)</u>	<u>\$ (11)</u>
Amounts recorded in UGI International member's equity (pre-tax):		
Prior service cost	\$ 3	\$ 3
Net actuarial gain	(13)	(13)
Total	<u>\$ (10)</u>	<u>\$ (10)</u>

(a) The ABOs for the pension plans were \$27 and \$29 as of September 30, 2024 and 2023, respectively.

(b) Amounts are reflected in "Other noncurrent liabilities" and "Other assets" on the Consolidated Balance Sheets. Amounts reflected in "Other assets" are not material.

In Fiscal 2024 and Fiscal 2023, the change in the pension plans' PBO due to actuarial losses (gains) is principally the result of changes in discount rates.

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

	Pension Plan		
	2024	2023	2022
Weighted-average assumptions:			
Discount rate – benefit obligations	3.30%	4.00%	3.44% to 3.70%
Discount rate – benefit cost	4.00%	3.44% to 3.70%	0.76% to 0.85%
Expected return on plan assets	2.50%	2.50%	0.75% to 2.50%
Rate of increase in salary levels	2.50% to 4.20%	2.50% to 4.20%	2.50% to 4.20%

The service cost component of our pension and other postretirement plans is reflected in "Operating and administrative expenses" on the Consolidated Statements of Income. The non-service cost component is reflected in "Other non-operating

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

income (expense), net" on the Consolidated Statements of Income. Net periodic pension and other postretirement benefit cost and its components were not material for all periods presented.

As of September 30, 2024, a substantial portion of the pension plan assets which are associated with Belgium pension plans are invested under agreement with a commercial investment manager in the Netherlands, KBC Asset Management, in accordance with a strategic asset allocation plan which has been agreed upon by Antargaz management and formalized in a Statement of Investment Principles. The Statement of Investment Principles stipulates the benchmarks of the asset arrangement as well as the allowed deviations from the benchmark for each asset class. Such assets are invested approximately 40% in bonds and 60% in equities through UCIT funds, a form of mutual funds that comply with European Union regulations. These funds are deemed to be Level 1 investments in the fair value hierarchy. In addition and to a much lesser extent, certain pension plan assets associated with certain pension plans in France are funded through insurance contracts with major financial and insurance institutions in France. Cash contributions, including estimated future payments, associated with our pension and other postretirement benefit plans are not material.

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

Note 9 — Inventories

Inventories comprise the following at September 30:

	2024	2023
LPG	\$ 76	\$ 77
Energy certificates	55	62
Materials, supplies and other	15	17
Total inventories	<u>\$ 146</u>	<u>\$ 156</u>

Note 10 — Property, Plant and Equipment

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

	2024	2023	Estimated Useful Life
Land	\$ 29	\$ 29	
Buildings and improvements	146	136	10 - 40 years
Transportation equipment	29	29	3 - 10 years
Equipment, primarily cylinders and tanks	1,817	1,731	5 - 30 years
Other	50	46	1 - 10 years
Work in process	36	41	
Property, plant and equipment	<u>\$ 2,107</u>	<u>\$ 2,012</u>	

Depreciation expense totaled \$106, \$104, and \$103 for Fiscal 2024, Fiscal 2023, and Fiscal 2022, respectively.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Note 11 — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill are as follows:

Balance at September 30, 2022	\$ 840
Acquisitions	3
Foreign currency translation	68
Balance at September 30, 2023	911
Dispositions	(12)
Foreign currency translation	51
Balance at September 30, 2024	\$ 950

Intangible assets comprise the following at September 30:

	2024	2023
Customer relationships and other	\$ 270	\$ 258
Trademarks and tradenames	4	4
Accumulated amortization	(214)	(193)
Intangible assets, net (subject to amortization)	60	69
Trademarks and tradenames (not subject to amortization)	39	38
Total intangible assets, net	\$ 99	\$ 107

Changes in amounts above include the effects of currency translation. During Fiscal 2023, the Company recognized a \$10 non-cash, pre-tax impairment charge related to customer relationship intangible assets and indefinite-lived tradenames at DVEP in connection with the wind-down of the energy marketing business in the Netherlands (see Note 5).

Amortization expense of intangible assets was \$13, \$13 and \$15 for Fiscal 2024, Fiscal 2023 and Fiscal 2022, respectively. Estimated amortization of intangible assets during each of the next five fiscal years is as follows: Fiscal 2025 - \$11; Fiscal 2026 - \$11; Fiscal 2027 - \$9; Fiscal 2028 - \$9; and Fiscal 2029 - \$9.

Note 12 — Leases

Lessee

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

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

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

Certain leasing arrangements require variable payments that are dependent on asset usage or are based on changes in index rates, such as the Consumer Price Index. The variable payments component of such leases cannot be determined at lease

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

commencement and is not recognized in the measurement of ROU assets or lease liabilities, but is recognized in earnings in the period in which the obligation occurs.

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

	2024	2023	Location on the Balance Sheet
ROU assets:			
Operating lease ROU assets	\$ 47	\$ 44	Other assets
Finance lease ROU assets	12	6	Property, plant and equipment
Total ROU assets	\$ 59	\$ 50	
Lease liabilities:			
Operating lease liabilities — current	\$ 11	\$ 10	Other current liabilities
Operating lease liabilities — noncurrent	37	35	Other noncurrent liabilities
Finance lease liabilities — current	2	1	Current maturities of long-term debt
Finance lease liabilities — noncurrent	10	5	Long-term debt
Total lease liabilities	\$ 60	\$ 51	

The components of lease cost for Fiscal 2024, Fiscal 2023 and Fiscal 2022 are as follows:

	2024	2023	2022
Operating lease cost	\$ 13	\$ 13	\$ 14
Finance lease cost:			
Amortization of ROU assets	2	1	1
Total lease cost	\$ 15	\$ 14	\$ 15

Lease costs associated with variable lease components were not material for Fiscal 2024, Fiscal 2023 and Fiscal 2022.

The following table presents the cash and non-cash activity related to lease liabilities included in the Consolidated Statements of Cash Flows occurring during Fiscal 2024, Fiscal 2023 and Fiscal 2022:

	2024	2023	2022
Cash paid related to lease liabilities:			
Operating cash flows — operating leases	\$ 13	\$ 12	\$ 11
Financing cash flows — finance leases	\$ 2	\$ 1	\$ 1
Non-cash lease liability activities:			
ROU assets obtained in exchange for operating lease liabilities	\$ 11	\$ 6	\$ 8
ROU assets obtained in exchange for finance lease liabilities	\$ 6	\$ 6	\$ —

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

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

Weighted-average remaining lease term (in years)	2024	2023
Operating leases	6.1	6.6
Finance leases	6.7	1.8
Weighted-average discount rate (%)	2024	2023
Operating leases	2.4%	1.7%
Finance leases	6.9%	0.9%

Expected annual lease payments based on maturities of operating and finance leases, as well as a reconciliation to the lease liabilities on the Consolidated Balance Sheet, as of September 30, 2024, were as follows:

	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	After 2029	Total Lease Payments	Imputed Interest	Lease Liabilities
Operating leases	\$ 12	\$ 11	\$ 9	\$ 6	\$ 5	\$ 7	\$ 50	\$ (2)	\$ 48
Finance leases	\$ 3	\$ 2	\$ 2	\$ 2	\$ 1	\$ 4	\$ 14	\$ (2)	\$ 12

At September 30, 2024, operating and finance leases that had not yet commenced were not material.

Lessor

We enter into lessor arrangements for the purposes of storing LPG that grant customers the right to use small, medium and large storage tanks, which we classify as operating leases. These agreements contain renewal options for periods up to nine years and certain agreements contain a purchase option. Lease income is generally recognized on a straight-line basis over the lease term and included in "Revenues" on the Consolidated Statements of Income (see Note 4).

Note 13 — Commitments and Contingencies

Contingencies

In the first quarter of Fiscal 2024, UGI France initiated VDPs in consultation with the French Works Council, pursuant to which employees are incentivized to voluntarily terminate employment or may be subject to involuntary termination to achieve certain workforce reductions. As of September 30, 2024, the likelihood of termination benefits under VDPs was probable and the amount of such benefits was reasonably estimable. As a result, for the fiscal year ended September 30, 2024, UGI International recorded pre-tax severance and other related expenses of \$50, which are reflected in "Operating and administrative expenses" on the Consolidated Statements of Income.

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Note 14 — Fair Value Measurements

Derivative Financial Instruments

The following table presents on a gross basis our financial assets and liabilities including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy as described in Note 2:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
September 30, 2024				
Derivative instruments:				
Assets:				
Commodity contracts	\$ —	\$ 22	\$ —	\$ 22
Foreign currency contracts	\$ —	\$ 6	\$ —	\$ 6
Liabilities:				
Commodity contracts	\$ —	\$ (18)	\$ —	\$ (18)
Foreign currency contracts	\$ —	\$ (9)	\$ —	\$ (9)
Interest rate contracts	\$ —	\$ (4)	\$ —	\$ (4)
September 30, 2023				
Derivative instruments:				
Assets:				
Commodity contracts (a)	\$ 7	\$ 103	\$ —	\$ 110
Foreign currency contracts	\$ —	\$ 38	\$ —	\$ 38
Interest rate contracts	\$ —	\$ 3	\$ —	\$ 3
Liabilities:				
Commodity contracts (a)	\$ (6)	\$ (40)	\$ —	\$ (46)
Foreign currency contracts	\$ —	\$ (2)	\$ —	\$ (2)

- (a) Includes derivative assets and liabilities associated with certain UGI International energy marketing business transactions that qualified for held for sale accounting and are included in “Prepaid expenses and other current assets” and “Other current liabilities” on the Consolidated Balance Sheets (see Note 5).

The fair values of our Level 1 non-exchange-traded commodity futures and forward contracts are based upon actively quoted market prices for identical assets and liabilities. Substantially all of the remaining derivative instruments are designated as Level 2. The fair values of commodity derivatives designated as Level 2 are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. The fair values of our Level 2 interest rate contracts and foreign currency contracts are based upon third-party quotes or indicative values based on recent market transactions.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Other Financial Instruments

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

	September 30, 2024	September 30, 2023
Carrying amount	\$ 793	\$ 747
Estimated fair value	\$ 762	\$ 675

Financial instruments other than derivative financial instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in major U.S. and international financial institutions. The credit risk from trade accounts receivable is limited because we have a large customer base, which extends across many different markets and several foreign countries. See Note 15 for information regarding concentrations of credit risk associated with our derivative financial instruments.

Note 15 — 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. See Note 2 for additional information on the accounting for our derivative instruments.

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

Commodity Price Risk

In order to manage market price risk associated changes in prices for LPG, we use over-the-counter commodity derivative instruments, primarily price swap contracts to reduce market risk associated with a portion of our forecasted LPG purchases. We also enter into natural gas and electricity futures and forward contracts, some of which qualify for NPNS under GAAP to manage market price risk associated with fixed-price sales contracts for natural gas and electricity and purchase contracts for electricity. To mitigate short-term market volatility associated with commodity instruments, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. Volumes associated with diesel swap contracts were not material for all periods presented. See Note 5 for information on the exit of substantially all of our energy marketing business.

Interest Rate Risk

Certain of our long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. In order to fix the underlying short-term market interest rates, we may enter into pay-fixed, receive-variable interest rate swap agreements and designate such swaps as cash flow hedges. The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. At September 30, 2024, the amount of pre-tax losses associated with interest rate hedges expected to be reclassified into earnings during the next twelve months is not material.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Foreign Currency Exchange Rate Risk

Forward Foreign Currency Exchange Contracts

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

Net Investment Hedges

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

Our euro-denominated long-term debt has been designated as net investment hedges, representing a portion of our euro-denominated net investment. We recognized pre-tax (losses) gains associated with these net investment hedges in the cumulative translation adjustment component in AOCI of \$(39) and \$(57) and \$123 during Fiscal 2024, Fiscal 2023 and Fiscal 2022, respectively.

Quantitative Disclosures Related to Derivative Instruments

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at September 30, 2024 and 2023, and the final settlement dates of the Company's open derivative contracts as of September 30, 2024, excluding those derivatives that qualified for the NPNS exception:

Type	Units	Settlements Extending Through	Notional Amounts (in millions)	
			September 30,	
			2024	2023
Commodity Price Risk:				
LPG swaps	Gallons	December 2026	326	412
Natural gas forward and futures contracts (a)	Dekatherms	December 2025	2	2
Electricity long forward and futures contracts	Kilowatt hours	N/A	—	645
Interest Rate Risk:				
Interest rate swaps	Euro	March 2026	€ 300	€ 300
Foreign Currency Exchange Rate Risk:				
Forward foreign exchange contracts	USD	September 2027	\$ 389	\$ 425
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 181	€ 256

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

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

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 September 30, 2024, 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 \$28. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At September 30, 2024, the Company had received cash collateral from derivative instrument counterparties totaling \$2. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

Offsetting Derivative Assets and Liabilities

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

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Fair Value of Derivative Instruments

The following table presents the Company's derivative assets and liabilities by type, as well as the effects of offsetting, as of September 30:

	2024	2023
Derivative assets:		
Derivatives designated as hedging instruments:		
Foreign currency contracts	\$ 6	\$ 14
Interest rate contracts	—	3
	<u>6</u>	<u>17</u>
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	22	110
Foreign currency contracts	—	24
	<u>22</u>	<u>134</u>
Total derivative assets - gross	28	151
Gross amounts offset in balance sheet	(9)	(15)
Cash collateral received	(2)	(39)
Total derivative assets - net	<u>\$ 17</u>	<u>\$ 97</u>
Derivative liabilities:		
Derivatives designated as hedging instruments:		
Interest rate contracts	\$ (4)	\$ —
	<u>(4)</u>	<u>—</u>
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	(18)	(46)
Foreign currency contracts	(9)	(2)
	<u>(27)</u>	<u>(48)</u>
Total derivative liabilities - gross	(31)	(48)
Gross amounts offset in balance sheet	9	15
Cash collateral pledged	—	3
Total derivative liabilities - net	<u>\$ (22)</u>	<u>\$ (30)</u>

- (a) Amounts at September 30, 2023 include derivative contracts associated with certain UGI International energy marketing business transactions (see Note 5). The related derivative assets and liabilities qualify for held for sale accounting treatment and are included in “Prepaid expenses and other current assets” and “Other current liabilities,” respectively, on the Consolidated Balance Sheet at September 30, 2023.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Effects of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Consolidated Statements of Income and changes in AOCI for Fiscal 2024, Fiscal 2023 and Fiscal 2022:

	Gain (Loss) Recognized in AOCI			Gain Reclassified from AOCI into Income			Location of Gain Reclassified from AOCI into Income
	2024	2023	2022	2024	2023	2022	
Cash Flow Hedges:							
Interest rate contracts	(5)	3	—	3	—	—	Interest expense
Total	<u>\$ (5)</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	

Net Investment Hedges:

Foreign currency contracts	<u>\$ (5)</u>	<u>\$ (21)</u>	<u>\$ 69</u>
----------------------------	---------------	----------------	--------------

	Gain (Loss) Recognized in Income			Location of Gain (Loss) Recognized in Income
	2024	2023	2022	
Derivatives Not Designated as Hedging Instruments:				
Commodity contracts	\$ 1	\$ 4	\$ 9	Revenues
Commodity contracts	3	(1,393)	980	Cost of sales
Commodity contracts	4	2	1	Other operating income, net
Foreign currency contracts	(19)	(23)	63	Other non-operating (expense) income, net
Total	<u>\$ (11)</u>	<u>\$ (1,410)</u>	<u>\$ 1,053</u>	

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

Note 16 — Accumulated Other Comprehensive Income

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

The tables below present changes in AOCI, net of tax, during Fiscal 2024, Fiscal 2023 and Fiscal 2022 are as follows:

	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI - September 30, 2021	\$ (1)	\$ —	\$ (91)	\$ (92)
Other comprehensive income (loss) before reclassification adjustments	11	—	(341)	(330)
Amounts reclassified from AOCI	(1)	—	—	(1)
Other comprehensive income (loss)	10	—	(341)	(331)
AOCI - September 30, 2022	\$ 9	\$ —	\$ (432)	\$ (423)
Other comprehensive income before reclassification adjustments	1	2	132	135
Amounts reclassified from AOCI	(1)	—	—	(1)
Other comprehensive income	—	2	132	134
AOCI - September 30, 2023	\$ 9	\$ 2	\$ (300)	\$ (289)
Other comprehensive (loss) income before reclassification adjustments	(1)	(4)	56	51
Amounts reclassified from AOCI	—	(2)	3	1
Other comprehensive (loss) income	(1)	(6)	59	52
AOCI - September 30, 2024	<u>\$ 8</u>	<u>\$ (4)</u>	<u>\$ (241)</u>	<u>\$ (237)</u>

Note 17 — Other Operating Income, Net and Other Non-Operating Income (Expense), Net

Other Operating Income, Net

Other operating income, net, comprises the following:

	2024	2023	2022
Cylinder deposit income	\$ 17	\$ 23	\$ 18
Gain on sales of assets	3	—	10
Foreign currency transaction gains (losses)	2	7	(5)
Other	(7)	5	8
Total other operating income, net	<u>\$ 15</u>	<u>\$ 35</u>	<u>\$ 31</u>

Other Non-Operating Income (Expense), Net

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

	2024	2023	2022
(Losses) gains on foreign currency contracts, net	\$ (20)	\$ (23)	\$ 63
Amortization of excluded components of certain net investment hedges	5	8	6
Total other non-operating (expense) income, net	<u>\$ (15)</u>	<u>\$ (15)</u>	<u>\$ 69</u>

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Currency in millions, except where indicated otherwise)

Note 18 — Related Party Transactions

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Executive Overview

Net income (loss) attributable to UGI International was \$96 million and \$(1,076) million in Fiscal 2024 and Fiscal 2023, respectively. Fiscal 2024 results reflect (1) unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of \$23 million; (2) \$69 million of costs associated with the exit of our energy marketing business, principally reflecting wind-down activities in the Netherlands and the loss on the sale of the energy marketing business located in France; (3) restructuring costs of \$43 million largely attributable to a reduction in workforce and related costs; and (4) \$31 million of impairments associated with equity method investments and certain other assets. Fiscal 2023 results reflect (1) unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of \$1,062 million; and (2) \$186 million of costs associated with the exit of our energy marketing business, principally reflecting loss on the sale of the energy marketing business located in the U.K. and Belgium and wind-down activities in the Netherlands.

Adjusted net income attributable to UGI International was \$262 million and \$172 million in Fiscal 2024 and Fiscal 2023, respectively. This increase is mainly attributable to (1) higher margin contributions from our LPG business, principally reflecting the benefit from higher average unit margins attributable to strong margin management efforts; (2) lower operating and administrative expenses; and (3) lower income taxes primarily due to higher income tax benefits associated with interest deduction carryforwards.

Energy Marketing Transactions

As of the end of the first quarter of Fiscal 2024, pursuant to its previously announced decision, the Company had exited substantially all of its European energy marketing business which primarily marketed natural gas and electricity to customers through third-party distribution systems in France, Belgium, the Netherlands, and the United Kingdom.

France. In October 2023, UGI International, through a wholly-owned subsidiary, sold substantially all of its energy marketing business located in France for a net cash payment to the buyer of \$29 million. In conjunction with the sale, the Company recorded a pre-tax loss of \$29 million in Fiscal 2024, which amount principally represents the net payment to the buyer. The carrying values of the assets and liabilities associated with this business, principally comprising certain commodity derivative instruments, energy certificates and certain working capital, were not material.

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

United Kingdom. In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment to the buyer of \$19 million. In conjunction with the sale, the Company recorded a pre-tax loss of \$215 million in Fiscal 2023, substantially all of which was due to the non-cash transfer of commodity derivative instruments associated with the business.

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

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

During the first quarter of Fiscal 2023, the Company recorded a \$14 million pre-tax impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets.

Non-GAAP Financial Measures

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

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

(Millions of dollars)	Year Ended September 30,	
	2024	2023
Adjusted total margin:		
Total revenues	\$ 2,238	\$ 2,965
Cost of sales	(1,308)	(3,447)
Total margin	930	(482)
Net losses on commodity derivative instruments not associated with current-period transactions	4	1,398
Costs associated with exit of the energy marketing business	42	4
Adjusted total margin	\$ 976	\$ 920
Adjusted operating income:		
Operating income (loss)	\$ 154	\$ (1,426)
Net losses on commodity derivative instruments not associated with current-period transactions	7	1,399
Costs associated with exit of the energy marketing business	84	243
Restructuring costs	57	—
Impairment of assets	7	—
Adjusted operating income	\$ 309	\$ 216
Adjusted income before income taxes:		
Income (loss) before income taxes	\$ 65	\$ (1,482)
Net losses on commodity derivative instruments not associated with current-period transactions	7	1,399
Unrealized losses on foreign currency derivative instruments	31	38
Costs associated with exit of the energy marketing business	84	243
Restructuring costs	57	—
Impairments of equity method investments and assets	33	—
Adjusted income before income taxes	\$ 277	\$ 198
Adjusted net income attributable to UGI International:		
Net income (loss) attributable to UGI International, LLC	\$ 96	\$ (1,076)
Net losses on commodity derivative instruments not associated with current-period transactions	1	1,035
Unrealized losses on foreign currency derivative instruments	22	27
Costs associated with exit of the energy marketing business	69	186
Restructuring costs	43	—
Impairments of equity method investments and assets	31	—
Adjusted net income attributable to UGI International	\$ 262	\$ 172

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Analysis of Results of Operations

UGI International	2024	2023	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 2,238	\$ 2,965	\$ (727)	(25)%
Total margin (a)	\$ 930	\$ (482)	\$ 1,412	(293)%
Operating and administrative expenses	\$ 643	\$ 642	\$ 1	— %
Operating income (loss)	\$ 154	\$ (1,426)	\$ 1,580	(111)%
Income (loss) before income taxes	\$ 65	\$ (1,482)	\$ 1,547	(104)%
Net income (loss) attributable to UGI International	\$ 96	\$ (1,076)	\$ 1,172	(109)%
Non-GAAP financial measures (b):				
Adjusted total margin	\$ 976	\$ 920	\$ 56	6 %
Adjusted operating income	\$ 309	\$ 216	\$ 93	43 %
Adjusted income before income taxes	\$ 277	\$ 198	\$ 79	40 %
Adjusted net income attributable to UGI International	\$ 262	\$ 172	\$ 90	52 %
LPG retail gallons sold (millions)	725	729	(4)	(1)%
Degree days – % (warmer) than normal (c)	(11.8)%	(10.5)%	—	—

- (a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2024 and Fiscal 2023 includes net pre-tax losses of \$4 million and \$1,398 million, respectively, on commodity derivative instruments not associated with current-period transactions. Fiscal 2024 also includes a \$42 million reduction in revenues in connection with the early termination of certain DVEP customer contracts (see Note 5 to Consolidated Financial Statements).
- (b) These financial measures are non-GAAP financial measures and are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not a substitute for, the comparable GAAP measures. See “Non-GAAP Financial Measures” above.
- (c) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data at locations in our UGI International service territories.

Average temperatures during Fiscal 2024 were 11.8% warmer than normal and 2.2% warmer than Fiscal 2023. Notwithstanding the warmer weather, total LPG retail gallons sold during Fiscal 2024 was comparable to Fiscal 2023 as the impacts from warmer weather and lower cylinder volumes were substantially offset by growth from natural gas conversions to LPG and higher auto gas volumes sold.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During Fiscal 2024 and Fiscal 2023, the average unweighted euro-to-dollar translation rates were approximately \$1.08 and \$1.07, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately \$1.27 and \$1.23, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The Company uses forward foreign currency exchange contracts entered into over multi-year periods to reduce the volatility in earnings that may result from such changes in foreign currency exchange rates. These forward foreign currency exchange contracts resulted in realized net gains of \$11 million and \$15 million in Fiscal 2024 and Fiscal 2023, respectively.

Average wholesale prices for propane and butane during Fiscal 2024 in northwest Europe were approximately 2% and 5% lower, respectively, compared to Fiscal 2023. Revenues and cost of sales in Fiscal 2024 and Fiscal 2023 include net unrealized losses of \$4 million and \$1,398 million, respectively, on commodity derivative instruments not associated with current-period transactions. Fiscal 2024 also includes a \$42 million reduction in revenues in connection with the early termination of certain DVEP customer contracts. Excluding these effects, revenues and cost of sales decreased \$686 million and \$742 million, respectively, in Fiscal 2024. The decrease in revenues and cost of sales principally reflects significantly lower energy marketing activities during Fiscal 2024 resulting from the exit of substantially all of UGI International’s energy marketing business in Belgium, France and the Netherlands in Fiscal 2024. The decrease in revenues from the energy marketing activities was partially offset by the translation effects of the stronger foreign currencies (approximately \$52 million) and LPG price increases across Europe. The decrease in cost of sales was also attributable to lower LPG product costs, partially offset by the translation effects of the stronger foreign currencies (approximately \$32 million).

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Total margin increased \$1,412 million in Fiscal 2024. Adjusted total margin increased \$56 million in Fiscal 2024, primarily reflecting higher margin contributions primarily from our LPG business, the translation effects of the stronger foreign currencies (approximately \$20 million) and, to a much lesser extent, higher margin contributions from our energy marketing activities. The higher margin from our LPG business reflects the effects of higher average unit margins attributable to strong margin management efforts, partially offset by the impacts from the lower LPG volumes sold. The slightly higher margin from our energy marketing activities primarily reflects the impact of the aforementioned exit of substantially all of UGI International's energy marketing business.

Operating income increased \$1,580 million in Fiscal 2024. Adjusted operating income increased \$93 million in Fiscal 2024, principally reflecting the increase in adjusted total margin (\$56 million) and lower operating and administrative expenses (\$45 million), partially offset by lower other operating income (\$6 million). The lower operating and administrative expenses during Fiscal 2024 primarily reflects (1) the impact of the aforementioned exit of substantially all of UGI International's energy marketing business and (2) lower personnel-related costs and lower maintenance and advertising expenses in our LPG business, partially offset by the effects of inflationary increases and the translation effects of the stronger foreign currencies (approximately \$12 million). The lower other operating income during Fiscal 2024 primarily represents lower foreign currency transaction gains (\$6 million) and lower cylinder deposit income (\$6 million), partially offset by higher gains associated with sales of fixed assets (\$4 million).

Income before income taxes increased \$1,547 million in Fiscal 2024. Adjusted income before income taxes increased \$79 million in Fiscal 2024, principally reflecting the increase in adjusted operating income (\$93 million). Such increase was partially offset by higher interest expense (\$7 million), largely attributable to higher average long-term debt outstanding, and lower realized gains on foreign currency exchange contracts (\$4 million) entered into in order to reduce volatility in earnings resulting from the effects of changes in foreign currency exchange rates.

Income Taxes

Our effective income tax rate decreased in Fiscal 2024 compared to Fiscal 2023, primarily due to the release of a valuation allowance related to a notional interest deduction that exceeded the release of a valuation allowance in the prior year related to foreign tax credits. This decrease was partially offset by the impairment of an equity method investment and the effect of establishing a full valuation allowance against current year losses in the Netherlands.

For additional information on our income taxes, including tax law changes, see Note 7 to Consolidated Financial Statements.

Liquidity and Capital Resources

The Company expects to have sufficient liquidity in the forms of cash and available credit facility borrowings to continue to support long-term commitments and ongoing operations. The Company does not have any scheduled near-term maturities of long-term debt at September 30, 2024. The Company was in compliance with all of its debt covenants as of September 30, 2024.

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

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

Our cash and cash equivalents totaled \$127 million at September 30, 2024 and \$143 million at September 30, 2023. A substantial portion of this cash is located outside of the United States. Our cash and cash equivalents for all years reflects in part the payment or receipt of cash collateral deposits associated with our derivative instrument counterparties. Depending upon

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

changes in the fair values of our commodity derivative instruments, this cash could be returned, or counterparty cash collateral payments could be required, in the future.

Long-term debt and credit facility

In June 2024, UGI International, LLC and its indirect wholly-owned subsidiary, UGI International Holdings B.V., entered into the first amendment to the UGI International 2023 Credit Agreement, which provides for the establishment and incorporation of specific key performance indicators with respect to Environmental, Social and Governance targets, whereby based on UGI International, LLC's performance against the key performance indicators, certain adjustments of up to 0.05% in total to the applicable margin may be made.

UGI International's debt outstanding at September 30, 2024 totaled \$915 million (including current maturities of long-term debt of \$2 million and short-term borrowings of \$128 million). UGI International's debt outstanding at September 30, 2023 totaled \$953 million (including current maturities of long-term debt of \$1 million and short-term borrowings of \$214 million). Total long-term debt outstanding at September 30, 2024, including current maturities, comprises \$446 million of 2.50% Senior Notes, a \$335 million variable-rate term loan, and \$12 million of other long-term debt, and is net of \$6 million of unamortized debt issuance costs.

At September 30, 2024, there were €115 million borrowings outstanding under the UGI International 2023 Credit Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility in Fiscal 2024 were €170 million and €229 million, respectively. At September 30, 2024, the Company's available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility was €385 million. The weighted average interest rate on borrowings outstanding at September 30, 2024 and 2023 was 4.88% and 5.17%, respectively. At September 30, 2023 there were €202 million borrowings outstanding under the UGI International 2023 Credit Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International 2023 Credit Agreement multicurrency revolving facility in Fiscal 2023 were €203 million and €300 million, respectively.

Cash Flows

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

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

Operating Activities:

Cash flow from operating activities was \$306 million in Fiscal 2024 compared to \$139 million in Fiscal 2023. Cash flow from operating activities before changes in operating working capital was \$327 million in Fiscal 2024 and \$296 million in Fiscal 2023. Changes in operating working capital used operating cash flow of \$21 million in Fiscal 2024 compared to operating cash flow used of \$157 million in Fiscal 2023. Fiscal 2023 includes \$283 million of derivative instrument collateral deposit net payments compared to only \$35 million of such net payments in Fiscal 2024. The higher prior-year collateral deposit net payments were the result of significant declines in commodity energy prices that occurred during Fiscal 2023. The decrease in cash flow required to fund changes in operating working capital in Fiscal 2024 also reflects lower cash from changes in inventories and accounts receivable which were offset in part by lower cash required to fund changes in accounts payable. The higher cash from changes in these operating working capital account in the prior year also reflect the previously mentioned significant declines in commodity energy prices experienced in Fiscal 2023 compared to Fiscal 2024.

Investing Activities:

Cash flow used by investing activities was \$58 million in Fiscal 2024 compared to \$178 million in Fiscal 2023. Cash capital expenditures for property, plant and equipment totaled \$87 million in Fiscal 2024, lower than the \$129 million of cash capital

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

expenditures in Fiscal 2023. Cash flow from investing activities also includes cash proceeds from the sale of certain business assets in Europe. Cash inflows associated with investing activities during Fiscal 2023 includes cash received from the settlement of certain forward foreign currency contracts previously designated as net investment hedges. Fiscal 2024 and Fiscal 2023 also includes certain cash payments in conjunction with the sale of its energy marketing businesses in Europe.

Financing Activities:

Cash flow used by financing activities was \$306 million in Fiscal 2024 and \$84 million in Fiscal 2023. There were no long-term debt transactions during Fiscal 2024. Fiscal 2023 includes the cash flow effects from entering into the previously mentioned UGI International 2023 Credit Agreement in March 2023 and the concurrent repayment of borrowings under the UGI International Credit Facilities Agreement (a predecessor agreement). The Company paid cash distributions of \$209 million and \$322 million in Fiscal 2024 and Fiscal 2023, respectively. Fiscal 2024 financing activities cash flow also includes net short-term debt repayments \$97 million compared to \$199 million of borrowings in the prior year.

Capital Expenditures

Our capital expenditures include, among other things, amounts to replace and maintain our bulk tank and cylinder assets as well as amounts to enhance site safety to meet regulatory requirements. During Fiscal 2024 and Fiscal 2023, our capital expenditures totaled \$87 million and \$129 million, respectively. We expect capital expenditures of approximately \$102 million in Fiscal 2025.

Contractual Obligations and Commitments

The following is a summary of our significant contractual obligations existing as of September 30, 2024:

(Millions of dollars)	Payments Due by Period				
	Total	Fiscal 2025	Fiscal 2026 - 2027	Fiscal 2028 - 2029	Thereafter
Short-term borrowings (a)	\$ 128	\$ 128	\$ —	\$ —	\$ —
Long-term debt (a)	793	2	4	338	449
Interest on long-term-fixed rate debt (a)(b)(c)	115	28	55	30	2
Operating leases	50	12	20	11	7
Supply contracts	408	408	—	—	—
Derivative instruments (d)	18	9	9	—	—
Total	\$ 1,512	\$ 587	\$ 88	\$ 379	\$ 458

(a) Based upon stated maturity dates for debt outstanding at September 30, 2024.

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

(c) Calculated using applicable interest rates or forward interest rate curves and Company leverage levels at September 30, 2024.

(d) Represents the sum of amounts due if derivative instrument liabilities were settled at the September 30, 2024 amounts reflected in the Consolidated Balance Sheet (but excluding amounts associated with interest rate contracts).

Critical Accounting Policies and Estimates

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

Goodwill Impairment Evaluation

We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment (a component), if it constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Components are aggregated into a single

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

reporting unit if they have similar economic characteristics. A reporting unit with goodwill is required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

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

In Fiscal 2024, the Company bypassed the qualitative assessment and performed a quantitative assessment. Such assessment used a weighting of income and market approaches to determine fair value. With respect to the income approach, management used a discounted cash flow ("DCF") method, using unobservable inputs. The significant assumptions in our DCF model include projected EBITDA, and a discount rate (and estimates in the discount rate inputs). With respect to the market approach, management used recent transaction market multiples for similar companies. Based on our evaluation, we determined that the Company's fair value exceeded its carrying value by less than 30%. While the Company believes that its judgments used in the quantitative assessment of its fair value are reasonable based upon currently available facts and circumstances, if the Company were not able to achieve its anticipated results and/or if its discount rate were to increase, its fair value would be adversely affected, which may result in an impairment. There is \$950 million of goodwill as of September 30, 2024. The Company will continue to monitor its goodwill for any possible future non-cash impairment charges.

No impairments of goodwill were recorded during any of the periods presented. For further information on our goodwill and intangible assets, see Note 11 to Consolidated Financial Statements.

Impairment of Long-Lived Assets

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

Income Taxes

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

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income. Actual taxable income or future estimates of taxable income could render our current assumptions, judgments and estimates inaccurate. Changes in the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ significantly from our estimates. As of September 30, 2024, our net deferred tax liabilities totaled \$104 million.

Off-Balance Sheet Arrangements

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

Qualitative and Quantitative Disclosures About Market Risk

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

Commodity Price Risk

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

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

Interest Rate Risk

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows. Our variable-rate debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI International has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying euribor interest rate on such borrowings for a significant portion of their tenor. We have designated such interest rate swaps as cash flow hedges. At September 30, 2024, combined borrowings outstanding under variable-rate debt agreements, excluding UGI International's effectively fixed-rate debt, totaled \$128 million.

During Fiscal 2024, borrowings on variable-rate debt agreements (excluding the effectively fixed-rate term loan debt) were not material. For the remainder of our debt outstanding that is subject to fixed rates of interest, a 100 basis point increase in market interest rates would result in a decrease in the fair value of this fixed-rate debt of approximately \$18 million at September 30, 2024. A 100 basis point decrease in market interest rates would result in an increase in the fair value of this fixed-rate debt of approximately \$21 million at September 30, 2024.

Foreign Currency Exchange Rate Risk

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our substantial net investments in foreign (non U.S. based) operations, a 10% decline in the value of the foreign currencies versus the U.S. dollar would reduce their aggregate net book

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

value at September 30, 2024, by approximately \$70 million, which amount would be reflected in other comprehensive income. We have designated our euro-denominated loan borrowings as net investment hedges.

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

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of September 30, 2024, 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 \$28 million. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At September 30, 2024, the Company had received cash collateral from derivative instrument counterparties totaling \$2 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at September 30, 2024 and changes in fair values due to market risks.

(Millions of dollars)	Asset (Liability)	
	Fair Value	Change in Fair Value
September 30, 2024		
Commodity price risk (1)	\$ 4	\$ (36)
Interest rate risk (2)	\$ (4)	\$ (2)
Foreign currency exchange rate risk (3)	\$ (3)	\$ (45)

(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 USD.