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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2021**

**OR**

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

**For the transition period from  \_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_**

**Commission file number 1-11071**

**UGI CORPORATION**

**(Exact name of registrant as specified in its charter)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Pennsylvania** | | |  | | | **23-2668356** | | |
| **(State or other jurisdiction of incorporation or organization)** | | |  | | | **(I.R.S. Employer Identification No.)** | | |

**460 North Gulph Road, King of Prussia, PA 19406**

**(Address of Principal Executive Offices) (Zip Code)**

**(610) 337-1000**

**(Registrant’s telephone number, including area code)**

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

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

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Large accelerated filer | | | ý | | |  | | | Accelerated filer | | | ☐ | | |  | | | Non-accelerated filer | | | ☐ | | |
| Smaller reporting company | | | ☐ | | |  | | | Emerging growth company | | | ☐ | | |  | | |  | | |  | | |

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

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

At July 31, 2021, there were 209,096,896 shares of UGI Corporation Common Stock, without par value, outstanding.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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**UGI CORPORATION AND SUBSIDIARIES**

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**GLOSSARY OF TERMS AND ABBREVIATIONS**

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

***UGI Corporation and Related Entities***

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

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

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

***AmeriGas Propane, Inc. -*** A wholly owned second-tier subsidiary of UGI and the general partner of AmeriGas Partners; also referred to as the “General Partner”

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

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

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

***Electric Utility -*** UGI Utilities’ regulated electric distribution utility

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

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

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

***Gas Utility -*** UGI Utilities’ regulated natural gas distribution business, comprising the natural gas utility businesses owned and operated by UGI Utilities

***General Partner*** ***-*** AmeriGas Propane, Inc., the general partner of AmeriGas Partners

***GHI -*** GHI Energy, LLC, which was acquired by Energy Services in Fiscal 2020

***HVAC*** - UGI HVAC Enterprises, Inc., a wholly owned second-tier subsidiary of UGI, which was sold in September 2020

***Midstream & Marketing -*** Reportable segment comprising Energy Services, UGID and, prior to its sale in September 2020, HVAC

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

***Pennant -*** Pennant Midstream, LLC, a Delaware limited liability corporation

***PennEast -*** PennEast Pipeline Company, LLC

***Pine Run*** ***-*** Pine Run Gathering, LLC

***UGI*** ***-*** UGI Corporation

***UGI Appalachia -*** UGI Appalachia, LLC, a wholly owned subsidiary of Energy Services

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

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

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

***UGI PennEast, LLC -*** A wholly owned subsidiary of Energy Services that holds a 20% membership interest in PennEast

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***UGI Pine Run, LLC -*** A wholly owned subsidiary of Energy Services that holds a 49% membership interest in Pine Run

***UGI Utilities -*** UGI Utilities, Inc., a wholly owned subsidiary of UGI. Also a reportable segment of UGI comprising UGI Utilities, Inc. and its subsidiaries

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

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

***Other Terms and Abbreviations***

***1.59% Senior Note -*** A private placement of $100 million principal amount of senior notes due June 2026, issued by UGI Utilities

***1.64% Senior Note -*** A private placement of $75 million principal amount of senior notes due September 2026, to be issued by UGI Utilities in September 2021

***2020 Annual Report -*** UGI Annual Report on Form 10-K for the fiscal year ended September 30, 2020

***2020 nine-month period -*** Nine months ended June 30, 2020

***2020 three-month period -*** Three months ended June 30, 2020

***2021 nine-month period -*** Nine months ended June 30, 2021

***2021 three-month period -*** Three months ended June 30, 2021

***2021 UGI Corporation Senior Credit Facility*** - An amended unsecured senior facilities agreement entered into on May 4, 2021, by UGI which extended the maturity date of the previous three-year $300 million term loan facility included in the UGI Corporation Senior Credit Facility, now due in May 2025 and includes a new four-year $215 million term loan commitment

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

***AFUDC -*** Allowance for Funds Used During Construction

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

***ASC -*** Accounting Standards Codification

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

***ASU -*** Accounting Standards Update

***Bcf -*** Billions of cubic feet

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

***CDC*** - Centers for Disease Control and Prevention

***CMG Acquisition* -** Acquisition of Columbia Midstream Group, LLC and Columbia Pennant, LLC on August 1, 2019 pursuant to the CMG Acquisition Agreements

***CMG Acquisition Agreements*** - Agreements related to the CMG Acquisition comprising (1) a purchase and sale agreement related to the CMG acquisition, dated July 2, 2019, by and among Columbia Midstream & Minerals Group, LLC, Energy Services, UGI and TransCanada PipeLine USA Ltd., and (2) a purchase and sale agreement related to the Columbia Pennant, LLC acquisition, dated July 2, 2019, by and among Columbia Midstream & Minerals Group, LLC, Energy Services, and TransCanada PipeLine USA Ltd.

***COA -*** Consent Order and Agreement

***CODM -*** Chief Operating Decision Maker as defined in ASC 280, “Segment Reporting”

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***Common Stock -*** shares of UGI common stock

***Conemaugh -*** Conemaugh generation station, a 1,711-megawatt, coal-fired electricity generation station located near Johnstown, Pennsylvania

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

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

***DS -*** Default service

***DSIC*** - Distribution System Improvement Charge

***EBITDA*** - Earnings before interest, taxes, depreciation, and amortization

***Eighth Circuit -*** United States Court of Appeals for the Eighth Circuit

***Equity Unit Agreements –*** Collection of agreements governing the rights, privileges and obligations of the holders of the Equity Units and UGI as issuer of the Equity Units, which were filed with the SEC on Form 8-K on May 25, 2021

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

***Exchange Act -*** Securities Exchange Act of 1934, as amended

***FASB -*** Financial Accounting Standards Board

***FDIC -*** Federal Deposit Insurance Corporation

***FERC -*** Federal Energy Regulatory Commission

***Fiscal 2019*** - The fiscal year ended September 30, 2019

***Fiscal 2020*** - The fiscal year ended September 30, 2020

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

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

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

***GILTI*** - Global Intangible Low Taxed Income

***Gwh -*** Millions of kilowatt hours

***ICE -*** Intercontinental Exchange

***IRC*** - Internal Revenue Code

***IRPA -*** Interest rate protection agreement

***IRS*** - Internal Revenue Services

***IT -*** Information technology

***LNG -*** Liquefied natural gas

***LPG -*** Liquefied petroleum gas

***MDPSC -*** Maryland Public Service Commission

***MGP -*** Manufactured gas plant

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***Mountaineer*** - Mountaineer Gas Company, a natural gas distribution company in West Virginia

***Mountaineer Acquisition* -** Pending acquisition of Mountaintop Energy Holdings LLC, indirect parent of Mountaineer, pursuant to a definitive agreement signed on December 29, 2020

***NOAA -*** National Oceanic and Atmospheric Administration

***NOL*** - Net operating loss

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

***NYDEC -*** New York State Department of Environmental Conservation

***NYMEX -*** New York Mercantile Exchange

***PADEP -*** Pennsylvania Department of Environmental Protection

***PAPUC -*** Pennsylvania Public Utility Commission

***PennEnergy -*** PennEnergy Resources, LLC

***PGC -*** Purchased gas costs

***PRP -*** Potentially Responsible Party

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

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

***ROD -*** Record of Decision

***SCAA -*** Storage Contract Administrative Agreements

***SEC -*** U.S. Securities and Exchange Commission

***Series B preferred stock -*** Preferred stock of UGI titled 0.125% series B cumulative perpetual preferred stock with terms substantially identical to the Convertible Preferred Stock, except that it will not be convertible

***Stonehenge -*** Stonehenge Energy Resources III, LLC, a portfolio company of Energy Spectrum Partners VIII, L.P.

***TCJA -*** Tax Cuts and Jobs Act

***Temporary Rates Order -*** Order issued by the PAPUC on March 15, 2018, that converted PAPUC approved rates of a defined group of large Pennsylvania public utilities into temporary rates for a period of not more than 12 months while the PAPUC reviewed effects of the TCJA

***UGI Corporation Senior Credit Facilit***y - An unsecured senior facilities agreement entered into on August 1, 2019, by UGI comprising (1) a five-year $250 million term loan facility; (2) a three-year $300 million term loan facility; and (3) a five-year $300 million revolving credit facility (including a $10 million sublimit for letters of credit)

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

***Western Missouri District Court -*** The United States District Court for the Western District of Missouri

***WHO*** - World Health Organization

***WV PSC*** - Public Service Commission of West Virginia

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**UGI CORPORATION AND SUBSIDIARIES**

**PART I FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited)

(Millions of dollars)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| **ASSETS** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Current assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | |  | | | $ | 545 |  |  | | | $ | 336 |  |  | | | $ | 487 |  |
| Restricted cash | | |  | | | 31 | |  |  | | | 21 | |  |  | | | 45 | |  |
| Accounts receivable (less allowances for doubtful accounts of $51, $42 and $42, respectively) | | |  | | | 848 | |  |  | | | 652 | |  |  | | | 675 | |  |
| Accrued utility revenues | | |  | | | 8 | |  |  | | | 14 | |  |  | | | 14 | |  |
| Income taxes receivable | | |  | | | 128 | |  |  | | | 80 | |  |  | | | — | |  |
| Inventories | | |  | | | 296 | |  |  | | | 241 | |  |  | | | 201 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative instruments | | |  | | | 350 | |  |  | | | 44 | |  |  | | | 37 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Prepaid expenses and other current assets | | |  | | | 171 | |  |  | | | 155 | |  |  | | | 141 | |  |
| Total current assets | | |  | | | 2,377 | |  |  | | | 1,543 | |  |  | | | 1,600 | |  |
| Property, plant and equipment, (less accumulated depreciation of $3,923, $3,698 and $3,600, respectively) | | |  | | | 7,085 | |  |  | | | 6,960 | |  |  | | | 6,805 | |  |
| Goodwill | | |  | | | 3,543 | |  |  | | | 3,518 | |  |  | | | 3,482 | |  |
| Intangible assets, net | | |  | | | 624 | |  |  | | | 677 | |  |  | | | 669 | |  |
| Utility regulatory assets | | |  | | | 389 | |  |  | | | 395 | |  |  | | | 395 | |  |
| Derivative instruments | | |  | | | 129 | |  |  | | | 38 | |  |  | | | 38 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other assets | | |  | | | 859 | |  |  | | | 854 | |  |  | | | 854 | |  |
| Total assets | | |  | | | $ | 15,006 |  |  | | | $ | 13,985 |  |  | | | $ | 13,843 |  |
| **LIABILITIES AND EQUITY** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Current liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Current maturities of long-term debt | | |  | | | $ | 36 |  |  | | | $ | 53 |  |  | | | $ | 26 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Short-term borrowings | | |  | | | 207 | |  |  | | | 347 | |  |  | | | 423 | |  |
| Accounts payable | | |  | | | 579 | |  |  | | | 475 | |  |  | | | 382 | |  |
| Derivative instruments | | |  | | | 67 | |  |  | | | 64 | |  |  | | | 109 | |  |
| Other current liabilities | | |  | | | 812 | |  |  | | | 816 | |  |  | | | 739 | |  |
| Total current liabilities | | |  | | | 1,701 | |  |  | | | 1,755 | |  |  | | | 1,679 | |  |
| Long-term debt | | |  | | | 5,811 | |  |  | | | 5,981 | |  |  | | | 5,961 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Deferred income taxes | | |  | | | 919 | |  |  | | | 640 | |  |  | | | 613 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative instruments | | |  | | | 49 | |  |  | | | 59 | |  |  | | | 66 | |  |
| Other noncurrent liabilities | | |  | | | 1,420 | |  |  | | | 1,413 | |  |  | | | 1,389 | |  |
| Total liabilities | | |  | | | 9,900 | |  |  | | | 9,848 | |  |  | | | 9,708 | |  |
| Commitments and contingencies (Note 9) | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| UGI Corporation stockholders’ equity: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Preferred stock, without par value (authorized – 5,000,000 shares; issued – 220,000, 0 and 0 shares, respectively) | | |  | | | 213 | |  |  | | | — | |  |  | | | — | |  |
| UGI Common Stock, without par value (authorized — 450,000,000 shares; issued — 209,725,554, 209,514,044 and 209,504,994 shares, respectively) | | |  | | | 1,388 | |  |  | | | 1,416 | |  |  | | | 1,413 | |  |
| Retained earnings | | |  | | | 3,629 | |  |  | | | 2,908 | |  |  | | | 2,970 | |  |
| Accumulated other comprehensive loss | | |  | | | (105) | |  |  | | | (147) | |  |  | | | (205) | |  |
| Treasury stock, at cost | | |  | | | (28) | |  |  | | | (49) | |  |  | | | (52) | |  |
| Total UGI Corporation stockholders’ equity | | |  | | | 5,097 | |  |  | | | 4,128 | |  |  | | | 4,126 | |  |
| Noncontrolling interests | | |  | | | 9 | |  |  | | | 9 | |  |  | | | 9 | |  |
| Total equity | | |  | | | 5,106 | |  |  | | | 4,137 | |  |  | | | 4,135 | |  |
| Total liabilities and equity | | |  | | | $ | 15,006 |  |  | | | $ | 13,985 |  |  | | | $ | 13,843 |  |

See accompanying notes to condensed consolidated financial statements.

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**UGI CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(Millions of dollars, except per share amounts)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
|  | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| Revenues | | |  | | | $ | 1,496 |  |  | | | $ | 1,199 |  |  | | | $ | 6,009 |  |  | | | $ | 5,435 |  |
| Costs and expenses: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of sales (excluding depreciation and amortization shown below) | | |  | | | 516 | |  |  | | | 417 | |  |  | | | 2,623 | |  |  | | | 2,673 | |  |
| Operating and administrative expenses | | |  | | | 469 | |  |  | | | 437 | |  |  | | | 1,473 | |  |  | | | 1,452 | |  |
| Impairment of assets held-for-sale | | |  | | | — | |  |  | | | 52 | |  |  | | | — | |  |  | | | 52 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | |  | | | 125 | |  |  | | | 122 | |  |  | | | 375 | |  |  | | | 362 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other operating income, net | | |  | | | (5) | |  |  | | | (3) | |  |  | | | (26) | |  |  | | | (17) | |  |
|  | | |  | | | 1,105 | |  |  | | | 1,025 | |  |  | | | 4,445 | |  |  | | | 4,522 | |  |
| Operating income | | |  | | | 391 | |  |  | | | 174 | |  |  | | | 1,564 | |  |  | | | 913 | |  |
| (Loss) income from equity investees | | |  | | | (86) | |  |  | | | 7 | |  |  | | | (69) | |  |  | | | 22 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other non-operating income (expense), net | | |  | | | 1 | |  |  | | | (4) | |  |  | | | — | |  |  | | | (4) | |  |
| Interest expense | | |  | | | (77) | |  |  | | | (80) | |  |  | | | (233) | |  |  | | | (247) | |  |
| Income before income taxes | | |  | | | 229 | |  |  | | | 97 | |  |  | | | 1,262 | |  |  | | | 684 | |  |
| Income tax expense | | |  | | | (79) | |  |  | | | (12) | |  |  | | | (320) | |  |  | | | (161) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income attributable to UGI Corporation | | |  | | | $ | 150 |  |  | | | $ | 85 |  |  | | | $ | 942 |  |  | | | $ | 523 |  |
| Earnings per common share attributable to UGI Corporation stockholders: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  | | | $ | 0.72 |  |  | | | $ | 0.41 |  |  | | | $ | 4.51 |  |  | | | $ | 2.50 |  |
| Diluted | | |  | | | $ | 0.71 |  |  | | | $ | 0.41 |  |  | | | $ | 4.48 |  |  | | | $ | 2.49 |  |
| Weighted-average common shares outstanding (thousands): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  | | | 209,099 | |  |  | | | 208,598 | |  |  | | | 208,934 | |  |  | | | 208,989 | |  |
| Diluted | | |  | | | 210,851 | |  |  | | | 208,975 | |  |  | | | 210,194 | |  |  | | | 210,009 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

See accompanying notes to condensed consolidated financial statements.

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**UGI CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(unaudited)

(Millions of dollars)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
|  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| Net income attributable to UGI Corporation | | | $ | 150 |  |  | | | $ | 85 |  |  | | | $ | 942 |  |  | | | $ | 523 |  |
| Other comprehensive income (loss): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net (losses) gains on derivative instruments (net of tax of $1, $3, $(1) and $15, respectively) | | | — | |  |  | | | (8) | |  |  | | | 4 | |  |  | | | (38) | |  |
| Reclassifications of net losses on derivative instruments (net of tax of $(1), $(1), $(5) and $(2), respectively) | | | 5 | |  |  | | | 5 | |  |  | | | 14 | |  |  | | | 6 | |  |
| Foreign currency adjustments (net of tax of $3, $4, $5 and $4, respectively) | | | 16 | |  |  | | | 28 | |  |  | | | 23 | |  |  | | | 42 | |  |
| Benefit plans (net of tax of $(1), $0, $(1) and $(1), respectively) | | | — | |  |  | | | — | |  |  | | | 1 | |  |  | | | 2 | |  |
| Other comprehensive income | | | 21 | |  |  | | | 25 | |  |  | | | 42 | |  |  | | | 12 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Comprehensive income attributable to UGI Corporation | | | $ | 171 |  |  | | | $ | 110 |  |  | | | $ | 984 |  |  | | | $ | 535 |  |

See accompanying notes to condensed consolidated financial statements.

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**UGI CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

(Millions of dollars)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Nine Months Ended June 30, | | | | | | | | |
|  | | |  | | | 2021 | | |  | | | 2020 | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |  | | |  | | |  | | |  | | |
| Net income attributable to UGI Corporation | | |  | | | $ | 942 |  |  | | | $ | 523 |  |
| Adjustments to reconcile net income attributable to UGI Corporation to net cash provided by operating activities: | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | |  | | | 375 | |  |  | | | 362 | |  |
| Deferred income tax expense (benefit), net | | |  | | | 267 | |  |  | | | (5) | |  |
| Provision for uncollectible accounts | | |  | | | 25 | |  |  | | | 31 | |  |
|  | | |  | | |  | | |  | | |  | | |
| Changes in unrealized gains and losses on derivative instruments | | |  | | | (509) | |  |  | | | (1) | |  |
| Impairment of assets held-for-sale | | |  | | | — | |  |  | | | 52 | |  |
|  | | |  | | |  | | |  | | |  | | |
| Loss (income) from equity investees | | |  | | | 69 | |  |  | | | (22) | |  |
|  | | |  | | |  | | |  | | |  | | |
| Other, net | | |  | | | 10 | |  |  | | | (12) | |  |
| Net change in: | | |  | | |  | | |  | | |  | | |
| Accounts receivable and accrued utility revenues | | |  | | | (213) | |  |  | | | (70) | |  |
| Income taxes receivable | | |  | | | (48) | |  |  | | | — | |  |
| Inventories | | |  | | | (55) | |  |  | | | 28 | |  |
| Utility deferred fuel and power costs, net of changes in unsettled derivatives | | |  | | | (9) | |  |  | | | 22 | |  |
| Accounts payable | | |  | | | 123 | |  |  | | | (37) | |  |
| Derivative instruments collateral deposits received | | |  | | | 112 | |  |  | | | 8 | |  |
| Other current assets | | |  | | | (17) | |  |  | | | 77 | |  |
| Other current liabilities | | |  | | | (25) | |  |  | | | 7 | |  |
| Net cash provided by operating activities | | |  | | | 1,047 | |  |  | | | 963 | |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |  | | |  | | |  | | |  | | |
| Expenditures for property, plant and equipment | | |  | | | (460) | |  |  | | | (471) | |  |
| Acquisitions of businesses and assets, net of cash and restricted cash acquired | | |  | | | (8) | |  |  | | | — | |  |
| Investments in equity method investees | | |  | | | (61) | |  |  | | | — | |  |
| Other, net | | |  | | | 24 | |  |  | | | 21 | |  |
| Net cash used by investing activities | | |  | | | (505) | |  |  | | | (450) | |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |  | | |  | | |  | | |  | | |
| Dividends on UGI Common Stock | | |  | | | (210) | |  |  | | | (204) | |  |
|  | | |  | | |  | | |  | | |  | | |
| Issuances of long-term debt, net of issuance costs | | |  | | | 130 | |  |  | | | 179 | |  |
| Repayments of long-term debt and finance leases | | |  | | | (329) | |  |  | | | (67) | |  |
| Decrease in short-term borrowings | | |  | | | (121) | |  |  | | | (367) | |  |
| Receivables Facility net repayments | | |  | | | (19) | |  |  | | | (6) | |  |
| Issuance of preferred stock, net of issuance costs | | |  | | | 213 | |  |  | | | — | |  |
| Issuances of UGI Common Stock | | |  | | | 15 | |  |  | | | 2 | |  |
| Repurchases of UGI Common Stock | | |  | | | — | |  |  | | | (38) | |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Net cash used by financing activities | | |  | | | (321) | |  |  | | | (501) | |  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | | |  | | | (2) | |  |  | | | 9 | |  |
| Cash, cash equivalents and restricted cash increase | | |  | | | $ | 219 |  |  | | | $ | 21 |  |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | |  | | |  | | |  | | |  | | |
| Cash, cash equivalents and restricted cash at end of period | | |  | | | $ | 576 |  |  | | | $ | 532 |  |
| Cash, cash equivalents and restricted cash at beginning of period | | |  | | | 357 | |  |  | | | 511 | |  |
| Cash, cash equivalents and restricted cash increase | | |  | | | $ | 219 |  |  | | | $ | 21 |  |

See accompanying notes to condensed consolidated financial statements.

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**UGI CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(unaudited)

(Millions of dollars, except per share amounts)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
|  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| **Preferred stock, without par value** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
| Issuance of preferred stock | | | 213 | |  |  | | | — | |  |  | | | 213 | |  |  | | | — | |  |
| Balance, end of period | | | $ | 213 |  |  | | | $ | — |  |  | | | $ | 213 |  |  | | | $ | — |  |
| **Common stock, without par value** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | 1,428 |  |  | | | $ | 1,409 |  |  | | | $ | 1,416 |  |  | | | $ | 1,397 |  |
| Common Stock issued in connection with employee and director plans, net of tax withheld | | | 3 | |  |  | | | — | |  |  | | | 6 | |  |  | | | 2 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity-based compensation expense | | | 4 | |  |  | | | 4 | |  |  | | | 13 | |  |  | | | 15 | |  |
| Issuance of Equity Units - 2024 Purchase Contracts | | | (45) | |  |  | | | — | |  |  | | | (45) | |  |  | | | — | |  |
| Other | | | (2) | |  |  | | | — | |  |  | | | (2) | |  |  | | | (1) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, end of period | | | $ | 1,388 |  |  | | | $ | 1,413 |  |  | | | $ | 1,388 |  |  | | | $ | 1,413 |  |
| **Retained earnings** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | 3,557 |  |  | | | $ | 2,953 |  |  | | | $ | 2,908 |  |  | | | $ | 2,653 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Losses on common stock transactions in connection with employee and director plans | | | (6) | |  |  | | | — | |  |  | | | (11) | |  |  | | | (3) | |  |
| Net income attributable to UGI Corporation | | | 150 | |  |  | | | 85 | |  |  | | | 942 | |  |  | | | 523 | |  |
| Cash dividends on UGI Common Stock ($0.35, $0.33, $1.01, and $0.980, respectively) | | | (72) | |  |  | | | (68) | |  |  | | | (210) | |  |  | | | (204) | |  |
| Other | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |
| Balance, end of period | | | $ | 3,629 |  |  | | | $ | 2,970 |  |  | | | $ | 3,629 |  |  | | | $ | 2,970 |  |
| **Accumulated other comprehensive income (loss)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | (126) |  |  | | | $ | (230) |  |  | | | $ | (147) |  |  | | | $ | (217) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net (losses) gains on derivative instruments | | | — | |  |  | | | (8) | |  |  | | | 4 | |  |  | | | (38) | |  |
| Reclassification of net losses on derivative instruments | | | 5 | |  |  | | | 5 | |  |  | | | 14 | |  |  | | | 6 | |  |
| Benefit plans | | | — | |  |  | | | — | |  |  | | | 1 | |  |  | | | 2 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency adjustments | | | 16 | |  |  | | | 28 | |  |  | | | 23 | |  |  | | | 42 | |  |
| Balance, end of period | | | $ | (105) |  |  | | | $ | (205) |  |  | | | $ | (105) |  |  | | | $ | (205) |  |
| **Treasury stock** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | (40) |  |  | | | $ | (51) |  |  | | | $ | (49) |  |  | | | $ | (16) |  |
| Common Stock issued in connection with employee and director plans, net of tax withheld | | | 12 | |  |  | | | 1 | |  |  | | | 22 | |  |  | | | 5 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Repurchases of UGI Common Stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (38) | |  |
| Reacquired UGI Common Stock - employee and director plans | | | — | |  |  | | | (2) | |  |  | | | (1) | |  |  | | | (3) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, end of period | | | $ | (28) |  |  | | | $ | (52) |  |  | | | $ | (28) |  |  | | | $ | (52) |  |
| **Total UGI stockholders’ equity** | | | $ | 5,097 |  |  | | | $ | 4,126 |  |  | | | $ | 5,097 |  |  | | | $ | 4,126 |  |
| **Noncontrolling interests** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | | $ | 9 |  |  | | | $ | 9 |  |  | | | $ | 9 |  |  | | | $ | 10 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |
| Balance, end of period | | | $ | 9 |  |  | | | $ | 9 |  |  | | | $ | 9 |  |  | | | $ | 9 |  |
| **Total equity** | | | $ | 5,106 |  |  | | | $ | 4,135 |  |  | | | $ | 5,106 |  |  | | | $ | 4,135 |  |

See accompanying notes to condensed consolidated financial statements.

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**UGI CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

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

**Note 1 — Nature of Operations**

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

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

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

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

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

**Pending Acquisition of Mountaineer Gas Company**

On December 29, 2020, UGI Corporation signed a definitive agreement to acquire Mountaineer, the largest natural gas distribution company in West Virginia for a preliminary purchase price of $540, which includes the assumption of approximately $140 of long-term debt. Mountaineer serves nearly 215,000 customers across 50 of the state’s 55 counties. The pending acquisition is subject to customary regulatory and other closing conditions, including approval by the WV PSC, and is expected to close in the second half of calendar year 2021. UGI currently expects to finance the pending acquisition using proceeds from the 2021 UGI Corporation Senior Credit Facility and the issuance of Equity Units. For additional information on these financing activities, see Notes 7 and 8.

On January 26, 2021, UGI and Mountaineer filed a joint petition for consent and approval of the pending acquisition at the WV PSC. On July 15, 2021, UGI and Mountaineer filed, on behalf of all parties, a unanimous joint stipulation and agreement for settlement (the “Settlement”) of all issues in the proceeding that, among other provisions, requests the WV PSC to approve the pending acquisition. The Settlement was presented to the WV PSC in an evidentiary hearing on July 20, 2021. The Company cannot predict the timing or the ultimate outcome of the Settlement approval process.

**Note 2 — Summary of Significant Accounting Policies**

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

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**UGI CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | June 30, 2021 | | |  | | | June 30, 2020 | | |  | | | September 30, 2020 | | |  | | | September 30, 2019 | | |
| Cash and cash equivalents | | |  | | | $ | 545 |  |  | | | $ | 487 |  |  | | | $ | 336 |  |  | | | $ | 447 |  |
| Restricted cash | | |  | | | 31 | |  |  | | | 45 | |  |  | | | 21 | |  |  | | | 64 | |  |
| Cash, cash equivalents and restricted cash | | |  | | | $ | 576 |  |  | | | $ | 532 |  |  | | | $ | 357 |  |  | | | $ | 511 |  |

***Earnings Per Common Share.***Basic earnings per share attributable to UGI stockholders reflect the weighted-average number of common shares outstanding. Diluted earnings per share attributable to UGI stockholders include the effects of dilutive stock options and common stock awards.

Shares used in computing basic and diluted earnings per share are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
|  | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| Denominator (thousands of shares): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted-average common shares outstanding — basic | | |  | | | 209,099 | |  |  | | | 208,598 | |  |  | | | 208,934 | |  |  | | | 208,989 | |  |
| Incremental shares issuable for stock options and awards | | |  | | | 1,752 | |  |  | | | 377 | |  |  | | | 1,260 | |  |  | | | 1,020 | |  |
| Weighted-average common shares outstanding — diluted | | |  | | | 210,851 | |  |  | | | 208,975 | |  |  | | | 210,194 | |  |  | | | 210,009 | |  |

For the three and nine months ended June 30, 2021 and 2020, there were 2,502 and 7,083 shares, respectively, associated with outstanding stock option awards that were excluded from the computation of diluted earnings per share above because their effect was antidilutive.

As described in Note 8, the Company issued $220 in Equity Units in May 2021, consisting of Convertible Preferred Stock and the 2024 Purchase Contracts. The 2024 Purchase Contracts contain conversion provisions available under certain conditions. The Company will settle such conversions by paying or delivering (i) one share of UGI’s Series B preferred stock (or, for conversions in connection with a redemption of the Convertible Preferred Stock, up to $1,000 per share in cash) per share of Convertible Preferred Stock being converted; and (ii) to the extent the conversion value exceeds the liquidation preference of the Convertible Preferred Stock, shares of UGI’s common stock. The Convertible Preferred Stock is excluded from the denominator of the diluted earnings per share calculation on the basis that the Convertible Preferred Stock will be settled in cash except to the extent that the conversion value exceeds its liquidation preference. Therefore, before any redemption or conversion, the shares of UGI’s common stock that would be required to settle the applicable conversion value in excess of the liquidation preference, if the Company elects to settle such excess in shares of UGI’s common stock, would be included in the denominator of diluted earnings per share in periods in which they are dilutive. There were no shares related to the Convertible Preferred Stock included in the diluted earnings per share calculation during the three and nine months ended June 30, 2021.

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

Certain of our derivative instruments qualify and are designated as cash flow hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in AOCI, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. We discontinue cash flow hedge accounting if occurrence of the forecasted

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**UGI CORPORATION AND SUBSIDIARIES**

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transaction is determined to be no longer probable. Hedge accounting is also discontinued for derivatives that cease to be highly effective. We do not designate our commodity and certain foreign currency derivative instruments as hedges under GAAP. Changes in the fair values of these derivative instruments are reflected in net income. Gains and losses on substantially all of the commodity derivative instruments used by UGI Utilities are included in regulatory assets or liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers. From time to time, we also enter into net investment hedges. Gains and losses on net investment hedges that relate to our foreign operations are included in the cumulative translation adjustment component in AOCI until such foreign net investment is substantially sold or liquidated.

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

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 12.

***Impairment of long-lived assets held for sale.*** In July 2020, Energy Services, through a wholly owned subsidiary, entered into an agreement to sell its approximate 5.97% ownership interest in Conemaugh. As a result, the Company reduced the carrying amount of these assets to their fair value and classified these assets as held-for-sale within the Midstream & Marketing segment as of June 30, 2020. The Company determined the fair value of such assets fell within Level 2 of the fair value hierarchy and was based upon the agreed upon sales price. During the three and nine months ended June 30, 2020, we recognized a non-cash, pre-tax impairment charge of $52 which amount is reflected in “Impairment of assets held-for-sale” on the Condensed Consolidated Statements of Income.

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

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

**Note 3 — Accounting Changes**

**New Accounting Standard Adopted in Fiscal 2021**

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

**Accounting Standard Not Yet Adopted**

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

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

**Note 4 — Revenue from Contracts with Customers**

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

**Revenue Disaggregation**

The following tables present our disaggregated revenues by reportable segment:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30, 2021** | | |  | | | Total | | |  | | | Eliminations (a) | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other | | |
| **Revenues from contracts with customers:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core Market: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Residential | | |  | | | $ | 90 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 90 |  |  | | | $ | — |  |
| Commercial & Industrial | | |  | | | 34 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 34 | |  |  | | | — | |  |
| Large delivery service | | |  | | | 33 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 33 | |  |  | | | — | |  |
| Off-system sales and capacity releases | | |  | | | 6 | |  |  | | | (10) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 16 | |  |  | | | — | |  |
| Other | | |  | | | 5 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 5 | |  |  | | | — | |  |
| Total Utility | | |  | | | 168 | |  |  | | | (10) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 178 | |  |  | | | — | |  |
| Non-Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| LPG: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Retail | | |  | | | 800 | |  |  | | | — | |  |  | | | 424 | |  |  | | | 376 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Wholesale | | |  | | | 77 | |  |  | | | — | |  |  | | | 35 | |  |  | | | 42 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Energy Marketing | | |  | | | 311 | |  |  | | | (24) | |  |  | | | — | |  |  | | | 129 | |  |  | | | 206 | |  |  | | | — | |  |  | | | — | |  |
| Midstream: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pipeline | | |  | | | 45 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 45 | |  |  | | | — | |  |  | | | — | |  |
| Peaking | | |  | | | 1 | |  |  | | | (5) | |  |  | | | — | |  |  | | | — | |  |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 2 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 2 | |  |  | | | — | |  |  | | | — | |  |
| Electricity Generation | | |  | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 69 | |  |  | | | — | |  |  | | | 51 | |  |  | | | 18 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total Non-Utility | | |  | | | 1,306 | |  |  | | | (29) | |  |  | | | 510 | |  |  | | | 565 | |  |  | | | 260 | |  |  | | | — | |  |  | | | — | |  |
| **Total revenues from contracts with customers** | | |  | | | 1,474 | |  |  | | | (39) | |  |  | | | 510 | |  |  | | | 565 | |  |  | | | 260 | |  |  | | | 178 | |  |  | | | — | |  |
| Other revenues (b) | | |  | | | 22 | |  |  | | | (1) | |  |  | | | 16 | |  |  | | | 7 | |  |  | | | 1 | |  |  | | | 3 | |  |  | | | (4) | |  |
| **Total revenues** | | |  | | | $ | 1,496 |  |  | | | $ | (40) |  |  | | | $ | 526 |  |  | | | $ | 572 |  |  | | | $ | 261 |  |  | | | $ | 181 |  |  | | | $ | (4) |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30, 2020** | | |  | | | Total | | |  | | | Eliminations (a) | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other | | |
| **Revenues from contracts with customers:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core Market: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Residential | | |  | | | $ | 103 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 103 |  |  | | | $ | — |  |
| Commercial & Industrial | | |  | | | 30 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 30 | |  |  | | | — | |  |
| Large delivery service | | |  | | | 30 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 30 | |  |  | | | — | |  |
| Off-system sales and capacity releases | | |  | | | 5 | |  |  | | | (7) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 12 | |  |  | | | — | |  |
| Other | | |  | | | 3 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  |
| Total Utility | | |  | | | 171 | |  |  | | | (7) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 178 | |  |  | | | — | |  |
| Non-Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| LPG: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Retail | | |  | | | 622 | |  |  | | | — | |  |  | | | 372 | |  |  | | | 250 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Wholesale | | |  | | | 32 | |  |  | | | — | |  |  | | | 10 | |  |  | | | 22 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Energy Marketing | | |  | | | 223 | |  |  | | | (16) | |  |  | | | — | |  |  | | | 81 | |  |  | | | 158 | |  |  | | | — | |  |  | | | — | |  |
| Midstream: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pipeline | | |  | | | 40 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 40 | |  |  | | | — | |  |  | | | — | |  |
| Peaking | | |  | | | (1) | |  |  | | | (4) | |  |  | | | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 3 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  |  | | | — | |  |
| Electricity Generation | | |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 75 | |  |  | | | — | |  |  | | | 53 | |  |  | | | 13 | |  |  | | | 9 | |  |  | | | — | |  |  | | | — | |  |
| Total Non-Utility | | |  | | | 1,000 | |  |  | | | (20) | |  |  | | | 435 | |  |  | | | 366 | |  |  | | | 219 | |  |  | | | — | |  |  | | | — | |  |
| **Total revenues from contracts with customers** | | |  | | | 1,171 | |  |  | | | (27) | |  |  | | | 435 | |  |  | | | 366 | |  |  | | | 219 | |  |  | | | 178 | |  |  | | | — | |  |
| Other revenues (b) | | |  | | | 28 | |  |  | | | (1) | |  |  | | | 16 | |  |  | | | 5 | |  |  | | | 3 | |  |  | | | 1 | |  |  | | | 4 | |  |
| **Total revenues** | | |  | | | $ | 1,199 |  |  | | | $ | (28) |  |  | | | $ | 451 |  |  | | | $ | 371 |  |  | | | $ | 222 |  |  | | | $ | 179 |  |  | | | $ | 4 |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Nine Months Ended June 30, 2021** | | |  | | | Total | | |  | | | Eliminations (a) | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other | | |
| **Revenues from contracts with customers:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core Market: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Residential | | |  | | | $ | 498 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 498 |  |  | | | $ | — |  |
| Commercial & Industrial | | |  | | | 190 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 190 | |  |  | | | — | |  |
| Large delivery service | | |  | | | 117 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 117 | |  |  | | | — | |  |
| Off-system sales and capacity releases | | |  | | | 43 | |  |  | | | (49) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 92 | |  |  | | | — | |  |
| Other | | |  | | | 16 | |  |  | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 17 | |  |  | | | — | |  |
| Total Utility | | |  | | | 864 | |  |  | | | (50) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 914 | |  |  | | | — | |  |
| Non-Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| LPG: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Retail | | |  | | | 3,250 | |  |  | | | — | |  |  | | | 1,829 | |  |  | | | 1,421 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Wholesale | | |  | | | 235 | |  |  | | | — | |  |  | | | 92 | |  |  | | | 143 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Energy Marketing | | |  | | | 1,205 | |  |  | | | (89) | |  |  | | | — | |  |  | | | 470 | |  |  | | | 824 | |  |  | | | — | |  |  | | | — | |  |
| Midstream: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pipeline | | |  | | | 138 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 138 | |  |  | | | — | |  |  | | | — | |  |
| Peaking | | |  | | | 12 | |  |  | | | (94) | |  |  | | | — | |  |  | | | — | |  |  | | | 106 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |
| Electricity Generation | | |  | | | 8 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 8 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 211 | |  |  | | | — | |  |  | | | 161 | |  |  | | | 50 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total Non-Utility | | |  | | | 5,065 | |  |  | | | (183) | |  |  | | | 2,082 | |  |  | | | 2,084 | |  |  | | | 1,082 | |  |  | | | — | |  |  | | | — | |  |
| **Total revenues from contracts with customers** | | |  | | | 5,929 | |  |  | | | (233) | |  |  | | | 2,082 | |  |  | | | 2,084 | |  |  | | | 1,082 | |  |  | | | 914 | |  |  | | | — | |  |
| Other revenues (b) | | |  | | | 80 | |  |  | | | (3) | |  |  | | | 50 | |  |  | | | 22 | |  |  | | | 4 | |  |  | | | 9 | |  |  | | | (2) | |  |
| **Total revenues** | | |  | | | $ | 6,009 |  |  | | | $ | (236) |  |  | | | $ | 2,132 |  |  | | | $ | 2,106 |  |  | | | $ | 1,086 |  |  | | | $ | 923 |  |  | | | $ | (2) |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Nine Months Ended June 30, 2020** | | |  | | | Total | | |  | | | Eliminations (a) | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other | | |
| **Revenues from contracts with customers:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core Market: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Residential | | |  | | | $ | 499 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 499 |  |  | | | $ | — |  |
| Commercial & Industrial | | |  | | | 193 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 193 | |  |  | | | — | |  |
| Large delivery service | | |  | | | 113 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 113 | |  |  | | | — | |  |
| Off-system sales and capacity releases | | |  | | | 44 | |  |  | | | (37) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 81 | |  |  | | | — | |  |
| Other | | |  | | | 12 | |  |  | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 13 | |  |  | | | — | |  |
| Total Utility | | |  | | | 861 | |  |  | | | (38) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 899 | |  |  | | | — | |  |
| Non-Utility: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| LPG: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Retail | | |  | | | 2,911 | |  |  | | | — | |  |  | | | 1,715 | |  |  | | | 1,196 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Wholesale | | |  | | | 172 | |  |  | | | — | |  |  | | | 51 | |  |  | | | 121 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Energy Marketing | | |  | | | 1,005 | |  |  | | | (64) | |  |  | | | — | |  |  | | | 349 | |  |  | | | 720 | |  |  | | | — | |  |  | | | — | |  |
| Midstream: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pipeline | | |  | | | 128 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 128 | |  |  | | | — | |  |  | | | — | |  |
| Peaking | | |  | | | 6 | |  |  | | | (96) | |  |  | | | — | |  |  | | | — | |  |  | | | 102 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 6 | |  |  | | | — | |  |  | | | — | |  |
| Electricity Generation | | |  | | | 23 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 23 | |  |  | | | — | |  |  | | | — | |  |
| Other | | |  | | | 237 | |  |  | | | (2) | |  |  | | | 168 | |  |  | | | 43 | |  |  | | | 28 | |  |  | | | — | |  |  | | | — | |  |
| Total Non-Utility | | |  | | | 4,488 | |  |  | | | (162) | |  |  | | | 1,934 | |  |  | | | 1,709 | |  |  | | | 1,007 | |  |  | | | — | |  |  | | | — | |  |
| **Total revenues from contracts with customers** | | |  | | | 5,349 | |  |  | | | (200) | |  |  | | | 1,934 | |  |  | | | 1,709 | |  |  | | | 1,007 | |  |  | | | 899 | |  |  | | | — | |  |
| Other revenues (b) | | |  | | | 86 | |  |  | | | (2) | |  |  | | | 49 | |  |  | | | 17 | |  |  | | | 10 | |  |  | | | 2 | |  |  | | | 10 | |  |
| **Total revenues** | | |  | | | $ | 5,435 |  |  | | | $ | (202) |  |  | | | $ | 1,983 |  |  | | | $ | 1,726 |  |  | | | $ | 1,017 |  |  | | | $ | 901 |  |  | | | $ | 10 |  |

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

(b)Primarily represents revenues from tank rentals at AmeriGas Propane and UGI International, revenues from certain gathering assets at Midstream & Marketing, revenues from alternative revenue programs at UGI Utilities, and gains and losses on commodity derivative instruments not associated with current-period transactions reflected in Corporate & Other, none of which are within the scope of ASC 606 and are accounted for in accordance with other GAAP.

**Contract Balances**

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

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company’s obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $109, $161 and $104 at June 30, 2021, September 30, 2020 and June 30, 2020, respectively, and are included in “Other current liabilities” and “Other noncurrent liabilities” on the Condensed Consolidated Balance Sheets. Revenues recognized for the nine months ended June 30, 2021 and 2020, from the amounts included in contract liabilities at September 30, 2020 and 2019, were $137 and $122, respectively.

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

**Remaining Performance Obligations**

The Company excludes disclosures related to the aggregate amount of the transaction price allocated to certain performance obligations that are unsatisfied as of the end of the reporting period because these contracts have an initial expected term of one year or less, or we have a right to bill the customer in an amount that corresponds directly with the value of services provided to the customer to date. Certain contracts with customers at Midstream & Marketing and UGI Utilities contain minimum future performance obligations through 2047 and 2053, respectively. At June 30, 2021, Midstream & Marketing and UGI Utilities expect to record approximately $2.0 billion and $0.2 billion of revenues, respectively, related to the minimum future performance obligations over the remaining terms of the related contracts.

**Note 5 — Inventories**

Inventories comprise the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| Non-utility LPG and natural gas | | |  | | | $ | 187 |  |  | | | $ | 164 |  |  | | | $ | 135 |  |
| Gas Utility natural gas | | |  | | | 16 | |  |  | | | 20 | |  |  | | | 11 | |  |
| Materials, supplies and other | | |  | | | 93 | |  |  | | | 57 | |  |  | | | 55 | |  |
| Total inventories | | |  | | | $ | 296 |  |  | | | $ | 241 |  |  | | | $ | 201 |  |

**Note 6 — Utility Regulatory Assets and Liabilities and Regulatory Matters**

For a description of the Company’s regulatory assets and liabilities other than those described below, see Note 9 in the Company’s 2020 Annual Report. Other than removal costs, UGI Utilities currently does not recover a rate of return on its regulatory assets listed below. The following regulatory assets and liabilities associated with UGI Utilities are included on the Condensed Consolidated Balance Sheets:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| **Regulatory assets (a):** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income taxes recoverable | | |  | | | $ | 131 |  |  | | | $ | 124 |  |  | | | $ | 133 |  |
| Underfunded pension and postretirement plans | | |  | | | 166 | |  |  | | | 175 | |  |  | | | 169 | |  |
| Environmental costs | | |  | | | 58 | |  |  | | | 61 | |  |  | | | 62 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Removal costs, net | | |  | | | 24 | |  |  | | | 26 | |  |  | | | 22 | |  |
| Other | | |  | | | 17 | |  |  | | | 11 | |  |  | | | 13 | |  |
| Total regulatory assets | | |  | | | $ | 396 |  |  | | | $ | 397 |  |  | | | $ | 399 |  |
| **Regulatory liabilities (a):** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Postretirement benefit overcollections | | |  | | | $ | 12 |  |  | | | $ | 13 |  |  | | | $ | 13 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Deferred fuel and power refunds | | |  | | | 21 | |  |  | | | 29 | |  |  | | | 28 | |  |
| State tax benefits — distribution system repairs | | |  | | | 30 | |  |  | | | 28 | |  |  | | | 29 | |  |
| PAPUC Temporary Rates Order | | |  | | | — | |  |  | | | 7 | |  |  | | | 10 | |  |
| Excess federal deferred income taxes | | |  | | | 269 | |  |  | | | 274 | |  |  | | | 275 | |  |
| Other | | |  | | | 2 | |  |  | | | 2 | |  |  | | | 3 | |  |
| Total regulatory liabilities | | |  | | | $ | 334 |  |  | | | $ | 353 |  |  | | | $ | 358 |  |

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

***Deferred Fuel and Power Refunds.*** Gas Utility’s and Electric Utility’s tariffs contain clauses that permit recovery of all prudently incurred purchased gas and power costs through the application of PGC rates in the case of Gas Utility and DS tariffs in the case of Electric Utility. These clauses provide for periodic adjustments to PGC and DS rates for differences between the

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total amount of purchased gas and electric generation supply costs billed to customers and recoverable costs incurred. Net undercollected costs are classified as a regulatory asset and net overcollections are classified as a regulatory liability.

Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for retail core-market customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel and power costs or refunds. Net unrealized gains on such contracts at June 30, 2021, September 30, 2020 and June 30, 2020 were $9, $8 and $1, respectively.

**Other Regulatory Matters**

***Base Rate Filings.*** On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $9. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable electric service. Electric Utility requested that the new electric rates become effective April 9, 2021. The PAPUC entered an Order on March 11, 2021, suspending the effective date for the rate increase to allow for investigation and public hearings. On July 19, 2021, a Joint Petition for Approval of Settlement of all issues supported by all active parties was filed with the PAPUC providing for a $6 annual base distribution rate increase for Electric Utility. The Joint Petition is subject to receipt of a recommended decision by a PAPUC administrative law judge and an order of the PAPUC approving the settlement. Unless the PAPUC issues a final order prior to the end of the statutory suspension period, the initial proposed rate increase will become effective on or before November 9, 2021, subject to refund and a subsequent PAPUC order. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

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

On January 28, 2019, Gas Utility filed a rate request with the PAPUC to increase the base operating revenues for residential, commercial, and industrial customers throughout its Pennsylvania service territory by an aggregate $71. On October 4, 2019, the PAPUC issued a final Order approving a settlement that permitted Gas Utility, effective October 11, 2019, to increase its base distribution revenues by $30 under a single consolidated tariff, approved a plan for uniform class rates, and permitted Gas Utility to extend its Energy Efficiency and Conservation and Growth Extension Tariff programs by an additional term of five years. The PAPUC’s final Order approved a negative surcharge, to return to customers $24 of tax benefits experienced by Gas Utility over the period January 1, 2018 to June 30, 2018, plus applicable interest, in accordance with the May 17, 2018 PAPUC Order, which became effective for a twelve-month period beginning on October 11, 2019, the effective date of Gas Utility’s new base rates.

**Note 7 — Debt**

***2021 UGI Corporation Senior Credit Facility.*** On May 4, 2021, UGI amended the existing UGI Corporation Senior Credit Facility. The 2021 UGI Corporation Senior Credit Facility (1) extends the maturity date of the previous three-year $300 term loan included in the existing UGI Corporation Senior Credit Facility, which is now due in May 2025; and (2) includes a new four-year term loan commitment, which, effective June 9, 2021, was reduced from $300 to $215, pursuant to the terms of the 2021 UGI Corporation Senior Facility. Proceeds from new borrowings under the 2021 UGI Corporation Senior Credit Facility may be used to finance a portion of the Mountaineer Acquisition and for general corporate purposes.

New borrowings under the 2021 UGI Corporation Senior Credit Facility bear interest subject to our election, at either (1) the associated prime rate plus a margin or (2) an adjusted LIBOR or an alternate benchmark rate plus a margin and are due in their

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entirety at the maturity date. The applicable margin on the new borrowings, which is dependent upon a ratio of consolidated net indebtedness to consolidated EBITDA, as defined, or UGI’s credit ratings, ranges from 0.125% to 1.50% if the prime rate option is elected and 1.125% to 2.50% if the LIBOR option is elected.

The 2021 UGI Corporation Senior Credit Facility restricts the ability of UGI to, among other things, incur additional indebtedness, make investments, incur liens, and effect mergers, consolidations and sales of assets. The 2021 UGI Corporation Senior Credit Facility also requires UGI not to exceed a ratio of consolidated net indebtedness to consolidated EBITDA, each as defined and calculated on a rolling four-quarter basis as of the last day of each fiscal quarter of 4.50 to 1.00 and raised to 4.75 to 1.00 during an Acquisition Period, as defined by the agreement. UGI is also required to maintain a ratio of consolidated EBITDA to consolidated interest expense, each as defined, as of the last day of each fiscal quarter of not less than 3.50 to 1.00, except in certain circumstances related to UGI’s credit rating.

During the nine months ended June 30, 2021, the Company repaid $285 of borrowings on its five-year $300 revolving credit facility under the 2021 UGI Corporation Senior Credit Facility. A portion of these repayments were funded by the proceeds from the issuance of Equity Units discussed in Note 8. In July 2021, the Company repaid the remaining $15 of borrowings outstanding on this revolving credit facility. As a result of this repayment in July, the Company classified these repayments as “Current maturities of long-term debt” on the June 30, 2021 Condensed Consolidated Balance Sheet. The Company intends to draw upon this revolving credit facility concurrent with the closing of the pending Mountaineer Acquisition.

***UGI Utilities Senior Notes***. On May 7, 2021, UGI Utilities entered into a Note Purchase Agreement which provides for the private placement of (1) $100 aggregate principal amount of 1.59% Senior Notes due June 15, 2026 and (2) $75 aggregate principal amount of 1.64% Senior Notes due September 15, 2026. On June 15, 2021, UGI Utilities issued $100 aggregate principal amount of 1.59% Senior Notes pursuant to the Note Purchase Agreement. The net proceeds from the issuance of the 1.59% Senior Notes were used to repay short-term borrowings. The 1.64% Senior Notes are expected to be issued in September 2021. These Senior Notes are unsecured and will rank equally with UGI Utilities’ existing outstanding senior debt. UGI Utilities expects to use the net proceeds from the issuance of the 1.64% Senior Notes to reduce short-term borrowings and for general corporate purposes. These Senior Notes include the usual and customary covenants for similar type notes including, among others, maintenance of existence, payment of taxes when due, compliance with laws and maintenance of insurance. These Senior Notes require UGI Utilities not to exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.00.

**Note 8 — Issuance of Equity Units**

On May 25, 2021, the Company issued 2.2 million Equity Units with a total notional value of $220. Each Equity Unit has a stated amount of $100 and consists of 1) a 10% undivided beneficial ownership interest in one share of Convertible Preferred Stock with a liquidation preference of $1,000 per share and 2) a 2024 Purchase Contract. The Company received approximately $213 in proceeds from the issuance of the Equity Units, net of offering expenses and underwriting costs and commissions, and issued 220,000 shares of Convertible Preferred Stock, recording $213 in “Preferred stock” on the accompanying Condensed Consolidated Balance Sheet. The proceeds were used to repay borrowings on the Company’s five-year $300 revolving credit facility under the 2021 UGI Corporation Senior Credit Facility. Concurrent with the closing of the pending Mountaineer Acquisition, the Company intends to draw upon this revolving credit facility to pay a portion of the purchase price and related fees and expenses, and for general corporate purposes.

***Convertible Preferred Stock*.** Holders of the Convertible Preferred Stock will generally have no voting rights, except under the limited circumstances as described in the Equity Unit Agreements, and will be entitled to receive cumulative dividends at an initial annual rate of 0.125% when, as, and if declared by the UGI Board of Directors, payable quarterly in arrears on March 1, June 1, September 1 and December 1, commencing September 1, 2021. The Company may elect to pay such dividends in cash, shares of UGI’s common stock or a combination of cash and shares of UGI’s common stock. Unless all accumulated and unpaid dividends on the Convertible Preferred Stock for prior completed dividend periods have been declared and paid, the Company may not make any distributions on, or repurchase, any of its capital stock ranking equal or junior to the Convertible Preferred Stock as to dividends or upon liquidation, subject to certain exceptions.

The Convertible Preferred Stock has no maturity date and will remain outstanding unless converted by holders or redeemed by the Company. The Company has the option to redeem all or a portion of the Convertible Preferred Stock at any time, and from

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time to time, on or after September 3, 2024, for cash at a redemption price equal to the liquidation preference of the Convertible Preferred Stock being redeemed plus any accumulated and unpaid dividends. Each share of Convertible Preferred Stock may be converted at the option of the holders on and after June 1, 2024, only after it has been separated from the Equity Units and, prior to June 1, 2024, only under limited circumstances in connection with a fundamental change, as defined in the Equity Unit Agreements. The Company will settle conversions by paying or delivering (i) one share of UGI’s 0.125% Series B preferred stock (or, for conversions in connection with a redemption of the Convertible Preferred Stock, up to $1,000 per share in cash plus all accumulated but unpaid dividends to, but excluding, the payment date immediately preceding the relevant conversion date) per share of Convertible Preferred Stock being converted; and (ii) to the extent the conversion value exceeds the liquidation preference of the Convertible Preferred Stock, shares of UGI’s common stock. The conversion rate is initially 19.0215 shares of UGI’s common stock per one share of Convertible Preferred Stock, which is equivalent to an initial conversion price of approximately $52.57 per share of UGI’s common stock.

The Convertible Preferred Stock can be remarketed during either (i) an optional remarketing period beginning on, and including, March 1, 2024 and ending on, and including, May 13, 2024 or (ii) a final remarketing period beginning on, and including, May 23, 2024 and ending on, and including, May 30, 2024. In connection with a successful remarketing, the conversion rate and dividend rate of the Convertible Preferred Stock may be increased, and the earliest redemption date for the Convertible Preferred Stock may be changed to a later date that is on or before August 29, 2025.

***2024 Purchase Contracts.*** The 2024 Purchase Contracts obligate the holders to pay $100 to UGI to purchase a variable number of shares of UGI’s common stock on the purchase contract settlement date, which is scheduled to occur on June 1, 2024. The number of shares of UGI’s common stock to be issued upon settlement of each 2024 Purchase Contract on the purchase contract settlement date will be equal to $100 divided by the market value per share of UGI’s common stock, which will be determined over a market value averaging period preceding the settlement date, subject to a maximum settlement rate of 2.2826 shares of UGI’s common stock per 2024 Purchase Contract, subject to adjustment. The initial maximum settlement rate of the 2024 Purchase Contracts is approximately equal to $100 divided by the last reported sale price of $43.81 per share of UGI’s common stock on May 17, 2021. Absent any fundamental changes, as defined in the Equity Unit Agreements, the holders can settle the 2024 Purchase Contracts early, subject to certain exceptions and conditions. Upon early settlement of any 2024 Purchase Contracts, other than in connection with a fundamental change, the Company will deliver the number of shares of UGI’s common stock equal to 85% of the number of shares of UGI’s common stock that would have otherwise been deliverable.

The Company will pay holders of the 2024 Purchase Contracts quarterly contract adjustment payments at an annual rate of 7.125%, payable quarterly in arrears on March 1, June 1, September 1 and December 1, commencing September 1, 2021. The Company may elect to pay such contract adjustment payments in cash, shares of UGI’s common stock or a combination of cash and shares of UGI’s common stock. The Company may defer the contract adjustment payments for one or more consecutive periods but generally not beyond the purchase contract settlement date. If contract adjustment payments are deferred, the Company will be subject to certain dividend, distribution, and other restrictions related to its capital stock as defined in the Equity Unit Agreements.

The present value of the quarterly contract adjustment payments liability was $45 upon issuance of the Equity Units and is recorded in “Other current liabilities” and “Other noncurrent liabilities” on the Condensed Consolidated Balance Sheet. Such liability reduced “UGI Common Stock” on the Condensed Consolidated Balance Sheet at inception. As each quarterly contract adjustment payment is made, the related liability is reduced and the difference between the cash payment and the present value will accrete to “Interest expense” on the Condensed Consolidated Statements of Income. This accretion was not material for the three and nine months ended June 30, 2021.

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**Note 9 — Commitments and Contingencies**

**Environmental Matters**

***UGI Utilities***

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

Prior to October 1, 2020, UGI Utilities was subject to three COAs with the PADEP to address the remediation of specified former MGP sites in Pennsylvania and, in the case of one COA, the plugging of specified natural gas wells. Effective October 1, 2020, the COAs were consolidated into one agreement that supersedes the existing agreements, and which is scheduled to terminate at the end of 2031. In accordance with the consolidated COA, UGI Utilities is required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs, or make expenditures for such activities in an amount equal to an annual environmental minimum expenditure threshold. The annual minimum expenditure required under the consolidated COA is $5. The consolidated COA permits the transfer of the specified wells, with related costs counted towards the annual minimum expenditure. At June 30, 2021, September 30, 2020 and June 30, 2020, our aggregate estimated accrued liabilities for environmental investigation and remediation costs related to the current COA and the predecessor agreements totaled $49, $53 and $55, respectively.

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities’ results of operations because UGI Utilities receives ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COA. This ratemaking recognition reconciles the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. As such, UGI Utilities has recorded an associated regulatory asset for these costs because recovery of these costs from customers is probable (see Note 6).

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

***AmeriGas Propane***

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

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The NYDEC commenced implementation of the remediation plan in the spring of 2018. Based on our evaluation of the available information as of June 30, 2021, the Partnership has an undiscounted environmental remediation liability of $8 related to the site. Our share of the actual remediation costs could be significantly more or less than the accrued amount.

**Other Matters**

***Purported Class Action Lawsuits.*** Between May and October of 2014, purported class action lawsuits were filed in multiple jurisdictions against the Partnership/UGI and a competitor by certain of their direct and indirect customers.  The class action lawsuits allege, among other things, that the Partnership and its competitor colluded, beginning in 2008, to reduce the fill level of portable propane cylinders from 17 pounds to 15 pounds and combined to persuade their common customer, Walmart Stores, Inc., to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws.  The claims seek treble damages, injunctive relief, attorneys’ fees and costs on behalf of the putative classes.

On October 16, 2014, the United States Judicial Panel on Multidistrict Litigation transferred all of these purported class action cases to the Western Missouri District Court.  As the result of rulings on a series of procedural filings, including petitions filed with the Eighth Circuit and the U.S. Supreme Court, both the federal and state law claims of the direct customer plaintiffs and the state law claims of the indirect customer plaintiffs were remanded to the Western Missouri District Court. The decision of the Western Missouri District Court to dismiss the federal antitrust claims of the indirect customer plaintiffs was upheld by the Eighth Circuit. On April 15, 2019, the Western Missouri District Court ruled that it has jurisdiction over the indirect purchasers’ state law claims and that the indirect customer plaintiffs have standing to pursue those claims. On August 21, 2019, the District Court partially granted the Company’s motion for judgment on the pleadings and dismissed the claims of indirect customer plaintiffs from ten states and the District of Columbia.

On October 2, 2019, the Partnership reached an agreement to resolve the claims of the direct purchaser class of plaintiffs; the agreement received final court approval on June 18, 2020. On September 18, 2020, the Partnership and counsel for the indirect purchaser plaintiffs filed a joint statement with the court that they had reached an agreement in principle to settle the claims of the remaining classes and plaintiffs; the settlement received final court approval on March 30, 2021.

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

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

**Note 10 — Defined Benefit Pension and Other Postretirement Plans**

The Company maintains defined benefit plans and other postretirement plans for certain current and former employees. The service cost component of our pension and other postretirement plans, net of amounts capitalized, is reflected in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income. The non-service cost component, net of amounts capitalized by UGI Utilities as a regulatory asset, is reflected in “Other non-operating income (expense), net” on the

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Condensed Consolidated Statements of Income. Other postretirement benefit cost was not material for all periods presented. Net periodic pension cost includes the following components:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | Pension Benefits | | | | | | | | |
| Three Months Ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |
| Service cost | | |  | | | $ | 3 |  |  | | | $ | 3 |  |
| Interest cost | | |  | | | 5 | |  |  | | | 6 | |  |
| Expected return on assets | | |  | | | (10) | |  |  | | | (10) | |  |
|  | | |  | | |  | | |  | | |  | | |
| Amortization of: | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Actuarial loss | | |  | | | 4 | |  |  | | | 4 | |  |
| Net cost | | |  | | | $ | 2 |  |  | | | $ | 3 |  |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Nine Months Ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |
| Service cost | | |  | | | $ | 9 |  |  | | | $ | 9 |  |
| Interest cost | | |  | | | 16 | |  |  | | | 18 | |  |
| Expected return on assets | | |  | | | (30) | |  |  | | | (29) | |  |
| Curtailment gain | | |  | | | — | |  |  | | | (1) | |  |
| Amortization of: | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |
| Actuarial loss | | |  | | | 11 | |  |  | | | 11 | |  |
| Net cost | | |  | | | $ | 6 |  |  | | | $ | 8 |  |

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**Note 11 — Fair Value Measurements**

**Recurring Fair Value Measurements**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Asset (Liability) | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | | Level 1 | | |  | | | Level 2 | | |  | | | Level 3 | | |  | | | Total | | |
| **June 30, 2021:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | 241 |  |  | | | $ | 396 |  |  | | | $ | — |  |  | | | $ | 637 |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | 24 |  |  | | | $ | — |  |  | | | $ | 24 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | (136) |  |  | | | $ | (9) |  |  | | | $ | — |  |  | | | $ | (145) |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | (13) |  |  | | | $ | — |  |  | | | $ | (13) |  |
| Interest rate contracts | | |  | | | $ | — |  |  | | | $ | (35) |  |  | | | $ | — |  |  | | | $ | (35) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Non-qualified supplemental postretirement grantor trust investments (a) | | |  | | | $ | 42 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 42 |  |
| **September 30, 2020:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | 68 |  |  | | | $ | 39 |  |  | | | $ | — |  |  | | | $ | 107 |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | 32 |  |  | | | $ | — |  |  | | | $ | 32 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | (54) |  |  | | | $ | (64) |  |  | | | $ | — |  |  | | | $ | (118) |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | (14) |  |  | | | $ | — |  |  | | | $ | (14) |  |
| Interest rate contracts | | |  | | | $ | — |  |  | | | $ | (55) |  |  | | | $ | — |  |  | | | $ | (55) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Non-qualified supplemental postretirement grantor trust investments (a) | | |  | | | $ | 42 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 42 |  |
| **June 30, 2020:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | 39 |  |  | | | $ | 29 |  |  | | | $ | — |  |  | | | $ | 68 |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | 49 |  |  | | | $ | — |  |  | | | $ | 49 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | $ | (58) |  |  | | | $ | (114) |  |  | | | $ | — |  |  | | | $ | (172) |  |
| Foreign currency contracts | | |  | | | $ | — |  |  | | | $ | (7) |  |  | | | $ | — |  |  | | | $ | (7) |  |
| Interest rate contracts | | |  | | | $ | — |  |  | | | $ | (59) |  |  | | | $ | — |  |  | | | $ | (59) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Non-qualified supplemental postretirement grantor trust investments (a) | | |  | | | $ | 41 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 41 |  |

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

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

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

**Other Financial Instruments**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| Carrying amount | | | $ | 5,890 |  |  | | | $ | 6,081 |  |  | | | $ | 6,036 |  |
| Estimated fair value | | | $ | 6,314 |  |  | | | $ | 6,504 |  |  | | | $ | 6,208 |  |

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

**Note 12 — Derivative Instruments and Hedging Activities**

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

The following summarizes the types of derivative instruments used by the Company to manage certain market risks:

**Commodity Price Risk**

Regulated Utility Operations

*Natural Gas*

Gas Utility’s tariffs contain clauses that permit recovery of all prudently incurred costs of natural gas it sells to retail core-market customers, including the cost of financial instruments used to hedge purchased gas costs. As permitted and agreed to by the PAPUC pursuant to Gas Utility’s annual PGC filings, Gas Utility currently uses NYMEX natural gas futures and option contracts to reduce commodity price volatility associated with a portion of the natural gas it purchases for its retail core-market customers. See Note 6 for further information on the regulatory accounting treatment for these derivative instruments.

Non-utility Operations

*LPG*

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

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

*Natural Gas*

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

*Electricity*

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

**Interest Rate Risk**

Certain of our long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. In order to fix the underlying short-term market interest rates, we may enter into pay-fixed, receive-variable interest rate swap agreements and designate such swaps as cash flow hedges.

As previously mentioned in Note 7, on May 4, 2021, UGI entered into the 2021 UGI Corporation Senior Credit Facility, which as amended, includes a new term loan commitment of up to $215. Borrowings on this commitment will bear interest at a rate indexed to short-term market rates. In June 2021, UGI entered into two forward starting, pay-fixed, receive-variable interest rate swap agreements, commencing in January 2022. These swaps generally fix the underlying variable interest rate on $125 of future borrowings at 0.69% through September 2024. We have designated these interest rate swaps as a cash flow hedges.

The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time, we enter into IRPAs. We account for IRPAs as cash flow hedges. There were no unsettled IRPAs during any of the periods presented. At June 30, 2021, the amount of pre-tax net losses associated with interest rate hedges (excluding pay-fixed, receive-variable interest rate swaps) expected to be reclassified into earnings during the next twelve months is $4.

**Foreign Currency Exchange Rate Risk**

Forward Foreign Currency Exchange Contracts

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

Net Investment Hedges

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

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exchange contracts as net investment hedges and all changes in the fair value of these contracts are reported in the cumulative translation adjustment component in AOCI.

Our euro-denominated long-term debt has also been designated as net investment hedges of a portion of our UGI International euro-denominated net investment. We recognized pre-tax losses associated with these net investment hedges in the cumulative translation adjustment component in AOCI of $8 and $13 during the three months ended June 30, 2021 and 2020, respectively, $9 and $22 during the nine months ended June 30, 2021 and 2020, respectively.

**Quantitative Disclosures Related to Derivative Instruments**

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at June 30, 2021, September 30, 2020 and June 30, 2020, and the final settlement dates of the Company's open derivative contracts as of June 30, 2021, excluding those derivatives that qualified for the NPNS exception:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | | Notional Amounts (in millions) | | | | | | | | | | | | | | |
| Type | | |  | | | Units | | |  | | | Settlements Extending Through | | |  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| **Commodity Price Risk:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| *Regulated Utility Operations* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Gas Utility NYMEX natural gas futures and option contracts | | |  | | | Dekatherms | | |  | | | February 2022 | | |  | | | 12 | |  |  | | | 22 | |  |  | | | 16 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| *Non-utility Operations* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| LPG swaps | | |  | | | Gallons | | |  | | | November 2023 | | |  | | | 688 | |  |  | | | 846 | |  |  | | | 890 | |  |
| Natural gas futures, forward, basis swap, options and pipeline contracts | | |  | | | Dekatherms | | |  | | | July 2026 | | |  | | | 344 | |  |  | | | 339 | |  |  | | | 343 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Electricity forward and futures contracts | | |  | | | Kilowatt hours | | |  | | | January 2026 | | |  | | | 4,730 | |  |  | | | 4,705 | |  |  | | | 4,144 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Interest Rate Risk:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate swaps | | |  | | | Euro | | |  | | | October 2022 | | |  | | | € | 300 |  |  | | | € | 300 |  |  | | | € | 300 |  |
| Interest rate swaps | | |  | | | USD | | |  | | | September 2024 | | |  | | | $ | 1,424 |  |  | | | $ | 1,344 |  |  | | | $ | 1,347 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Foreign Currency Exchange Rate Risk:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Forward foreign currency exchange contracts | | |  | | | USD | | |  | | | October 2024 | | |  | | | $ | 504 |  |  | | | $ | 511 |  |  | | | $ | 440 |  |
| Net investment hedge forward foreign exchange contracts | | |  | | | Euro | | |  | | | October 2024 | | |  | | | € | 173 |  |  | | | € | 173 |  |  | | | € | 173 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

**Derivative Instrument Credit Risk**

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties’ financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate. Certain of these agreements call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. Additionally, our commodity exchange traded futures contracts generally require cash deposits in margin accounts. Restricted cash in brokerage accounts is reported in “Restricted cash” on the Condensed Consolidated Balance Sheets. Although we have concentrations of credit risk associated with derivative instruments, the maximum amount of loss we would incur if these counterparties failed to perform according to the terms of their contracts, based upon the gross fair values of the derivative instruments, was not material at June 30, 2021. Certain of the Partnership’s derivative contracts have credit-risk-related

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contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership’s debt rating. At June 30, 2021, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

**Offsetting Derivative Assets and Liabilities**

Derivative assets and liabilities are presented net by counterparty on the Condensed Consolidated Balance Sheets if the right of offset exists. We offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty. Our derivative instruments include both those that are executed on an exchange through brokers and centrally cleared and over-the-counter transactions. Exchange contracts utilize a financial intermediary, exchange or clearinghouse to enter, execute or clear the transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter and exchange contracts contain contractual rights of offset through master netting arrangements, derivative clearing agreements and contract default provisions. In addition, the contracts are subject to conditional rights of offset through counterparty nonperformance, insolvency or other conditions.

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

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**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:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | June 30, 2021 | | |  | | | September 30, 2020 | | |  | | | June 30, 2020 | | |
| **Derivative assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives designated as hedging instruments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency contracts | | |  | | | $ | 15 |  |  | | | $ | 17 |  |  | | | $ | 25 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives subject to PGC and DS mechanisms:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | 14 | |  |  | | | 7 | |  |  | | | 3 | |  |
| **Derivatives not designated as hedging instruments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | 623 | |  |  | | | 100 | |  |  | | | 65 | |  |
| Foreign currency contracts | | |  | | | 9 | |  |  | | | 15 | |  |  | | | 24 | |  |
|  | | |  | | | 632 | |  |  | | | 115 | |  |  | | | 89 | |  |
| Total derivative assets — gross | | |  | | | 661 | |  |  | | | 139 | |  |  | | | 117 | |  |
| Gross amounts offset in the balance sheet | | |  | | | (77) | |  |  | | | (57) | |  |  | | | (42) | |  |
| Cash collateral received | | |  | | | (105) | |  |  | | | — | |  |  | | | — | |  |
| Total derivative assets — net | | |  | | | $ | 479 |  |  | | | $ | 82 |  |  | | | $ | 75 |  |
| **Derivative liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives designated as hedging instruments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate contracts | | |  | | | $ | (35) |  |  | | | $ | (55) |  |  | | | $ | (59) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives subject to PGC and DS mechanisms:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | (6) | |  |  | | | — | |  |  | | | (2) | |  |
| **Derivatives not designated as hedging instruments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | |  | | | (139) | |  |  | | | (118) | |  |  | | | (170) | |  |
| Foreign currency contracts | | |  | | | (13) | |  |  | | | (14) | |  |  | | | (7) | |  |
|  | | |  | | | (152) | |  |  | | | (132) | |  |  | | | (177) | |  |
| Total derivative liabilities — gross | | |  | | | (193) | |  |  | | | (187) | |  |  | | | (238) | |  |
| Gross amounts offset in the balance sheet | | |  | | | 77 | |  |  | | | 57 | |  |  | | | 42 | |  |
| Cash collateral pledged | | |  | | | — | |  |  | | | 7 | |  |  | | | 21 | |  |
| Total derivative liabilities — net | | |  | | | $ | (116) |  |  | | | $ | (123) |  |  | | | $ | (175) |  |

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**Effects of Derivative Instruments**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30,:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | Gain (Loss)  Recognized in AOCI | | | | | | | | |  | | | Loss Reclassified from AOCI into Income | | | | | | | | |  | | | Location of Loss Reclassified from AOCI into Income | | |
| **Cash Flow Hedges:** | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate contracts | | |  | | | $ | (1) |  |  | | | $ | (11) |  |  | | | $ | (6) |  |  | | | $ | (6) |  |  | | | Interest expense | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net Investment Hedges:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency contracts | | |  | | | $ | (1) |  |  | | | $ | (3) |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | Gain (Loss) Recognized in Income | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives Not Designated as Hedging Instruments:** | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Location of Gain (Loss) Recognized in Income | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | $ | (5) |  |  | | | $ | 6 |  |  | | | Revenues | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | 347 | |  |  | | | 127 | |  |  | | | Cost of sales | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | — | |  |  | | | 1 | |  |  | | | Operating and administrative expenses | | | | | | | | | | | | | | |
| Foreign currency contracts | | |  | | | (1) | |  |  | | | (5) | |  |  | | | Other non-operating income (expense), net | | | | | | | | | | | | | | |
| Total | | |  | | | $ | 341 |  |  | | | $ | 129 |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Nine Months Ended June 30,:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | Gain (Loss) Recognized in AOCI | | | | | | | | |  | | | Loss Reclassified from AOCI into Income | | | | | | | | |  | | | Location of Loss Reclassified from AOCI into Income | | |
| **Cash Flow Hedges:** | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate contracts | | |  | | | $ | 5 |  |  | | | $ | (53) |  |  | | | $ | (19) |  |  | | | $ | (8) |  |  | | | Interest expense | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net Investment Hedges:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency contracts | | |  | | | $ | (2) |  |  | | | $ | 7 |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | Gain (Loss) Recognized in Income | | | | | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Derivatives Not Designated as Hedging Instruments:** | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Location of Gain (Loss) Recognized in Income | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | $ | (4) |  |  | | | $ | 14 |  |  | | | Revenues | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | 585 | |  |  | | | (112) | |  |  | | | Cost of sales | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | — | |  |  | | | 1 | |  |  | | | Operating and administrative expenses | | | | | | | | | | | | | | |
| Commodity contracts | | |  | | | 5 | |  |  | | | — | |  |  | | | Other operating income, net | | | | | | | | | | | | | | |
| Foreign currency contracts | | |  | | | (4) | |  |  | | | (5) | |  |  | | | Other non-operating income (expense), net | | | | | | | | | | | | | | |
| Total | | |  | | | $ | 582 |  |  | | | $ | (102) |  |  | | |  | | |  | | |  | | |  | | |  | | |

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

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**Note 13 — Accumulated Other Comprehensive Income (Loss)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30, 2021** | | |  | | | Postretirement Benefit Plans | | |  | | | Derivative Instruments | | |  | | | Foreign Currency | | |  | | | Total | | |
| AOCI — March 31, 2021 | | |  | | | $ | (25) |  |  | | | $ | (41) |  |  | | | $ | (60) |  |  | | | $ | (126) |  |
| Other comprehensive income before reclassification adjustments | | |  | | | — | |  |  | | | — | |  |  | | | 16 | |  |  | | | 16 | |  |
| Amounts reclassified from AOCI | | |  | | | — | |  |  | | | 5 | |  |  | | | — | |  |  | | | 5 | |  |
| Other comprehensive income attributable to UGI | | |  | | | — | |  |  | | | 5 | |  |  | | | 16 | |  |  | | | 21 | |  |
| AOCI — June 30, 2021 | | |  | | | $ | (25) |  |  | | | $ | (36) |  |  | | | $ | (44) |  |  | | | $ | (105) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30, 2020** | | |  | | | Postretirement Benefit Plans | | |  | | | Derivative Instruments | | |  | | | Foreign Currency | | |  | | | Total | | |
| AOCI — March 31, 2020 | | |  | | | $ | (24) |  |  | | | $ | (54) |  |  | | | $ | (152) |  |  | | | $ | (230) |  |
| Other comprehensive (loss) income before reclassification adjustments | | |  | | | — | |  |  | | | (8) | |  |  | | | 28 | |  |  | | | 20 | |  |
| Amounts reclassified from AOCI | | |  | | | — | |  |  | | | 5 | |  |  | | | — | |  |  | | | 5 | |  |
| Other comprehensive (loss) income attributable to UGI | | |  | | | — | |  |  | | | (3) | |  |  | | | 28 | |  |  | | | 25 | |  |
| AOCI — June 30, 2020 | | |  | | | $ | (24) |  |  | | | $ | (57) |  |  | | | $ | (124) |  |  | | | $ | (205) |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Nine Months Ended June 30, 2021** | | |  | | | Postretirement Benefit Plans | | |  | | | Derivative Instruments | | |  | | | Foreign Currency | | |  | | | Total | | |
| AOCI — September 30, 2020 | | |  | | | $ | (26) |  |  | | | $ | (54) |  |  | | | $ | (67) |  |  | | | $ | (147) |  |
| Other comprehensive income before reclassification adjustments | | |  | | | — | |  |  | | | 4 | |  |  | | | 23 | |  |  | | | 27 | |  |
| Amounts reclassified from AOCI | | |  | | | 1 | |  |  | | | 14 | |  |  | | | — | |  |  | | | 15 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other comprehensive income attributable to UGI | | |  | | | 1 | |  |  | | | 18 | |  |  | | | 23 | |  |  | | | 42 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AOCI — June 30, 2021 | | |  | | | $ | (25) |  |  | | | $ | (36) |  |  | | | $ | (44) |  |  | | | $ | (105) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Nine Months Ended June 30, 2020** | | |  | | | Postretirement Benefit Plans | | |  | | | Derivative Instruments | | |  | | | Foreign Currency | | |  | | | Total | | |
| AOCI — September 30, 2019 | | |  | | | $ | (26) |  |  | | | $ | (25) |  |  | | | $ | (166) |  |  | | | $ | (217) |  |
| Other comprehensive (loss) income before reclassification adjustments | | |  | | | — | |  |  | | | (38) | |  |  | | | 42 | |  |  | | | 4 | |  |
| Amounts reclassified from AOCI | | |  | | | 2 | |  |  | | | 6 | |  |  | | | — | |  |  | | | 8 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other comprehensive income (loss) attributable to UGI | | |  | | | 2 | |  |  | | | (32) | |  |  | | | 42 | |  |  | | | 12 | |  |
| AOCI — June 30, 2020 | | |  | | | $ | (24) |  |  | | | $ | (57) |  |  | | | $ | (124) |  |  | | | $ | (205) |  |

**Note 14 — Segment Information**

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

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

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**UGI CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

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

its captive insurance company, and UGI corporate headquarters’ assets. The accounting policies of our reportable segments are the same as those described in Note 2, “Summary of Significant Accounting Policies,” in the Company’s 2020 Annual Report.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  |  |  |  | |  |  | |  |  |  | |  | | | |  |  |  | |  |  | |  | | | | |  |  |  |  |  |  | | | |  |  |  | |  |  | |  | |  |  |  | |  |  | |  | | | |  |  |  | |  |  |  | | |  |
|  | | | |  | | |  | | | |  | | | |  | | | | | | |  | | | |  | | | | | | | |  | | |  | | | | | |  | | | |  | | | | |  | | | |  | | | | | | |  | | | |  | | | | |
| **Three Months Ended June 30, 2021** | | | |  | | | Total | | | |  | | | | Eliminations | | | | | | |  | | | | AmeriGas Propane | | | | | | | |  | | | UGI International | | | | | |  | | | | Midstream & Marketing | | | | |  | | | | UGI Utilities | | | | | | |  | | | | Corporate & Other (a) | | | | |
| Revenues from external customers | | | |  | | | $ | 1,496 | |  |  | | | | $ | | — | | | |  |  | | | | $ | | 526 | | | | |  |  | | | $ | 572 | | | |  |  | | | | $ | | 232 | |  |  | | | | $ | | 171 | | | |  |  | | | | $ | (5) | | |  |
| Intersegment revenues | | | |  | | | $ | — | |  |  | | | | $ | | (40) | | | |  | (b) | | | | $ | | — | | | | |  |  | | | $ | — | | | |  |  | | | | $ | | 29 | |  |  | | | | $ | | 10 | | | |  |  | | | | $ | 1 | | |  |
| Cost of sales | | | |  | | | $ | 516 | |  |  | | | | $ | | (39) | | | |  | (b) | | | | $ | | 267 | | | | |  |  | | | $ | 355 | | | |  |  | | | | $ | | 196 | |  |  | | | | $ | | 67 | | | |  |  | | | | $ | (330) | | |  |
| Operating income | | | |  | | | $ | 391 | |  |  | | | | $ | | — | | | |  |  | | | | $ | | 11 | | | | |  |  | | | $ | 40 | | | |  |  | | | | $ | | 14 | |  |  | | | | $ | | 24 | | | |  |  | | | | $ | 302 | | |  |
| (Loss) income from equity investees | | | |  | | | (86) | | |  |  | | | | — | | | | | |  |  | | | | — | | | | | | |  |  | | | — | | | | |  |  | | | | 7 | | | |  |  | | | | — | | | | | |  |  | | | | (93) | | | |  |
|  | | | |  | | |  | | | |  | | | |  | | | | | | |  | | | |  | | | | | | | |  | | |  | | | | | |  | | | |  | | | | |  | | | |  | | | | | | |  | | | |  | | | | |
| Other non-operating income (expense), net | | | |  | | | 1 | | |  |  | | | | — | | | | | |  |  | | | | — | | | | | | |  |  | | | 1 | | | | |  |  | | | | — | | | |  |  | | | | 1 | | | | | |  |  | | | | (1) | | | |  |
| Earnings before interest expense and income taxes | | | |  | | | 306 | | |  |  | | | | — | | | | | |  |  | | | | 11 | | | | | | |  |  | | | 41 | | | | |  |  | | | | 21 | | | |  |  | | | | 25 | | | | | |  |  | | | | 208 | | | |  |
| Interest expense | | | |  | | | (77) | | |  |  | | | | — | | | | | |  |  | | | | (40) | | | | | | |  |  | | | (8) | | | | |  |  | | | | (10) | | | |  |  | | | | (14) | | | | | |  |  | | | | (5) | | | |  |
| Income (loss) before income taxes | | | |  | | | $ | 229 | |  |  | | | | $ | | — | | | |  |  | | | | $ | | (29) | | | | |  |  | | | $ | 33 | | | |  |  | | | | $ | | 11 | |  |  | | | | $ | | 11 | | | |  |  | | | | $ | 203 | | |  |
|  | | | |  | | |  | | | |  | | | |  | | | | | | |  | | | |  | | | | | | | |  | | |  | | | | | |  | | | |  | | | | |  | | | |  | | | | | | |  | | | |  | | | | |
| Depreciation and amortization | | | |  | | | $ | 125 | |  |  | | | | $ | | — | | | |  |  | | | | $ | | 43 | | | | |  |  | | | $ | 33 | | | |  |  | | | | $ | | 19 | |  |  | | | | $ | | 29 | | | |  |  | | | | $ | 1 | | |  |
| Capital expenditures (including the effects of accruals) | | | |  | | | $ | 162 | |  |  | | | | $ | | — | | | |  |  | | | | $ | | 26 | | | | |  |  | | | $ | 21 | | | |  |  | | | | $ | | 3 | |  |  | | | | $ | | 112 | | | |  |  | | | | $ | — | | |  |
|  | |  | | | | | | |  | | |  | | | |  | |  |  |  | | | |  | | |  | |  |  |  |  | | | | | | |  |  |  | | | |  | | |  | |  | | | |  | | |  | |  |  |  | | | |  | | | |  |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | | | | | | | |  | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |
| **Three Months Ended June 30, 2020** | | | | | | | | | | | |  | | | | | | | Total | | | | | | | |  | | | | Eliminations | | | | | | | | |  | | | | | | | | AmeriGas Propane | | | | | | | | |  | | | | UGI International | | | | | | | | |  | | | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other (a) | | |
| Revenues from external customers | | | | | | | | | | | |  | | | | | | | $ | 1,199 | | | |  | | |  | | | | $ | — | | | | | | |  |  | | | | | | | | $ | | 451 | | | |  | | |  | | | | $ | | | | 371 | | | |  |  | | | | | $ | 202 |  |  | | | $ | 172 |  |  | | | $ | 3 |  |
| Intersegment revenues | | | | | | | | | | | |  | | | | | | | $ | — | | | |  | | |  | | | | $ | (28) | | | | | | |  | (b) | | | | | | | | $ | | — | | | |  | | |  | | | | $ | | | | — | | | |  |  | | | | | $ | 20 |  |  | | | $ | 7 |  |  | | | $ | 1 |  |
| Cost of sales | | | | | | | | | | | |  | | | | | | | $ | 417 | | | |  | | |  | | | | $ | (28) | | | | | | |  | (b) | | | | | | | | $ | | 178 | | | |  | | |  | | | | $ | | | | 198 | | | |  |  | | | | | $ | 158 |  |  | | | $ | 68 |  |  | | | $ | (157) |  |
| Operating income | | | | | | | | | | | |  | | | | | | | $ | 174 | | | |  | | |  | | | | $ | — | | | | | | |  |  | | | | | | | | $ | | 19 | | | |  | | |  | | | | $ | | | | 17 | | | |  |  | | | | | $ | 13 |  |  | | | $ | 21 |  |  | | | $ | 104 |  |
|  | | | | | | | | | | | |  | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |
| Income from equity investees | | | | | | | | | | | |  | | | | | | | 7 | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | 7 | |  |  | | | — | |  |  | | | — | |  |
|  | | | | | | | | | | | |  | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |
|  | | | | | | | | | | | |  | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |
| Other non-operating (expense) income, net | | | | | | | | | | | |  | | | | | | | (4) | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | 4 | | | | | | | |  |  | | | | | — | |  |  | | | — | |  |  | | | (8) | |  |
| Earnings before interest expense and income taxes | | | | | | | | | | | |  | | | | | | | 177 | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | | | | 19 | | | | | |  | | |  | | | | 21 | | | | | | | |  |  | | | | | 20 | |  |  | | | 21 | |  |  | | | 96 | |  |
| Interest expense | | | | | | | | | | | |  | | | | | | | (80) | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | | | | (41) | | | | | |  | | |  | | | | (8) | | | | | | | |  |  | | | | | (11) | |  |  | | | (14) | |  |  | | | (6) | |  |
| Income (loss) before income taxes | | | | | | | | | | | |  | | | | | | | $ | 97 | | | |  | | |  | | | | $ | — | | | | | | |  |  | | | | | | | | $ | | (22) | | | |  | | |  | | | | $ | | | | 13 | | | |  |  | | | | | $ | 9 |  |  | | | $ | 7 |  |  | | | $ | 90 |  |
|  | | | | | | | | | | | |  | | | | | | |  | | | | | | | |  | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | | | | | | | | | | |  | | | | | | | $ | 122 | | | |  | | |  | | | | $ | — | | | | | | |  |  | | | | | | | | $ | | 45 | | | |  | | |  | | | | $ | | | | 30 | | | |  |  | | | | | $ | 20 |  |  | | | $ | 26 |  |  | | | $ | 1 |  |
| Capital expenditures (including the effects of accruals) | | | | | | | | | | | |  | | | | | | | $ | 133 | | | |  | | |  | | | | $ | — | | | | | | |  |  | | | | | | | | $ | | 30 | | | |  | | |  | | | | $ | | | | 20 | | | |  |  | | | | | $ | 15 |  |  | | | $ | 68 |  |  | | | $ | — |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Nine Months Ended June 30, 2021** | | |  | | | Total | | |  | | | Eliminations | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other (a) | | |
| Revenues from external customers | | |  | | | $ | 6,009 |  |  | | | $ | — |  |  | | | $ | 2,132 |  |  | | | $ | 2,106 |  |  | | | $ | 903 |  |  | | | $ | 873 |  |  | | | $ | (5) |  |
| Intersegment revenues | | |  | | | $ | — |  |  | | | $ | (236) |  | (b) | | | $ | — |  |  | | | $ | — |  |  | | | $ | 183 |  |  | | | $ | 50 |  |  | | | $ | 3 |  |
| Cost of sales | | |  | | | $ | 2,623 |  |  | | | $ | (233) |  | (b) | | | $ | 970 |  |  | | | $ | 1,229 |  |  | | | $ | 776 |  |  | | | $ | 401 |  |  | | | $ | (520) |  |
| Operating income | | |  | | | $ | 1,564 |  |  | | | $ | — |  |  | | | $ | 391 |  |  | | | $ | 322 |  |  | | | $ | 156 |  |  | | | $ | 243 |  |  | | | $ | 452 |  |
| (Loss) income from equity investees | | |  | | | (69) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 24 | |  |  | | | — | |  |  | | | (93) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other non-operating income (expense), net | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 4 | |  |  | | | — | |  |  | | | 2 | |  |  | | | (6) | |  |
| Earnings before interest expense and income taxes | | |  | | | 1,495 | |  |  | | | — | |  |  | | | 391 | |  |  | | | 326 | |  |  | | | 180 | |  |  | | | 245 | |  |  | | | 353 | |  |
| Interest expense | | |  | | | (233) | |  |  | | | — | |  |  | | | (120) | |  |  | | | (21) | |  |  | | | (31) | |  |  | | | (42) | |  |  | | | (19) | |  |
| Income before income taxes | | |  | | | $ | 1,262 |  |  | | | $ | — |  |  | | | $ | 271 |  |  | | | $ | 305 |  |  | | | $ | 149 |  |  | | | $ | 203 |  |  | | | $ | 334 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | |  | | | $ | 375 |  |  | | | $ | — |  |  | | | $ | 130 |  |  | | | $ | 100 |  |  | | | $ | 56 |  |  | | | $ | 87 |  |  | | | $ | 2 |  |
| Capital expenditures (including the effects of accruals) | | |  | | | $ | 438 |  |  | | | $ | — |  |  | | | $ | 83 |  |  | | | $ | 68 |  |  | | | $ | 32 |  |  | | | $ | 255 |  |  | | | $ | — |  |
| **As of June 30, 2021** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total assets | | |  | | | $ | 15,006 |  |  | | | $ | (267) |  |  | | | $ | 4,381 |  |  | | | $ | 3,749 |  |  | | | $ | 2,904 |  |  | | | $ | 3,997 |  |  | | | $ | 242 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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**UGI CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

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

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| **Nine Months Ended June 30, 2020** | | |  | | | Total | | |  | | | Eliminations | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corporate & Other (a) | | |
| Revenues from external customers | | |  | | | $ | 5,435 |  |  | | | $ | — |  |  | | | $ | 1,983 |  |  | | | $ | 1,726 |  |  | | | $ | 855 |  |  | | | $ | 863 |  |  | | | $ | 8 |  |
| Intersegment revenues | | |  | | | $ | — |  |  | | | $ | (202) |  | (b) | | | $ | — |  |  | | | $ | — |  |  | | | $ | 162 |  |  | | | $ | 38 |  |  | | | $ | 2 |  |
| Cost of sales | | |  | | | $ | 2,673 |  |  | | | $ | (201) |  | (b) | | | $ | 792 |  |  | | | $ | 968 |  |  | | | $ | 721 |  |  | | | $ | 404 |  |  | | | $ | (11) |  |
| Operating income (loss) | | |  | | | $ | 913 |  |  | | | $ | — |  |  | | | $ | 390 |  |  | | | $ | 230 |  |  | | | $ | 139 |  |  | | | $ | 229 |  |  | | | $ | (75) |  |
| Income from equity investees | | |  | | | 22 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 22 | |  |  | | | — | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other non-operating (expense) income, net | | |  | | | (4) | |  |  | | | — | |  |  | | | — | |  |  | | | 17 | |  |  | | | — | |  |  | | | — | |  |  | | | (21) | |  |
| Earnings (loss) before interest expense and income taxes | | |  | | | 931 | |  |  | | | — | |  |  | | | 390 | |  |  | | | 247 | |  |  | | | 161 | |  |  | | | 229 | |  |  | | | (96) | |  |
| Interest expense | | |  | | | (247) | |  |  | | | — | |  |  | | | (124) | |  |  | | | (23) | |  |  | | | (34) | |  |  | | | (41) | |  |  | | | (25) | |  |
| Income (loss) before income taxes | | |  | | | $ | 684 |  |  | | | $ | — |  |  | | | $ | 266 |  |  | | | $ | 224 |  |  | | | $ | 127 |  |  | | | $ | 188 |  |  | | | $ | (121) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Depreciation and amortization | | |  | | | $ | 362 |  |  | | | $ | — |  |  | | | $ | 134 |  |  | | | $ | 92 |  |  | | | $ | 57 |  |  | | | $ | 78 |  |  | | | $ | 1 |  |
| Capital expenditures (including the effects of accruals) | | |  | | | $ | 444 |  |  | | | $ | — |  |  | | | $ | 104 |  |  | | | $ | 62 |  |  | | | $ | 61 |  |  | | | $ | 217 |  |  | | | $ | — |  |
| **As of June 30, 2020** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total assets | | |  | | | $ | 13,843 |  |  | | | $ | (365) |  |  | | | $ | 4,311 |  |  | | | $ | 3,208 |  |  | | | $ | 2,740 |  |  | | | $ | 3,709 |  |  | | | $ | 240 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(a)Corporate & Other includes specific items attributable to our reportable segments that are not included in the segment profit measures used by our CODM in assessing our reportable segments’ performance or allocating resources. The following table presents such pre-tax gains (losses) which have been included in Corporate & Other, and the reportable segments to which they relate:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Three Months Ended June 30, 2021** | | |  | | | Location on Income Statement | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  |  |
| Net losses on commodity derivative instruments not associated with current-period transactions | | |  | | | Revenues | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (4) |  |  |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | Cost of sales | | |  | | | $ | 59 |  |  | | | $ | 226 |  |  | | | $ | 44 |  |  |  |
| Unrealized losses on foreign currency derivative instruments | | |  | | | Other non-operating income (expense), net | | |  | | | $ | — |  |  | | | $ | (1) |  |  | | | $ | — |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
| Business transformation expenses | | |  | | | Operating and administrative expenses | | |  | | | $ | (11) |  |  | | | $ | (6) |  |  | | | $ | — |  |  |  |
| Impairment of investment in PennEast | | |  | | | (Loss) income from equity investees | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (93) |  |  |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Three Months Ended June 30, 2020** | | |  | | | Location on Income Statement | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | Revenues | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 3 |  |  |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | Cost of sales | | |  | | | $ | 60 |  |  | | | $ | 78 |  |  | | | $ | 22 |  |  |  |
| Unrealized losses on foreign currency derivative instruments | | |  | | | Other non-operating income (expense), net | | |  | | | $ | — |  |  | | | $ | (7) |  |  | | | $ | — |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
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| Business transformation expenses | | |  | | | Operating and administrative expenses | | |  | | | $ | (3) |  |  | | | $ | (4) |  |  | | | $ | — |  |  |  |
| Impairment of assets held-for-sale | | |  | | | Impairment of assets held-for-sale | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (52) |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |

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**UGI CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

(unaudited)

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Nine Months Ended June 30, 2021** | | |  | | | Location on Income Statement | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  |  |
| Net losses on commodity derivative instruments not associated with current-period transactions | | |  | | | Revenues | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (4) |  |  |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | Cost of sales | | |  | | | $ | 123 |  |  | | | $ | 380 |  |  | | | $ | 16 |  |  |  |
| Unrealized losses on foreign currency derivative instruments | | |  | | | Other non-operating income (expense), net | | |  | | | $ | — |  |  | | | $ | (6) |  |  | | | $ | — |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
| Business transformation expenses | | |  | | | Operating and administrative expenses | | |  | | | $ | (37) |  |  | | | $ | (12) |  |  | | | $ | — |  |  |  |
| Impairment of investment in PennEast | | |  | | | (Loss) income from equity investees | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (93) |  |  |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Nine Months Ended June 30, 2020** | | |  | | | Location on Income Statement | | |  | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | Revenues | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 8 |  |  |  |
| Net gains (losses) on commodity derivative instruments not associated with current-period transactions | | |  | | | Cost of sales | | |  | | | $ | 48 |  |  | | | $ | (54) |  |  | | | $ | 19 |  |  |  |
| Unrealized losses on foreign currency derivative instruments | | |  | | | Other non-operating income (expense), net | | |  | | | $ | — |  |  | | | $ | (20) |  |  | | | $ | — |  |  |  |
| Acquisition and integration expenses associated with the CMG Acquisition | | |  | | | Operating and administrative expenses | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (2) |  |  |  |
| Business transformation expenses | | |  | | | Operating and administrative expenses | | |  | | | $ | (27) |  |  | | | $ | (16) |  |  | | | $ | — |  |  |  |
| Impairment of assets held-for-sale | | |  | | | Impairment of assets held-for-sale | | |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | (52) |  |  |  |

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

**Note 15 — Business Transformation Initiatives**

***AmeriGas and UGI International.*** Beginning in Fiscal 2019, we began executing on multi-year business transformation initiatives at our AmeriGas Propane and UGI International business segments. These initiatives are designed to improve long-term operational performance by, among other things, reducing costs and improving efficiency in the areas of sales and marketing, supply and logistics, operations, purchasing, and administration. In addition, these business transformation initiatives focus on enhancing the customer experience through, among other things, enhanced customer relationship management and an improved digital customer experience. In connection with these initiatives, we recognized expenses of $17 and $6 during the three months ended June 30, 2021 and 2020, respectively, and $49 and $43 during the nine months ended June 30, 2021 and 2020, respectively. These expenses principally comprising consulting, advisory, marketing and employee-related costs and are primarily reflected in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income.

***Corporate Services.*** Beginning in Fiscal 2020, we initiated a transformation project focused on our support functions including: finance, procurement, human resources, and information technology. This initiative will standardize processes and activities across our global platform, while leveraging the use of best practices and efficiencies between our businesses. In connection with this initiative, we recognized expenses of $4 and $8 for the three and nine months ended June 30, 2021 in “Operating and administrative expenses” on the Condensed Consolidated Statement of Income.

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

**Note 16 — 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. Our equity method investments are primarily comprised of PennEast, Pennant and Pine Run.

Fiscal 2021 Developments

*Pine Run.* In February 2021, Pine Run, a company jointly owned by Stonehenge and UGI Pine Run, LLC, a wholly-owned subsidiary of Energy Services, completed the acquisition of Pine Run Midstream, LLC from an affiliate of PennEnergy and minority partners for a preliminary purchase price of $205. Pine Run Midstream, LLC operates 43 miles of dry gas gathering pipeline and compression assets in Butler and Armstrong counties in western Pennsylvania. UGI Pine Run, LLC’s 49% membership interest in Pine Run totaled $59, as of June 30, 2021 and is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over the entity.

*PennEast*. UGI PennEast, LLC and four other members comprising wholly owned subsidiaries of Southern Company, New Jersey Resources, South Jersey Industries, and Enbridge, Inc., each hold a 20% membership interest in PennEast. In September 2019, a panel of the U.S. Court of Appeals for the Third Circuit ruled that New Jersey’s Eleventh Amendment immunity barred PennEast from bringing an eminent domain lawsuit in federal court, under the Natural Gas Act, against New Jersey or its agencies. On February 3, 2021, the U.S. Supreme Court issued an order granting PennEast’s petition for a writ of certiorari and the case was argued on April 28, 2021. On June 29, 2021, the U.S. Supreme Court ruled in favor of PennEast, overturning the Third Circuit’s decision that blocked PennEast from exercising federal eminent domain authority over lands in which a state has property rights interests.

Following the favorable Supreme Court decision, the partners of the PennEast project re-assessed the remaining legal and regulatory contingencies which must be resolved before construction can commence. Based on the significant remaining legal challenges and the expected further delays in obtaining the necessary regulatory approvals, which are preventing the commencement of construction and commercial operation of the project, the Company concluded that its investment in PennEast was impaired at June 30, 2021, and that such impairment was other-than-temporary. The estimated fair value of the Company’s investment in PennEast was measured using probability-weighted cash flows under an expected present value technique based on management's estimates and assumptions regarding the likelihood of certain outcomes (and the related timing) that would be used by market participants. These assumptions included the estimated fair value of the equipment acquired by the PennEast project (principally pipes, compressors and land) as well as the required regulatory approvals, satisfactory resolution of pending legal matters, the magnitude of construction costs, in-service dates, forecasted revenues and discount rates, as well as the probability weighting of the various scenarios associated with the PennEast project. The ultimate outcome of the PennEast construction project cannot be determined at this time.

Based upon this analysis, the Company recognized an other-than-temporary pretax impairment charge of $93 in June 2021, which is recorded in “(Loss) income from equity investees” in the Condensed Consolidated Statements of Income. The Company has established a full valuation allowance on the deferred tax asset recognized for the impairment, as it is not more likely than not at June 30, 2021 that such deferred tax asset will be realized. The estimated fair value of the Company’s investment in PennEast as of June 30, 2021 represents a nonrecurring, level 3 measurement within the fair value hierarchy as the significant unobservable inputs principally reflect the probability weightings assigned to the potential outcomes discussed above.

**Note 17 — Impact of Global Pandemic**

In March 2020, the WHO declared a global pandemic attributable to the outbreak and continued spread of COVID-19 that has had a significant impact throughout the global economy. In connection with the mitigation and containment procedures recommended by the WHO, the CDC, and as imposed by federal, state, and local governmental authorities, including shelter-in-place orders, quarantines and similar restrictions, the Company implemented a variety of procedures to protect our employees, third-party business partners, and customers worldwide. The Company continues to provide essential products and services to its global customers in a safe and reliable manner, and will continue to do so in compliance with mandated restrictions presented by each of the markets it serves. The Company continues to evaluate and react to the potential effects of a prolonged disruption and the continued impact on its results of operations. These items may include, but are not limited to: the financial condition of its customers; decreased availability and demand for its products and services; realization of accounts receivable;

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impairment considerations related to certain current assets, long-lived assets and goodwill; delays related to current and future projects; and the effects of government stimulus efforts including tax legislation in response to COVID-19. While its operations and financial performance continue to be impacted by COVID-19, the Company cannot predict the duration or magnitude of the pandemic and the total effects on its business, financial position, results of operations, liquidity or cash flows at this time.

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**UGI CORPORATION AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Forward-Looking Statements**

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

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

These factors, and those factors set forth in Item 1A. Risk Factors in this Form 10-Q and in the Company’s 2020 Annual Report, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

**ANALYSIS OF RESULTS OF OPERATIONS**

The following analyses compare the Company’s results of operations for the 2021 three-month period with the 2020 three-month period and the 2021 nine-month period with the 2020 nine-month period. Our analyses of results of operations should be read in conjunction with the segment information included in Note 14 to Condensed Consolidated Financial Statements.

Because most of our businesses sell or distribute energy products used in large part for heating purposes, our results are significantly influenced by temperatures in our service territories, particularly during the heating-season months of October through March. As a result, our operating results, excluding the effects of gains and losses on commodity derivative

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**UGI CORPORATION AND SUBSIDIARIES**

instruments not associated with current-period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

**Recent Developments**

***Pending Acquisition of Mountaineer Gas Company***

On December 29, 2020, UGI Corporation signed a definitive agreement to acquire Mountaineer, the largest natural gas distribution company in West Virginia for a preliminary purchase price of $540 million, which includes the assumption of approximately $140 million of long-term debt. Mountaineer serves nearly 215,000 customers across 50 of the state’s 55 counties. The pending acquisition is subject to customary regulatory and other closing conditions, including approval by the Public Service Commission of West Virginia, and is expected to close in the second half of calendar year 2021. UGI currently expects to finance the pending acquisition using proceeds from the 2021 UGI Corporation Senior Credit Facility and the issuance of Equity Units. For additional information on these financing activities, see Notes 7 and 8 to the Condensed Consolidated Financial Statements.

On January 26, 2021, UGI and Mountaineer filed a joint petition for consent and approval of the pending acquisition at the WV PSC. On July 15, 2021, UGI and Mountaineer filed, on behalf of all parties, a unanimous joint stipulation and agreement for settlement (the “Settlement”) of all issues in the proceeding that, among other provisions, requests the WV PSC to approve the pending acquisition. The Settlement was presented to the WV PSC in an evidentiary hearing on July 20, 2021. The Company cannot predict the timing or the ultimate outcome of the Settlement approval process.

***COVID-19 Pandemic***

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

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

**Business Transformation Initiatives**

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

***AmeriGas Propane.*** At AmeriGas Propane, we began executing on business transformation initiatives during Fiscal 2019 focused on efficiency and effectiveness in the following key areas: customer digital experience; customer relationship management; operating process redesign and specialization; distribution and routing optimization; sales and marketing effectiveness; purchasing and general and administrative efficiencies; and supply and logistics. The transformation activities will continue to be carried out over Fiscal 2021 and may result in customer service disruptions over the near term. However, once completed, these initiatives are expected to provide total annual benefits of more than $140 million by the end of Fiscal 2022 which will allow us to improve profitability and cash flow through operational efficiencies and expense reductions and enable increased investment into base business customer retention and growth initiatives, including the reduction of margins in

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**UGI CORPORATION AND SUBSIDIARIES**

select segments of our base business. We estimate the total cost of executing on these initiatives, including approximately $100 million of related capital expenditures, to be approximately $200 million.

***UGI International.*** At our UGI International LPG business, we launched an initiative in Fiscal 2019 and embarked on a process of identifying operational synergies across all 17 countries in which we currently do business. We call this initiative Project Alliance, the goal of which is to focus attention on enhanced customer service and safe and efficient operations through the establishment of two centers of excellence. One such center will be focused on commercial excellence to identify and execute projects that improve the customer’s experience. The second center will be focused on operational excellence across our distribution network and our filling centers. The business activities are in process and will continue to be executed primarily during Fiscal 2021. Once completed, these activities are expected to generate over €30 million of annual benefits. We estimate the total cumulative cost of executing on these Project Alliance initiatives, including approximately €10 million related to IT capital expenditures, to be approximately €55 million.

**Non-GAAP Financial Measures**

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

UGI does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP. Volatility in net income attributable to UGI Corporation can occur as a result of gains and losses on such derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on unsettled commodity and certain foreign currency derivative instruments and, to a much lesser extent, certain realized gains and losses on settled commodity derivative instruments that are not associated with current-period transactions. However, because these derivative instruments economically hedge anticipated future purchases or sales of energy commodities, or in the case of certain foreign currency derivatives reduce volatility in anticipated future earnings associated with our foreign operations, we expect that such gains or losses will be largely offset by gains or losses on anticipated future energy commodity transactions or mitigate volatility in anticipated future earnings. Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Adjusted net income attributable to UGI Corporation** | | |  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
| (Dollars in millions) | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| AmeriGas Propane | | |  | | | $ | (20) |  |  | | | $ | (15) |  |  | | | $ | 204 |  |  | | | $ | 198 |  |
| UGI International | | |  | | | 31 | |  |  | | | (11) | |  |  | | | 222 | |  |  | | | 137 | |  |
| Midstream & Marketing | | |  | | | 8 | |  |  | | | 7 | |  |  | | | 107 | |  |  | | | 93 | |  |
| UGI Utilities | | |  | | | 9 | |  |  | | | 4 | |  |  | | | 157 | |  |  | | | 147 | |  |
| Corporate & Other (a) | | |  | | | 122 | |  |  | | | 100 | |  |  | | | 252 | |  |  | | | (52) | |  |
| **Net income attributable to UGI Corporation** | | |  | | | 150 | |  |  | | | 85 | |  |  | | | 942 | |  |  | | | 523 | |  |
| Net gains on commodity derivative instruments not associated with current-period transactions (net of tax of $94, $49, $147, and $6, respectively) | | |  | | | (231) | |  |  | | | (114) | |  |  | | | (368) | |  |  | | | (15) | |  |
| Unrealized losses on foreign currency derivative instruments (net of tax of $(1), $(3), $(2), and $(6), respectively) | | |  | | | — | |  |  | | | 4 | |  |  | | | 4 | |  |  | | | 14 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Acquisition and integration expenses associated with the CMG Acquisition (net of tax of $0, $0, $0, and $(1), respectively) | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |
| Acquisition expenses associated with the pending Mountaineer Acquisition (net of tax of $0, $0, $(1), and $0, respectively) | | |  | | | 1 | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  |
| Business transformation expenses (net of tax of $(6), $(3), $(15), and $(13), respectively) | | |  | | | 15 | |  |  | | | 4 | |  |  | | | 42 | |  |  | | | 30 | |  |
| Impact of change in Italian tax law (b) | | |  | | | — | |  |  | | | — | |  |  | | | (23) | |  |  | | | — | |  |
| Impairment of investment in PennEast (net of tax of $0, $0, $0, $0, respectively) | | |  | | | 93 | |  |  | | | — | |  |  | | | 93 | |  |  | | | — | |  |
| Impairment of assets held-for-sale (net of tax of $0, $(15), $0, and $(15), respectively) | | |  | | | — | |  |  | | | 37 | |  |  | | | — | |  |  | | | 37 | |  |
| Total adjustments (a) (c) | | |  | | | (122) | |  |  | | | (69) | |  |  | | | (249) | |  |  | | | 67 | |  |
| **Adjusted net income attributable to UGI Corporation** | | |  | | | $ | 28 |  |  | | | $ | 16 |  |  | | | $ | 693 |  |  | | | $ | 590 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**UGI CORPORATION AND SUBSIDIARIES**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Three Months Ended June 30, | | | | | | | | |  | | | Nine Months Ended June 30, | | | | | | | | |
| **Adjusted diluted earnings per share** | | |  | | | 2021 | | |  | | | 2020 | | |  | | | 2021 | | |  | | | 2020 | | |
| AmeriGas Propane | | |  | | | $ | (0.10) |  |  | | | $ | (0.07) |  |  | | | $ | 0.97 |  |  | | | $ | 0.94 |  |
| UGI International | | |  | | | 0.15 | |  |  | | | (0.05) | |  |  | | | 1.06 | |  |  | | | 0.65 | |  |
| Midstream & Marketing | | |  | | | 0.04 | |  |  | | | 0.03 | |  |  | | | 0.51 | |  |  | | | 0.44 | |  |
| UGI Utilities | | |  | | | 0.04 | |  |  | | | 0.02 | |  |  | | | 0.75 | |  |  | | | 0.70 | |  |
| Corporate & Other (a) | | |  | | | 0.58 | |  |  | | | 0.48 | |  |  | | | 1.19 | |  |  | | | (0.24) | |  |
| **Earnings per share - diluted** | | |  | | | 0.71 | |  |  | | | 0.41 | |  |  | | | 4.48 | |  |  | | | 2.49 | |  |
| Net gains on commodity derivative instruments not associated with current-period transactions | | |  | | | (1.09) | |  |  | | | (0.55) | |  |  | | | (1.75) | |  |  | | | (0.07) | |  |
| Unrealized losses on foreign currency derivative instruments | | |  | | | — | |  |  | | | 0.02 | |  |  | | | 0.03 | |  |  | | | 0.07 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Acquisition and integration expenses associated with the CMG Acquisition | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 0.01 | |  |
| Acquisition expenses associated with the pending Mountaineer Acquisition | | |  | | | — | |  |  | | | — | |  |  | | | 0.01 | |  |  | | | — | |  |
| Business transformation expenses | | |  | | | 0.07 | |  |  | | | 0.02 | |  |  | | | 0.20 | |  |  | | | 0.14 | |  |
| Impact of change in Italian tax law (b) | | |  | | | — | |  |  | | | — | |  |  | | | (0.11) | |  |  | | | — | |  |
| Impairment of investment in PennEast | | |  | | | 0.44 | |  |  | | | — | |  |  | | | 0.44 | |  |  | | | — | |  |
| Impairment of assets held-for-sale | | |  | | | — | |  |  | | | 0.18 | |  |  | | | — | |  |  | | | 0.17 | |  |
| Total adjustments (a) | | |  | | | (0.58) | |  |  | | | (0.33) | |  |  | | | (1.18) | |  |  | | | 0.32 | |  |
| **Adjusted earnings per share - diluted** | | |  | | | $ | 0.13 |  |  | | | $ | 0.08 |  |  | | | $ | 3.30 |  |  | | | $ | 2.81 |  |

(a)Corporate & Other includes certain adjustments made to our reporting segments in arriving at net income attributable to UGI Corporation. These adjustments have been excluded from the segment results to align with the measure used by our CODM in assessing segment performance and allocating resources.  See Note 14 to Condensed Consolidated Financial Statements for additional information related to these adjustments, as well as other items included within Corporate & Other.

(b)See “Interest Expense and Income Taxes” below for additional information related to this adjustment.

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

**EXECUTIVE OVERVIEW**

**2021 three-month period compared with 2020 three-month period**

**Discussion.** Net income attributable to UGI Corporation for the 2021 three-month period was $150 million (equal to $0.71 per diluted share) compared to $85 million (equal to $0.41 per diluted share) during the 2020 three-month period. Net income attributable to UGI Corporation in the 2021 and 2020 three-month periods reflects net gains of $231 million and $110 million, respectively, from changes in unrealized commodity derivative instruments and certain foreign currency derivative instruments. Net income attributable to UGI Corporation also reflects business transformation expenses of $15 million and $4 million, respectively, in the 2021 and 2020 three-month periods. The 2021 three-month period includes a $93 million impairment charge related to our investment in PennEast, and the 2020 three-month period includes a $37 million impairment charge related to held-for-sale assets that were disposed of in September 2020.

Adjusted net income attributable to UGI Corporation for the 2021 three-month period was $28 million (equal to $0.13 per diluted share) compared to $16 million (equal to $0.08 per diluted share) during the 2020 three-month period. The increase in adjusted net income attributable to UGI Corporation during the 2021 three-month period largely reflects higher earnings contributions from our UGI International business segment which benefited from colder weather compared to the prior-year period resulting in higher LPG volumes. This positive impact was partially offset by a lower benefit under the CARES Act compared to the prior-year period.

AmeriGas Propane’s adjusted net loss attributable to UGI Corporation was $20 million in the 2021 three-month period compared to $15 million in the prior-year period. This decrease in results was largely attributable to lower total margin due to

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**UGI CORPORATION AND SUBSIDIARIES**

slightly lower average unit margins resulting from year-over-year changes in customer segment volumes and weather that was warmer than the prior-year period.

UGI International’s adjusted net income attributable to UGI Corporation increased $42 million in the 2021 three-month period principally reflecting higher total margin on increased LPG volumes which benefited from colder weather compared to the prior-year period and the translation effects of stronger foreign currencies in the 2021 three-month period. These positive factors were partially offset by higher operating and administrative expenses and lower realized gains on foreign currency exchange contracts compared to the prior-year period.

Midstream & Marketing’s adjusted net income attributable to UGI Corporation reflects a slight increase in the 2021 three-month period reflecting, among other things, equity income from its 2021 investment in Pine Run.

UGI Utilities’ adjusted net income attributable to UGI Corporation increased $5 million in the 2021 three-month period compared to the prior-year period. The increase was largely attributable to higher Gas Utility margin reflecting the effects of the increase in base rates that went into effect on January 1, 2021, and lower operating and administrative expenses compared to the prior-year period. These positive factors were partially offset by higher depreciation expenses related to continued capital improvement activities compared to the prior-year period.

**2021 nine-month period compared with 2020 nine-month period**

**Discussion.** Net income attributable to UGI Corporation for the 2021 nine-month period was $942 million (equal to $4.48 per diluted share) compared to $523 million (equal to $2.49 per diluted share) during the 2020 nine-month period. Net income attributable to UGI Corporation in the 2021 and 2020 nine-month periods reflects net gains of $364 million and $1 million, respectively, from changes in unrealized commodity derivative instruments and certain foreign currency derivative instruments. Net income attributable to UGI Corporation also reflects business transformation expenses of $42 million and $30 million, respectively, in the 2021 and 2020 nine-month periods. The 2021 nine-month period also includes a $93 million impairment charge related to our investment in PennEast as well as a $23 million tax benefit related to an election made in connection with a tax law change in Italy. The 2020 nine-month period includes a $37 million impairment charge related to held-for-sale assets that were disposed of in September 2020.

Adjusted net income attributable to UGI Corporation for the 2021 nine-month period was $693 million (equal to $3.30 per diluted share) compared to $590 million (equal to $2.81 per diluted share) during the 2020 nine-month period. The increase in adjusted net income attributable to UGI Corporation during the 2021 nine-month period reflects higher earnings contributions from each of our business segments including improved margin at UGI International which benefited from colder weather compared to the prior-year period, the translation effects of stronger foreign currencies, and higher average LPG unit margins including the continued effects of margin management efforts. The January 1, 2021 increase in base rates at UGI Utilities and the effects of acquisitions and assets placed into service since June 30, 2020 also contributed to the improvement. These positive impacts were partially offset by a lower benefit under the CARES Act compared to the prior-year period.

AmeriGas Propane’s adjusted net income attributable to UGI Corporation increased $6 million in the 2021 nine-month period. This increase principally reflects lower operating and administrative expenses, including partial benefits related to ongoing transformation initiatives, higher fees associated with customer accounts and lower interest expense compared to the prior-year period. These positive factors were partially offset by lower retail propane margin primarily attributable to lower volumes.

UGI International’s adjusted net income attributable to UGI Corporation increased $85 million in the 2021 nine-month period principally reflecting increased LPG volumes which benefited from colder weather compared to the prior-year period, higher average LPG unit margins including effective margin management efforts, and the translation effects of stronger foreign currencies. These positive factors were partially offset by higher operating and administrative expenses reflecting increased maintenance and distribution costs attributable to the stronger LPG volumes compared to the prior-year period, as well as the previously mentioned effects of stronger foreign currencies.

Midstream & Marketing’s adjusted net income attributable to UGI Corporation increased $14 million in the 2021 nine-month period largely driven by higher total earnings contributions attributable to capacity management and natural gas activities compared to the prior-year period.

UGI Utilities’ adjusted net income attributable to UGI Corporation increased $10 million in the 2021 nine-month period compared to the prior-year period. The increase was largely attributable to higher Gas Utility margin reflecting increased base rates that went into effect on January 1, 2021, and higher margin from Electric Utility related to increased distribution volumes. These positive factors were partially offset by higher depreciation expense related to continued capital improvement activities compared to the prior-year period.

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**UGI CORPORATION AND SUBSIDIARIES**

**SEGMENT RESULTS OF OPERATIONS**

**2021 Three-Month Period Compared with the 2020 Three-Month Period**

***AmeriGas Propane***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| For the three months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase (Decrease) | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 526 |  |  | | | $ | 451 |  |  | | | $ | 75 |  |  | | | 17 | | % |
| Total margin (a) | | |  | | | $ | 259 |  |  | | | $ | 273 |  |  | | | $ | (14) |  |  | | | (5) | | % |
| Operating and administrative expenses | | |  | | | $ | 212 |  |  | | | $ | 209 |  |  | | | $ | 3 |  |  | | | 1 | | % |
| Operating income/earnings before interest expense and income taxes | | |  | | | $ | 11 |  |  | | | $ | 19 |  |  | | | $ | (8) |  |  | | | (42) | | % |
| Retail gallons sold (millions) | | |  | | | 184 | |  |  | | | 182 | |  |  | | | 2 | |  |  | | | 1 | | % |
| Heating degree days—% colder than normal (b) | | |  | | | 2.5 | | % |  | | | 16.9 | | % |  | | | — | |  |  | | | — | |  |

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

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for 344 regions in the United States, excluding Alaska and Hawaii. Prior-period amounts have been restated to conform to the current-period presentation.

Average temperatures during the 2021 three-month period were 2.5% colder than normal but 12.3% warmer than the prior-year period. Total retail gallons sold increased slightly during the 2021 three-month period principally reflecting higher national account volumes, partially offset by lower cylinder exchange volumes compared to the significant volume increase experienced in the prior-year period, lower residential volumes and the continued effects of structural conservation and other residual volume loss.

Total revenues increased $75 million during the 2021 three-month period largely reflecting higher average retail and wholesale propane selling prices ($63 million) and higher wholesale propane volumes ($11 million) compared to the prior-year period. Average daily wholesale propane commodity prices at Mont Belvieu, Texas, one of the major supply points in the U.S., were significantly higher during the 2021 three-month period (approximately 112%) compared to such prices during the prior-year period. Total cost of sales increased $89 million during the 2021 three-month period principally reflecting the higher average total propane product costs ($78 million) and higher wholesale propane volumes ($10 million).

AmeriGas Propane total margin decreased $14 million in the 2021 three-month period largely attributable to lower average retail unit margins ($14 million) due to the lower cylinder exchange volumes partially offset by the growth in national account volumes. These year-over-year changes in customer segment volumes resulted in slightly lower average retail unit margins compared to the prior-year period. This impact was partially offset by the higher retail propane volumes ($2 million).

Operating income and earnings before interest expense and income taxes both decreased $8 million during the 2021 three-month period principally reflecting the decrease in total margin partially offset by higher other income from fees associated with customer accounts and gains related to the sale of select assets. Operating and administrative expenses were slightly higher in the 2021 three-month period reflecting, among other things, higher vehicle fuel, operating, and lease expenses ($3 million), increased advertising costs ($2 million), and higher general insurance costs ($2 million), partially offset by lower employee-related costs ($3 million). Operating and administrative expenses continue to reflect the partial benefits related to the previously mentioned ongoing business transformation initiatives.

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***UGI International***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| For the three months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 572 |  |  | | | $ | 371 |  |  | | | $ | 201 |  |  | | | 54 | | % |
| Total margin (a) | | |  | | | $ | 217 |  |  | | | $ | 166 |  |  | | | $ | 51 |  |  | | | 31 | | % |
| Operating and administrative expenses | | |  | | | $ | 144 |  |  | | | $ | 121 |  |  | | | $ | 23 |  |  | | | 19 | | % |
| Operating income | | |  | | | $ | 40 |  |  | | | $ | 17 |  |  | | | $ | 23 |  |  | | | 135 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 41 |  |  | | | $ | 21 |  |  | | | $ | 20 |  |  | | | 95 | | % |
| LPG retail gallons sold (millions) | | |  | | | 166 | |  |  | | | 137 | |  |  | | | 29 | |  |  | | | 21 | | % |
| Heating degree days—% colder (warmer) than normal (b) | | |  | | | 24.4 | | % |  | | | (17.3) | | % |  | | | — | |  |  | | | — | |  |

(a)Total margin represents revenues less cost of sales and, in the 2020 three-month period, LPG cylinder filling costs of $7 million. For financial statement purposes, LPG cylinder filling costs in the 2020 three-month period are included in “Operating and administrative expenses” on the 2020 Condensed Consolidated Statement of Income (but are excluded from operating and administrative expenses presented above). LPG cylinder filling costs are included in “Cost of sales” on the 2021 Condensed Consolidated Statement of Income.

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data at locations in our UGI International service territories. Prior-period amounts have been restated to conform to the current-period presentation.

Average temperatures during the 2021 three-month period were 24.4% colder than normal and 54.7% colder than the prior-year period. Total LPG retail gallons sold during the 2021 three-month period increased 21% reflecting higher bulk volumes attributable to the colder weather and higher cylinder volumes compared to the prior-year period. These volume improvements also reflect the recovery of certain volume decreases attributable to COVID-19 during the prior-year period. Average wholesale prices for propane and butane during the 2021 three-month period in northwest Europe were approximately 81% and 76% higher, respectively, compared with the prior-year period.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2021 and 2020 three-month periods, the average unweighted euro-to-dollar translation rates were approximately $1.21 and $1.10, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.40 and $1.24, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The net effect of changes in foreign currency exchange rates on UGI International’s earnings before interest expense and income taxes resulted in a net benefit of $4 million in the 2021 three-month period. However, the impact of these changes is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to substantially offset this volatility. These forward foreign currency exchange contracts resulted in a slight realized net loss in the 2021 three-month period compared to realized net gains of $2 million in the 2020 three-month period.

UGI International revenues and cost of sales increased $201 million and $150 million, respectively, during the 2021 three-month period. The increase in both revenues and cost of sales principally reflects the translation effects of stronger foreign currencies (approximately $53 million and $33 million, respectively), the effects of higher average LPG selling prices and product costs compared to the prior-year period, and the previously mentioned increase in both retail and wholesale LPG volumes compared to the prior-year period. Energy marketing activities also contributed to the increased revenues and cost of sales during the 2021 three-month period due to higher natural gas volumes resulting from the colder weather and the recovery of certain volumes decreases attributable to COVID-19 during the prior-year period.

UGI International total margin increased $51 million during the 2021 three-month period largely reflecting the translation effects of stronger foreign currencies (approximately $20 million) and the increase in bulk and cylinder volumes compared to the prior-year period. These positive impacts were partially offset by a slight decrease in average LPG unit margins.

UGI International operating income and earnings before interest expense and income taxes increased $23 million and $20 million, respectively, during the 2021 three-month period compared to the prior-year period. The increase in operating income principally reflects the increase in total margin partially offset by higher operating and administrative expenses ($23 million) which reflects, among other things, the effects of stronger foreign currencies (approximately $13 million) compared to the

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**UGI CORPORATION AND SUBSIDIARIES**

prior-year period, higher maintenance and distribution costs related to the increased volumes, and increased employee costs. The increase in earnings before interest expense and income taxes in the 2021 three-month period largely reflects the higher operating income partially offset by lower realized gains on foreign currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates ($2 million).

***Midstream & Marketing***

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| For the three months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 261 |  |  | | | $ | 222 |  |  | | | $ | 39 |  |  | | | 18 | | % |
| Total margin (a) | | |  | | | $ | 65 |  |  | | | $ | 64 |  |  | | | $ | 1 |  |  | | | 2 | | % |
| Operating and administrative expenses | | |  | | | $ | 31 |  |  | | | $ | 31 |  |  | | | $ | — |  |  | | | — | | % |
| Operating income | | |  | | | $ | 14 |  |  | | | $ | 13 |  |  | | | $ | 1 |  |  | | | 8 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 21 |  |  | | | $ | 20 |  |  | | | $ | 1 |  |  | | | 5 | | % |

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

Average temperatures across Midstream & Marketing’s energy marketing territory during the 2021 three-month period were 1.5% warmer than normal and 18.6% warmer than the prior-year period. Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data. Prior-period amounts have been restated to conform to the current-period presentation. Midstream & Marketing’s prior year results include contributions from its HVAC business and ownership interest in Conemaugh, both of which were sold in September 2020.

Midstream & Marketing revenues for the 2021 three-month period were $39 million higher than the prior-year period principally reflecting increased revenues from natural gas marketing and gathering activities ($37 million), renewable energy marketing activities ($5 million), and capacity management activities ($4 million). These revenue increases were partially offset by the absence of revenues attributable to its former HVAC business and ownership interest in Conemaugh ($14 million). Midstream & Marketing cost of sales were $196 million in the 2021 three-month period compared to $158 million in the prior-year period. This $38 million increase largely reflects increased cost of sales attributable to natural gas ($34 million) and renewable energy ($4 million) marketing activities, partially offset by the absence of costs attributable to HVAC and Conemaugh ($6 million). The significant increases in both natural gas revenues and cost of sales during the 2021 three-month period are largely attributable to higher average natural gas prices compared to the prior-year period partially offset by lower volumes.

Midstream & Marketing total margin increased slightly in the 2021 three-month period reflecting, among other things, improved margin from capacity management, gas gathering, and renewable energy marketing activities compared to the prior-year period. These positive factors, which include the impact of acquisitions and new assets placed into service since June 30, 2020, were largely offset by the absence of margins attributable to HVAC and Conemaugh in 2021 three-month period.

Midstream & Marketing operating income and earnings before interest expense and income taxes both increased slightly during the 2021 three-month period principally reflecting the increase in total margin compared to the prior-year period and, with regard to earnings before interest expense and income taxes, incremental equity income from its 2021 investment in Pine Run. Operating and administrative expenses were consistent with the prior-year period as the absence of expenses related to the previously mentioned divested assets was largely offset by increased employee and benefits-related costs compared to the prior-year period and higher expenses attributable to acquisitions and new assets placed into service.

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**UGI CORPORATION AND SUBSIDIARIES**

***UGI Utilities***

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| For the three months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase (Decrease) | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 181 |  |  | | | $ | 179 |  |  | | | $ | 2 |  |  | | | 1 | | % |
| Total margin (a) | | |  | | | $ | 113 |  |  | | | $ | 110 |  |  | | | $ | 3 |  |  | | | 3 | | % |
| Operating and administrative expenses (a) | | |  | | | $ | 59 |  |  | | | $ | 61 |  |  | | | $ | (2) |  |  | | | (3) | | % |
| Operating income | | |  | | | $ | 24 |  |  | | | $ | 21 |  |  | | | $ | 3 |  |  | | | 14 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 25 |  |  | | | $ | 21 |  |  | | | $ | 4 |  |  | | | 19 | | % |
| Gas Utility system throughput—bcf | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core market | | |  | | | 10 | |  |  | | | 12 | |  |  | | | (2) | |  |  | | | (17) | | % |
| Total | | |  | | | 62 | |  |  | | | 61 | |  |  | | | 1 | |  |  | | | 2 | | % |
| Electric Utility distribution sales - gwh | | |  | | | 223 | |  |  | | | 219 | |  |  | | | 4 | |  |  | | | 2 | | % |
| Gas Utility heating degree days—% colder than normal (b) | | |  | | | 5.0 | | % |  | | | 25.4 | | % |  | | | — | |  |  | | | — | |  |

(a)Total margin represents revenues less cost of sales and revenue-related taxes (i.e., Electric Utility gross receipts taxes) of $1 million during both the 2021 and 2020 three-month periods. For financial statement purposes, revenue-related taxes are included in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income (but are excluded from operating and administrative expenses presented above).

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Gas Utility’s service territory. Prior-period amounts have been restated to conform to the current-period presentation.

Temperatures in Gas Utility’s service territory during the 2021 three-month period were 5.0% colder than normal but 16.2% warmer than the prior-year period. Gas Utility core market volumes decreased 17% (2 bcf) during the 2021 three-month period largely related to the effects of warmer weather compared with the prior-year period, partially offset by growth in the number of core market customers. Total Gas Utility distribution system throughput increased slightly during the 2021 three-month period (1 bcf) reflecting higher large delivery services volumes largely offset by the decreased core market volumes. Electric Utility distribution sales volumes increased during the 2021 three-month period largely related to warmer weather during the cooling season.

UGI Utilities revenues increased $2 million in the 2021 three-month period primarily attributable to an increase in Electric Utility revenues due to the increased distribution sales volumes compared to the prior-year period. Gas Utility revenues were consistent with the prior-year period as higher revenues associated with off-system sales, large delivery service sales, and the increase in base rates that went into effect on January 1, 2021 were offset by the decrease in core market volumes.

UGI Utilities cost of sales was $67 million in the 2021 three-month period compared with $68 million in the prior-year period. The slight decrease reflects lower Gas Utility core market volumes partially offset by higher costs associated with off-system sales.

UGI Utilities total margin increased $3 million during the 2021 three-month period reflecting slight improvements in both Gas Utility and Electric Utility margins compared to the prior-year period. This increase in Gas Utility margin reflects the increase in base rates that went into effect on January 1, 2021 and higher customer account fees, partially offset by the decrease in core market volumes. The increase in Electric Utility margin is largely attributable to the increase in distribution sales volumes compared to the prior-year period.

UGI Utilities operating income and earnings before interest expense and income taxes increased $3 million and $4 million, respectively, during the 2021 three-month period. These improvements reflect the previously mentioned increase in total margin and lower operating and administrative expenses ($2 million), partially offset by higher depreciation expense ($3 million) compared to the prior-year period. The increase in depreciation expense relates to continued distribution system and IT capital expenditure activity. The decrease in operating and administrative expenses reflects, among other things, lower uncollectible accounts expense, lower payroll taxes, and lower environmental expenses compared to the prior-year period. These positive impacts were partially offset by higher contracted labor costs.

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**UGI CORPORATION AND SUBSIDIARIES**

***Interest Expense and Income Taxes***

Our consolidated interest expense during the 2021 three-month period was $77 million, compared to $80 million during the 2020 three-month period. The decrease in interest expense principally reflects lower average short-term borrowings outstanding compared to the prior-year period.

The higher effective income tax rate for the 2021 three-month period is largely attributable to a lower NOL carryback benefit under the CARES Act compared to the prior-year period and an increase in foreign rate differential due to a shift in domestic versus foreign earnings, partially offset by lower U.S. tax on foreign source income including the effects of regulations issued in July 2020 related to the high-tax exception on GILTI income. The increase in the effective income tax rate also reflects the effects of discrete tax items on lower pre-tax income during the prior year period.

The Company continues to evaluate the elections available under current regulations, recent government stimulus efforts including the anticipated benefits mentioned above related to the election made in connection with the tax law change in Italy, the modified GILTI provisions, and the CARES Act. Accordingly, the impacts on the Company’s income tax provisions and taxes payable or refundable related to these items are subject to change.

**2021 Nine-Month Period Compared with the 2020 Nine-Month Period**

***AmeriGas Propane***

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| For the nine months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase (Decrease) | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 2,132 |  |  | | | $ | 1,983 |  |  | | | $ | 149 |  |  | | | 8 | | % |
| Total margin (a) | | |  | | | $ | 1,162 |  |  | | | $ | 1,191 |  |  | | | $ | (29) |  |  | | | (2) | | % |
| Operating and administrative expenses | | |  | | | $ | 666 |  |  | | | $ | 680 |  |  | | | $ | (14) |  |  | | | (2) | | % |
| Operating income/earnings before interest expense and income taxes | | |  | | | $ | 391 |  |  | | | $ | 390 |  |  | | | $ | 1 |  |  | | | — | | % |
| Retail gallons sold (millions) | | |  | | | 815 | |  |  | | | 827 | |  |  | | | (12) | |  |  | | | (1) | | % |
| Heating degree days—% warmer than normal (b) | | |  | | | (2.6) | | % |  | | | (1.5) | | % |  | | | — | |  |  | | | — | |  |

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

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for 344 regions in the United States, excluding Alaska and Hawaii. Prior-period amounts have been restated to conform to the current-period presentation.

Average temperatures during the 2021 nine-month period were 2.6% warmer than normal and 1.6% warmer than the prior-year period. Total retail gallons sold decreased slightly during the 2021 nine-month period principally reflecting structural conservation and other residual volume loss and the greater impact of COVID-19 on commercial volumes compared to the prior-year period. These decreases were partially offset by higher resale and motor fuel volumes during the 2021 nine-month period.

Total revenues increased $149 million during the 2021 nine-month period largely reflecting higher average propane selling prices ($165 million) partially offset by the lower retail propane volumes ($24 million) compared to the prior-year period. Average daily wholesale propane commodity prices during the 2021 nine-month period at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 83% higher than such prices during the 2020 nine-month period. Total cost of sales increased $178 million during the 2021 nine-month period largely attributable to the higher average propane product costs ($172 million) and higher wholesale propane volumes ($12 million).

AmeriGas Propane total margin decreased $29 million in the 2021 nine-month period largely attributable to the lower retail propane volumes ($14 million), lower average retail unit margins ($6 million) and decreased non-propane margin ($9 million) principally reflecting lower fees and services partially offset by increased cylinder sales. Total margin for the current-year period also includes the continued impact of effective margin management efforts.

Operating income and earnings before interest expense and income taxes increased slightly during the 2021 nine-month period reflecting lower operating and administrative expenses ($14 million) compared to the prior-year period, higher other income ($12 million) attributable to customer fees and gains on the early settlement of certain commodity derivative instruments during the 2021 nine-month period, and lower depreciation and amortization expense ($4 million). These positive impacts were

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largely offset by the previously mentioned decrease in total margin ($29 million). The decrease in operating and administrative expenses in the 2021 nine-month period reflects, among other things, lower employee compensation and benefits-related costs ($11 million), decreased vehicle and equipment operating and maintenance expenses ($8 million), and lower general insurance costs ($7 million) compared to the prior-year period. These decreases were partially offset by increased advertising expenses ($4 million), higher telecommunications expenses ($4 million), and higher allocated corporate costs ($3 million) compared to the prior-year period. The lower operating and administrative expenses reflect the partial benefits related to the previously mentioned ongoing business transformation initiatives.

***UGI International***

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| For the nine months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 2,106 |  |  | | | $ | 1,726 |  |  | | | $ | 380 |  |  | | | 22 | | % |
| Total margin (a) | | |  | | | $ | 877 |  |  | | | $ | 737 |  |  | | | $ | 140 |  |  | | | 19 | | % |
| Operating and administrative expenses | | |  | | | $ | 465 |  |  | | | $ | 419 |  |  | | | $ | 46 |  |  | | | 11 | | % |
| Operating income | | |  | | | $ | 322 |  |  | | | $ | 230 |  |  | | | $ | 92 |  |  | | | 40 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 326 |  |  | | | $ | 247 |  |  | | | $ | 79 |  |  | | | 32 | | % |
| LPG retail gallons sold (millions) | | |  | | | 644 | |  |  | | | 614 | |  |  | | | 30 | |  |  | | | 5 | | % |
| Heating degree days—% colder (warmer) than normal (b) | | |  | | | 1.4 | | % |  | | | (12.7) | | % |  | | | — | |  |  | | | — | |  |

(a)Total margin represents revenues less cost of sales and, in the 2020 nine-month period, LPG cylinder filling costs of $21 million. For financial statement purposes, LPG cylinder filling costs in the 2020 nine-month period are included in “Operating and administrative expenses” on the 2020 Condensed Consolidated Statement of Income (but are excluded from operating and administrative expenses presented above). LPG cylinder filling costs are included in “Cost of sales” on the 2021 Condensed Consolidated Statement of Income.

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data at locations in our UGI International service territories. Prior-period amounts have been restated to conform to the current-period presentation.

Average temperatures during the 2021 nine-month period were 1.4% colder than normal and 15.2% colder than the prior-year period. Total LPG retail gallons sold during the 2021 nine-month period increased 5% compared to the prior-year period largely attributable to higher bulk volumes reflecting the effects of the colder weather on heating-related bulk sales, crop drying volumes, and cylinder volumes compared to the prior-year period. These volume improvements also reflect the recovery of certain volume decreases attributable to COVID-19 during the prior-year period, and were partially offset by the termination of a high-volume, low-margin autogas contract in Italy during the prior year. Average wholesale prices for propane and butane during the 2021 nine-month period in northwest Europe were approximately 34% and 17% higher, respectively, compared with the prior-year period.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2021 and 2020 nine-month periods, the average unweighted euro-to-dollar translation rates were approximately $1.20 and $1.10, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.37 and $1.27, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The net effect of changes in foreign currency exchange rates on UGI International’s earnings before interest expense and income taxes resulted in a net benefit of $26 million in the 2021 nine-month period. However, the impact of these changes is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to substantially offset this volatility. These forward foreign currency exchange contracts resulted in realized net gains of $2 million and $15 million, respectively, in the 2021 and 2020 nine-month periods.

UGI International revenues and cost of sales increased $380 million and $240 million, respectively, during the 2021 nine-month period compared to the prior-year period. The increase in revenues and cost of sales principally reflects the translation effects of stronger foreign currencies (approximately $166 million and $96 million, respectively), the effects of higher average butane and propane selling prices and product costs compared to the prior-year period, and the previously mentioned increases in bulk, crop drying and cylinder volumes. Energy marketing activities also contributed to the increased revenues and cost of sales during the 2021 nine-month period largely related to higher natural gas volumes and prices.

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UGI International total margin increased $140 million during the 2021 nine-month period reflecting the translation effects of stronger foreign currencies (approximately $70 million), the previously mentioned increase in total LPG volumes, lower costs associated with energy conservation certificates including adjustments related to the current compliance period, and higher average LPG unit margins including the continued effects of margin management efforts. These margin improvements include the impact of LPG assets acquired in the current-year period and higher margin from energy marketing activities principally reflecting increased natural gas volumes.

UGI International operating income and earnings before interest expense and income taxes increased $92 million and $79 million, respectively, during the 2021 nine-month period compared to the prior-year period. The increase in operating income principally reflects the increase in total margin partially offset by higher operating and administrative expenses ($46 million) which was largely attributable to the effects of stronger foreign currencies ($36 million) compared to the prior-year period. The increase in operating and administrative expenses also reflects higher maintenance and distribution costs attributable to the increased volumes. The increase in earnings before interest expense and income taxes in the 2021 nine-month period largely reflects the increase in operating income partially offset by lower realized gains on foreign currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates ($13 million).

***Midstream & Marketing***

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| For the nine months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase (Decrease) | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 1,086 |  |  | | | $ | 1,017 |  |  | | | $ | 69 |  |  | | | 7 | | % |
| Total margin (a) | | |  | | | $ | 310 |  |  | | | $ | 296 |  |  | | | $ | 14 |  |  | | | 5 | | % |
| Operating and administrative expenses | | |  | | | $ | 91 |  |  | | | $ | 100 |  |  | | | $ | (9) |  |  | | | (9) | | % |
| Operating income | | |  | | | $ | 156 |  |  | | | $ | 139 |  |  | | | $ | 17 |  |  | | | 12 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 180 |  |  | | | $ | 161 |  |  | | | $ | 19 |  |  | | | 12 | | % |

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

Average temperatures across Midstream & Marketing’s energy marketing territory during the 2021 nine-month period were 6.4% warmer than normal and 1.8% warmer than the prior-year period. Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data. Prior-period amounts have been restated to conform to the current-period presentation. Midstream & Marketing’s prior year results include contributions from its HVAC business and ownership interest in Conemaugh, both of which were sold in September 2020.

Midstream & Marketing revenues for the 2021 nine-month period increased $69 million compared to the prior-year period principally reflecting increased revenues from natural gas ($53 million) and renewable energy ($27 million) marketing activities, higher capacity management revenues ($18 million), and higher natural gas gathering revenues ($10 million). These revenue increases were partially offset by the absence of revenues attributable to its former HVAC business and ownership interest in Conemaugh ($44 million). Midstream & Marketing cost of sales were $776 million in the 2021 nine-month period compared to $721 million in the prior-year period. The $55 million increase principally reflects higher cost of sales related to natural gas ($48 million) and renewable energy marketing activities ($21 million), partially offset by the absence of costs attributable to HVAC and Conemaugh ($22 million). The increases in both natural gas revenues and cost of sales during the 2021 nine-month period are largely attributable to higher average natural gas prices compared to the prior-year period partially offset by lower volumes attributable to weather that was warmer than the prior-year period.

Midstream & Marketing total margin increased $14 million in the 2021 nine-month period reflecting improved capacity management margin ($18 million), higher margin from renewable energy ($6 million) and natural gas ($5 million) marketing activities, and higher margin from natural gas gathering activities ($5 million). These margin improvements include the impact of acquisitions and new assets placed into service since June 30, 2020, and were partially offset by the absence of margins attributable to HVAC and Conemaugh ($22 million).

Midstream & Marketing operating income and earnings before interest expense and income taxes during the 2021 nine-month period increased $17 million and $19 million, respectively, compared to the prior-year period. The improvement in operating income reflects the increase in total margin and lower operating and administrative expenses ($9 million) compared to the prior-year period, partially offset by an adjustment to the contingent consideration related to the GHI acquisition ($8 million). The decrease in operating and administrative expenses was largely related to the absence of the previously mentioned divested assets partially offset by an increase in employee and benefits-related costs and increases related to new assets placed into

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service. The increase in earnings before interest expense and income taxes reflects the improvement in operating income and incremental equity method earnings related to the investment in Pine Run.

***UGI Utilities***

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| For the nine months ended June 30, | | |  | | | 2021 | | |  | | | 2020 | | |  | | | Increase | | | | | | | | |
| (Dollars in millions) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | |  | | | $ | 923 |  |  | | | $ | 901 |  |  | | | $ | 22 |  |  | | | 2 | | % |
| Total margin (a) | | |  | | | $ | 518 |  |  | | | $ | 494 |  |  | | | $ | 24 |  |  | | | 5 | | % |
| Operating and administrative expenses (a) | | |  | | | $ | 186 |  |  | | | $ | 185 |  |  | | | $ | 1 |  |  | | | 1 | | % |
| Operating income | | |  | | | $ | 243 |  |  | | | $ | 229 |  |  | | | $ | 14 |  |  | | | 6 | | % |
| Earnings before interest expense and income taxes | | |  | | | $ | 245 |  |  | | | $ | 229 |  |  | | | $ | 16 |  |  | | | 7 | | % |
| Gas Utility system throughput—bcf | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core market | | |  | | | 72 | |  |  | | | 71 | |  |  | | | 1 | |  |  | | | 1 | | % |
| Total | | |  | | | 245 | |  |  | | | 243 | |  |  | | | 2 | |  |  | | | 1 | | % |
| Electric Utility distribution sales - gwh | | |  | | | 743 | |  |  | | | 724 | |  |  | | | 19 | |  |  | | | 3 | | % |
| Gas Utility heating degree days—% warmer than normal (b) | | |  | | | (7.3) | | % |  | | | (7.1) | | % |  | | | — | |  |  | | | — | |  |

(a)Total margin represents revenues less cost of sales and revenue-related taxes (i.e., Electric Utility gross receipts taxes) of $4 million and $3 million during the 2021 and 2020 nine-month periods, respectively. For financial statement purposes, revenue-related taxes are included in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income (but are excluded from operating and administrative expenses presented above).

(b)Beginning in Fiscal 2021, deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Gas Utility’s service territory. Prior-period amounts have been restated to conform to the current-period presentation.

Temperatures in Gas Utility’s service territory during the 2021 nine-month period were 7.3% warmer than normal and comparable to temperatures in the prior-year period. Gas Utility core market volumes increased slightly during the 2021 nine-month period (1 bcf) reflecting growth in the number of core market customers. Total Gas Utility distribution system throughput also reflects a slight increase (2 bcf) during the 2021 nine-month period attributable to the increased core market volumes and higher large delivery service volumes. Electric Utility distribution sales volumes increased during the 2021 nine-month period primarily attributable to warmer weather during the cooling season.

UGI Utilities revenues increased $22 million in the 2021 nine-month period reflecting increases of $16 million and $6 million attributable to Gas Utility and Electric Utility, respectively. The increase in Gas Utility revenues principally reflects the increase in base rates that went into effect on January 1, 2021, higher off system sales, and higher large delivery service sales, partially offset by lower PGC rates compared to the prior-year period. The increase in Electric Utility revenues during the 2021 nine-month period reflects the increased distribution sales volumes and higher DS rates compared to the prior-year period.

UGI Utilities cost of sales was $401 million in the 2021 nine-month period compared with $404 million in the prior-year period. Gas Utility cost of sales decreased during the 2021 nine-month period ($6 million) reflecting lower PGC rates partially offset by higher cost of sales associated with off system sales. Electric Utility cost of sales increased during the 2021 nine-month period ($3 million) reflecting the increased volumes and higher average DS rates compared to the prior-year period.

UGI Utilities total margin increased $24 million during the 2021 nine-month period principally reflecting higher margin from Gas Utility ($22 million). This increase largely reflects higher margin from core market customers ($15 million) primarily attributable to the increase in base rates that went into effect on January 1, 2021, as well as increased margin related to large delivery service customer growth and higher customer account fees. The increase in Electric Utility margin is largely attributable to the increase in distribution sales volumes compared to the prior-year period.

UGI Utilities operating income and earnings before interest expense and income taxes increased $14 million and $16 million, respectively, during the 2021 nine-month period. These increases largely reflect the previously mentioned increase in total margin partially offset by higher depreciation expense ($9 million) and slightly higher operating and administrative expenses compared to the prior-year period. The increase in depreciation expense relates to continued distribution system and IT capital expenditure activity. The slight increase in operating and administrative expenses reflects, among other things, higher allocations of corporate expenses largely offset by lower uncollectible accounts expense and payroll taxes compared to the prior-year period.

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**UGI CORPORATION AND SUBSIDIARIES**

***Interest Expense and Income Taxes***

Our consolidated interest expense during the 2021 nine-month period was $233 million compared to $247 million during the 2020 nine-month period. The decrease in interest expense principally reflects lower average short-term borrowings outstanding compared to the prior-year period.

The effective income tax rate for the 2021 nine-month period increased slightly compared to the prior-year period. This increase was impacted by a lower NOL carryback benefit under the CARES Act and an increase in foreign rate differential due to a shift in domestic versus foreign earnings compared to the prior-year period. These items were largely offset by lower U.S. tax on foreign source income attributable to regulations issued in July 2020 related to the high-tax exception on GILTI income not available in the prior-year period, and an election made available under a tax law change in Italy which allowed the Company to step up its tax basis on certain assets in exchange for paying a three percent substitute tax in connection with such election. This election resulted in a $23 million net benefit in the current period resulting in incremental tax basis that will be deductible in future periods.

The Company continues to evaluate the elections available under current regulations, recent government stimulus efforts including the anticipated benefits mentioned above related to the election made in connection with the tax law change in Italy, the modified GILTI provisions, and the CARES Act. Accordingly, the impacts on the Company’s income tax provisions and taxes payable or refundable related to these items are subject to change.

**FINANCIAL CONDITION AND LIQUIDITY**

The Company expects to have sufficient liquidity including cash on hand and available borrowing capacity to continue to support long-term commitments and ongoing operations despite uncertainties associated with the outbreak and continued spread of COVID-19. Our total available liquidity balance, comprising cash and cash equivalents, undrawn upon senior note and term loan commitments, and available borrowing capacity on our revolving credit facilities, totaled approximately $2.4 billion and $1.5 billion at June 30, 2021 and September 30, 2020, respectively. The Company does not have any near-term senior note or term loan maturities. While the Company’s operations and financial performance has been impacted by COVID-19 in the 2021 three- and nine-month periods, it is a rapidly evolving situation and the Company cannot predict the ultimate impact that COVID-19 will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. UGI and its subsidiaries were in compliance with all debt covenants as of June 30, 2021.

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

The primary sources of UGI’s cash and cash equivalents are the dividends and other cash payments made to UGI or its corporate subsidiaries by its principal business units. Our cash and cash equivalents totaled $545 million at June 30, 2021, compared with $336 million at September 30, 2020. Excluding cash and cash equivalents that reside at UGI’s operating subsidiaries, at June 30, 2021 and September 30, 2020, UGI had $134 million and $112 million of cash and cash equivalents, respectively. Such cash is available to pay dividends on UGI Common Stock and for investment purposes.

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**UGI CORPORATION AND SUBSIDIARIES**

**Long-term Debt and Credit Facilities**

***Long-term Debt***

The Company’s debt outstanding at June 30, 2021 and September 30, 2020, comprises the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | June 30, 2021 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | September 30, 2020 | | |
| (Millions of dollars) | | | AmeriGas Propane | | |  | | | UGI International | | |  | | | Midstream & Marketing | | |  | | | UGI Utilities | | |  | | | Corp & Other | | |  | | | Total | | |  | | | Total | | |
| Short-term borrowings | | | $ | 107 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 100 |  |  | | | $ | — |  |  | | | $ | 207 |  |  | | | $ | 347 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Long-term debt (including current maturities): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Senior notes | | | $ | 2,575 |  |  | | | $ | 415 |  |  | | | $ | — |  |  | | | $ | 1,075 |  |  | | | $ | — |  |  | | | $ | 4,065 |  |  | | | $ | 3,960 |  |
| Term loans | | | — | |  |  | | | 356 | |  |  | | | 686 | |  |  | | | 143 | |  |  | | | 550 | |  |  | | | 1,735 | |  |  | | | 1,741 | |  |
| Other long-term debt | | | 3 | |  |  | | | 23 | |  |  | | | 42 | |  |  | | | 1 | |  |  | | | 21 | |  |  | | | 90 | |  |  | | | 380 | |  |
| Unamortized debt issuance costs | | | (17) | |  |  | | | (6) | |  |  | | | (11) | |  |  | | | (5) | |  |  | | | (4) | |  |  | | | (43) | |  |  | | | (47) | |  |
| Total long-term debt | | | $ | 2,561 |  |  | | | $ | 788 |  |  | | | $ | 717 |  |  | | | $ | 1,214 |  |  | | | $ | 567 |  |  | | | $ | 5,847 |  |  | | | $ | 6,034 |  |
| Total debt | | | $ | 2,668 |  |  | | | $ | 788 |  |  | | | $ | 717 |  |  | | | $ | 1,314 |  |  | | | $ | 567 |  |  | | | $ | 6,054 |  |  | | | $ | 6,381 |  |

***Credit Facilities***

Additional information related to the Company’s credit agreements can be found in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Note 6 to Consolidated Financial Statements in the Company’s 2020 Annual Report.

Information about the Company’s principal credit agreements (excluding the Energy Services Receivables Facility discussed below) as of June 30, 2021 and 2020, is presented in the table below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (Currency in millions) | | |  | | | Total Capacity | | |  | | | Borrowings Outstanding | | |  | | | Letters of Credit and Guarantees Outstanding | | |  | | | Available Borrowing Capacity | | |
| **As of June 30, 2021** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AmeriGas OLP | | |  | | | $ | 600 |  |  | | | $ | 107 |  |  | | | $ | 60 |  |  | | | $ | 433 |  |
| UGI International, LLC (a) | | |  | | | € | 300 |  |  | | | € | — |  |  | | | € | — |  |  | | | € | 300 |  |
| Energy Services | | |  | | | $ | 260 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 260 |  |
| UGI Utilities | | |  | | | $ | 350 |  |  | | | $ | 100 |  |  | | | $ | — |  |  | | | $ | 250 |  |
| UGI Corporation (b) | | |  | | | $ | 300 |  |  | | | $ | 15 |  |  | | | $ | — |  |  | | | $ | 285 |  |
| **As of June 30, 2020** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AmeriGas OLP | | |  | | | $ | 600 |  |  | | | $ | 162 |  |  | | | $ | 63 |  |  | | | $ | 375 |  |
| UGI International, LLC (a) | | |  | | | € | 300 |  |  | | | € | 160 |  |  | | | € | — |  |  | | | € | 140 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Energy Services | | |  | | | $ | 260 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 260 |  |
| UGI Utilities | | |  | | | $ | 350 |  |  | | | $ | 40 |  |  | | | $ | — |  |  | | | $ | 310 |  |
| UGI Corporation (b) | | |  | | | $ | 300 |  |  | | | $ | 280 |  |  | | | $ | — |  |  | | | $ | 20 |  |

(a)Permits UGI International, LLC to borrow in euros or dollars. At June 30, 2020, the amount borrowed consisted of USD-denominated borrowings of $180 million.

(b)Borrowings outstanding have been classified as “Long-term debt” on the Condensed Consolidated Balance Sheets. In July 2021, the Company repaid $15 million of such borrowings and classified these repayments as “Current maturities of long-term debt” on the June 30, 2021 Condensed Consolidated Balance Sheet.

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**UGI CORPORATION AND SUBSIDIARIES**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | For the nine months ended | | | | | | | | |  | | | For the nine months ended | | | | | | | | |
|  | | |  | | | June 30, 2021 | | | | | | | | |  | | | June 30, 2020 | | | | | | | | |
| (Millions of dollars or euros) | | |  | | | Average | | |  | | | Peak | | |  | | | Average | | |  | | | Peak | | |
| AmeriGas OLP | | |  | | | $ | 177 |  |  | | | $ | 293 |  |  | | | $ | 266 |  |  | | | $ | 359 |  |
| UGI International, LLC | | |  | | | € | — |  |  | | | € | — |  |  | | | € | 169 |  |  | | | € | 187 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Energy Services | | |  | | | $ | 5 |  |  | | | $ | 32 |  |  | | | $ | 20 |  |  | | | $ | 77 |  |
| UGI Utilities | | |  | | | $ | 206 |  |  | | | $ | 279 |  |  | | | $ | 215 |  |  | | | $ | 324 |  |
| UGI Corporation | | |  | | | $ | 243 |  |  | | | $ | 300 |  |  | | | $ | 287 |  |  | | | $ | 300 |  |

***Receivables Facility.*** Energy Services has a Receivables Facility with an issuer of receivables-backed commercial paper currently scheduled to expire in October 22, 2021. At June 30, 2021, the outstanding balance of ESFC trade receivables was $48 million, none of which was sold to the bank. At June 30, 2020, the outstanding balance of ESFC trade receivables was $86 million, of which $43 million was sold to the bank. Amounts sold to the bank are reflected as “Short-term borrowings” on the Condensed Consolidated Balance Sheets. During the nine months ended June 30, 2021 and 2020, peak sales of receivables were $87 million and $97 million, respectively, and average daily amounts sold were $27 million and $55 million, respectively.

**Significant Financing Activities**

***2021 UGI Corporation Senior Credit Facility.*** On May 4, 2021, UGI amended the existing UGI Corporation Senior Credit Facility. The 2021 UGI Corporation Senior Credit Facility (1) extends the maturity date of the previous three-year $300 million term loan included in the existing UGI Corporation Senior Credit Facility, which is now due in May 2025; and (2) includes a new four-year term loan commitment, which effective June 9, 2021, was reduced from $300 million to $215 million pursuant to the terms of the 2021 UGI Corporation Senior Credit Facility. Proceeds from new borrowings under the 2021 UGI Corporation Senior Credit Facility may be used to finance a portion of the Mountaineer Acquisition and for general corporate purposes.

New borrowings under the 2021 UGI Corporation Senior Credit Facility bear interest subject to our election, at either (1) the associated prime rate plus a margin or (2) an adjusted LIBOR or an alternate benchmark rate plus a margin and are due in their entirety at the maturity date. The applicable margin on the new borrowings, which is dependent upon a ratio of consolidated net indebtedness to consolidated EBITDA, as defined, or UGI’s credit ratings, ranges from 0.125% to 1.50% if the prime rate option is elected and 1.125% to 2.50% if the LIBOR option is elected.

During the nine months ended June 30, 2021, the Company repaid $285 million of borrowings on its five-year $300 million revolving credit facility under the 2021 UGI Corporation Senior Credit Facility. A portion of these repayments were funded by the proceeds from the issuance of Equity Units discussed in Note 8. In July 2021, the Company repaid the remaining $15 million of borrowings outstanding on this revolving credit facility. As a result of this repayment in July, the Company classified these repayments as “Current maturities of long-term debt” on the June 30, 2021 Condensed Consolidated Balance Sheet. The Company intends to draw upon this revolving credit facility concurrent with the closing of the pending Mountaineer Acquisition.

***UGI Utilities Senior Notes.*** On May 7, 2021, UGI Utilities entered into a Note Purchase Agreement which provides for the private placement of (1) $100 million aggregate principal amount of 1.59% Senior Notes due June 15, 2026 and (2) $75 million aggregate principal amount of 1.64% Senior Notes due September 15, 2026. On June 15, 2021, UGI Utilities issued $100 million aggregate principal amount of 1.59% Senior Notes pursuant to the Note Purchase Agreement. The net proceeds from the issuance of the 1.59% Senior Notes were used to repay short-term borrowings. The 1.64% Senior Notes are expected to be issued in September 2021. UGI Utilities expects to use the net proceeds from the issuance of the 1.64% Senior Notes to reduce short-term borrowings and for general corporate purposes.

***Issuance of Equity Units.*** On May 25, 2021, the Company issued 2.2 million Equity Units with a total notional value of $220 million. Each Equity Unit has a stated amount of $100 and consists of 1) a 10% undivided beneficial ownership interest in one share of Convertible Preferred Stock with a liquidation preference of $1,000 per share and 2) a 2024 Purchase Contract. The Company received approximately $213 million in proceeds from the issuance of the Equity Units, net of offering expenses and underwriting costs and commissions, and issued 220,000 shares of Convertible Preferred Stock, recording $213 million in “Preferred stock” on the accompanying Condensed Consolidated Balance Sheet. The proceeds were used to repay borrowings on the Company’s five-year $300 million revolving credit facility under the 2021 UGI Corporation Senior Credit Facility.

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**UGI CORPORATION AND SUBSIDIARIES**

Concurrent with the closing of the pending Mountaineer Acquisition, the Company intends to draw upon this revolving credit facility to pay a portion of the purchase price and related fees and expenses, and for general corporate purposes.

**Dividends**

On May 5, 2021, UGI’s Board of Directors approved an increase in the quarterly dividend rate on UGI Common Stock to $0.345 per Common Share, or $1.38 on an annual basis. The new dividend rate reflects an approximate 4.5% increase from the previous quarterly rate of $0.33. The new dividend was paid on July 1, 2021, to shareholders of record on June 15, 2021. On August 4, 2021, UGI’s Board of Directors declared a quarterly dividend of $0.345 per common share. The dividend is payable October 1, 2021, to shareholders of record on September 15, 2021.

**Cash Flows**

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

***Operating Activities.***Year-to-year variations in our cash flows from operating activities can be significantly affected by changes in operating working capital especially during periods with significant changes in energy commodity prices. Cash flow provided by operating activities was $1,047 million in the 2021 nine-month period compared to $963 million in the 2020 nine-month period. Cash flow from operating activities before changes in operating working capital was $1,179 million in the 2021 nine-month period compared to $928 million in the 2020 nine-month period. The higher cash flow from operating activities before changes in working capital reflects, in large part, higher cash flow before changes in operating working capital from UGI International and Midstream & Marketing attributable to higher earnings contributions as compared to the prior-year period. Cash used to fund changes in operating working capital totaled $132 million in the 2021 nine-month period compared to cash provided of $35 million in the 2020 nine-month period. Changes in operating working capital during the 2021 nine-month period reflect, among other things, an increase in cash required to fund changes in accounts receivable and inventories due to rising commodity prices during the 2021 nine-month period, net refunds of deferred fuel and power costs compared to net recoveries during the 2020 nine-month period, as well as increases in cash required to fund changes in income taxes receivable, other current assets and other current liabilities. These changes were partially offset by cash generated from changes in accounts payable and higher cash received for commodity derivative instrument collateral deposits in the 2021 nine-month period as compared to the 2020 nine-month period.

***Investing Activities.***Cash flow used by investing activities was $505 million in the 2021 nine-month period compared to $450 million in the 2020 nine-month period. Investing activity cash flow is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses and assets; investments in investees; and proceeds from sales of assets and businesses. Cash expenditures for property, plant and equipment were $460 million in the 2021 nine-month period compared with $471 million in the 2020 nine-month period. Cash used for acquisitions of businesses and assets in the 2021 nine-month period reflects UGI International’s acquisitions of two LPG retail businesses and an energy marketing business in Europe. Cash used for investments in equity method investees in the 2021 nine-month period includes contributions to Pine Run of $56 million to fund the acquisition of Pine Run Midstream, LLC.

***Financing Activities.*** Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt; net short-term borrowings/repayments; dividends on UGI Common Stock; issuances of Equity Units and UGI Common Stock; and repurchases of UGI Common Stock.

Cash flow used to fund financing activities was $321 million in the 2021 nine-month period compared with $501 million in the 2020 nine-month period. During the 2021 nine-month period, the Company received $213 million in net cash proceeds from the issuance of Equity Units. These funds were used during the period to reduce borrowings on the five-year $300 million revolving credit facility under the 2021 UGI Corporation Senior Credit Facility. Also during the 2021 and 2020 nine-month periods, UGI Utilities issued $100 million of senior notes due June 2026 and $150 million of senior notes due April 2050, respectively. The change in cash flows used to fund financing activities is primarily attributable to lower net repayments on revolving facility agreements and the Receivables Facility in the 2021 nine-month period as compared to the 2020 nine-month period. Cash used to fund changes in financing activities in the 2020 nine-month period includes $38 million of cash paid to repurchase UGI Common Stock.

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**UGI CORPORATION AND SUBSIDIARIES**

**UTILITY REGULATORY MATTERS**

***Base Rate Filings.*** On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $9 million. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable electric service. Electric Utility requested that the new electric rates become effective April 9, 2021. The PAPUC entered an Order on March 11, 2021, suspending the effective date for the rate increase to allow for investigation and public hearings. On July 19, 2021, a Joint Petition for Approval of Settlement of all issues supported by all active parties was filed with the PAPUC providing for a $6 million annual base distribution rate increase for Electric Utility. The Joint Petition is subject to receipt of a recommended decision by a PAPUC administrative law judge and an order of the PAPUC approving the settlement. Unless the PAPUC issues a final order prior to the end of the statutory suspension period, the initial proposed rate increase will become effective on or before November 9, 2021, subject to refund and a subsequent PAPUC order. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

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

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**UGI CORPORATION AND SUBSIDIARIES**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

**Commodity Price Risk**

The risk associated with fluctuations in the prices the Partnership and our UGI International operations pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Their profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. The Partnership and UGI International may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, the Partnership uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements and over-the-counter derivative commodity instruments including price swap contracts. Our UGI International operations use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts, similar to those used by the Partnership, to reduce market risk associated with a portion of their LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract.

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

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

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

**Interest Rate Risk**

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

As previously mentioned in Note 7, on May 4, 2021, UGI entered into the 2021 UGI Corporation Senior Credit Facility, which, as amended, includes a new term loan commitment of up to $215 million. Borrowings on this commitment will bear interest at a rate indexed to short-term market rates. In June 2021, UGI entered into two forward starting, pay-fixed, receive-variable interest rate swap agreements, commencing in January 2022. These swaps generally fix the underlying variable interest rate on $125 million of future borrowings at 0.69% through September 2024. We have designated these interest rate swaps as a cash flow hedges.

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**UGI CORPORATION AND SUBSIDIARIES**

Our variable-rate debt at June 30, 2021, includes revolving credit facility borrowings and variable-rate term loans at UGI International, UGI Utilities, Energy Services and UGI Corporation. These debt agreements have interest rates that are generally indexed to short-term market interest rates. We have entered into pay-fixed, receive-variable interest rate swap agreements on all or a significant portion of the term loans’ principal balances and all or a significant portion of the term loans’ tenor. We have designated these interest rate swaps as cash flow hedges. At June 30, 2021, combined borrowings outstanding under variable-rate debt agreements, excluding the previously mentioned effectively fixed-rate debt, totaled $262 million.

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

**Foreign Currency Exchange Rate Risk**

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our net investments in our UGI International operations, a 10% decline in the value of the associated foreign currencies versus the U.S. dollar would reduce their aggregate net book value at June 30, 2021, by approximately $140 million, which amount would be reflected in other comprehensive income. We have designated certain euro-denominated borrowings as net investment hedges.

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

**Derivative Instrument Credit Risk**

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

Certain of these derivative instrument agreements call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At June 30, 2021, we had received cash collateral from derivative instrument counterparties totaling $105 million. Additionally, our commodity exchange-traded futures contracts generally require cash deposits in margin accounts. At June 30, 2021, restricted cash in brokerage accounts totaled $31 million. Although we have concentrations of credit risk associated with derivative instruments, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was not material at June 30, 2021. Certain of the Partnership’s derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership’s debt rating. At June 30, 2021, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

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**UGI CORPORATION AND SUBSIDIARIES**

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at June 30, 2021 and changes in their fair values due to market risks. Certain of UGI Utilities’ commodity derivative instruments are excluded from the table below because any associated net gains or losses are refundable to or recoverable from customers in accordance with UGI Utilities ratemaking.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | Asset (Liability) | | | | | | | | |
| (Millions of dollars) | | |  | | | Fair Value | | |  | | | Change in Fair Value | | |
| **June 30, 2021** | | |  | | |  | | |  | | |  | | |
| Commodity price risk (1) | | |  | | | $ | 484 |  |  | | | $ | (185) |  |
| Interest rate risk (2) | | |  | | | $ | (35) |  |  | | | $ | (9) |  |
| Foreign currency exchange rate risk (3) | | |  | | | $ | 11 |  |  | | | $ | (51) |  |

(1) Change in fair value represents a 10% adverse change in the market prices of certain commodities

(2) Change in fair value represents a 50 basis point adverse change in prevailing market interest rates

(3) Change in fair value represents a 10% adverse change in the value of the Euro and the British pound sterling versus the U.S. dollar.

**ITEM 4. CONTROLS AND PROCEDURES**

(a)Evaluation of Disclosure Controls and Procedures

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

(b)Change in Internal Control over Financial Reporting

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

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**UGI CORPORATION AND SUBSIDIARIES**

**PART II OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

In addition to the information presented in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2020 Annual Report, which could materially affect our business, financial condition or future results. The risks described below and in our 2020 Annual Report are not the only risks facing the Company. Other unknown or unpredictable factors could also have material adverse effects on future results.

***Payment and settlement of the components of our Equity Units may result in substantial dilution to holders of our Common Stock.***

On May 25, 2021, the Company issued 2,200,000 Equity Units generally consisting of Purchase Contracts and Convertible Preferred Stock. These underlying components of our Equity Units could have significant negative consequences for our security holders by, among other things, diluting the interests of our existing stockholders as a result of issuing shares of our Common Stock. The Purchase Contracts will be settled in shares of our Common Stock, which will result in dilution to our common stockholders. The Convertible Preferred Stock may also be settled in shares of our Common Stock. Additionally, we may elect to pay contract adjustment payments on the Purchase Contracts, and dividends on the Convertible Preferred Stock, in shares of our Common Stock. Any such issuances of our Common Stock would dilute the interests of our existing stockholders.

***Our information technology systems and those of our third-party vendors or service providers have been the target of cyber-security attacks in the past. If we are unable to protect our information technology systems against future service interruption, misappropriation of data, or breaches of security resulting from cyber-security attacks or other events, or if we encounter other unforeseen difficulties in the design, implementation or operation of our information technology systems, or if our third-party vendors or service providers experience compromises to their information technology systems, our operations could be disrupted, our business and reputation may suffer, and our internal controls could be adversely affected.***

In the ordinary course of business, we rely on information technology systems, including the Internet and third-party hosted services, to support a variety of business processes and activities and to store sensitive data, including (i) intellectual property, (ii) our proprietary business information and that of our suppliers and business partners, (iii) personally identifiable information of our customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. In addition, we rely on our information technology systems to process financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal, and tax requirements.

Cyber-security incidents have recently increased in both frequency and magnitude and have involved malicious software and attempts to gain unauthorized access to data and systems, including ransomware attacks where a target’s access to its information systems is blocked until a ransom has been paid. Despite our security measures, our technologies, systems, and networks have been and may continue to be the target of cyber-security attacks or information security breaches that could result in the unauthorized release, misuse, loss or destruction of proprietary and other information, or other disruption of our business operations. Similarly, our third-party vendors or service providers have been impacted by cyber-security incidents and could sustain the same risks and disruptions as described above. A loss of our information technology systems, or temporary interruptions in the operation of our information technology systems, or those of our third-party vendors or service providers, or any other misappropriation of data, or breaches of security could have a material adverse effect on our business, financial condition, results of operations, and reputation. In addition, a cyber-security attack could provide a cyber-intruder with the ability to control or alter our pipeline operations. Such an act could result in critical pipeline failures.

The efficient execution of the Company’s businesses is dependent upon the proper design, implementation and functioning of its current and future internal systems, such as the information technology systems that support the Company’s underlying business processes. Any significant failure or malfunction of such information technology systems may result in disruptions of our operations. In addition, the effectiveness of our internal controls could be adversely affected if we encounter unforeseen problems with respect to the operation of our information technology systems.

While we have purchased cyber-security insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses. Moreover, as cyber incidents increase in frequency and magnitude, we may be unable to obtain cyber-security insurance in amounts and on terms we view as adequate for our operations, including the agreement to certain indemnification provisions by our insurance providers.

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**UGI CORPORATION AND SUBSIDIARIES**

**ITEM 6. EXHIBITS**

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

**Incorporation by Reference**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Exhibit No.** | | |  | | | **Exhibit** | | |  | | | **Registrant** | | |  | | | **Filing** | | |  | | | **Exhibit** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 3.1 | | |  | | | [Statement with Respect to Shares of the Company with respect to the Convertible Preferred Stock, filed with the Secretary of the Commonwealth of Pennsylvania and effective on May 25, 2021.](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex31.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 3.1 | | |
|  | | |  | | |  | | |  | | |  | | |  | | | (5/25/21) | | |  | | |  | | |
| 3.2 | | |  | | | [Statement with Respect to Shares of the Company with respect to the Series B Preferred Stock, filed with the Secretary of the Commonwealth of Pennsylvania and effective on May 25, 2021.](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex32.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 3.2 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.1 | | |  | | | [Note Purchase Agreement, dated May 7, 2021, by and among UGI Utilities, Inc. and the purchasers listed as signatories thereto.](https://www.sec.gov/Archives/edgar/data/884614/000119312521155082/d95230dex41.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/4/21) | | |  | | | 4.1 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.2 | | |  | | | [Purchase Contract and Pledge Agreement, dated May 25, 2021, between the Company and U.S. Bank National Association, as purchase contract agent, collateral agent, custodial agent and securities intermediary.](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex41.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.1 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.3 | | |  | | | [Form of Corporate Unit (included as Exhibit A to Exhibit 4.2 hereto).](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex41.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.2 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.4 | | |  | | | [Form of Treasury Unit (included as Exhibit B to Exhibit 4.2 hereto).](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex41.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.3 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.5 | | |  | | | [Form of Cash Settled Unit (included as Exhibit C to Exhibit 4.2 hereto).](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex41.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.4 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.6 | | |  | | | [Form of Series A Cumulative Perpetual Convertible Preferred Stock Certificate.](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex45.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.5 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 4.7 | | |  | | | [Form of Series B Cumulative Perpetual Preferred Stock Certificate.](https://www.sec.gov/Archives/edgar/data/884614/000119312521172483/d186296dex46.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/25/21) | | |  | | | 4.6 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.1 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Nonqualified Stock Option Grant Letter for all US Employees.](ex101formofnqsoagmtforallu.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.2 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Performance Unit Grant Letter for all US Employees.](ex102formofugiperformanceu.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| 10.3 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Stock Unit Grant Letter for all US Employees.](ex103formofugiannualrestri.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.4 | | |  | | | [Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Mr. Roger Perreault.](ex104formofrpnda.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.5 | | |  | | | [Form of Change in Control Agreement between UGI Corporation and Mr. Roger Perreault.](ex105formofrpchangeincontr.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.6 | | |  | | | [First Amendment to the Amended and Restated Credit Agreement, dated as of June 23, 2021, by and among UGI Corporation, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto.](ex106conformedugi2021first.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 10.7 | | |  | | | [Amended and Restated Credit Agreement, dated as of May 4, 2021, by and among UGI Corporation and JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A., PNC Bank, National Association and Wells Fargo Bank, National Association, as co-documentation agents, and the other financial institutions from time to time party thereto.](https://www.sec.gov/Archives/edgar/data/884614/000119312521155082/d95230dex101.htm) | | |  | | | UGI | | |  | | | Form 8-K (5/4/21) | | |  | | | 10.1 | | |
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| 31.1 | | |  | | | [Certification by the Chief Executive Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex311.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 31.2 | | |  | | | [Certification by the Chief Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex312.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 32 | | |  | | | [Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex32.htm) | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 101.INS | | |  | | | XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 101.SCH | | |  | | | XBRL Taxonomy Extension Schema | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 101.CAL | | |  | | | XBRL Taxonomy Extension Calculation Linkbase | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 101.DEF | | |  | | | XBRL Taxonomy Extension Definition Linkbase | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 101.LAB | | |  | | | XBRL Taxonomy Extension Labels Linkbase | | |  | | |  | | |  | | |  | | |  | | |  | | |
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| 101.PRE | | |  | | | XBRL Taxonomy Extension Presentation Linkbase | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 104 | | |  | | | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | |  | | |  | | |  | | |  | | |  | | |  | | |
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**EXHIBIT INDEX**

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| 10.1 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Nonqualified Stock Option Grant Letter for all US Employees.](ex101formofnqsoagmtforallu.htm) | | |
|  | | |  | | |  | | |
| 10.2 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Performance Unit Grant Letter for all US Employees.](ex102formofugiperformanceu.htm) | | |
|  | | |  | | |  | | |
| 10.3 | | |  | | | [Form of UGI Corporation 2021 Incentive Award Plan Stock Unit Grant Letter for all US Employees.](ex103formofugiannualrestri.htm) | | |
|  | | |  | | |  | | |
| 10.4 | | |  | | | [Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Mr. Roger Perreault.](ex104formofrpnda.htm) | | |
|  | | |  | | |  | | |
| 10.5 | | |  | | | [Form of Change in Control Agreement between UGI Corporation and Mr. Roger Perreault.](ex105formofrpchangeincontr.htm) | | |
|  | | |  | | |  | | |
| 10.6 | | |  | | | [First Amendment to the Amended and Restated Credit Agreement, dated as of June 23, 2021, by and among UGI Corporation, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto.](ex106conformedugi2021first.htm) | | |
|  | | |  | | |  | | |
| 31.1 | | |  | | | [Certification by the Chief Executive Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex311.htm) | | |
|  | | |  | | |  | | |
| 31.2 | | |  | | | [Certification by the Chief Certification by the Chief Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex312.htm) | | |
|  | | |  | | |  | | |
| 32 | | |  | | | [Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended June 30, 2021, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](ugicorpq36302021ex32.htm) | | |
|  | | |  | | |  | | |
| 101.INS | | |  | | | XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | |
|  | | |  | | |  | | |
| 101.SCH | | |  | | | XBRL Taxonomy Extension Schema | | |
|  | | |  | | |  | | |
| 101.CAL | | |  | | | XBRL Taxonomy Extension Calculation Linkbase | | |
|  | | |  | | |  | | |
| 101.DEF | | |  | | | XBRL Taxonomy Extension Definition Linkbase | | |
|  | | |  | | |  | | |
| 101.LAB | | |  | | | XBRL Taxonomy Extension Labels Linkbase | | |
|  | | |  | | |  | | |
| 101.PRE | | |  | | | XBRL Taxonomy Extension Presentation Linkbase | | |
| 104 | | |  | | | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | |

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**UGI CORPORATION AND SUBSIDIARIES**

**SIGNATURES**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | UGI Corporation | | | | | |
|  | | |  | | | (Registrant) | | | | | |
|  | | |  | | |  | | |  | | |
| Date: | | | August 5, 2021 | | | By: | | | /s/ Ted J. Jastrzebski | | |
|  | | |  | | |  | | | Ted J. Jastrzebski | | |
|  | | |  | | |  | | | Chief Financial Officer (Principal Financial Officer) | | |

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