

UGI CORPORATION

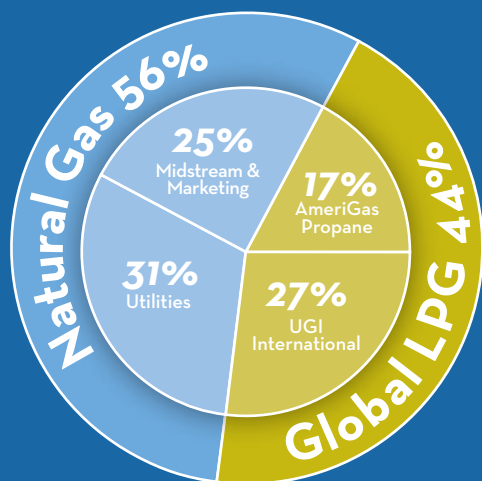
2022 Annual Report

CORPORATE PROFILE

International distributor and marketer of energy products and services, including natural gas, LPG, electricity and renewable energy solutions, with robust infrastructure in key markets

FY22 EPS

Business Contribution



UGI in numbers

18 Countries	\$3.4B Rate Base
~10,000 Employees	2.5+ million Customers
575 bcf Natural Gas	3.4 bcf Electricity
~2B gallons LPG	
Energy delivered	

Natural Gas



- Second largest regulated gas utility in Pennsylvania¹
- Largest regulated gas utility in West Virginia¹
- Attractive historical rate base CAGR and ROE



- Strategic midstream assets and energy marketing business
- Significant fee-based income

Global LPG



- Largest retail LPG distributor in the US based on the volume of propane gallons distributed annually
- Broad geographic footprint with ~1,400 distribution locations serving customers in all 50 states



- LPG distributor in 17 countries throughout Europe
- Largest LPG distributor in France, Austria, Belgium, Denmark, Luxembourg, and Hungary

¹ Based on total customers

DEAR SHAREHOLDERS,

Fiscal 2022 was another solid year for UGI as our diversified business portfolio and the focused execution of our 3R strategy yielded strong results in midst of a challenging macroeconomic environment.

Our company delivered the second highest EPS on a GAAP and non-GAAP basis in our history, with record earnings in our Utilities and Midstream & Marketing segments. Our natural gas business continues to provide attractive returns on our investment and we were pleased with the performance of our recent strategic acquisitions, most notably Mountaineer Gas, the largest gas utility in West Virginia, and Stonehenge Appalachia midstream natural gas gathering system, now referred to as UGI Moraine East.

The LPG business at UGI International continued its strong performance, matching the record results in the prior fiscal year. These results helped to mitigate the impact of headwinds faced at AmeriGas and in the European energy marketing operations, which stemmed from the impact of the geo-political situation and extreme variation in natural gas and electricity prices in Europe.

The entire Board of Directors want to extend their sincere gratitude to our dedicated employees who worked tirelessly to execute against our 3R strategy, which is to deliver reliable growth, invest in renewables, and rebalance our portfolio. Their commitment as we deployed record levels of capital and focused on margin management, expense control and serving our customers and communities, each and every day, culminated in these strong Fiscal 2022 results.

Delivering reliable earnings growth.

In Fiscal 2022, the company reported GAAP earnings per share of \$4.97 and adjusted earnings per share of \$2.90¹. We built on our track record of meeting long-term financial commitments, while executing on several growth and environmental, social, and governance (“ESG”) initiatives.

A proven business model

8.8%
EPS CAGR
(2012–22)

7.2%
Dividend CAGR
(2012–22)

138 years
Paying Dividends

35 years
Consecutively
increasing dividends

1. Adjusted diluted earnings per share (EPS) is a non-GAAP measure. For reconciliation, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) included in UGI Corporation’s Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

We have a proven business model that creates long-term value for our shareholders. Our solid underlying base business, strong balance sheet and financial flexibility enables growth investments and positions us well for the future.

~15%
Rate Base Growth
(FY17-22)

\$562M
FY22 Utilities
Capital Spend

14,000+
FY22 Customer
Additions

Our natural gas business had an outstanding year.

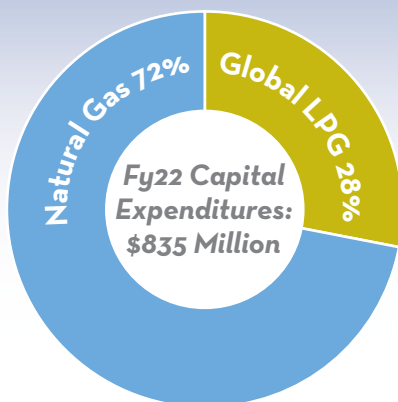
At our regulated utilities:

- We deployed a record level of capital, largely to replace and upgrade our gas distribution infrastructure as well as our critical systems. We are excited that we have a long runway to invest capital in infrastructure replacement and betterment, in both Pennsylvania and West Virginia, at attractive rates of return.
- Our Utilities segment also added more than 14,000 new residential and commercial heating customers, continuing a strong track record of annual customer growth.
- We were also pleased to receive approval of our Pennsylvania gas base rate case that included a two-phase rate increase of \$49.45 million starting in October 2022. In addition, this rate case included the approval for a weather normalization adjustment rider beginning in November 2022. This weather normalization adjustment provides

more predictable earnings as a large portion of our margin is now weather protected, which better enables us to generate reliable earnings. For our Pennsylvania residential and small commercial customers, the adjustment provides some payment relief in severely cold months, and provides for more stable gas bills overall.

Within the Midstream & Marketing segment:

- We continued to see a significant amount of margin being generated from fee-based arrangements, including take-or-pays and minimum volume commitments.
- We expanded our interest in natural gas gathering systems in the Appalachian basin with the acquisition of UGI Moraine East, as well as the acquisition of the remaining interest in Pennant Midstream, LLC. These investments performed well and we were pleased with the strong production volumes during the Fiscal year.



Disproportionately investing in natural gas business and renewables in order to achieve a rebalanced portfolio and create sustainable value for our shareholders.

In the Global LPG business:

- UGI International's LPG business had a record year with higher unit margins amidst increased volatility in commodity costs and a modest increase in volume despite warmer than prior year weather. Our LPG business in Europe remains strong and is well-positioned to capitalize on new opportunities that may arise.
- AmeriGas experienced strong national account volumes and sustained cylinder exchange volumes when compared to pre-pandemic levels. The business also continued to expand its cylinder home delivery service, Cynch, now offered in 25 cities in the US.
- This year, we concluded our 3-year business transformation initiatives where we achieved total benefits of approximately \$150 million at AmeriGas and €30 million at UGI International. These benefits helped to mitigate the impact of the inflationary cost environment that we experienced during Fiscal 2021 and 2022.

~2B
LPG Gallons
Sold

Advancing our renewables growth strategy.

Renewables continues to be an area of focus and we believe that it will be a growth driver for UGI over the long term. Not only does it enhance our ability to deliver reliable earnings growth but it provides a realistic pathway for our customers to achieve lower carbon emissions. We are proud of the tremendous progress that we have made against our commitment to invest up to \$1.25B in renewable energy solutions by 2025.

- To date, we entered into several strategic partnerships with the intent to produce renewable natural gas and bioLPG, bringing our total renewables commitment to over \$300 million.
- Our RNG project at the Spruce Haven Farm in New York was commissioned on September 30th. Once fully operational, we expect to produce approximately 50 million cubic feet of renewable natural gas that will be sold to a local utility and the environmental credits separately marketed by our subsidiary, GHI Energy.
- The Idaho RNG project, in which we have a minority interest, was also commissioned on September 30th and this facility is expected to produce roughly 250 million cubic feet of renewable natural gas annually. The RNG will be sold into an interstate pipeline and, similar to the other RNG projects, the environmental credits will be marketed by GHI Energy.



We've made important strides with these initial renewables commitments and look forward to additional investments that support our 3R strategy.

Rebalancing our portfolio.

Over the last few years, we shared our intent to rebalance our portfolio to an even distribution of earnings from natural gas and renewables in comparison to global LPG. This year, we attained a rebalanced portfolio driven by the headwinds in the global LPG business that led to reduced earnings contribution, and the record performance from our natural gas businesses.

Diverse Business Fueling Long-Term Growth



Advancing our Environmental, Social, and Governance initiatives.

Foundational to UGI's strategy is our commitment to operate in a sustainable and socially responsible manner. We've made important progress against all of our ESG commitments and in advancing on our Belonging, Inclusion, Diversity and Equity ("BIDE") initiative.

In Fiscal 2022, UGI:

- Replaced 155 miles of cast iron and bare steel in Pennsylvania and West Virginia. These investments not only enhance the safety, reliability, and efficiency of our system but also reduce fugitive methane emissions. UGI Utilities has reduced methane emissions by 90% since 1999.
- Increased spending with diverse suppliers, progressing on our target to have a 25% or more increase in spend with diverse Tier I and Tier II suppliers by 2025.
- Sustained investment in our employee resource groups, and expanded our Women's Impact Network across our global footprint. We also continued our partnerships with organizations such as the United Way, Big Brothers Big Sisters, and the Human Library Organization.
- Partnered with a global non-profit organization, the World Central Kitchen, to assist Ukrainian refugees by providing funds for food and food supplies as well as propane to fuel their kitchens.
- Recognized by a number of respected publications and institutions in 2022. Most notably, for the 18th time, UGI was listed among the Fortune 500, which comprises the 500 largest companies in the US.



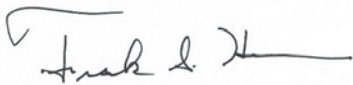
After more than 17 years of service to UGI Corporation, John Walsh has informed the Board of Directors of his decision to retire from the Board of UGI Corporation, effective as of the Company's Annual Meeting of Shareholders on January 27, 2023. John has served with distinction as an executive and Director of UGI Corporation, UGI Utilities, Inc. and AmeriGas Propane, Inc. Throughout his tenure, the Company experienced significant growth and value creation for UGI shareholders and executed on key strategic investments. John also made significant progress on the Company's critical ESG initiatives and strengthened UGI's position as a good corporate citizen with strong contributions to our communities. During his years of service, UGI increased its market cap from \$2.4B in 2005 to over \$8B today. We would like to thank John for his many years of service and his contributions to UGI.

Looking to the future

We are confident that we are well-positioned to optimize shareholder value given our differentiated and resilient portfolio.

Fiscal 2023 will be a year where we strengthen our platform and lean into key strategic priorities. Over the long-term, we are confident that we are well-positioned to continue delivering reliable earnings growth, given our foundation and the investments that we are making across our business. We have a robust pipeline of attractive investment opportunities which gives us confidence in our ability to deliver strong earnings growth in future years.

We thank you for your support and commitment, and look forward to keeping you updated on our progress in Fiscal 2023.



Frank S. Hermance
Chair of the Board



Roger Perreault
President and
Chief Executive Officer



Long track record of solid EPS and dividend growth driven by disciplined investments



Leading market positions in our target markets and strong operations



Superior range of clean and sustainable energy solutions for our customers



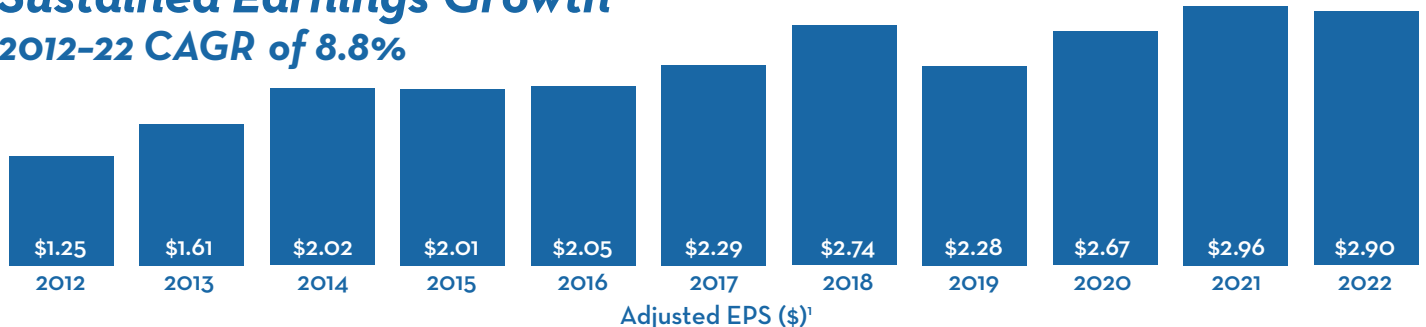
Strong track record of redeploying capital at attractive long-term rates of return



Culture of innovation to succeed in evolving environments

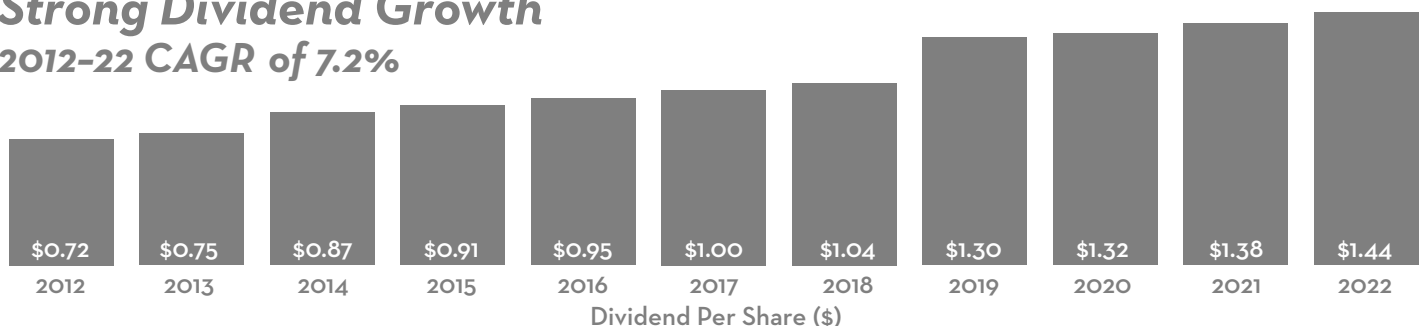
Sustained Earnings Growth

2012-22 CAGR of 8.8%



Strong Dividend Growth

2012-22 CAGR of 7.2%



1. Adjusted diluted earnings per share (EPS) is a non-GAAP measure. For 2021-2022 reconciliation, see Item 7, MD&A included in UGI Corporation's Annual Report on Form 10-K for the fiscal year ended September 30, 2022. For 2012-2020 reconciliation, see Investor Update presentation, published on August 11, 2022, available under the caption "Investors - Investor Overview - Events and Presentations" on the Company's website at www.ugicorp.com

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) HIGHLIGHTS

- Released 4th annual ESG report titled, “Transparency, Action and Progress,” highlighting strong progress on all key initiatives
- MSCI upgraded UGI Corporation’s ESG Rating to “AA”
- Named one of the 50 most community-minded companies in Pennsylvania, New Jersey, and Delaware for the second consecutive year

Environmental	Social	Governance
<p>55%¹</p> <p>5-year Scope I GHG emissions reduction target (using 2020 as the base year)</p>	<p>25%¹</p> <p>Targeted spend improvement with diverse Tier I and Tier II suppliers by 2025 (using 2020 as the base year)</p>	<p>45%²</p> <p>Board Diversity</p>
<p>90%+</p> <p>Reduction in fugitive methane emission at UGI Utilities over the 20 years</p>	<p>Executive compensation linked to safety and diversity & inclusion</p>	<p>5 Years</p> <p>Average Board Tenure</p>
<p>35%¹</p> <p>Targeted reduction in Total Recordable Injuries by 2025 (using 2017 as the base year)</p>	<p>Partnership with the Human Library Organization to help organizations with their diversity, equity, and inclusion efforts</p>	<p>82%³</p> <p>Independent Directors and an Independent Board Chair</p>

1. Achievement of these goals is in progress. For more information on UGI’s ESG initiatives, please see UGI’s sustainability reports and visit www.ugiesg.com.

2. Diversity represents ethnicity and gender.

3. As defined under the rules of the New York Stock Exchange.

For more information on our Environmental, Social and Governance (“ESG”) program, please see our 2021 Sustainability Report, which is available on our website. The information included in our Sustainability Reports is not intended to be incorporated by reference into this Annual Report.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of UGI Corporation Common Stock held by non-affiliates of the registrant on March 31, 2022 was \$7,563,617,921.

At November 11, 2022, there were 209,690,320 shares of UGI Corporation Common Stock issued and outstanding.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on January 27, 2023 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

	<u>Page</u>
<u>Glossary of Terms and Abbreviations</u>	<u>2</u>
<u>Forward-Looking Information</u>	<u>9</u>
PART I:	
<u>Items 1. and 2. Business and Properties</u>	<u>9</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>47</u>
<u>Item 3. Legal Proceedings</u>	<u>47</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>47</u>
PART II:	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>48</u>
<u>Item 6. Selected Financial Data</u>	<u>49</u>
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>49</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>67</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>68</u>
<u>Item 9A. Controls and Procedures</u>	<u>68</u>
<u>Item 9B. Other Information</u>	<u>69</u>
<u>Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	<u>69</u>
PART III:	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>70</u>
<u>Item 11. Executive Compensation</u>	<u>70</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>70</u>
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	<u>70</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>70</u>
PART IV:	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>73</u>
<u>Item 16. Form 10-K Summary</u>	<u>84</u>
<u>Signatures</u>	<u>86</u>
<u>Index to Financial Statements and Financial Statement Schedules</u>	<u>F-2</u>

GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this Form 10-K 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, together with its consolidated subsidiaries, 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 subsidiary of Enterprises

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

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

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

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

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

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

HVAC - UGI HVAC Enterprises, Inc., a wholly owned subsidiary of Enterprises

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

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

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

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

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

Pennant - Pennant Midstream, LLC, a Delaware limited liability company

PennEast - PennEast Pipeline Company, LLC

Table of Contents

Pine Run - Pine Run Gathering, LLC

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

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 subsidiary of Enterprises

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

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

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

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

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

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

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

Other Terms and Abbreviations

2013 OICP - UGI Corporation 2013 Omnibus Incentive Compensation Plan

4.75% Senior Note - A private placement of \$90 million principal amount of senior notes due July 2032, issued by UGI Utilities

4.99% Senior Note - A private placement of \$85 million principal amount of senior notes due September 2052, issued by UGI Utilities

4.49% Senior Note - A private placement of \$40 million principal amount of senior notes due August 2052, issued by Mountaineer

2021 IAP - UGI Corporation 2021 Incentive Award Plan

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 loan term 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

2022 AmeriGas OLP Credit Agreement - entered into by AmeriGas OLP providing for borrowings of up to \$600 million, with the option to increase to a maximum principal amount of \$900 million assuming certain conditions are met, including a letter of credit subfacility of up to \$100 million

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

ABO - Accumulated Benefit Obligation

ACE - AmeriGas Cylinder Exchange

Table of Contents

Act 11 - Act 11 of 2012

AFUDC - Allowance for Funds Used During Construction

AmeriGas Merger - The transaction contemplated by the Merger Agreement pursuant to which AmeriGas Propane Holdings, LLC merged with and into the Partnership, on August 21, 2019, with the Partnership surviving as an indirect wholly owned subsidiary of UGI

AmeriGas OLP Credit Agreement - The second amended and restated credit agreement entered into by AmeriGas OLP providing for borrowings of up to \$600 million, including a letter of credit subfacility of up to \$150 million

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

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

ASC 820 - ASC 820, "Fair Value Measurement"

ASC 980 - ASC 980, "Regulated Operations"

ASU - Accounting Standards Update

Bcf - Billions of cubic feet

Board of Directors - The board of directors of UGI

Btu - British thermal unit

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

CDC - Centers for Disease Control and Prevention

CERCLA - Comprehensive Environmental Response, Compensation and Liability Act

CFTC - Commodity Futures Trading Commission

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"

Common Stock - Shares of UGI common stock

Common Units - Limited partnership ownership interests in AmeriGas Partners

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

Table of Contents

Core market - Comprises (1) firm residential, commercial and industrial customers to whom Utilities has a statutory obligation to provide service who purchase their natural gas or electricity from Utilities; and (2) residential, commercial and industrial customers to whom Utilities has a statutory obligation to provide service who purchase their natural gas or electricity from others

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

DOT - U.S. Department of Transportation

DSIC - Distribution System Improvement Charge

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

EPACT 2005 - Energy Policy Act of 2005

ERISA - Employee Retirement Income Security Act of 1974

ERO - Electric Reliability Organization

EU - European Union

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

Exchange Act - Securities Exchange Act of 1934, as amended

FDIC - Federal Deposit Insurance Corporation

FERC - Federal Energy Regulatory Commission

FIFO - First-in, first-out inventory valuation method

Fiscal 2019 - The fiscal year ended September 30, 2019

Fiscal 2020 - The fiscal year ended September 30, 2020

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ended September 30, 2022

Fiscal 2023 - The fiscal year ending September 30, 2023

Fiscal 2024 - The fiscal year ending September 30, 2024

Fiscal 2025 - The fiscal year ending September 30, 2025

Fiscal 2026 - The fiscal year ending September 30, 2026

Fiscal 2027 - The fiscal year ending September 30, 2027

GAAP - U.S. generally accepted accounting principles

GDPR - General Data Protection Regulation

Table of Contents

GHG - Greenhouse gas

GILTI - Global Intangible Low Taxed Income

Gwh - Millions of kilowatt hours

Hunlock - Hunlock Creek Energy Center located near Wilkes-Barre, Pennsylvania, a 174-megawatt natural gas-fueled electricity generating station

ICE - Intercontinental Exchange

IRC - Internal Revenue Code

IREP - Infrastructure Replacement and Expansion Plan

IRPA - Interest rate protection agreement

IRS - Internal Revenue Service

IT - Information technology

LIBOR - London Inter-bank Offered Rate

LNG - Liquefied natural gas

LPG - Liquefied petroleum gas

LTIP - Long-term infrastructure improvement plans

MD&A - Management's Discussion and Analysis of Financial Condition and Results of Operations

MDPSC - Maryland Public Service Commission

MGP - Manufactured gas plant

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

Mountaineer Credit Agreement - Third amended and restated credit agreement entered into by Mountaineer, as borrower, providing for borrowings up to \$100 million, with the option to increase to a maximum principal amount of \$200 million assuming certain conditions are met, including a letter of credit subfacility of up to \$20 million, scheduled to expire in November 2024

Mountaineer 2023 Credit Agreement - Third amendment to the third amended and restated credit agreement entered into by Mountaineer, as borrower, providing for borrowings up to \$150 million, with the option to increase to a maximum principal amount of \$250 million assuming certain conditions are met, including a letter of credit subfacility of up to \$20 million, scheduled to expire in November 2024, with an option to extend the maturity date

NAV - Net asset value

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

Table of Contents

OSHA - Occupational Safety and Health Act

PADEP - Pennsylvania Department of Environmental Protection

PAPUC - Pennsylvania Public Utility Commission

Partnership Agreement - Fourth amended and restated agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of July 27, 2009, as amended

PBO - Projected benefit obligation

PennEnergy - PennEnergy Resources, LLC

PGA - Purchased gas adjustment

PGC - Purchased gas costs

PJM - PJM Interconnection, LLC

PRP - Potentially Responsible Party

PUHCA 2005 - Public Utility Holding Company Act of 2005

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

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

RNG - Renewable natural gas

ROU - Right-of-use

ROD - Record of Decision

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.

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

Stock Unit - Unit awards that entitle the grantee to shares of UGI Common Stock or cash subject to service conditions

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

TSR - Total Shareholder Return

UGI comparator group - The Russell Midcap Utility Index, excluding telecommunications companies and beginning in Fiscal 2021, a custom UGI performance peer group

Table of Contents

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

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

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

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

UGI Performance Units - Unit awards that entitle the grantee to shares of UGI Common Stock or cash subject to service and market performance conditions

UGI Utilities Credit Agreement - A five-year unsecured revolving credit agreement entered into by UGI Utilities on June 27, 2019, providing for borrowings up to \$350 million, including a letter of credit subfacility of up to \$100 million, scheduled to expire in June 2024

USD - U.S. dollar

U.S. Pension Plans - Consists of (1) a defined benefit pension plan for employees hired prior to January 1, 2009 of UGI, UGI Utilities and certain of UGI's other domestic wholly owned subsidiaries; and (2) a defined benefit pension plan for substantially all Mountaineer employees

Utilities Term Loan - A \$125 million unsecured variable-rate term loan agreement entered into in October 2017, by UGI Utilities, Inc., which was amended in July 2022 to extend its maturity date from October 2022 to July 2027

VEBA - Voluntary Employees' Beneficiary Association

WHO - World Health Organization

WVPSC - Public Service Commission of West Virginia

FORWARD-LOOKING INFORMATION

Information contained in this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements use forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” or other similar words and terms of similar meaning, although not all forward-looking statements contain such words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future. All forward-looking statements made in this Report rely upon the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

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 against relying on any forward-looking statement as these statements are subject to risks and uncertainties that may cause actual results to 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 our Risk Factors included in Item 1A herein and 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, the seasonal nature of our business, and disruptions in our operations and supply chain; (2) cost volatility and availability of energy products, including 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, health, tax, transportation, consumer protection, data privacy, accounting, and environmental matters, such as regulatory responses to climate change; (4) inability to timely recover costs through utility rate proceedings; (5) the impact of pending and future legal or regulatory proceedings, inquiries or investigations; (6) competitive pressures from the same and alternative energy sources; (7) failure to acquire new customers or retain current customers thereby reducing or limiting any increase in revenues; (8) liability for environmental claims; (9) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (10) adverse labor relations and our ability to address existing or potential workforce shortages; (11) customer, counterparty, supplier, or vendor defaults; (12) liability for uninsured claims and for claims in excess of insurance coverage, including those for personal injury and property damage arising from explosions, acts of war, 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 and LPG in all forms; (13) transmission or distribution system service interruptions; (14) political, regulatory and economic conditions in the United States, Europe and other foreign countries, including uncertainties related to the war between Russia and Ukraine, the European energy crisis, and foreign currency exchange rate fluctuations, particularly the euro; (15) credit and 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) impacts of our indebtedness and the restrictive covenants in our debt agreements; (18) reduced distributions from subsidiaries impacting the ability to pay dividends or service debt; (19) changes in Marcellus and Utica Shale gas production; (20) the availability, timing and success of our acquisitions, commercial initiatives and investments to grow our businesses; (21) our ability to successfully integrate acquired businesses and achieve anticipated synergies; (22) the interruption, disruption, failure, malfunction, or breach of our information technology systems, and those of our third-party vendors or service providers, including due to cyber attack; (23) the inability to complete pending or future energy infrastructure projects; (24) 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; (25) our ability to attract, develop, retain and engage key employees; (26) uncertainties related to a global pandemic, including the duration and/or impact of the COVID-19 pandemic; (27) the impact of proposed or future tax legislation; (28) the impact of declines in the stock market or bond market, and a low interest rate environment, on our pension liability; (29) our ability to protect our intellectual property; and (30) our ability to overcome supply chain issues that may result in delays or shortages in, as well as increased costs of, equipment, materials or other resources that are critical to our business operations.

These factors 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. Any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation (and expressly disclaim any 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.

PART I:

ITEMS 1. AND 2. BUSINESS AND PROPERTIES

CORPORATE OVERVIEW

UGI Corporation is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the U.S., we own and operate (1) a retail propane marketing and distribution business,

Table of Contents

(2) natural gas and electric distribution utilities, and (3) energy marketing (including RNG), 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. Our subsidiaries and affiliates operate principally in the following four business segments:

- AmeriGas Propane
- UGI International
- Midstream & Marketing
- Utilities

The AmeriGas Propane segment consists of the propane distribution business of AmeriGas Partners, an indirect wholly owned subsidiary of UGI. The Partnership conducts its domestic propane distribution business through its principal operating subsidiary, AmeriGas OLP, and is the nation's largest retail propane distributor based on the volume of propane gallons distributed annually. The general partner of AmeriGas Partners is our wholly owned subsidiary, AmeriGas Propane, Inc.

The UGI International segment consists of LPG distribution businesses conducted by our subsidiaries and affiliates in Austria, Belgium, the Czech Republic, Denmark, Finland, France, Hungary, Italy, Luxembourg, the Netherlands, Norway, Poland, Romania, Slovakia, Sweden, Switzerland and the United Kingdom. In addition, UGI International conducts an energy marketing business in France, Belgium and the Netherlands. Based on market volumes for 2021, which is the most recent information available, UGI International believes that it is the largest distributor of LPG in France, Austria, Belgium, Denmark, Luxembourg and Hungary and one of the largest distributors of LPG in Norway, Poland, the Czech Republic, Slovakia, the Netherlands and Sweden.

The Midstream & Marketing segment consists of energy-related businesses conducted by our indirect, wholly owned subsidiary, Energy Services. These businesses (i) conduct energy marketing, including RNG, in the Mid-Atlantic region of the United States and California, (ii) own and operate natural gas liquefaction, storage and vaporization facilities and propane-air mixing assets, (iii) manage natural gas pipeline and storage contracts, (iv) develop, own and operate pipelines, gathering infrastructure and gas storage facilities in the Marcellus and Utica Shale regions of Pennsylvania, eastern Ohio, and the panhandle of West Virginia, (v) own electricity generation facilities, and (vi) own RNG production facilities. Energy Services and its subsidiaries' storage, LNG and portions of its midstream transmission operations are subject to regulation by the FERC.

The Utilities segment consists of the regulated natural gas (PA Gas Utility) and electric (Electric Utility) distribution businesses of our wholly owned subsidiary, UGI Utilities, and the regulated natural gas distribution business of our indirect, wholly owned subsidiary, Mountaineer. PA Gas Utility serves customers in eastern and central Pennsylvania and in portions of one Maryland county, and Mountaineer serves customers in West Virginia. Electric Utility serves customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania. PA Gas Utility is subject to regulation by the PAPUC and FERC and, with respect to its customers in Maryland, the MDPSC. Mountaineer is subject to regulation by the WVPS and FERC. Electric Utility is subject to regulation by the PAPUC and FERC.

Business Strategy

Our business strategy is to grow the Company by focusing on our core competencies of distributing, storing, transporting and marketing energy products and services. We utilize our core competencies from our existing diversified businesses and our international experience, extensive asset base and access to customers to accelerate both organic growth and growth through acquisitions in our existing businesses, as well as in related and complementary businesses.

We identified and communicated to our investors three key elements that we believe will advance our strategy: (1) providing reliable earnings growth; (2) investing in renewable energy solutions; and (3) rebalancing our portfolio, with an emphasis on natural gas and renewable energy solutions. The following discussion highlights some of our key accomplishments in these areas during Fiscal 2022.

Reliable Earnings Growth

We are committed to consistently growing our earnings and plan to continue this growth through increased investments in our regulated utilities businesses, generating significant fee-based income in our Midstream and Marketing operations, and investing in high-growth and more weather resilient markets at our LPG businesses. We strive to be the preferred provider in all markets we serve and remain focused on making continuous improvements and focusing on growth across our business.

At our Utilities segment, we completed the acquisition of Mountaineer in Fiscal 2021 and continued integration efforts in Fiscal 2022. In September 2022, PA Gas Utility received PAPUC approval for a \$49.45 million annual base distribution rate increase through a phased approach, with an increase of \$38 million beginning in October 2022 and an additional increase of \$11.45 million beginning in October 2023. In addition, PA Gas Utility is authorized to implement a weather normalization adjustment rider as a five-year pilot program beginning on the effective date of the new rates. See Note 9 to Consolidated Financial Statements for additional information. In addition, our natural gas businesses completed a number of transactions in the renewable energy space, which we believe will contribute to our earnings growth. For more information on these transactions, see “Investment in Renewable Energy” below.

At our Midstream & Marketing segment, Energy Services completed the acquisition of Stonehenge in January 2022. The Stonehenge business includes a natural gas gathering system located in Western Pennsylvania, comprised of more than 47 miles of pipeline and associated compression assets. This acquisition is consistent with our growth strategies, including our goal to expand our midstream natural gas gathering assets within the Appalachian basin production region. Our Midstream and Marketing business also continues to provide a stable earnings stream, which is underpinned by fee-based contracts from customers. This fee-based income is derived from fixed fee peaking, storage and gathering, and fixed rate, variable volume gathering and marketing transactions. In Fiscal 2022, approximately 84% of Midstream and Marketing’s total margin was fee-based.

In Fiscal 2022, AmeriGas Propane continued its expansion of its Cynch propane home delivery services, with Cynch now available in 25 cities as of September 30, 2022. Similarly, UGI International offers propane cylinder vending machines in several European countries. These programs are convenient for customers, and we believe they will position us for future growth.

Investment in Renewable Energy

We are pursuing investments in a number of key renewable energy areas, including RNG, bio-LPG and renewable dimethyl ether (“rDME”), among others. Our natural gas businesses are actively exploring RNG opportunities involving both distribution and RNG feedstock infrastructure, and our LPG businesses are developing bio-LPG sources to augment our existing bio-LPG source in Sweden. We believe that UGI is particularly well-positioned to develop investment opportunities in these rapidly emerging markets due to our competencies in project development, project execution, gas transportation and storage, and energy marketing.

We expect to utilize our existing natural gas and LPG distribution infrastructure to deliver RNG and bio-LPG to the customers we serve. In most cases, these renewable solutions can be delivered to our customers with no additional local infrastructure, incremental investments by our customers, or community disruption related to infrastructure buildout.

In Fiscal 2022, we completed the following transactions, which we believe will provide a foundation for growth within the renewable energy space:

Table of Contents

- Energy Services invested in a joint venture to develop dairy farm digester projects that produce RNG in upstate New York. In October 2021, Energy Services announced a project that includes the construction of a manure digester and gas upgrading equipment. Once completed, the project is expected to produce 55 million cubic feet of RNG annually. In September 2022, Energy Services announced a similar project that is expected to produce approximately 150 million cubic feet of RNG annually. The more than 200 million cubic feet of RNG produced annually from these two projects will be delivered to a local natural gas pipeline serving the regional distribution system.
- In October 2021, PA Gas Utility received regulatory approval from the PAPUC to purchase RNG as part of a five-year pilot program intended to explore how PA Gas Utility can integrate RNG into its supply portfolio to produce economic and environmental benefits for its customers. In January 2022, PA Gas Utility began accepting RNG into its pipeline distribution system pursuant to an interconnect agreement. When fully operational, the interconnect will be capable of accommodating up to 5.3 billion cubic feet of RNG supply each year. The introduction of RNG supply into PA Gas Utility's distribution system provides benefits to the environment and to the communities we serve by lowering net carbon emissions. It is anticipated that this project will reduce CO₂ emissions by an amount equivalent to removing 67,000 passenger vehicles over the course of a calendar year.
- In December 2021, UGI International received approval from the European Commission to launch a joint venture in calendar year 2022 to advance the production and use of rDME, a low-carbon sustainable liquid gas. We anticipate the development of up to six production plants within the next five years, targeting a total production capacity of 300,000 tons of rDME per year by 2027.
- In January 2022, UGI entered into a 15-year agreement to produce renewable fuels from renewable-ethanol in the U.S. and Europe. UGI expects to make investments to build and operate multiple production facilities over the next 15 years, significantly increasing the supply of renewable-propane and sustainable aviation fuel, with the goal of having the first production facility onstream in Fiscal 2024 with an annual production target of approximately 50 million gallons of combined renewable fuels.
- In February 2022, Pennant announced that it entered into a series of agreements to accept delivery of RNG into its natural gas gathering system. The project is scheduled to become operational in 2023. When fully operational, the Pennant system will take up to 6,500 Mcf (thousand cubic feet) per day of RNG supply. Energy Services will manage construction of an interconnecting pipeline and interconnection with Pennant.
- In February 2022, AmeriGas entered into a multi-year agreement to purchase and distribute renewable LPG. AmeriGas will leverage its supply and logistics infrastructure and sales and marketing teams to market and distribute renewable LPG to new and existing customers primarily in the state of California.
- In April 2022, Energy Services acquired a 33% equity interest in Ag-Grid Energy LLC ("Ag-Grid"), a renewable energy producer with projects in the U.S. Ag-Grid develops and operates small scale renewable power projects that support local energy demands while lowering emissions. Ag-Grid also has a strong pipeline of dairy and food waste digester projects that are expected to produce additional renewable power and RNG. Energy Services, through its subsidiary GHI, will be the exclusive off-taker and marketer of RNG for Ag-Grid.
- In May 2022, Energy Services entered into an agreement to fully fund the first set of RNG projects currently under development in South Dakota. In total, the project will represent over \$70 million of investment, of which 100% of the funds will be provided by Energy Services. The first set of projects will be built at three farms and is expected to generate approximately 300 million cubic feet of RNG annually once completed in calendar year 2024. Dairy waste from the farms will be anaerobically digested and then piped to a central upgrading facility before it is delivered into the interstate natural gas system.

These projects provide a range of benefits, including reducing our carbon footprint while also addressing increased customer demand for low carbon energy sources, and we expect to continue to expand our renewable energy investments in the upcoming years.

Rebalancing Our Portfolio

In Fiscal 2019, we completed the AmeriGas Merger, whereby AmeriGas Partners became a wholly owned subsidiary of UGI and increased LPG's contribution to UGI's overall product mix. We announced our plan to rebalance our portfolio through both organic growth and investment in natural gas and renewable energy solutions.

In Fiscal 2022, we executed on our rebalancing strategy through several transactions and investments, including the Stonehenge Acquisition and the aforementioned investments in renewable energy. In addition to these transactions and investments, Utilities continued to execute on its infrastructure replacement and system betterment program, with record capital expenditures

[Table of Contents](#)

in Fiscal 2022 and additional expenditures expected in the coming years. Utilities remains on schedule to achieve its goal of replacing the cast iron portions of its gas mains by March 2027 and the bare steel portion of its gas mains by September 2041. We believe that the replacement of aging infrastructure results in increased contributions to rate base growth and also reduces emissions while improving operational efficiency.

Environmental Strategy

We believe that corporate sustainability is critical to our overall business success and we are committed to growing the Company in an environmentally responsible way. UGI's environmental strategy is focused on three main areas: reducing our emissions; reducing our customers' emissions affordably, reliably, and responsibly; and investing in renewable solutions. To support our strategy, we have made the following environmental commitments discussed below while also committing to continue to grow our earnings per share and dividends.

- Scope 1 Emissions Reduction Commitment – Reduce Scope 1 GHG emissions by 55% by 2025 (using Fiscal 2020 as a baseline). Our Scope 1 emissions reduction target does not include emissions from the Mountaineer Acquisition, which closed in September 2021. The emissions from the Pine Run acquisition, announced in February 2021, will be included in the baseline 2020 number as this investment will contribute to our goal. The 2020 base number also takes a five year emissions average from the Hunlock generation facility to account for year-over-year differences in run time.
- Methane Emissions Reduction Commitment – Reduce methane emissions by 92% by 2030 and 95% by 2040.
- Pipeline Replacement and Betterment Commitment – Replace all cast iron pipelines by 2027 and all bare steel by 2041. Our pipeline replacement and betterment activities better enable us to achieve our emissions reductions goals.
- Renewable Investment – Invest between \$1 billion and \$1.25 billion by 2025. Such renewable investments better enable us to achieve our emissions reductions goals.

We report our progress on the environmental goals and commitments annually in our Sustainability Reports, including our Scope 1 and 2 emissions, air quality impact, and water management efforts. Our Sustainability Reports may be accessed on our website under “ESG - Resources - Sustainability Reports.” Information published in our Sustainability Reports is not intended to be incorporated into this Report.

In formulating our environmental strategy, our management and Board of Directors consider certain risks and uncertainties that may materially impact our financial condition and results of operations. For more information on these risks and uncertainties, see “Risk Factors - The potential effects of climate change may affect our business, operations, supply chain and customers, which could adversely impact our financial condition and results of operations.”

Corporate Information

UGI was incorporated in Pennsylvania in 1991. The Company is not subject to regulation by the PAPUC but, following completion of the Mountaineer Acquisition, is a regulated “holding company” under PUHCA 2005. PUHCA 2005 and the implementing regulations of FERC give FERC access to certain holding company books and records and impose certain accounting, record-keeping, and reporting requirements on holding companies. PUHCA 2005 also provides state utility regulatory commissions with access to holding company books and records in certain circumstances.

Our executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and our telephone number is (610) 337-1000. In this Report, the terms “Company” and “UGI,” as well as the terms “our,” “we,” “us,” and “its” are sometimes used as abbreviated references to UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries. For further information on the meaning of certain terms used in this Report, see “Glossary of Terms and Abbreviations.”

The Company's corporate website can be found at www.ugicorp.com. Information on our website, including the information published in our Sustainability Reports, is not intended to be incorporated into this Report. The Company makes available free of charge at this website (under the “Investors - Financial Reports - SEC Filings and Proxies” caption) copies of its reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, including its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K. The Company's Principles of Corporate Governance, Code of Business Conduct and Ethics, and Supplier Code of Business Conduct and Ethics are available on the Company's website under the caption “Company - Leadership and Governance - Governance Documents.” The charters of the Audit, Corporate Governance, Compensation and Management Development, Pension, and Safety, Environmental and Regulatory Compliance Committees of the Board of Directors are available on the Company's website under the caption “Company - Leadership and Governance - Committees & Charters.” All of these documents are also available free of charge by writing to Director,

AMERIGAS PROPANE

Products, Services and Marketing

Our domestic propane distribution business is conducted through AmeriGas Propane. AmeriGas Propane serves nearly 1.3 million customers in all 50 states from approximately 1,400 propane distribution locations. Typically, propane distribution locations are in suburban and rural areas where natural gas is not readily available. Our local offices generally consist of operations facilities and propane storage. As part of its overall transportation and distribution infrastructure, AmeriGas Propane operates as an interstate carrier in all states throughout the continental U.S.

AmeriGas Propane sells propane primarily to residential, commercial/industrial, motor fuel, agricultural and wholesale customers. AmeriGas Propane distributed approximately 1 billion gallons of propane in Fiscal 2022. Approximately 85% of AmeriGas Propane's Fiscal 2022 sales (based on gallons sold) was to retail accounts and approximately 15% was to wholesale accounts. Sales to residential customers in Fiscal 2022 represented approximately 30% of retail gallons sold; commercial/industrial customers 40%; motor fuel customers 21%; and agricultural customers 4%. Transport gallons, which are large-scale deliveries to retail customers other than residential, accounted for approximately 5% of Fiscal 2022 retail gallons. No single customer represents more than 5% of AmeriGas Propane's consolidated revenues.

The ACE program continued to be an important element of AmeriGas Propane's business in Fiscal 2022. At September 30, 2022, ACE cylinders were available at approximately 50,000 retail locations throughout the U.S. Sales of our ACE cylinders to retailers are included in commercial/industrial sales. The ACE program enables consumers to purchase or exchange propane cylinders at various retail locations such as home centers, gas stations, mass merchandisers and grocery and convenience stores. In addition, we continued to expand our Cynch propane home delivery service, which is now available in 25 cities as of September 30, 2022. We also supply retailers with large propane tanks to enable them to replenish customers' propane cylinders directly at the retailers' locations.

Residential and commercial customers use propane primarily for home heating, water heating and cooking purposes. Commercial users include hotels, restaurants, churches, warehouses and retail stores. Industrial customers use propane to fire furnaces, as a cutting gas and in other process applications. Other industrial customers are large-scale heating accounts and local gas utility customers that use propane as a supplemental fuel to meet peak load deliverability requirements. As a motor fuel, propane is burned in internal combustion engines that power school buses and other over-the-road vehicles, forklifts and stationary engines. Agricultural uses include tobacco curing, chicken brooding, crop drying and orchard heating. In its wholesale operations, AmeriGas Propane principally sells propane to large industrial end-users and other propane distributors.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,400 to 3,000 gallons of propane, into a stationary storage tank on the customer's premises. AmeriGas Propane owns most of these storage tanks and leases them to its customers. The capacity of these tanks ranges from approximately 120 gallons to approximately 1,200 gallons. AmeriGas Propane also delivers propane in portable cylinders, including ACE and motor fuel cylinders. Some of these deliveries are made to the customer's location where cylinders are either picked up or replenished in place.

During Fiscal 2022, we made technology and other investments to promote the safety of our employees and the communities we serve. For example, (i) we continued installing cameras in our delivery and service vehicles to facilitate in-cab coaching capabilities, among other functionality, and (ii) we continued to install fall protection towers on rail terminals that are designed to prevent employees from falling during the process of offloading propane into bulk storage.

Propane Supply and Storage

The U.S. propane market has approximately 170 domestic and international sources of supply, including the spot market. Supplies of propane from AmeriGas Propane's sources historically have been readily available. In recent years, certain geographies experienced varying levels of reduced propane availability as a result of transportation issues within the supply chain. In response to these supply and transportation challenges, AmeriGas Propane utilized a combination of increased regional storage as well as rail and transport supply from different origins to offset localized supply/demand imbalances.

In addition to these factors, the availability and pricing of propane supply has historically been dependent upon, among other things, the severity of winter weather, the price and availability of competing fuels such as natural gas and crude oil, and the

[Table of Contents](#)

amount and availability of exported supply and, to a much lesser extent, imported supply. For more information on risks relating to our supply chain, see “Risk Factors - Risks Relating to Our Supply Chain and Our Ability to Obtain Adequate Quantities of LPG.”

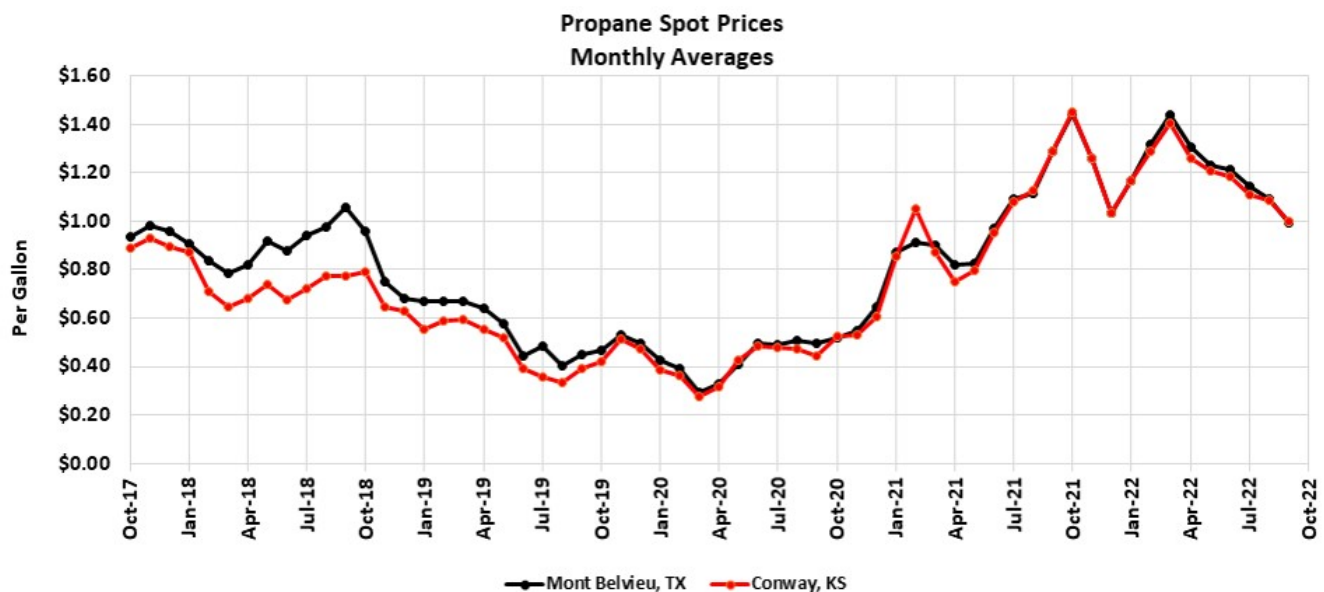
During Fiscal 2022, approximately 99% of AmeriGas Propane’s propane supply was purchased under supply agreements with terms of one to three years. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate supplies during Fiscal 2023. If supply from major sources were interrupted, however, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, margins could be adversely affected. In Fiscal 2022, AmeriGas Propane derived approximately 13% of its propane supply from Enterprise Products Operating LLC, and approximately 10% of its propane supply from each of Crestwood Services LLC and Targa Liquids Marketing and Trade LLC. No other single supplier provided more than 10% of AmeriGas Propane’s total propane supply in Fiscal 2022. In certain geographic areas, however, a single supplier provides more than 50% of AmeriGas Propane’s requirements. Disruptions in supply in these areas could also have an adverse impact on AmeriGas Propane’s margins.

AmeriGas Propane’s supply contracts typically provide for pricing based upon (i) index formulas using the current prices established at a major storage point such as Mont Belvieu, Texas, or Conway, Kansas, or (ii) posted prices at the time of delivery. In addition, some agreements provide maximum and minimum seasonal purchase volume guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year. AmeriGas Propane uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges, to transport propane from suppliers to storage and distribution facilities. AmeriGas Propane stores propane at various storage facilities and terminals located in strategic areas across the U.S.

Because AmeriGas Propane’s profitability is sensitive to changes in wholesale propane costs, AmeriGas Propane generally seeks to pass on increases in the cost of propane to customers. There is no assurance, however, that AmeriGas Propane will always be able to pass on product cost increases fully, or keep pace with such increases, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, increases in the prices of base commodities, such as crude oil and natural gas, or other unforeseen events. AmeriGas Propane has supply acquisition and product cost risk management practices to reduce the effect of volatility on selling prices. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments, such as propane price swaps. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures.”

The following graph shows the average prices of propane on the propane spot market during the last five fiscal years at Mont Belvieu, Texas, and Conway, Kansas, both major storage areas.

Average Propane Spot Market Prices



General Industry Information

Propane is separated from crude oil during the refining process and also extracted from natural gas or oil wellhead gas at processing plants. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for economy and ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow for its detection. Propane is considered a clean alternative fuel under the Clean Air Act Amendments of 1990, producing negligible amounts of pollutants when properly consumed.

Competition

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers with suppliers of electricity, fuel oil and natural gas, principally on the basis of price, service, availability and portability. Electricity is generally more expensive than propane on a Btu equivalent basis, but the convenience and efficiency of electricity make it an attractive energy source for consumers and developers of new homes. Fuel oil, which is also a major competitor of propane, is currently more expensive than propane and is a less environmentally attractive energy source. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Natural gas is generally a significantly less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel during interruptions in natural gas service. The gradual expansion of the nation's natural gas distribution systems has resulted in the availability of natural gas in some areas that previously depended upon propane. However, natural gas pipelines are not present in many areas of the country where propane is sold for heating and cooking purposes.

For motor fuel customers, propane competes with gasoline, diesel fuel, electric batteries, fuel cells and, in certain applications, LNG and compressed natural gas. Wholesale propane distribution is a highly competitive, low margin business. Propane sales to other retail distributors and large-volume, direct-shipment industrial end-users are price sensitive and frequently involve a competitive bidding process.

Retail propane industry volumes have been declining for several years and no or modest growth in total demand is foreseen in the next several years. Therefore, AmeriGas Propane's ability to grow within the industry is dependent on the success of its sales and marketing programs designed to attract and retain customers, the success of business transformation initiatives, its ability to achieve internal growth, which includes the continuation of the ACE, Cynch and National Accounts programs (through which multi-location propane users enter into a single AmeriGas Propane supply agreement rather than agreements with multiple suppliers), and its ability to acquire other retail distributors. The failure of AmeriGas Propane to retain and grow its customer base would have an adverse effect on its long-term results.

The domestic propane retail distribution business is highly competitive. AmeriGas Propane competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. Some farm cooperatives, rural electric cooperatives and fuel oil distributors include propane distribution in their businesses and AmeriGas Propane competes with them as well. The ability to compete effectively depends on providing high quality customer service, maintaining competitive retail prices and controlling operating expenses. AmeriGas Propane also offers customers various payment and service options, including guaranteed price programs, fixed price arrangements and pricing arrangements based on published propane prices at specified terminals.

In Fiscal 2022, AmeriGas Propane's retail propane sales totaled approximately 890 million gallons. Based on the most recent annual survey by the Propane Education & Research Council, 2020 domestic retail propane sales (annual sales for other than chemical uses) in the U.S. totaled approximately 9.4 billion gallons. Based on LP-GAS magazine rankings, 2020 sales volume of the ten largest propane distribution companies (including AmeriGas Propane) represented approximately 33% of domestic retail propane sales.

Properties

As of September 30, 2022, AmeriGas Propane owned approximately 87% of its 525 local offices throughout the country. The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 30, 2022, the Partnership operated a transportation fleet with the following assets:

Table of Contents

	<u>Approximate Quantity & Equipment Type</u>	<u>% Owned</u>	<u>% Leased</u>
870	Trailers	69%	31%
320	Tractors	1%	99%
680	Railroad tank cars	0%	100%
2,520	Bobtail trucks	7%	93%
320	Rack trucks	14%	86%
2,950	Service and delivery trucks	14%	86%

Other assets owned at September 30, 2022 included approximately 934,000 stationary storage tanks with typical capacities of more than 120 gallons, approximately 4.3 million portable propane cylinders with typical capacities of 1 to 120 gallons, 21 terminals and 11 transflow units.

Trade Names, Trade and Service Marks

AmeriGas Propane markets propane and other services principally under the “AmeriGas[®],” “America’s Propane Company[®],” “Propane That’s Pro-YouSM” and “Cynch[®]” trade names and related service marks and continues to maintain the “Driving Every Day[®]” and “Relationships Matter[®]” trademarks. UGI owns, directly or indirectly, all the right, title and interest in the “AmeriGas” name and related trade and service marks. The General Partner owns all right, title and interest in the “America’s Propane Company” trade name and related service marks. The Partnership has an exclusive (except for use by UGI, AmeriGas, Inc., AmeriGas Polska Sp. z.o.o. and the General Partner), royalty-free license to use these trade names and related service marks. UGI and the General Partner each have the option to terminate its respective license agreement (except its licenses with permitted transferees and on 12 months’ prior notice in the case of UGI), without penalty, if the General Partner is removed as general partner of the Partnership for cause. If the General Partner ceases to serve as the general partner of the Partnership other than for cause, the General Partner has the option to terminate its license agreement upon payment of a fee to AmeriGas Propane, L.P. equal to the fair market value of the licensed trade names. UGI has a similar termination option; however, UGI must provide 12 months’ prior notice in addition to paying the fee to AmeriGas OLP. UGI and the General Partner each also have the right to terminate its respective license agreement in order to settle any claim of infringement, unfair competition or similar claim or if the agreement has been materially breached without appropriate cure.

Seasonality

Because many customers use propane for heating purposes, AmeriGas Propane’s retail sales volume is seasonal. During Fiscal 2022, approximately 64% of the Partnership’s retail sales volume occurred, and substantially all of AmeriGas Propane’s operating income was earned, during the peak heating season from October through March. As a result of this seasonality, revenues are typically higher in AmeriGas Propane’s first and second fiscal quarters (October 1 through March 31). Cash receipts are generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season. As a result of the AmeriGas Merger, we expect that UGI will continue to derive a greater percentage of its earnings during the peak heating season of October through March as well. For more information on the risks associated with the seasonality of our business, see “Risk Factors - Our business is seasonal and decreases in the demand for our energy products and services because of warmer-than-normal heating season weather or unfavorable weather conditions may adversely affect our results of operations.”

Sales volume for AmeriGas Propane traditionally fluctuates from year-to-year in response to variations in weather, prices, competition, customer mix and other factors, such as conservation efforts and general economic conditions. For information on national weather statistics, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Government Regulation

AmeriGas Propane is subject to various federal, state and local environmental, health, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage propane terminals.

Environmental

Generally, applicable environmental laws impose limitations on the discharge of pollutants, establish standards for the handling of solid and hazardous substances, and require the investigation and cleanup of environmental contamination. These laws include, among others, the Resource Conservation and Recovery Act, CERCLA, the Clean Air Act, the Clean Water Act, the

Table of Contents

Homeland Security Act of 2002, the Emergency Planning and Community Right-to-Know Act, comparable state statutes and any applicable amendments. The Partnership incurs expenses associated with compliance with its obligations under federal and state environmental laws and regulations, and we believe that the Partnership is in material compliance with its obligations. The Partnership maintains various permits that are necessary to operate its facilities, some of which may be material to its operations. AmeriGas Propane continually monitors its operations with respect to potential environmental issues, including changes in legal requirements.

AmeriGas Propane is investigating and remediating contamination at a number of present and former operating sites in the U.S., including sites where its predecessor entities operated MGPs. CERCLA and similar state laws impose joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a “hazardous substance” into the environment without regard to fault or the legality of the original conduct. Propane is not a hazardous substance within the meaning of CERCLA.

Health and Safety

AmeriGas Propane is subject to the requirements of OSHA and comparable state laws that regulate the protection of the health and safety of our workers. These laws require the Partnership, among other things, to maintain information about materials, some of which may be hazardous or toxic, that are used, released, or produced in the course of our operations. Certain portions of this information must be provided to employees, federal and state and local governmental authorities and responders, commercial and industrial customers and local citizens in accordance with applicable federal and state Emergency Planning and Community Right-to-Know Act requirements. AmeriGas Propane’s operations are also subject to federal safety hazard communication requirements and reporting obligations.

All states in which AmeriGas Propane operates have adopted fire safety codes that regulate the storage, distribution, and use of propane. In some states, these laws are administered by state agencies, and in others they are administered on a municipal level. AmeriGas Propane conducts training programs to help ensure that its operations are in compliance with applicable governmental regulations. With respect to general operations, AmeriGas Propane is subject in all jurisdictions in which it operates to rules and procedures governing the safe handling of propane, including those established by National Fire Protection Association Pamphlets No. 54 and No. 58, various state, local and international codes (including international fire, building and fuel gas codes), and OSHA fall protection standards. Management believes that the policies and procedures currently in effect at all of its facilities for the handling, storage, distribution and use of propane, as well as its fall protection standards, are consistent with industry standards and are in compliance, in all material respects, with applicable laws and regulations.

With respect to the transportation of propane by truck, AmeriGas Propane is subject to regulations promulgated under federal legislation, including the Federal Motor Carrier Safety Act, the Hazardous Materials & Transportation Act and the Homeland Security Act of 2002. Regulations under these statutes cover the security and transportation of hazardous materials, including propane for purposes of these regulations, and are administered by the Pipeline and Hazardous Materials Safety Administration of the DOT. The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety regulations apply to, among other things, a propane gas system that supplies 10 or more residential customers or two or more commercial customers from a single source and to a propane gas system any portion of which is located in a public place. The DOT’s pipeline safety regulations require operators of all gas systems to provide operator qualification standards and training and written instructions for employees and third party contractors working on covered pipelines and facilities, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and conduct and keep records of inspections and testing. Operators are subject to the Pipeline Safety Improvement Act of 2002. Management believes that the procedures currently in effect at all of AmeriGas Propane’s facilities for the handling, storage, transportation and distribution of propane are consistent with industry standards and are in compliance, in all material respects, with applicable laws and regulations.

Climate Change

There continues to be concern, both nationally and internationally, about climate change and the contribution of GHG emissions, most notably carbon dioxide, to global warming. Because propane is considered a clean alternative fuel under the federal Clean Air Act Amendments of 1990, the Partnership anticipates that this will provide it with a competitive advantage over other sources of energy, such as fuel oil and coal, to the extent new climate change regulations become effective. At the same time, increased regulation of GHG emissions, especially in the transportation sector, could impose significant additional costs on AmeriGas Propane, its suppliers, its vendors and its customers. In recent years, there has been an increase in state initiatives aimed at regulating GHG emissions. For example, the California Environmental Protection Agency established a Cap & Trade program that requires certain covered entities, including propane distribution companies, to purchase allowances to

Table of Contents

compensate for the GHG emissions created by their business operations. Compliance with these types of regulations may increase our operating costs if we are unable to pass on these costs to our customers.

Employees

The Partnership does not directly employ any persons responsible for managing or operating the Partnership. The General Partner provides these services and is reimbursed for its direct and indirect costs and expenses, including all compensation and benefit costs. At September 30, 2022, the General Partner had approximately 4,700 employees, including more than 150 part-time, seasonal and temporary employees, working on behalf of the Partnership. UGI also performs, and is reimbursed for, certain financial and administrative services on behalf of the Partnership and AmeriGas OLP.

UGI INTERNATIONAL

UGI International, through its subsidiaries and affiliates, conducts (i) an LPG distribution business in 17 countries throughout Europe (Austria, Belgium, the Czech Republic, Denmark, Finland, France, Hungary, Italy, Luxembourg, the Netherlands, Norway, Poland, Romania, Slovakia, Sweden, Switzerland and the United Kingdom), and (ii) an energy marketing business in France, Belgium and the Netherlands. Based on market volumes for 2021, which is the most recent information available, UGI International believes that it is the largest distributor of LPG in France, Austria, Belgium, Denmark, Luxembourg and Hungary and one of the largest distributors of LPG in Norway, Poland, the Czech Republic, Slovakia, the Netherlands and Sweden.

Products, Services and Marketing

LPG Distribution Business

During Fiscal 2022, UGI International sold approximately 990 million gallons of LPG throughout Europe. UGI International operates under six distinct LPG brands, and its customer base primarily consists of residential, commercial, industrial, agricultural, wholesale and automobile fuel (“autogas”) customers that use LPG for space heating, cooking, water heating, motor fuel, leisure activities, crop drying, irrigation, construction, power generation, manufacturing and as an aerosol propellant. For Fiscal 2022, 45% of UGI International’s LPG volume was sold to commercial and industrial customers, 18% was sold to residential, 11% was sold to agricultural and 26% was sold to wholesale and other customers (including autogas). UGI International supplies LPG to its customers in small, medium and large bulk tanks at their locations. In addition to bulk sales, UGI International sells LPG in cylinders through retail outlets, such as supermarkets, individually owned stores and gas stations and directly to businesses that operate LPG-powered forklifts. Sales of LPG are also made to service stations to fuel vehicles that run on LPG. UGI International’s Fiscal 2022 LPG sales (based on volumes) were attributed to bulk, cylinder, wholesale and autogas. For Fiscal 2022, no single customer represented more than 5% of UGI International’s revenues.

Bulk

Approximately 62% of UGI International’s Fiscal 2022 LPG sales (based on volumes) were attributed to bulk customers. UGI International classifies its bulk customers as small, medium or large bulk, depending upon volume consumed annually at the customer locations. Based on volumes consumed, small bulk customers are primarily residential and small business users, such as restaurants, that use LPG mainly for heating and cooking. Medium bulk customers consist mainly of large residential housing developments, hospitals, hotels, municipalities, medium-sized industrial enterprises and poultry brooders. Large bulk customers include agricultural customers (including crop drying) and companies that use LPG in their industrial processes. UGI International had approximately 504,000 bulk LPG customers and sold 617 million gallons of bulk LPG during Fiscal 2022.

Cylinder

Approximately 15% of UGI International’s Fiscal 2022 LPG sales (based on volumes) were attributed to cylinder customers. UGI International sells LPG in both steel and composite cylinders and typically owns the cylinders in which the LPG is sold. The principal end-users of cylinders are residential customers who use LPG for domestic applications, such as cooking and heating. Non-residential uses include fuel for forklift trucks, road construction and welding. At September 30, 2022, UGI International had more than 20 million cylinders in circulation and sold approximately 151 million gallons of LPG in cylinders during Fiscal 2022. UGI International also delivers LPG to wholesale and retail customers in cylinders, including through the use of vending machines.

Wholesale, Autogas and Other Services

Approximately 19% of UGI International’s Fiscal 2022 LPG sales (based on volumes) were to wholesale customers (including small competitors and large industrial customers), and approximately 3% of Fiscal 2022 LPG sales (based on volumes) were to autogas customers. UGI International also provides logistics, storage and other services to third-party LPG distributors.

Energy Marketing Business

In Fiscal 2022, UGI International marketed and supplied natural gas and electricity to small and medium enterprises, schools and municipalities through third-party distribution systems in France, Belgium, the Netherlands and the United Kingdom. During Fiscal 2022, UGI International announced that it was conducting a strategic review of its energy marketing business in Europe and considering all options related to the continuation of the business, including a sale or wind-down. In October 2022, UGI International sold its energy marketing business located in the United Kingdom, and in November 2022, UGI International announced its intent to sell its energy marketing business located in France. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Executive Overview – Recent Developments.”

LPG Supply, Storage and Transportation

UGI International is typically party to term contracts, with more than 45 different suppliers, including producers and international oil and gas trading companies, to meet LPG supply requirements throughout Europe. LPG supply is transported via rail and sea, and by road for shorter distances. Agreements are generally one-year terms with pricing based on internationally quoted market prices. Additionally, LPG is purchased on the European spot markets to manage supply needs. In certain geographic areas (the United Kingdom), a single supplier may provide 50% or more of UGI International’s requirements. Because UGI International’s profitability is sensitive to changes in wholesale LPG costs, UGI International generally seeks to pass on increases in the cost of LPG to its customers. There can be no assurance, however, that UGI International will always be able to pass on product cost increases fully, or keep pace with such increases, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, increases in the prices of base commodities such as crude oil and natural gas, or other unforeseen events.

During Fiscal 2022, we experienced a significant increase in natural gas prices in Europe due to a shortage in natural gas supply exacerbated by the war between Russia and Ukraine. The severity and longevity of reductions has been varied across the European market. Production has returned to normal at some refineries, while other refineries continue to operate at lower rates and some have permanently ceased operations. The significant increase in European natural gas prices has resulted in refineries substituting a portion of their natural gas refinery fuels with LPG leading to a decrease in some areas in the availability of LPG. In addition, gas processing plants supplying the United Kingdom and Norway markets are injecting LPG into the natural gas grid, decreasing the overall supply of LPG from the gas processing plants.

UGI International stores LPG at various storage facilities and terminals located across Europe and has interests in both primary storage facilities and secondary storage facilities. LPG stored in primary storage facilities is transported to smaller storage facilities by rail and road. At secondary storage facilities, LPG is loaded into cylinders or trucks equipped with tanks and then is delivered to customers. UGI International also manages an extensive logistics and transportation network and has access to seaborne import facilities.

UGI International transports LPG to customers primarily through outsourced transportation providers to serve both bulk and cylinder markets. UGI International has long-term relationships with many providers of logistics and transportation services in most of its markets, and is not dependent on the services of any single transportation provider.

Trade Names, Trade and Service Marks

UGI International protects its intellectual property rights through tradenames, trade and service marks and foreign intellectual property laws. UGI International and its subsidiaries utilize a variety of tradenames, including, but not limited to, AmeriGas (Poland), Antargaz, AvantiGas, FLAGA, Kosan Gas and UniverGas, and related service marks to market its LPG products and services and energy marketing services. UGI International and its subsidiaries currently have tradenames, trade and service marks registered in various countries. UGI International’s trademarks, tradenames and other proprietary rights are valuable assets and we believe that they have significant value in the marketing of our products and services.

Competition and Seasonality

The LPG markets in western and northern Europe are mature, with modest declines in total demand due to competition with other fossil fuels and other energy sources, conservation and macroeconomic conditions. Sales volumes are affected principally by the severity of the weather and customer migration to alternative energy forms, including natural gas, electricity, heating oil and wood. High LPG prices also may result in slower than expected growth due to customer conservation and customers seeking less expensive alternative energy sources. Conversely, high natural gas prices versus LPG prices over a period of time will result in customers seeking to migrate to LPG. In addition, government policies and incentives that favor alternative energy sources, such as heat pumps as well as wind and solar sources, can result in customers migrating to energy sources other than LPG. In addition to price, UGI International competes for customers in its various markets based on contract terms. UGI

Table of Contents

International competes locally as well as regionally in many of its service territories. Additionally, particularly in France, although UGI International supplies certain supermarket chains, it also competes with some of these supermarket chains that affiliate with LPG distributors to offer their own brands of cylinders. UGI International seeks to increase demand for its LPG cylinders through marketing and product innovations, such as the use of automatic vending machines.

In its energy marketing business, UGI International competes against small- and medium-sized enterprise providers of natural gas and electricity in four countries in Europe where the markets have been deregulated for at least ten years. The recent geopolitical events in Europe have substantially impacted the natural gas and electricity markets during Fiscal 2022, with unprecedented price increases and volatility affecting the whole sector.

Because many of UGI International's customers use LPG for heating, sales volume is affected principally by the severity of the temperatures during the heating season months and traditionally fluctuates from year-to-year in response to variations in weather, prices and other factors, such as conservation efforts and the economic environment. During Fiscal 2022, approximately 62% of UGI International's retail sales volume occurred during the peak heating season from October through March. As a result of this seasonality, revenues are typically higher in UGI International's first and second fiscal quarters (October 1 through March 31). For historical information on weather statistics for UGI International, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Government Regulation

UGI International's business is subject to various laws and regulations at the country and local levels, as well as at the EU level, with respect to matters such as protection of the environment, the storage, transportation and handling of hazardous materials and flammable substances (including the Seveso II Directive), regulations specific to bulk tanks, cylinders and piped networks, competition, pricing, regulation of contract terms, anti-corruption (including the U.S. Foreign Corrupt Practices Act, Sapin II and the U.K. Bribery Act), data privacy and protection, and the safety of persons and property.

Environmental

Environmental laws and regulations may require expenditures over a long timeframe to control environmental effects. Estimates of liabilities for environmental response costs are difficult to determine with precision because of the various factors that can affect their ultimate level. These factors include, but are not limited to, the following: (i) the complexity of the site; (ii) changes in environmental laws and regulations; (iii) the number of regulatory agencies or other parties involved; (iv) new technology that renders previous technology obsolete or experience with existing technology that proves ineffective; (v) the level of remediation required; and (vi) variation between the estimated and actual period of time required to respond to an environmentally-contaminated site.

EU Carbon Neutral Target

In December 2019, EU leaders endorsed the objective of achieving a climate-neutral EU by 2050, with net-zero GHG emissions, and in July 2021, the European Commission adopted the European Climate Law to write this target into the law. The European Climate Law also includes a 2030 GHG reduction target of at least 55% below 1990 levels as an intermediate target. These targets are legally binding and based on an impact assessment conducted by the Commission.

Data Privacy

The EU adopted the GDPR, which became effective in May 2018. The GDPR expanded the EU data protection laws to all companies processing data of EU residents. It primarily focuses on unifying and strengthening the regulations dealing with the collection, processing, use and security of personal and sensitive data.

Properties

In addition to regional headquarter locations and sales offices throughout its service territory, UGI International has interests in ten primary storage facilities and more than 80 secondary storage facilities.

Employees

At September 30, 2022, UGI International had approximately 2,600 employees.

MIDSTREAM & MARKETING

Retail Energy Marketing

Our retail energy marketing business is conducted through Energy Services and its subsidiaries and sells natural gas, RNG, liquid fuels and electricity to approximately 12,400 residential, commercial and industrial customers at approximately 42,000 locations. We (i) serve customers in all or portions of Pennsylvania, New Jersey, Delaware, New York, Ohio, Maryland, Virginia, North Carolina, South Carolina, Massachusetts, New Hampshire, Rhode Island, California and the District of Columbia, (ii) distribute natural gas through the use of the distribution systems of 48 local gas utilities, and (iii) supply power to customers through the use of the transmission and distribution lines of 20 utility systems.

Historically, a majority of Energy Services' commodity sales have been made under fixed-price agreements, which typically contain a take-or-pay arrangement that permits customers to purchase a fixed amount of product for a fixed price during a specified period, and requires payment even if the customer does not take delivery of the product. However, a growing number of Energy Services' commodity sales are currently being made under requirements contracts, under which Energy Services is typically an exclusive supplier and will supply as much product at a fixed price as the customer requires. Energy Services manages supply cost volatility related to these agreements by (i) entering into fixed-price supply arrangements with a diverse group of suppliers, (ii) holding its own interstate pipeline transportation and storage contracts to efficiently utilize gas supplies, (iii) entering into exchange-traded futures contracts on NYMEX and ICE, (iv) entering into over-the-counter derivative arrangements with major international banks and major suppliers, (v) utilizing supply assets that it owns or manages, and (vi) utilizing financial transmission rights to hedge price risk against certain transmission costs. Energy Services also bears the risk for balancing and delivering natural gas and power to its customers under various gas pipeline and utility company tariffs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

Midstream Assets

LNG

Our midstream assets, which are owned by Energy Services and its subsidiaries, comprise a natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania, a natural gas liquefaction and storage facility in Mehoopany, Pennsylvania, liquefied natural gas vaporization and storage facilities in Steelton and Bethlehem, Pennsylvania, and three small mobile facilities located in Reading, Mount Carmel and Stroudsburg, Pennsylvania.

In addition, Energy Services sells LNG to customers for use by trucks, drilling rigs, other motor vehicles and facilities located off the natural gas grid. In Fiscal 2022, our Midstream & Marketing segment also managed natural gas pipeline and storage contracts for utility company customers, including UGI Utilities.

Natural Gas and Propane Storage

Energy Services and its subsidiaries own propane storage and propane-air mixing stations in Bethlehem, Reading, Hunlock Creek and White Deer, Pennsylvania. Energy Services and its subsidiaries also operate propane storage, rail transshipment terminals and propane-air mixing stations in Steelton and Williamsport, Pennsylvania. These assets are used in Midstream & Marketing's energy peaking business that provides supplemental energy, primarily LNG and propane-air mixtures, to gas utilities at times of high demand (generally during periods of coldest winter weather).

A wholly owned subsidiary of Energy Services owns and operates underground natural gas storage and related high pressure pipeline facilities, which have FERC approval to sell storage services at market-based rates. The storage facilities are located in the Marcellus Shale region of north-central Pennsylvania and have a total storage capacity of 15 million dekatherms and a maximum daily withdrawal quantity of 224,000 dekatherms. In Fiscal 2022, Energy Services leased approximately 72% of the firm capacity at its underground natural gas facilities to third parties.

Gathering Systems and Pipelines

Energy Services operates the Auburn gathering system in the Marcellus Shale region of northeastern Pennsylvania with a total pipeline system capacity of 635,000 dekatherms per day. The gathering system delivers into both the Tennessee Gas and Transcontinental Gas pipelines and receives gas from Tennessee Gas Pipeline as part of a capacity lease with UGI Utilities. Energy Services also operates a 6.5-mile pipeline, known as the Union Dale pipeline, that gathers gas in Susquehanna County and has a capacity of 100,000 dekatherms per day. In addition, Energy Services owns and operates approximately 87 miles of natural gas gathering lines, dehydration and compression facilities, known as Texas Creek, Marshlands, and Ponderosa, located

Table of Contents

in Bradford, Tioga, Lycoming, Potter and Clinton Counties, Pennsylvania. The combined capacity of these three systems is more than 250,000 dekatherms per day.

Energy Services and its subsidiaries also own and operate a 35-mile, 20-inch pipeline, known as the Sunbury pipeline, with related facilities located in Snyder, Union, Northumberland, Montour, and Lycoming Counties, Pennsylvania, which has a design capacity of 200,000 dekatherms per day. In addition, Energy Services owns and operates the Mt. Bethel pipeline, which runs 12.5 miles in Northampton County, Pennsylvania and is designed to provide 72,000 dekatherms per day.

Energy Services' subsidiary, UGI Appalachia, consists of six natural gas gathering systems with approximately 305 miles of natural gas gathering pipelines and gas compressors and one processing plant in southwestern Pennsylvania, eastern Ohio, and the panhandle of West Virginia. In Fiscal 2022, Energy Services also acquired the remaining ownership interest in Pennant, a natural gas gathering system located in northeast Ohio and western Pennsylvania, and now has 100% ownership interest in Pennant. The UGI Appalachia assets provide natural gas gathering and processing services in the Appalachian Basin with gathering capacity of approximately 2,808,000 dekatherms per day and processing capacity of approximately 240,000 dekatherms per day.

In Fiscal 2021, a subsidiary of Energy Services entered into a joint venture with Stonehenge to acquire Pine Run Midstream, LLC. Energy Services owns approximately 49% of the joint venture with Stonehenge, and Stonehenge operates the system. The system is comprised of approximately 42 miles of pipeline, 43,125 HP of installed compression and dedicated production of 54,000 gross acres. The system is attached to another gathering system owned by Energy Services.

In January 2022, Energy Services acquired Stonehenge Appalachia, LLC from Stonehenge Energy Holdings, LLC and subsequently renamed the system "Moraine East". The system consists of 47 miles of pipeline and associated compression assets.

Electric Generation Assets

Midstream & Marketing holds electric generation facilities conducted by Energy Services' wholly owned subsidiary, UGID. UGID owns and operates the Hunlock Creek Energy Center located near Wilkes-Barre, Pennsylvania, a 174-megawatt natural gas-fueled electricity generating station. UGID also owns and operates a landfill gas-fueled generation plant near Hegins, Pennsylvania, with gross generating capacity of 11 megawatts, that qualifies for renewable energy credits. Additionally, UGID owns and operates 13.5 megawatts of solar-powered generation capacity in Pennsylvania, Maryland and New Jersey.

Renewable Natural Gas

In Fiscal 2020, Energy Services purchased GHI, a Houston-based company that markets RNG in California. GHI purchases gas produced from landfills and biodigesters and resells the gas to fleet operators in California. Environmental credits are generated through this process, which are then sold to various third parties for an additional revenue stream.

Competition

Our Midstream & Marketing segment competes with other midstream operators to sell gathering, compression, storage and pipeline transportation services. Our Midstream & Marketing segment competes in both the regulated and non-regulated environment against interstate and intrastate pipelines that gather, compress, process, transport and market natural gas. Our Midstream & Marketing segment sells midstream services primarily to producers, marketers and utilities on the basis of price, customer service, flexibility, reliability and operational experience. The competition in the midstream segment is significant and has grown recently in the northeast U.S. as more competitors seek opportunities offered by the development of the Marcellus and Utica Shales.

Our Midstream & Marketing segment also competes with other marketers, consultants and local utilities to sell natural gas, liquid fuels, electric power and related services to customers in its service area principally on the basis of price, customer service and reliability. Midstream & Marketing's midstream asset business has faced an increase in competition in recent years with the consolidation of companies that have resulted in large, national competitors that can offer a suite of services across all customer segments.

Our electricity generation assets compete with other generation stations on the interface of PJM, a regional transmission organization that coordinates the movement of wholesale electricity in certain states, including the states in which we operate, and bases sales on bid pricing.

Table of Contents

Through our wholly owned subsidiary, GHI, Energy Services has the capability to source and deliver RNG to customers throughout the U.S. GHI currently delivers RNG to transportation fleets for utilization in their compressed natural gas and LNG fueled vehicles, resulting in the creation and monetization of California Low Carbon Fuel Standard and Renewable Fuel Standard Renewable Identification Numbers. GHI competes with other RNG marketers and brokers on the basis of price, customer service and reliability. Further, our Midstream & Marketing segment competes with other RNG project developers, which has recently become more competitive. We compete to acquire the projects from the feedstock generators, which are typically farmers (for manure digesters) and landfill operators. Competitive offerings include equity offerings, feedstock payment and royalties. In addition, there has been significant consolidation over the past year with both agricultural and landfill RNG project owners/developers.

Government Regulation

FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy, as well as the sales for resale of natural gas and related storage and transportation services. Energy Services has a tariff on file with FERC, pursuant to which it may make power sales to wholesale customers at market-based rates, to the extent that Energy Services purchases power in excess of its retail customer needs. Two subsidiaries of Energy Services, UGI LNG, Inc. and UGI Storage Company, currently operate natural gas storage facilities under FERC certificate approvals and offer services to wholesale customers at FERC-approved market-based rates. Two other Energy Services subsidiaries operate natural gas pipelines that are subject to FERC regulation. UGI Mt. Bethel Pipeline Company, LLC operates a 12.5-mile, 12-inch pipeline located in Northampton County, Pennsylvania, and UGI Sunbury, LLC operates the Sunbury Pipeline, a 35-mile, 20-inch diameter pipeline located in central Pennsylvania. Both pipelines offer open-access transportation services at cost-based rates approved by FERC. Energy Services and its subsidiaries undertake various activities to maintain compliance with the FERC Standards of Conduct with respect to pipeline operations. Energy Services is also subject to FERC reporting requirements, market manipulation rules and other FERC enforcement and regulatory powers with respect to its wholesale commodity business.

Midstream & Marketing's midstream assets include natural gas gathering pipelines and compression and processing in northeastern Pennsylvania, southwestern Pennsylvania, eastern Ohio and the panhandle of West Virginia that are regulated under federal pipeline safety laws and subject to operational oversight by both the Pipeline and Hazardous Materials Safety Administration and the state public utility commissions for the states in which the specific pipelines are located.

Certain of our Midstream & Marketing and RNG businesses are subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage LPG terminals. These laws include, among others, the Resource Conservation and Recovery Act, CERCLA, the Clean Air Act, OSHA, the Homeland Security Act of 2002, the Emergency Planning and Community Right-to-Know Act, the Clean Water Act and comparable state statutes. CERCLA imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment without regard to fault or the legality of the original conduct. With respect to the operation of natural gas gathering and transportation pipelines, Energy Services also is required to comply with the provisions of the Pipeline Safety Improvement Act of 2002 and the regulations of the DOT.

Our Midstream & Marketing's electricity generation assets own electric generation facilities that are within the control area of PJM and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. UGID is the entity designated for dispatching and financially settling all company owned generation and receives certain revenues collected by PJM, determined under an approved rate schedule. Like Energy Services, UGID has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates, and FERC has approved UGID's market-based rate authority through 2023. UGID is also subject to FERC reporting requirements, market manipulation rules and other FERC enforcement and regulatory powers.

Employees

At September 30, 2022, Midstream & Marketing had approximately 370 employees.

UTILITIES

PA GAS UTILITY

PA Gas Utility consists of the regulated natural gas distribution business of our subsidiary, UGI Utilities. PA Gas Utility serves

[Table of Contents](#)

customers in eastern and central Pennsylvania and in portions of one Maryland county, and therefore is regulated by the PAPUC and, with respect to its customers in Maryland, the MDPSC.

Service Area; Revenue Analysis

PA Gas Utility provides natural gas distribution services to approximately 677,000 customers in certificated portions of 46 eastern and central Pennsylvania counties through its distribution system. Contemporary materials, such as plastic or coated steel, comprise approximately 92% of PA Gas Utility's more than 12,500 miles of gas mains, with bare steel pipe comprising approximately 7% and cast iron pipe comprising approximately 1% of PA Gas Utility's gas mains. In accordance with PA Gas Utility's agreement with the PAPUC, PA Gas Utility will replace the cast iron portion of its gas mains by March 2027 and the bare steel portion of its gas mains by September 2041. Located in PA Gas Utility's service area are major production centers for basic industries such as specialty metals, aluminum, glass, paper product manufacturing and several power generation facilities. PA Gas Utility also distributes natural gas to more than 550 customers in portions of one Maryland county.

System throughput (the total volume of gas sold to or transported for customers within PA Gas Utility's distribution system) for Fiscal 2022 was approximately 314 Bcf. System sales of gas accounted for approximately 19% of system throughput, while gas transported for residential, commercial and industrial customers who bought their gas from others accounted for approximately 81% of system throughput.

Sources of Supply and Pipeline Capacity

PA Gas Utility is permitted to recover all prudently incurred costs of natural gas it sells to its customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures" and Note 9 to Consolidated Financial Statements. PA Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with marketers and producers, along with storage and transportation service contracts. These arrangements enable PA Gas Utility to purchase gas from Marcellus, Gulf Coast, Mid-Continent, and Appalachian sources. For its transportation and storage functions, PA Gas Utility has long-term agreements with a number of pipeline companies, including Texas Eastern Transmission, LP, Columbia Gas Transmission, LLC, Transcontinental Gas Pipeline Company, LLC, Eastern Gas Transmission and Storage, Inc., Tennessee Gas Pipeline Company, L.L.C., and Energy Services and its subsidiaries (including UGI Storage Company and UGI Sunbury, LLC).

Gas Supply Contracts

During Fiscal 2022, PA Gas Utility purchased approximately 83 Bcf of natural gas for sale to retail core-market customers (principally comprised of firm- residential, commercial and industrial customers that purchase their gas from PA Gas Utility) and off-system sales customers. Approximately 98% of the volumes purchased were supplied under agreements with ten suppliers, with the remaining volumes supplied by 20 producers and marketers. Gas supply contracts for PA Gas Utility are generally no longer than 12 months. PA Gas Utility also has long-term contracts with suppliers for natural gas peaking supply during the months of November through March.

Seasonality

Because many of its customers use natural gas for heating purposes, PA Gas Utility's sales are seasonal. For Fiscal 2022, approximately 59% of PA Gas Utility's sales volume was supplied, and approximately 85% of PA Gas Utility's operating income was earned, during the peak heating season from October through March.

Competition

Natural gas is a fuel that competes with electricity and oil and, to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of the equipment. Natural gas generally benefits from a competitive price advantage over oil, electricity and propane. Fuel oil dealers compete for customers in all categories, including industrial customers. PA Gas Utility responds to this competition with marketing and sales efforts designed to retain, expand and grow its customer base.

In substantially all of its service territories, PA Gas Utility is the only regulated gas distribution utility having the right, granted by the PAPUC or by law, to provide gas distribution services. All of PA Gas Utility's customers, including core-market customers, have the right to purchase gas supplies from entities other than natural gas distribution utility companies.

A number of PA Gas Utility's commercial and industrial customers have the ability to switch to an alternate fuel at any time

Table of Contents

and, therefore, are served on an interruptible basis under rates that are competitively priced with respect to the alternate fuel. Margin from these customers, therefore, is affected by the difference or “spread” between the customers’ delivered cost of gas and the customers’ delivered cost of the alternate fuel, the frequency and duration of interruptions, and alternative firm service options. See “Utilities Regulation - State Utility Regulation - PA Gas Utility.”

Approximately 70% of PA Gas Utility’s annual throughput volume for commercial and industrial customers includes non-interruptible customers with firm rates at locations that afford them the opportunity of seeking transportation service directly from interstate pipelines, thereby bypassing PA Gas Utility. In addition, nearly three percent of PA Gas Utility’s annual throughput volume for commercial and industrial customers is from customers who are served under interruptible rates and are also in a location near an interstate pipeline. During Fiscal 2022, PA Gas Utility had 17 such customers, 14 of which have transportation contracts extending beyond Fiscal 2023. The majority of these customers are served under transportation contracts having three to 20-year terms and all are among the largest customers for PA Gas Utility in terms of annual volumes. No single customer represents, or is anticipated to represent, more than five percent of PA Gas Utility’s total revenues.

Outlook for Gas Service and Supply

PA Gas Utility anticipates having adequate pipeline capacity, peaking services and other sources of supply available to it to meet the full requirements of all firm customers on its system through Fiscal 2023. Supply mix is diversified, market priced and delivered pursuant to a number of long-term and short-term primary firm transportation and storage arrangements, including transportation contracts held by some of PA Gas Utility’s larger customers and natural gas suppliers serving customers on PA Gas Utility’s distribution system.

During Fiscal 2022, PA Gas Utility supplied transportation service to 11 electric generation facilities and 28 major co-generation facilities. PA Gas Utility continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In Fiscal 2022, PA Gas Utility connected more than 1,300 new commercial and industrial customers. In the residential market sector, PA Gas Utility added more than 11,500 residential heating customers during Fiscal 2022. Approximately 50% of these customers converted to natural gas heating from other energy sources, mainly oil and electricity. New home construction and existing non-heating gas customers who added gas heating systems to replace other energy sources primarily accounted for the other residential heating connections in Fiscal 2022.

PA Gas Utility continues to monitor and participate, where appropriate, in rulemaking and individual rate and tariff proceedings before FERC affecting the rates and the terms and conditions under which PA Gas Utility transports and stores natural gas using interstate natural gas pipelines. Among these proceedings are those arising out of certain FERC orders and/or pipeline filings that relate to (i) the pricing of pipeline services in a competitive energy marketplace, (ii) the flexibility of the terms and conditions of pipeline service tariffs and contracts, and (iii) pipelines’ requests to increase their base rates, or change the terms and conditions of their storage and transportation services.

PA Gas Utility’s objective in negotiations with providers of gas supply resources, and in proceedings before regulatory agencies, is to ensure availability of supply, transportation and storage alternatives to serve market requirements at the lowest cost possible, taking into account the need for safety, security and reliability of supply. Consistent with that objective, PA Gas Utility negotiates certain terms of firm transportation capacity on all pipelines serving it, arranges for appropriate storage and peak-shaving resources, negotiates with producers for competitively priced gas purchases and participates in regulatory proceedings related to transportation rights and costs of service.

At September 30, 2022, PA Gas Utility had nearly 1,600 employees.

MOUNTAINEER

In September 2021, we completed the Mountaineer Acquisition, whereby Mountaineer Gas Company became an indirect, wholly owned subsidiary of UGI. Mountaineer provides a regulated natural gas distribution business to approximately 214,000 customers in 50 of West Virginia’s 55 counties. Mountaineer’s system is comprised of approximately 6,200 miles of distribution, transmission and gathering pipelines. Contemporary materials, such as plastic or coated steel, comprise approximately 75% of Mountaineer’s gas mains, with bare steel pipe comprising the remaining 25%.

As of September 30, 2022, Mountaineer’s customer base was approximately 90% residential, and 10% commercial and industrial customers, with throughput volumes consisting of approximately 28% residential, 35% commercial and 37% industrial and other. Because many of its customers use gas for heating purposes, Mountaineer’s sales are seasonal. For Fiscal 2022, approximately 65% of Mountaineer’s sales volume (including transport volumes) was supplied, and 131% of

Table of Contents

Mountaineer's operating income was earned, during the peak heating season from October through March. No single customer represents, or is anticipated to represent, more than five percent of Mountaineer's total revenues.

System throughput (the total volume of gas sold to or transported for customers within Mountaineer's distribution system) for Fiscal 2022 was approximately 49 Bcf. Retail core-market sales of gas accounted for approximately 43% of system throughput, while gas transported for commercial and industrial customers who bought their gas from others accounted for nearly 57% of system throughput. Mountaineer anticipates having adequate pipeline capacity, peaking services and other sources of supply available to it to meet the full requirements of all firm customers on its system through Fiscal 2023.

Approximately 50% of Mountaineer's annual throughput volume for commercial and industrial customers represents customers who are served under interruptible rates and are also in a location near an interstate pipeline. As of September 30, 2022, Mountaineer had 19 such customers, one of which has a transportation contract extending beyond September 30, 2023. The majority of these customers, including 11 of Mountaineer's largest customers in terms of annual volumes, are served under evergreen transportation contracts having a 30- to 180-day termination notice.

Mountaineer meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with marketers and producers, along with storage and transportation service contracts. During Fiscal 2022, Mountaineer purchased approximately 22 Bcf of natural gas for sale to retail core-market customers (principally comprised of firm- residential, commercial and industrial customers that purchase their gas from Mountaineer). Approximately 75% of the volume purchased was supplied under agreements with ten suppliers, with the remaining volumes supplied by various producers and marketers. Gas supply contracts for Mountaineer are generally evergreen agreements with a 30-day termination notice.

At September 30, 2022, Mountaineer had more than 460 employees.

ELECTRIC UTILITY

Electric Utility supplies electric service to approximately 62,600 customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania through a system consisting of over 2,560 miles of transmission and distribution lines and 14 substations. For Fiscal 2022, approximately 58% of sales volume came from residential customers, 31% from commercial customers and 11% from industrial and other customers. During Fiscal 2022, ten retail electric generation suppliers provided energy for customers representing approximately 21% of Electric Utility's sales volume. At September 30, 2022, UGI Utilities' electric utility operations had approximately 80 employees.

UTILITIES REGULATION

State Utility Regulation

PA Gas Utility

PA Gas Utility is subject to regulation by the PAPUC as to rates, terms and conditions of service, accounting matters, issuance of securities, contracts and other arrangements with affiliated entities, gas safety and various other matters. Rates that PA Gas Utility may charge for gas service come in two forms: (i) rates designed to recover PGCs; and (ii) rates designed to recover costs other than PGCs. Rates designed to recover PGCs are reviewed in PGC proceedings. Rates designed to recover costs other than PGCs are primarily established in general base rate proceedings.

Act 11 authorized the PAPUC to permit electric and gas distribution companies, between base rate cases and subject to certain conditions, to recover reasonable and prudent costs incurred to repair, improve or replace eligible property through a DSIC assessed to customers. Among other requirements, DSICs are subject to reconciliation of over-/under- collection, quarterly adjustment and are capped at five percent of total customer charges absent a PAPUC-granted exception. In addition, Act 11 requires affected utilities to obtain approval of LTIIIPs from the PAPUC. Act 11 also authorized electric and gas distribution companies to utilize a fully projected future test year when establishing rates in base rate cases before the PAPUC.

On August 21, 2019, PA Gas Utility filed a consolidated LTIIIP designed for the 2020-2024 calendar years, during which PA Gas Utility projects spending \$1.265 billion on DSIC-eligible property. PA Gas Utility's filing was approved by the PAPUC in an order entered December 19, 2019.

On October 8, 2020, the PAPUC issued a final order approving a settlement of a base rate proceeding by PA Gas Utility that permitted PA Gas Utility to utilize a two-step phase-in of a \$20 million base distribution revenue increase, with \$10 million effective January 1, 2021, and the remaining \$10 million effective July 1, 2021. The settlement also provided enhanced

Table of Contents

COVID-19 related consumer protections and allowed PA Gas Utility future regulatory asset recovery of COVID-19 related costs, such as greater-than-budgeted uncollectible accounts expense and other COVID-19 related operating costs.

With the approval of new base distribution rates on October 8, 2020, DSIC-eligible property and associated revenue requirements were rolled into base distribution rates. The final order issued by the PAPUC approved the settlement of the base rate proceeding and authorized PA Gas Utility to reinstitute a DSIC surcharge once PA Gas Utility's total property, plant and equipment less accumulated depreciation reached \$2.875 billion. This threshold was achieved in December 2020, and PA Gas Utility implemented a DSIC surcharge effective April 1, 2021.

On September 15, 2022, the PAPUC issued a final order approving a settlement of a base rate proceeding by PA Gas Utility that permitted PA Gas Utility to implement a \$49 million annual base distribution rate increase through a phased approach, with \$38 million beginning October 29, 2022 and an additional \$11 million beginning October 1, 2023. In accordance with the terms of the final order, PA Gas Utility will not be permitted to file a rate case prior to January 1, 2024. PA Gas Utility is authorized to implement a weather normalization adjustment rider as a five-year pilot program beginning on the effective date of the new rates. Under this rider, customer billings for distribution services will be adjusted monthly to reflect normal weather conditions if weather deviates more than three percent from normal. Additionally, under the terms of the final order, PA Gas Utility is authorized to implement a DSIC once its total property, plant and equipment less accumulated depreciation reaches \$3.368 billion. This threshold was achieved in September 2022 and PA Gas Utility expects to implement a new DSIC effective January 1, 2023.

In addition to base distribution rates and various surcharges designed to recover specified types of costs, PA Gas Utility's tariff also includes a uniform PGC rate applicable to firm retail rate schedules for customers who do not obtain natural gas supply service from an alternative supplier. The PGC rate permits recovery of all prudently incurred costs of natural gas that PA Gas Utility sells to its retail customers. PGC rates are reviewed and approved annually by the PAPUC. PA Gas Utility may request quarterly or, under certain conditions, monthly adjustments to reflect the actual cost of gas. Quarterly adjustments become effective on one day's notice to the PAPUC and are subject to review during the next annual PGC filing. Each proposed annual PGC rate is required to be filed with the PAPUC six months prior to its effective date. During this period, the PAPUC investigates and may hold hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PAPUC issues an order permitting the collection of gas costs at levels that meet such standard. The PGC mechanism also provides for an annual reconciliation and for the payment or collection of interest on over and under collections.

PA Gas Utility's gas service tariff also contains a state tax surcharge clause. The surcharge is recomputed whenever any of the tax rates included in their calculation are changed. These clauses protect PA Gas Utility from the effects of increases in certain of the Pennsylvania taxes to which it is subject.

Mountaineer

Mountaineer is subject to regulation of rates and other aspects of its business by the WVPS. When necessary, Mountaineer seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are determined by the cost-of-service by rate class, and the rate design methodology allocates the majority of operating costs through volumetric charges.

Mountaineer makes routine filings with the WVPS to reflect changes in the costs of purchased gas. These purchased gas costs are subject to rate recovery through a mechanism that provides dollar-for-dollar recovery of prudently incurred costs. Costs in excess of revenues that are expected to be recovered in future rates are deferred as regulatory assets; conversely, revenues in excess of costs are deferred as a regulatory liability. The PGA filings generally cover a prospective 12 month period. The WVPS entered a procedural order on September 9, 2022, directing all gas utilities and other parties to file proposals to reduce or levelize the impact of high natural gas costs on utilities' customers in the near term. An order establishing interim PGA rates is expected at the end of the 2022 calendar year.

As permitted by West Virginia law, the WVPS has also approved a standalone cost recovery rider to recover specified costs and a return on infrastructure projects between general base rate cases in accordance with its IREP. Mountaineer makes an annual IREP filing, which is subject to an over/under-recovery mechanism similar to purchased gas costs. In December 2021, the WVPS issued a final order approving a settlement in Mountaineer's 2022 IREP filing, resulting in an increase of \$5.5 million effective January 1, 2022. In July 2022, Mountaineer submitted its annual IREP filing to the WVPS requesting a revenue increase of \$5.4 million effective January 1, 2023, based on the forecasted 2023 calendar year IREP-eligible capital investments of \$64.2 million and recovery of eligible costs. An order from the WVPS is expected in December 2022.

Table of Contents

Electric Utility

Electric Utility is permitted to recover prudently incurred electricity costs, including costs to obtain supply to meet its customers' energy requirements, pursuant to a supply plan filed with and approved by the PAPUC. Electric Utility distributes electricity that it purchases from wholesale markets and electricity that customers purchase from other suppliers.

On February 8, 2021, Electric Utility filed for a base rate increase with the PAPUC. On July 19, 2021, Electric Utility filed a joint petition for settlement of the rate case, which included a revenue increase of approximately \$6 million. In an order dated October 28, 2021, the PAPUC approved the settlement and authorized the increased rate to become effective November 9, 2021.

Electric Utility's tariff includes rates, applicable to so-called "default service" customers who do not obtain electric generation service from an alternative supplier, incurred pursuant to a PAPUC-approved supply plan. These default service rates are reconcilable, may be adjusted quarterly, and are designed to permit Electric Utility to recover the full costs of providing default service in a full and timely manner. Electric Utility's default service rates include recovery of costs associated with compliance with the AEPS Act, which requires Electric Utility to directly or indirectly acquire certain percentages of its supplies from designated alternative energy sources. In an order dated January 14, 2021, the PAPUC authorized Electric Utility to implement its current Default Service plan for the period June 1, 2021 through May 31, 2025, subject to possible, prospectively applied interim modifications that parties to that proceeding may propose in accordance with a settlement filed in that proceeding on October 23, 2020.

Electric Utility's tariff also includes a DSIC surcharge mechanism that was authorized by the PAPUC in 2019. Electric Utility's first LTIIP, approved in 2017, provided the basis for its current DSIC charges through September 30, 2022. That authority was extended by order of the PAPUC issued August 25, 2022, in which Electric Utility's second LTIIP filing was approved, authorizing the expenditure of \$50.6 million of DSIC-eligible plant over the five-year period ending September 30, 2027.

With the implementation of new base rates on November 9, 2021 pursuant to the PAPUC's October 28, 2021 order in the 2021 Electric Utility base rate case, Electric Utility's DSIC-eligible plant associated revenue requirement was rolled into Electric Utility's base rates. The final order issued by the PAPUC approved the settlement of the base rate proceeding and authorized Electric Utility to implement a new DSIC surcharge once Electric Utility's total property, plant and equipment less accumulated depreciation reached \$152 million, a level that was achieved in September 2022. Electric Utility expects to implement a new DSIC effective January 1, 2023.

Utility Franchises

PA Gas Utility and Electric Utility hold certificates of public convenience issued by the PAPUC and certain "grandfather rights" predating the adoption of the Pennsylvania Public Utility Code and its predecessor statutes, which authorize it to carry on its business in the territories in which it renders gas service. Under applicable Pennsylvania law, PA Gas Utility also has certain rights of eminent domain as well as the right to maintain its facilities in public streets and highways in its territories.

Similarly, Mountaineer holds certificates of public convenience issued by the WVPSC, which authorize it to carry on its business in substantially all of the territories in which it now renders gas service. Under applicable West Virginia law, Mountaineer also has certain rights of eminent domain as well as the right to maintain its facilities in public streets and highways in its territories.

Federal Energy Regulation

With the acquisition of Mountaineer on September 1, 2021, UGI and its subsidiaries became subject to FERC regulation under PUHCA 2005 pertaining to record-keeping and affiliate service pricing requirements. UGI provided notice of its non-exempt status on September 17, 2021.

Utilities is subject to Section 4A of the Natural Gas Act, which prohibits the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of natural gas or natural gas transportation subject to the jurisdiction of FERC, and FERC regulations that are designed to promote the transparency, efficiency, and integrity of gas markets.

Similarly, UGI Utilities is also subject to Section 222 of the Federal Power Act, which prohibits the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of electric energy or transmission

Table of Contents

service subject to the jurisdiction of FERC, and FERC regulations that are designed to promote the transparency, efficiency, and integrity of electric markets.

FERC has jurisdiction over the rates and terms and conditions of service of electric transmission facilities used for wholesale or retail choice transactions. Electric Utility owns electric transmission facilities that are within the control area of PJM and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. PJM is a regional transmission organization that regulates and coordinates generation, supply and the wholesale delivery of electricity. Electric Utility receives certain revenues collected by PJM, determined under a formulary rate schedule that is adjusted in June of each year to reflect annual changes in Electric Utility's electric transmission revenue requirements, when its transmission facilities are used by third parties. FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy. Electric Utility has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates.

Under provisions of EPACT 2005, Electric Utility is subject to certain electric reliability standards established by FERC and administered by an ERO. Electric Utility anticipates that substantially all the costs of complying with the ERO standards will be recoverable through its PJM formulary electric transmission rate schedule.

EPACT 2005 also granted FERC authority to impose substantial civil penalties for the violation of any regulations, orders or provisions under the Federal Power Act and Natural Gas Act and clarified FERC's authority over certain utility or holding company mergers or acquisitions of electric utilities or electric transmitting utility property valued at \$10 million or more.

Other Government Regulation

In addition to state and federal regulation discussed above, Utilities is subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. Each is subject to the requirements of the Resource Conservation and Recovery Act, CERCLA and comparable state statutes with respect to the release of hazardous substances. See Note 17 to Consolidated Financial Statements.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income and identifiable assets attributable to each of UGI's reportable business segments, and to information regarding the geographic areas in which we operate, for Fiscal 2022, Fiscal 2021 and Fiscal 2020 appears in Note 23 to Consolidated Financial Statements included in Item 15 of this Report and is incorporated herein by reference.

EMPLOYEES

At September 30, 2022, UGI and its subsidiaries had approximately 10,000 employees.

HUMAN CAPITAL MANAGEMENT

We are committed to the attraction, development, retention and safety of our employees. The following is an overview of some of our key human capital initiatives that are designed to ensure the overall well-being of our employees and other stakeholders as well as to promote workforce diversity.

UGI publishes annual sustainability reports, which are available free of charge on its corporate website under “ESG - Resources - Sustainability Reports.” Information included in these sustainability reports is not intended to be incorporated into this Report.

Workplace Safety

We are committed to maintaining an effective safety culture and to stressing the importance of our employees’ role in identifying, mitigating and reporting safety risks. We believe that the achievement of superior safety performance is both an important short- and long-term strategic initiative in managing our operations. In this regard, our policies and operational practices promote a culture where all levels of employees are responsible for safety. Safety is generally included as a component of the annual bonus calculation for executives and non-executives, reinforcing our commitment to safety across our organization. For more details as to how we integrate safety performance into our core business activities, please refer to our Health, Safety, Security and the Environment (“HSSE”) Policy, which is available on our website under “Company - Company Policies - HSSE Policy.”

UGI’s Board of Directors oversees safety efforts primarily through its Safety, Environmental, and Regulatory Compliance (“SERC”) Committee, which is responsible for the governance and oversight of health and safety matters at the Company, including compliance with applicable laws and regulations. The SERC Committee oversees the Company’s maintenance of a culture focused on protecting the health and safety of our employees, contractors, customers, the public and the environment. Additionally, our senior management team is actively engaged in our safety programs and conducts regular reviews of safety performance metrics. These metrics are presented quarterly to the SERC Committee for review and consideration. In addition, each of our business units has a safety team that is responsible for overseeing the safety of our operations, reinforcing our values, providing training and enhancing our safety culture within such business unit.

Diversity Strategy

Diversity as Part of Our Company Culture

We believe that, by fostering an environment that exemplifies our core value of respect, we gain, as a Company, unique perspectives, backgrounds and varying experiences to ensure our continued long-term success. Belonging, inclusion, diversity and equity are essential to our success, and we respect and value all employees.

In alignment with our efforts to promote diversity and inclusion, we introduced the Belonging, Inclusion, Diversity and Equity (“BIDE”) Initiative in Fiscal 2020, which provides the organizational blueprint for achieving greater diversity and promoting respect for uniqueness of individuals and cultures and inclusion for the varied perspectives they provide. The BIDE Initiative embodies and promotes internal policies with respect to setting expectations relating to our work environment, including our Code of Business Conduct and Ethics and our Anti-Harassment/Anti-Discrimination, and Human Rights policies. As part of the BIDE Initiative, we have expanded our partnerships with numerous organizations that support underrepresented populations.

UGI also supports diverse segments of our workforce through employee resource groups. Employee resource groups are a key component of the BIDE strategy. These groups are open to participation for all employees to learn from a cultural perspective and support each other through allyship. UGI’s employee resource groups include Black Organizational Leadership and Development (“BOLD”), Women’s Impact Network (“WIN”), and Veteran Employee Team (“VET”).

- BOLD is focused on inclusion, equity, education, and empowerment for black employees and their allies, and assists leadership with communication, talent recruitment, retention and development opportunities. BOLD focuses on professional development by creating mentoring opportunities, increasing exposure through networking and career development events, broadening outreach to and recruitment of talent and sponsoring activities such as lectures featuring distinguished speakers. The group aims to support and promote UGI’s BIDE Initiative by providing cultural insight from employee, customer and community partner perspectives.
- WIN is an organization that aims to foster an environment for women and their allies to be recruited, retained, developed and advanced as leaders throughout UGI. Membership in WIN offers exposure to various professional development opportunities, including speaker series events, group engagement activities, virtual group discussions, and partnerships with local organizations.

Table of Contents

- VET focuses on recruiting and retaining veterans, as well as creating growth for and goodwill towards military veterans. VET members include Active Duty, Reserve, and National Guard veterans of the Army, Navy, Marines, Coast Guard, and Air Force, their families, and partners committed to supporting military veteran employees.

Diversity in Our Leadership

We believe that diversity in our Board of Directors is critical for effective governance. In assessing the Board of Directors' composition, the Board of Directors and its Corporate Governance Committee ensure that our Board of Directors and its standing committees have the appropriate qualifications, skills, experience and characteristics, including diversity of perspectives, to support our business. In assessing director candidates, the Board of Directors and Corporate Governance Committee consider a number of qualifications, including independence, knowledge, judgment, character, leadership skills, education, experience, financial literacy, standing in the community and diversity of backgrounds and views, including, but not limited to, gender, race, ethnicity and national origin. The Board of Directors and Corporate Governance Committee look to complement the Board of Directors' existing strengths, recognizing that diversity is a critical element to enhancing Board effectiveness. Our current Board of Directors composition includes 11 directors, of which three are female, two are racially diverse and one identifies as LGBTQ+.

Similarly, we believe diversity of management is crucial to position our business for continued success. UGI is proactive in ensuring consideration of diverse candidates for all leadership positions and continues to be committed to ensuring that we are considering all qualified applicants in our hiring process.

As part of our continued commitment to enhancing opportunities for diversity in our workforce, all executives have a diversity and inclusion component in their annual bonus plan. The executive team is evaluated on the effectiveness of the Company's development and implementation of a multi-dimensional strategy to deepen and improve the Company's commitment to diversity and inclusion, supporting the Company's BIDE Initiative and establishing a roadmap to achieve excellence in diversity and inclusion and branding UGI as an employer of choice for diverse candidates.

Diversity in Our Workforce

UGI strives for diverse representation at all levels of our business. During Fiscal 2021 and 2022, we published our workforce demographics (which reflects our EEO-1 reporting data) in our 2020 and 2021 Sustainability Reports, respectively. We believe that, by publicly disclosing our workforce demographics, we increase transparency in the composition of our workforce as well as facilitate accountability in ensuring that minority candidates are actively considered for roles throughout the organization. We will continue to report on our progress annually.

Diversity as Part of Our Employee Development

UGI has a global partnership with the Human Library Organization (the "Human Library"), a global not-for-profit learning platform that hosts personal conversations designed to challenge stigma and stereotypes and create a safe space for dialogue where topics are discussed openly between "human books" and their readers. The Human Library is a thought leader when it comes to diversity and inclusion in the workplace, partnering with companies that are committed to incorporating social understanding and cultural awareness as part of their business model in relation to their workforce, partnerships, clients and customers.

UGI has committed to a sponsorship role with the Human Library for the creation of a digital learning platform that will expand the reach of the Human Library's diversity experiences across the globe. UGI began working with the Human Library in Fiscal 2020 for diversity and inclusion education for its leadership development, supervisor training and new hire onboarding programs. Many of our employees participated in the Human Library "reader sessions" over the past few years.

Talent Development and Support

Maintaining a robust pipeline of talent is crucial to UGI's ongoing success and is a key aspect of succession planning efforts across the organization. Our leadership and human resources teams are responsible for attracting and retaining quality talent by supporting management in fostering an environment where employees feel supported and encouraged in their professional and personal development. Competition for attracting and retaining talent has increased in recent years. UGI understands this challenge and the importance of maintaining competitive compensation and benefits as well as providing appropriate training that enables growth, developmental opportunities and multiple career paths within our Company. We commit to investing in our employees through training and development programs, including mentorship, manager trainings, leadership development programs, as well as tuition reimbursement to promote continued professional growth. For example, UGI Global Leadership Summit (formerly UGI University) is an enterprise leadership development program for high potential leaders identified for future executive roles. Rooted in research of what skills executives need most, our potential leaders learn and practice skills

[Table of Contents](#)

such as learning agility, strategic thinking, adaptability intelligence, advanced emotional intelligence and leadership presence. In addition, potential leaders engage directly with business unit leaders and executives, gaining a broader sense of UGI and the stakeholders it serves.

ITEM 1A. RISK FACTORS

There are many factors that may affect our business, financial condition and results of operations, many of which are not within our control, including the following risks relating to: (1) the demand for our products and services and our ability to grow our customer base; (2) our business operations, including internal and external factors that may impact our operational continuity; (3) our international operations; (4) our supply chain and our ability to obtain and transport adequate quantities of LPG; (5) government regulation and oversight; and (6) general factors that may impact our business and our shareholders. Investors should carefully consider, together with the other information contained in this Report, the risks and uncertainties described below. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may materially affect our business, financial condition and results of operations. No priority or significance is intended by, nor should be attached to, the order in which the risk factors appear.

Risks Relating to the Demand for Our Products and Services and Our Ability to Grow Our Customer Base

Our business is seasonal and decreases in the demand for our energy products and services because of warmer-than-normal heating season weather or unfavorable weather conditions may adversely affect our results of operations. Because many of our customers rely on our energy products and services to heat their homes and businesses, and for agricultural purposes such as crop drying, our results of operations are adversely affected by warmer-than-normal heating season weather. Weather conditions have a significant impact on the demand for our energy products and services for both heating and agricultural purposes. Accordingly, the volume of our energy products sold is at its highest during the peak heating season of October through March and is directly affected by the severity of the winter weather. For example, historically, approximately 60% to 70% of AmeriGas Propane's annual retail propane volume, 60% to 70% of UGI International's annual retail LPG volume, 60% to 70% of Energy Services' retail natural gas volume and 60% to 65% of PA Gas Utility's natural gas throughput (the total volume of gas sold to or transported for customers within our distribution system) has typically been sold during these months. Additionally, as a result of the AmeriGas Merger, an even greater portion of our earnings has been and will continue to be derived during the peak heating season of October through March. There can be no assurance that normal winter weather in our market areas will occur in the future.

In addition, our agricultural customers use LPG for purposes other than heating, including for crop drying, and unfavorable weather conditions, such as lack of precipitation, may impact the demand for LPG. Moreover, harsh weather conditions may at times impede the transportation and delivery of LPG or restrict our ability to obtain LPG from suppliers. Spikes in demand caused by weather or other factors can stress the supply chain and limit our ability to obtain additional quantities of LPG. Changes in LPG supply costs are normally passed through to customers, but time lags (between when we purchase the LPG and when the customer purchases the LPG) may result in significant gross margin fluctuations that could adversely affect our results of operations.

The potential effects of climate change may affect our business, operations, supply chain and customers, which could adversely impact our financial condition and results of operations. Shifts and fluctuations in weather patterns and other environmental conditions, including temperature and precipitation levels, may affect consumer demand for our energy products and services. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods and other climatic events, could disrupt our operations and supply chain, and cause us to incur significant costs in preparing for or responding to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or supply costs. Our commercial and residential customers may also experience the potential physical impacts of climate change and may incur significant costs in preparing for or responding to these efforts, including increasing the mix and resiliency of their energy solutions and supply, which may adversely impact their ability to pay for our products and services or decrease demand for our products and services. The impact of any one or all of the foregoing factors may adversely affect our financial condition and results of operations.

In addition to the direct physical impact that climate change may have on our business, financial condition and results of operations, we may also be adversely impacted by other environmental factors, including: (i) technological advances designed to promote energy efficiency and limit environmental impact; (ii) increased competition from alternative energy sources; (iii) regulatory responses aimed at decreasing GHG emissions; and (iv) litigation or regulatory actions that address the environmental impact of our energy products and services. For more information on these risks, please refer to the following risk factors included elsewhere in this section:

- “Energy efficiency and technology advances, as well as price induced customer conservation, may result in reduced demand for our energy products and services”;

Table of Contents

- “Our operations may be adversely affected by competition from other energy sources”;
- “Our need to comply with, and respond to, industry-wide changes resulting from, comprehensive, complex, and sometimes unpredictable governmental regulations, including regulatory initiatives aimed at increasing competition within our industry, may increase our costs and limit our revenue growth, which may adversely affect our operating results”;
- “Our operations, financial results and cash flows may be adversely affected by existing and future global climate change laws and regulations, including with respect to GHG emission restrictions, as well as market responses thereto”; and
- “We are subject to operating and litigation risks that may not be covered by insurance”.

Our potential to increase revenues may be affected by the decline in retail volumes of LPG and our ability to retain and grow our customer base. The retail LPG distribution industry in the U.S. and many of the European countries in which we operate is mature and has been declining over the past several years, with no or modest growth (or decline) in total demand foreseen in the near future. Accordingly, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, our ability to grow within the LPG industry is dependent on our ability to acquire other retail distributors and to achieve internal growth, which includes the continuation of the ACE, Cynch and National Accounts programs in the U.S. and expansion in Europe, as well as the success of our sales and marketing programs designed to attract and retain customers. Any failure to retain and grow our customer base and successfully acquire other distributors would have an adverse impact on our results.

Our ability to grow our businesses will be adversely affected if we are not successful in identifying and completing business combinations, asset acquisitions or investments in joint ventures intended to advance our business strategy, or if we are unable to realize the anticipated benefits from such transactions we have completed. One element of our business strategy is to grow through investments in the U.S. and in international markets, which includes our recent efforts to expand our presence in the renewable energy industry. We may choose to finance such future investments with debt, equity, cash or a combination of the three. We can give no assurances that we will find attractive investment opportunities in the future (including renewable energy opportunities), that we will be able to complete and finance these transactions on economically acceptable terms, that any investments and related transactions will not be dilutive to earnings or that any additional debt incurred to finance such investment will not affect our ability to pay dividends. Moreover, certain investments and acquisitions in the U.S. and Europe may require merger control filings with the Federal Trade Commission and the European Commission, as applicable, and commitments (such as agreements not to compete for certain businesses) or divestments of assets may be required to obtain clearance. Such commitments or divestments may adversely influence the overall economics and risk profile of the contemplated transaction.

To the extent we are successful in executing these transactions, such transactions involve a number of risks. These risks include, but are not limited to, the assumption of material liabilities, environmental liabilities, the diversion of management’s attention from the management of daily operations to the integration of acquired operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and practices and internal controls, challenges with consolidating the operations of acquired companies into our own, as well as in the assimilation of broad and geographically dispersed personnel and operations. Future investments could also result in, among other things, the failure to identify material issues during due diligence, the risk of overpaying for assets, unanticipated capital expenditures, the failure to maintain effective internal control over financial reporting, recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges and fluctuations in quarterly results. There can also be no assurance that our past and future investments, including our recent investments in renewable energy, will deliver the strategic, financial, operational and environmental benefits that we anticipate, nor can we be certain that strategic investments will remain available in the future.

The failure to successfully identify, complete, and implement business combinations, asset acquisitions and investments intended to advance our business strategy could have an adverse impact on our business, cash flows, financial condition and results of operations.

Energy efficiency and technology advances, as well as price induced customer conservation, may result in reduced demand for our energy products and services. The trend toward increased energy efficiency and technological advances, including installation of improved insulation and the development of more efficient boilers and increased consumer preference for alternative heating equipment installations, such as electric heat pumps, alongside concerted conservation measures, which have been exacerbated particularly in Europe by the evolving energy crisis, may reduce the demand for our energy products. Prices for LPG and natural gas are subject to volatile fluctuations as a result of changes in supply and demand as well as other market conditions. During periods of high energy commodity costs, our prices generally increase, which may lead to customer conservation and attrition. A reduction in demand could lower our revenues and, therefore, lower our net income and adversely affect our cash flows. In addition, federal, European and/or local laws and regulations may require mandatory conservation

Table of Contents

measures, which would reduce the demand for our energy products. In Europe, measures are underway to decarbonize the electric generation grid, as well as residential and commercial heating, in order to achieve EU climate change objectives, including a net zero goal by 2050. For example, in 2018 the EU revised the Energy Performance of Buildings Directive (the “EPBD”) with the goal to create a clear path towards a low and zero-emission and decarbonized building stock in the EU by 2050. Updates to the EPBD continue to make their way through EU legislative approvals, which will establish stronger targets for management of new and existing building construction and integral heating systems that focus on low or zero carbon outcomes. Over time, these various measures will impact fossil fuel consumption in Europe and the demand for our energy products. We cannot predict the materiality of the effect of future conservation measures or the effect that any technological advances in heating, conservation, energy generation or other devices might have on our operations.

Our operations may be adversely affected by competition from other energy sources. Our energy products and services face competition from other energy sources, some of which are less costly for equivalent energy value. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Our LPG distribution businesses compete for customers against suppliers of electricity, fuel oil and natural gas. Electricity is a major competitor of LPG but is generally more expensive than LPG on a Btu equivalent basis for space heating, water heating and cooking. However, in Europe and elsewhere, climate change policies favoring electricity from renewable energy sources or the use of electric-powered equipment, such as heat pumps in heating applications, may cause changes in current relative price relationships. Moreover, notwithstanding cost, the convenience and efficiency of electricity make it an attractive energy source for consumers and developers of new homes. Fuel oil, which is a major competitor to propane, is a less environmentally attractive energy source. Furnaces and appliances that burn LPG must be upgraded to run on fuel oil and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Our customers generally have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than LPG, and in multiple countries, the risk of conversion to fuel oil is diminishing due to regulations that prevent or disfavor the installation and/or use of fuel oil boilers or fuel oil for heating applications. Historically, most applications for LPG have generally not been competitive with natural gas in areas where natural gas pipelines already exist because natural gas was a significantly less expensive source of energy than LPG. However, as a result of the recent and ongoing energy crisis in Europe, the cost of LPG in many of our European markets is less than natural gas, which is driving a stronger demand for LPG applications. Nevertheless, the gradual expansion of natural gas distribution systems in our service areas may continue to result in the availability of natural gas in some areas that previously depended upon LPG resulting in lower demand for LPG.

Our natural gas businesses in the U.S. compete primarily with electricity and fuel oil, and, to a lesser extent, with LPG and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. There can be no assurance that our natural gas revenues will not be adversely affected by this competition.

The expansion, construction and development of our energy infrastructure assets subjects us to risks. We seek to grow our business through the expansion, construction and development of our energy infrastructure, including new pipelines, gathering systems, facilities and other assets. These projects are subject to state and federal regulatory oversight and require certain property rights, such as easements and rights-of-way from public and private owners, as well as regulatory approvals, including environmental and other permits and licenses. There is no assurance that we or our project partners, as applicable, will be able to obtain the necessary property rights, permits and licenses in a timely and cost-efficient manner, or at all, which may result in a delay or failure to complete a project. We may face opposition to the expansion, construction or development of new or existing pipelines, gathering systems, facilities or other assets from environmental groups, landowners, local groups and other advocates. This opposition could take many forms, including organized protests, attempts to block or sabotage our operations, intervention in regulatory or administrative proceedings involving our assets, or lawsuits or other actions designed to prevent, disrupt, or delay the development or operation of our assets and business. Failure to complete any pending or future infrastructure project may have a materially adverse impact on our financial condition and results of operations.

Even if we are able to successfully complete any pending or future infrastructure project, our revenues may not increase immediately upon the expenditure of funds on a particular project or as anticipated during the lifespan of the project. As a result, there is the risk that new and expanded energy infrastructure may not achieve our expected investment returns, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Business Operations, Including Internal and External Factors that May Impact Our Operational Continuity

Our efforts to create operational benefits and cost efficiencies through business transformation initiatives at our business units and various corporate services functions may be disruptive and adversely affect our business, financial condition and

results of operations. We have made, and may continue to make, adjustments to our workforce in response to management changes, product changes, performance issues, changes in strategy, acquisitions or other internal and external considerations. These adjustments may result in increased costs and temporarily reduced productivity, as well as a disruption in our ability to perform functions critical to our strategy, including, but not limited to, disruptions in customer service. Although the effects from such adjustments have not been material to date, the effects of such adjustments may be significant in connection with any current or future business transformation initiatives, or we may not achieve or sustain the expected growth or cost savings benefits of any such initiatives or do so within the expected timeframe. As a result, our business, financial condition and results of operations could be negatively affected.

Beginning in Fiscal 2020, we initiated a transformation project focused on our corporate support functions, including finance, human resources, procurement and information technology, that is designed to standardize processes and activities across our global platform, while leveraging the use of best practices and efficiencies between our businesses. This initiative is being coordinated across multiple support functions, each function being at a different stage of transformation, and is expected to be completed by the end of Fiscal 2023. If we are unable to deliver the strategic and financial benefits that we anticipate, the achievement of these benefits is delayed, or the volume and nature of change challenges our available resources, then our business operations and financial results could be materially and adversely impacted. Our ability to successfully manage and execute our initiatives and realize expected savings and benefits in the amounts and at the times anticipated is important to our business success. Any failure to do so, which could result from our inability to successfully execute organizational change and business transformation initiatives, unanticipated costs or charges, loss of key personnel, customer loss and other factors described herein, could have a material adverse effect on our business, financial condition and results of operations. For further information on these initiatives, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Executive Overview - Continuing Business Transformation Initiatives.”

Our information technology systems and those of our third-party vendors 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. The White House and various regulators, including the SEC, have accordingly increased their focus on companies’ cybersecurity vulnerabilities and risks. 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. Due to increasingly sophisticated threat actors, we may be unable to detect, identify or prevent attacks, and even if detected, we may be unable to adequately stop, investigate or remediate our systems given the tools and techniques being used by threat actors to circumvent controls and to remove or obfuscate forensic evidence. Attacks and incidents may also occur due to malfeasance by employees or contractors, as well as human error as in the case of social engineering and phishing campaigns. A number of our employees currently work remotely; as a result, our cyber-security program may be less effective and information technology security may be less robust for those employees. Similarly, our third-party vendors or service providers have been impacted by cyber-security attacks and incidents and are subject to many, if not all, of 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 lead to investigations and fines or penalties, litigation, increased costs for compliance and for remediation or rebuilding of our systems, and 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 our 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 our underlying business processes. Any significant failure or malfunction of such information technology systems may result in disruptions of our operations. In

Table of Contents

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.

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.

Our utility transmission and distribution systems, our non-utility midstream assets, and the assets of upstream interstate pipelines and other midstream providers may not operate as planned, which may increase our expenses or decrease our revenues and, thus, have an adverse impact on our financial results. Our ability to manage operational risk with respect to utility distribution and transmission and non-utility midstream assets, and the availability of natural gas delivered by interstate natural gas pipelines and midstream gathering assets is critical to our financial results. We obtain our supply from local Marcellus and Utica Shale sources, as well as other trading points in the U.S. If we experience physical capacity constraints on one or more of the interstate or intrastate natural gas pipelines that supply our businesses, we may not be able to supply our customers, which could have an adverse impact on our financial results. Our businesses also face several risks, including the breakdown or failure of, or damage to, equipment or processes (especially due to severe weather or natural disasters), accidents and other factors, including as a result of overpressurization of or damage to natural gas pipelines. Operation of our transmission and distribution systems or our midstream assets below our expectations may result in lost revenues or increased expenses, including higher maintenance costs, civil litigation and the risk of regulatory penalties.

Risks Relating to Our International Operations

Our international operations could be subject to increased risks, which may negatively affect our business results. We operate LPG distribution and energy marketing businesses in Europe through our subsidiaries. As a result, we face risks in conducting business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- potentially adverse tax consequences, including restrictions on repatriating earnings, the threat of “double taxation,” and potential increases to corporate income taxes (including the proposed OECD framework that aims to reform international taxation rules with the goal of ensuring that multinational corporations pay adequate taxes in the jurisdictions in which they operate and other similar proposals);
- fluctuations in currency exchange rates, particularly the euro, which can affect demand for our products, increase our costs and adversely affect our profitability and reported results;
- new or revised regulatory requirements, including European competition and carbon emission laws, that may adversely affect the terms of contracts with customers, including with respect to exclusive supply rights and usage restrictions, and stricter regulations applicable to the storage and handling of LPG;
- new and inconsistently enforced industry regulatory requirements, which can have an adverse effect on our competitive position;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- local political and economic conditions as well as geopolitical conditions that could cause instability and adversely impact the global economy or specific markets, such as the war between Russia and Ukraine; and
- potential violations of federal regulatory requirements, including anti-bribery, anti-corruption, and anti-money laundering law, economic sanctions, the Foreign Corrupt Practices Act of 1977, as amended, and EU regulatory requirements, including the GDPR and Sapin II.

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

The European energy crisis may create LPG commodity supply challenges and could negatively impact our business results. The geopolitical situation in Europe during 2022 led to a sharp decrease in natural gas imports from Russia to Europe. This

decrease resulted in a significant increase in natural gas prices in Europe. In response to the significant price increase, refineries are substituting a portion of their natural gas refinery fuels with LPG, leading to a decrease in the availability of LPG in some areas of Europe as well as higher LPG costs. In addition, gas processing plants supplying the United Kingdom and Norway markets are injecting LPG into the natural gas grid, decreasing the overall supply of LPG from the gas processing plants. In this context, LPG supply patterns are substantially changing with increased reliance on sea-imports and land logistics.

We anticipate that the European energy crisis and the corresponding response by refineries and gas processing plants will continue in Fiscal 2023, which may lead to commodity supply challenges in some markets, higher commodity costs that may not be able to be absorbed by our customers, particularly in the United Kingdom and our Eastern European markets, and lower consumption by our customers, among other impacts, which could have a material adverse impact on our earnings, cash flows and overall financial condition.

Economic and geopolitical instability, including as a result of acts of war, could have a material adverse effect on our operating results, financial condition, and cash flows. In late February 2022, Russian military forces launched significant military action against Ukraine, which has continued through the date of this Report. We do not have operations in Russia or Ukraine. Nevertheless, the outbreak of war between Russia and Ukraine and the resulting sanctions by U.S. and European governments, together with any additional future sanctions by them, could have a larger impact that expands into other geographies where we do business, including our supply chain, business partners and customers in those markets, which could result in lost sales, supply shortages, commodity price fluctuations, increased costs, transportation logistics challenges, customer credit and liquidity issues, and lost efficiencies. The acceleration of a global energy crisis, including as a result of restrictions on Russia's energy exports, could similarly impact the geographies where we do business. In addition, the U.S. and Europe have commenced certain trade actions as a result of the war between Russia and Ukraine, which are expected to result in retaliatory measures or actions, including tariffs, by Russia. While significant uncertainty exists with respect to this matter, the war between Russia and Ukraine and its broader impacts, including any increased trade barriers or restrictions on global trade imposed by the U.S. or Europe, or further retaliatory trade measures taken by Russia or other countries in response, could have a material adverse effect on our operating results, financial condition and cash flows.

Our energy marketing business in Europe may continue to be dramatically disrupted by extreme prices and volatility in the natural gas and power markets in Europe, which have resulted in, and may continue to result in, a material negative impact on our financial results. Our natural gas and power marketing businesses have traditionally relied upon stable price and availability conditions. The European energy markets have entered in an unprecedented state of volatility. In addition to the pre-existing natural gas supply shortages, the war between Russia and Ukraine and the resulting substantial reduction of natural gas imports from Russia to Europe have led to significant increases in the costs of both wholesale gas and power, and have created new risks that we have experienced and expect to continue to experience in Fiscal 2023 within our European energy marketing business. These risks include: (i) the ability to economically support the traditional fixed price and full requirement contracts of customers due to the significant increased cost to purchase incremental additional volumes consumed in excess of expectations; (ii) the ability to service typical portfolio needs with standard trading activities due to the limitations on purchasing cost effective services in the market; (iii) the ability to pass increased costs onto customers due, among other things, to timing, regulatory and contractual constraints, and (iv) the ability to maintain hedging services to customers due to the margining constraints and maximum trading limits implemented by clearing banks on supplier counterparties. As a result, UGI is considering all scenarios with respect to the future of its energy marketing business in Europe, including exit and wind down. On October 25, 2022, UGI announced the sale of its energy marketing business in the United Kingdom and in November 2022, UGI announced its intent to sell its energy marketing business located in France. The risks identified with respect to our energy marketing business in Europe have resulted in and may continue to have a material negative impact on our financial results.

Risks Relating to Our Supply Chain and Our Ability to Obtain Adequate Quantities of LPG

We are dependent on our principal LPG suppliers, which increases the risks from an interruption in supply and transportation. During Fiscal 2022, AmeriGas Propane purchased approximately 85% of its propane needs from 20 suppliers. If supplies from these sources were interrupted, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, our earnings could be affected. Additionally, in certain geographic areas, a single supplier provides more than 50% of AmeriGas Propane's propane requirements. Disruptions in supply in these geographic areas could also have an adverse impact on our earnings. Our international businesses are similarly dependent upon their LPG suppliers. For example, during Fiscal 2022, UGI International's business in the United Kingdom purchased approximately 90% of its LPG needs from two suppliers and, in Italy, approximately 74% of its supply was sourced from two suppliers. If supplies from UGI International's principal LPG sources are interrupted, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and our earnings could be adversely affected. There is no assurance that our international businesses will be able to continue to acquire sufficient supplies of LPG to meet demand at prices or within time periods that would allow them to remain competitive.

Our ability to obtain sufficient quantities of LPG is dependent on transportation facilities and providers. Spikes in demand caused by weather or other factors can limit our access to port terminals and other transportation and storage facilities, disrupt transportation and limit our ability to obtain sufficient quantities of LPG. A significant increase in port and similar fees and fuel prices may also adversely affect our transportation costs and business. Transportation providers (rail and truck) in some circumstances have limited ability to provide additional resources in times of peak demand. Moreover, the ability of our transportation providers to maintain a staff of qualified truck drivers is critical to the success of our business. Regulatory requirements and an improvement in the economy could reduce the number of eligible drivers or require us to pay higher transportation fees as our transportation providers seek to pass on additional labor costs associated with attracting and retaining drivers.

Our profitability is subject to LPG pricing and inventory risk. The retail LPG business is a “margin-based” business in which gross profits are dependent upon the excess of the sales price over LPG supply costs. LPG is a commodity, and, as such, its unit price is subject to fluctuations in response to changes in supply or other market conditions. We have no control over supplies, commodity prices or market conditions. Consequently, the unit price of the LPG that our subsidiaries and other distributors and marketers purchase can change rapidly over a short period of time. Most of our domestic LPG product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major U.S. storage points such as Mont Belvieu, Texas or Conway, Kansas. Most of our international LPG supply contracts are based on internationally quoted market prices. We also purchase a portion of our supplies in the spot market. Because our subsidiaries’ profitability is sensitive to changes in wholesale LPG supply costs, we will be adversely affected if we cannot pass on increases in the cost of LPG to our customers, or if there is a delay in passing on such cost increases. Due to competitive pricing in the industry, our subsidiaries may not fully be able to pass on product cost increases to our customers when product costs rise, or when our competitors do not raise their product prices in a timely manner. Finally, market volatility may cause our subsidiaries to sell LPG at less than the price at which they purchased it, which would adversely affect our operating results.

We offer our customers various fixed-price LPG programs, and a significant number of our customers utilize our fixed-price programs. In order to manage the price risk from offering these services, we utilize our physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as our customers’ contracts, but there can be no assurance that such measures will be effective. In periods of high LPG price volatility, the fixed-price programs create exposure to over or under-supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if LPG prices decline significantly subsequent to customers signing up for a fixed-price program, there is a risk that customers will default on their commitments, adversely affecting our results of operations.

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

Supplier and derivative counterparty defaults may have a negative effect on our operating results. When we enter into fixed-price sales contracts with customers, we typically enter into fixed-price purchase contracts with suppliers. Depending on changes in the market prices of products compared to the prices secured in our contracts with suppliers of LPG, natural gas and electricity, a default of or force majeure by one or more of our suppliers under such contracts could cause us to purchase those commodities at higher prices from alternate suppliers, which would have a negative impact on our operating results.

Additionally, we economically hedge the market risk associated with a substantial portion of our supply purchases using certain derivative instruments. Such changes in market prices of the aforementioned commodities could result in material exposures or significant concentrations of balances with derivative counterparties. If certain counterparties were unable to meet the obligations set forth in these derivative contracts and we were unable to fully mitigate this exposure via collateral deposit requirements and master netting arrangements, such outcomes could result in a negative effect on our operating results.

Our business is dependent on the domestic and global supply chain to ensure that equipment, materials and other resources are available to both expand and maintain services in a safe and reliable manner. Moreover, prices of equipment, materials and other resources have increased recently and may continue to increase in the future. Failure to secure equipment, materials and other resources on economically acceptable terms may adversely impact our financial condition and results of operations. Current domestic and global supply chain issues are delaying the delivery, and in some cases resulting in shortages of, materials, equipment and other resources that are critical to our business operations. Failure to eliminate or manage the

[Table of Contents](#)

constraints in the supply chain may impact the availability of items that are necessary to support normal operations as well as materials that are required for continued infrastructure growth, including the replacement of end-of-life assets.

Moreover, inflation is an area of increasing economic concern, both domestically and internationally. Changes in the costs of providing our energy products and services, including price increases in equipment and materials as well as increases in labor and distribution costs, may negatively impact our financial condition and results of operations and/or result in corresponding price increases for the energy products and services we offer our customers.

Risks Relating to Government Regulation and Oversight

Regulators may not approve the rates we request and existing rates may be challenged, which may adversely affect our results of operations. In our Utilities segment, our distribution operations are subject to regulation by the PAPUC, WVPS and MDPS, depending on the state in which the operations are located. These regulatory bodies, among other things, approve the rates that Utilities may charge utility customers, thus impacting the returns that Utilities may earn on the assets that are dedicated to its operations. Utilities periodically files, and we expect to continue to periodically file, requests with these regulatory bodies to increase base rates charged to customers in the respective states in which Utilities operates. If Utilities is required in a rate proceeding to reduce the rates it charges its utility customers, or is unable to obtain approval for timely rate increases from the appropriate regulatory body, particularly when necessary to cover increased costs, Utilities' revenue growth will be limited and earnings may decrease.

The enactment of proposed or future tax legislation may adversely impact our financial condition and results of operations. On March 27, 2020, the U.S. enacted the CARES Act. Our financial statements reflect the realized benefits of the CARES Act. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Application of the CARES Act requires significant judgments to be made in the interpretation of the law and significant estimates in the calculation of the provision for income taxes. If our interpretation of the CARES Act differs significantly from the interpretation of governing bodies, or if future administrations choose to repeal or replace the provisions of the CARES Act, our financial condition and results of operations may be adversely impacted.

Additionally, the enactment of future tax legislation (such as the proposed OECD framework that aims to reform international taxation rules with the goal of ensuring that multinational corporations pay adequate taxes in the jurisdictions in which they operate and other similar proposals) could have a material impact on our financial condition and results of operations, including our worldwide income tax provision and accruals reflected in our financial statements. For example, the Inflation Reduction Act was enacted on August 16, 2022. This law, among other provisions, imposes a 15% corporate alternative minimum tax on adjusted financial statement income, which is effective for us beginning with Fiscal 2024, provides for an investment tax credit for qualified biomass property, and introduces a one percent excise tax on corporate stock repurchases after December 31, 2022. We are currently assessing the potential impact of these legislative changes and will continue to evaluate the overall impact of other current, future and proposed regulations and interpretive guidance from tax authorities on our effective tax rate and consolidated balance sheets. We are unable to predict whether any such changes or other proposals will ultimately be enacted. Any future legislative changes could negatively impact our anticipated cash-flow and after-tax results of operations.

Our need to comply with, and respond to, industry-wide changes resulting from, comprehensive, complex, and sometimes unpredictable governmental regulations, including regulatory initiatives aimed at increasing competition within our industry, may increase our costs and limit our revenue growth, which may adversely affect our operating results. While we generally refer to our Utilities segment as our "regulated segment," there are many governmental regulations that have an impact on all of our businesses. Currently, we are subject to extensive and changing international, federal, state, and local laws and regulations including, but not limited to, safety, health, transportation, tax, and environmental laws and regulations that govern the marketing, storage, distribution, and transportation of our energy products. Moreover, existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to us that may affect our businesses in ways that we cannot predict.

New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. In addition, for many of our operations, we are required to obtain permits from regulatory authorities and, in some cases, such regulatory permits could subject our operations to additional regulations and standards of conduct. Failure to obtain or comply with these permits or applicable regulations and standards of conduct could result in civil and criminal fines or the cessation of the operations in violation. Governmental regulations and policies in the U.S. and Europe may provide for subsidies or incentives to customers who use alternative fuels instead of carbon fuels. The EU has committed to cut CO₂ emissions and EU member states are proposing and implementing a range of subsidies and incentives to achieve the EU's climate change goals. These subsidies and incentives may result in reduced demand for our energy products and services.

Table of Contents

We are investigating and remediating contamination at a number of present and former operating sites in the U.S., including former sites where we or our former subsidiaries operated MGPs. We have also received claims from third parties that allege that we are responsible for costs to clean up properties where we or our former subsidiaries operated a MGP or conducted other operations. Most of the costs we incur to remediate sites outside of Pennsylvania cannot currently be recovered in PAPUC rate proceedings, and insurance may not cover all or even part of these costs. Our actual costs to clean up these sites may exceed our current estimates due to factors beyond our control, such as:

- the discovery of presently unknown conditions;
- changes in environmental laws and regulations;
- judicial rejection of our legal defenses to third-party claims; or
- the insolvency of other responsible parties at the sites at which we are involved.

Moreover, if we discover additional contaminated sites, we could be required to incur material costs, which would reduce our net income.

We also may be unable to timely respond to changes within the energy and utility sectors that may result from regulatory initiatives to further increase competition within our industry. Such regulatory initiatives may create opportunities for additional competitors to grow their business or enter our markets and, as a result, we may be unable to maintain our revenues or continue to pursue our current business strategy.

Our operations, financial results and cash flows may be adversely affected by existing and future global climate change laws and regulations, including with respect to GHG emission restrictions, as well as market responses thereto. Climate change continues to attract considerable public and scientific attention in the U.S. and in foreign countries. As a result, numerous proposals have been made, and could continue to be made, at the international, national, regional, state and local levels of government to monitor and limit GHG emissions and climate impact. These efforts have included consideration of, among other things, cap-and-trade programs, carbon taxes, GHG reporting and tracking programs, and regulations that directly limit GHG emissions from certain sources.

Increased regulation of GHG emissions, or climate impact generally, could have significant additional adverse impacts on us as well as our suppliers, vendors, and customers. The adoption and implementation of any laws or regulations imposing obligations on, or limiting GHG emissions from, our equipment and operations could require us to incur significant costs to reduce GHG emissions associated with our operations or could adversely affect demand for our energy products. The potential increase in our operating costs could include, but are not limited to, new costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our GHG emissions, pay taxes related to our GHG emissions, administer and manage a GHG emissions reduction program, and adversely impact the value of certain assets. We may not be able to pass on resulting increases in costs to customers. In addition, changes in regulatory policies that result in a reduction in the demand for hydrocarbon products and carbon-emitting fuel sources that are deemed to contribute to climate change, or restrict the use of such products or fuel sources, may reduce volumes available to us for processing, transportation, marketing and storage and could cause increases in costs or production disruptions. These developments could have a material adverse effect on our results of operations, financial results, valuation and useful life of assets, and cash flows.

Changes in data privacy and data protection laws and regulations or any failure to comply with such laws and regulations, could adversely affect our business and financial results. As part of our operations, we collect, use, store and transfer the personal information and data of our employees as well as customer, vendor and supplier data in and across various jurisdictions. There has been increased public attention regarding the use of personal information and data transfers, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer and personal privacy. The laws in these areas continue to develop and the changing nature of data protection, information security and privacy laws in the U.S., the EU and elsewhere could impact our processing of the personal information and data of our employees, vendors, suppliers and customers, which could lead to increased operating costs. Existing and emerging laws and regulations are inconsistent across jurisdictions and are subject to evolving, differing, and sometimes conflicting interpretations. The EU adopted the GDPR, which expanded EU data protections, in certain circumstances, to companies outside of the EU processing data of EU residents, regardless of whether the processing occurs in the EU. Similarly, the State of California legislature passed the California Consumer Privacy Act of 2018 (the “CCPA”) and the California Privacy Rights Act (the “CPRA”), which, among other things, grant a number of rights to California residents with respect to their personal information, and require companies to make extensive disclosures to consumers about such companies’ data collection, use, and sharing practices and inform consumers of their personal information rights. In addition, the CPRA created a new state privacy regulator, which will likely result in greater regulatory activity and enforcement in the privacy area. Comprehensive privacy laws with some similarities to the CCPA and CPRA have been proposed or passed at the U.S. federal and state levels, such as the Virginia Consumer Data Protection Act (the “VCDPA”) and the Colorado Privacy Act (the “CPA”). Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data as well as requiring disclosures about these practices. We expect that there will continue to be new laws, regulations and industry standards concerning data privacy and data protection in the U.S., the EU and other jurisdictions, and we cannot yet determine the impact such laws, regulations, interpretations and standards may have on our business.

While we have invested significant time and resources in our GDPR compliance program, emerging and changing data privacy and data protection requirements, including CCPA, CPRA, VCDPA and CPA, as well as other new and upcoming federal and state privacy laws and industry standards may cause us to incur substantial fines, additional significant costs or require us to change our business practices. Any failure or perceived failure to comply may result in proceedings or actions against us by government entities or individuals. Moreover, any inquiries or investigations, any other government actions or any actions by individuals may be costly to comply with, result in negative publicity, increase our operating costs, require significant management time and attention and subject us to remedies that may harm our business, including fines, demands or orders that we modify or cease existing business practices.

The provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), related regulations, and the rules adopted thereunder and other regulations, including the European Market Infrastructure Regulation (the “EMIR”), may have an adverse effect on our ability to use derivative instruments to hedge risks associated with our business. Our derivative hedging activities are subject to Title VII of the Dodd-Frank Act, which regulates the over-the-counter derivatives market and entities that participate in that market. The Dodd-Frank Act requires the CFTC and the federal banking regulators to implement the Dodd-Frank Act’s provisions through rulemaking, including rules regarding mandatory clearing, trade execution and margin requirements. We have and expect to continue to qualify for and rely upon an exception from mandatory clearing and trade execution requirements for swaps entered into by commercial end-users to hedge commercial risks. In addition to relief from the clearing mandate, we also expect to continue to qualify for an exception for non-financial end-users from the margin requirements on uncleared swaps. If we are not able to do so and have to post margin as to our uncleared swaps in the future, our costs of entering into and maintaining swaps would be increased.

Based on information available as of the date of this Report, the effect of such requirements will be likely to (directly or indirectly) increase our overall costs of entering into derivatives transactions. In particular, new margin requirements, position limits and significantly higher capital charges resulting from new global capital regulations, even if not directly applicable to us, may cause an increase in the pricing of derivatives transactions entered into by market participants to whom such requirements apply or affect our overall ability to enter into derivatives transactions with certain counterparties. While costs imposed directly on us due to regulatory requirements for derivatives under the Dodd-Frank Act, such as reporting, recordkeeping and electing the end-user exception from mandatory clearing, are relatively minor, costs imposed upon our counterparties may increase the cost of our doing business in the derivatives markets to the extent such costs are passed on to us.

The EMIR may result in increased costs for over-the-counter derivative counterparties trading in the EU and may also lead to an increase in the costs of, and demand for, the liquid collateral that the EMIR requires central counterparties to accept. Although we expect to continue to qualify as a non-financial counterparty under the EMIR, and thus not be required to post margin, we are currently subject to limited derivatives reporting requirements that could expand in the future, and may also be

subject to increased regulatory requirements, including recordkeeping, marking to market, timely confirmations, portfolio reconciliation and dispute resolution procedures. Provisions under the EMIR could significantly increase the cost of derivatives contracts, materially alter the terms of derivatives contracts and reduce the availability of derivatives to protect against risks that we encounter. The increased trading costs and collateral costs may have an adverse impact on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

General Risks that May Impact Our Business and Our Shareholders

The inability to attract, develop, retain and engage key employees could adversely affect our ability to execute our strategic, operational and financial plans. We are dependent upon the continued service and contributions of our management and key technical and professional employees, as well as our ability to transfer the knowledge and expertise of our workforce to new employees as our employees retire or we otherwise experience employee turnover. In addition, the success of our operations depends on our ability to identify, attract and develop skilled and experienced key employees. There is increased competition for experienced management and technical and professional employees, which could increase the costs associated with identifying, attracting and retaining such individuals. Additionally, we may not be able to attract, retain or engage key employees if our compensation and benefits program is not as robust as the compensation and benefits programs offered by other employers for similar roles. Further, a lack of employee engagement could lead to loss of productivity and increased employee burnout, turnover, absenteeism, safety incidents as well as decreased customer satisfaction. If we cannot identify, attract, develop, retain and engage management, technical and professional employees, along with other qualified employees, to support the various functions of our business, our operations and financial performance could be adversely impacted.

The ongoing COVID-19 pandemic and the spread of variant strains has adversely impacted our business, and could in the future materially impact our business, financial condition and results of operations. The COVID-19 pandemic, including the spread of variant strains, has resulted in, and could continue to result in, widespread impacts on the global economy and on our employees, customers, third-party business partners and other stakeholders. While we have experienced improving activity in most markets and geographies, there remains considerable uncertainty regarding the extent to which COVID-19 and variant strains will continue to spread and the extent and duration of domestic and global measures designed to contain the spread, including travel bans and restrictions, quarantines, shelter-in-place orders, vaccination mandates and business and government shutdowns. The continuation of the COVID-19 pandemic may, among other things:

- negatively impact the financial condition of our customers and their ability to pay for our products and services;
- decrease demand for our products and services, as was the case in Fiscal 2020 through part of Fiscal 2022 with respect to certain of our natural gas and propane products and services;
- disrupt or delay progress in the development and completion of our energy infrastructure projects;
- prolong the time period necessary to perform maintenance of our infrastructure;
- result in operational delays, including delay in the delivery of our products to customers;
- result in temporary or permanent shortages in our workforce;
- result in impairment relating to certain current and long-lived assets and goodwill;
- delay the timeliness of our ability to source goods;
- result in commodity price volatility and supply chain constraints, as was the case in in Fiscal 2020 through part of Fiscal 2022; and
- limit or curtail significantly or entirely the ability of public utility commissions to approve or authorize applications and other requests we may make with respect to our regulated businesses.

Throughout the pandemic, we have modified or restricted certain business and workforce practices (including employee travel, presence at employee work locations, and physical participation in meetings, events, and conferences) to protect the health and safety of our workforce, and to conform to government orders, as well as regulatory and public health authority guidance. While we have generally reopened our offices, our employees continue to be exposed to health and safety risks and we may reinstate modified or restricted business and workforce practices, including office closures, as the pandemic continues. We depend on our workforce to operate our facilities, deliver our products and provide services to customers. If a large portion of our operational workforce were to contract COVID-19 simultaneously, we would rely upon our business continuity plans in an effort to continue operations, but there is no certainty that such measures would be sufficient to mitigate the adverse impact to our operations.

The degree to which COVID-19 and variant strains may impact our business operations, financial condition, liquidity and results of operations is unknown at this time and will depend on future developments, including the continued spread of the virus and its variants, the efficacy of available vaccines, the severity of the disease, the duration of the pandemic, actions prescribed or ordered by governmental authorities, public health authority guidance, and when and to what extent economic and operating conditions can return to pre-pandemic levels.

We may not be able to collect on the accounts of our customers. We depend on the viability of our customers for collections of accounts receivable and notes receivable. Moreover, our businesses serve numerous retail customers, and as we grow our businesses organically and through acquisitions, our retail customer base is expected to expand. There can be no assurance that our customers will not experience financial difficulties in the future or that we will be able to collect all of our outstanding accounts receivable or notes receivable. Any such nonpayment by our customers could adversely affect our business.

We are subject to operating and litigation risks that may not be covered by insurance. Our business operations are subject to all of the operating hazards and risks normally incidental to the handling, storage and distribution of combustible products, such as LPG and natural gas, and the generation of electricity. These risks could result in substantial losses due to personal injury and/or loss of life, and severe damage to and destruction of property and equipment arising from explosions and other catastrophic events, including acts of terrorism. As a result of these and other incidents, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business, including regulatory investigations, claims, lawsuits and other proceedings. Additionally, environmental contamination or other incidents resulting in an environmental impact have resulted in, and could continue to result in, legal or regulatory proceedings (see “*Our need to comply with, and respond to, industry-wide changes resulting from, comprehensive, complex, and sometimes unpredictable governmental regulations, including regulatory initiatives aimed at increasing competition within our industry, may increase our costs and limit our revenue growth, which may adversely affect our operating results*” for more information on such proceedings). There can be no assurance that our insurance coverage will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance would be available in the future at economical prices. Moreover, defense and settlement costs may be substantial, even with respect to claims and investigations that have no merit. If we cannot resolve these matters favorably, our business, financial condition, results of operations and future prospects may be materially adversely affected.

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

Our indebtedness may adversely affect our business, financial condition and operating results. Our debt agreements also contain covenants that restrict our operational flexibility. As of September 30, 2022, we had total indebtedness of \$7 billion. Our indebtedness could adversely affect our business, financial condition, operating results and operational flexibility by, among other things:

- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other purposes;
- limiting operational flexibility and our ability to pursue business opportunities and implement certain business strategies;
- impairing our ability to respond to changing business and economic conditions;
- impairing our ability to repay our indebtedness at maturity, especially where our debt agreements contain significant maturities;
- exposing us to the risk of increased interest rates where our debt agreements have variable interest rates; and
- placing us at a competitive disadvantage compared to our competitors that have proportionately less debt and fewer guarantee obligations.

The occurrence of any of such events could have a material adverse effect upon our business, financial condition and results of operations. Further, if our credit ratings were to be downgraded, or general market conditions were to ascribe higher risk to our rating levels, our industry, or us, our access to capital and the cost of any future debt financing could be negatively impacted. Additionally, our ability to make payments of principal and interest on our indebtedness depends upon our future performance,

Table of Contents

which is subject to economic and political conditions, seasonal cycles and financial, business and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations to service our indebtedness, we may be required to, among other things, refinance or restructure all or a portion of our indebtedness, reduce or delay planned capital or operating expenditures or sell selected assets. Such measures might not be sufficient to enable us to service our indebtedness, and any such refinancing, restructuring or sale of assets might not be available on favorable terms or at all.

In addition, our debt agreements generally contain customary affirmative covenants, including, among others, covenants pertaining to the delivery of financial statements; certain financial covenants; notices of default and certain other material events; payment of obligations; preservation of corporate existence, rights, privileges, permits, licenses, franchises and intellectual property; maintenance of property and insurance and compliance with laws, as well as customary negative covenants, including, among others, limitations on the incurrence of liens, investments and indebtedness; mergers, acquisitions and certain other fundamental changes; transfers, leases or dispositions of assets outside the ordinary course of business; restricted payments; changes in our line of business; transactions with affiliates and burdensome agreements. These covenants could affect our ability to operate our business, respond to changes in business and economic conditions, obtain additional financing (if needed), and may increase the amount of interest expense we ultimately pay pursuant to the debt agreements. Further, our ability to comply with the covenants and restrictions contained in our debt agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions or regulatory changes. A failure to comply with the covenants in our debt agreements could result in a default or an event of default. Upon an event of default, unless waived, the lenders could elect to terminate their commitments, cease making further loans, require cash collateralization of letters of credit, cause their loans to become due and payable in full, foreclose against any assets securing the debt under our debt agreements and force us and our subsidiaries into bankruptcy or liquidation. If the payment of our debt is accelerated, we cannot be certain that we will have sufficient funds available to pay down the indebtedness (together with accrued interest and fees), or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have a material adverse effect upon our business, financial condition and results of operations.

Additionally, the terms of future debt agreements could include more restrictive covenants, or require incremental collateral, which may further restrict our business operations or conflict with covenant restrictions then in effect. As a result, there is no guarantee that financings will be available in the future to fund our obligations, or that they will be available on terms consistent with our expectations. See the liquidity section in Item 7. Management's Discussion and Analysis for additional information on our current debt agreements.

Our holding company structure could limit our ability to pay dividends or service debt. We are a holding company whose material assets are the stock of our subsidiaries. Our ability to pay dividends on our Common Stock and to pay principal and accrued interest on our debt, if any, depends on the payment of dividends to us by our principal subsidiaries. Payments to us by our subsidiaries, in turn, depend upon their consolidated results of operations and cash flows. The operations of our subsidiaries are affected by conditions beyond our control, including weather, regulations, competition in national and international markets we serve, the costs and availability of propane, butane, natural gas, electricity, and other energy sources and capital market conditions. The ability of our subsidiaries to make payments to us is also affected by the level of indebtedness of our subsidiaries, which is substantial, and the restrictions on payments to us imposed under the terms of such indebtedness.

Volatility in credit and capital markets may restrict our ability to grow, increase the likelihood of defaults by our suppliers and vendors, customers and counterparties and adversely affect our operating results. Volatility in credit and capital markets may create additional risks to our businesses in the future. We are exposed to financial market risk (including refinancing risk) resulting from, among other things, changes in interest rates and conditions in the credit and capital markets. Adverse developments in the credit markets may increase our possible exposure to the liquidity, default and credit risks of our suppliers and vendors, counterparties associated with derivative financial instruments and our customers. Although we believe that current financial market conditions, if they were to continue for the foreseeable future, will not have a significant impact on our ability to fund our existing operations, less favorable market conditions could restrict our ability to grow through acquisitions, limit the scope of major capital projects if access to credit and capital markets is limited, or adversely affect our operating results.

We depend on our intellectual property and failure to protect that intellectual property could adversely affect us. We seek trademark protection for our brands in each of our businesses, and we invest significant resources in developing our business brands. Failure to maintain our trademarks and brands could adversely affect our customer-facing businesses and our operational results.

Table of Contents

Declines in the stock market or bond market, and a low interest rate environment, may negatively impact our pension liability. Declines in the stock market and a low interest rate environment historically have resulted in a significant impact on our pension liability and funded status. Declines in the stock or bond market and valuation of stocks or bonds, combined with low interest rates, could further impact our pension liability and funded status and increase the amount of required contributions to our pension plans.

Unless we otherwise consent in writing, our Amended and Restated Bylaws designate a state court located in Montgomery County, Pennsylvania or, if no state court located within such county has jurisdiction over such action or proceeding, the federal United States District Court for the Eastern District of Pennsylvania, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could discourage lawsuits against us and our directors and officers. Our Amended and Restated Bylaws provide that, unless we otherwise consent in writing, a state court located in Montgomery County, Pennsylvania or, if no state court located within such county has jurisdiction over such action or proceeding, the federal United States District Court for the Eastern District of Pennsylvania, as the sole and exclusive forum for: (a) any derivative action or proceeding brought on behalf of us; (b) any action or proceeding asserting a claim of breach of duty owed to us or our shareholders by any director, officer, or other employee of ours; (c) any action or proceeding asserting a claim against us or against any of our directors, officers or other employees arising pursuant to, or involving any interpretation or enforcement of, any provision of the Pennsylvania Associations Code, Pennsylvania Business Corporation Law of 1988, or our Amended and Restated Articles of Incorporation or Amended and Restated Bylaws; and (d) any action or proceeding asserting a claim peculiar to the relationship between or among us and our officers, directors, and shareholders, or otherwise governed by or involving the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or the Securities Act.

This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if a court outside of Pennsylvania were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

With the exception of those matters set forth in Note 17 to Consolidated Financial Statements included in Item 15 of this Report, no material legal proceedings are pending involving the Company, any of its subsidiaries, or any of their properties, and no such proceedings are known to be contemplated by governmental authorities other than claims arising in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS

Information regarding our executive officers is included in Part III of this Report and is incorporated in Part I by reference.

PART II:

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividend Policy

Our Common Stock is traded on the New York Stock Exchange under the symbol “UGI.” On November 11, 2022, we had 6,485 holders of record of Common Stock.

Payment of dividends is subject to declaration by the Board of Directors. Factors considered in determining dividends include our profitability and expected capital needs. Subject to these qualifications, we presently expect to continue to pay dividends on a quarterly basis.

Equity Compensation Plan Information

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Part III of this Report.

Issuer Purchases of Equity Securities

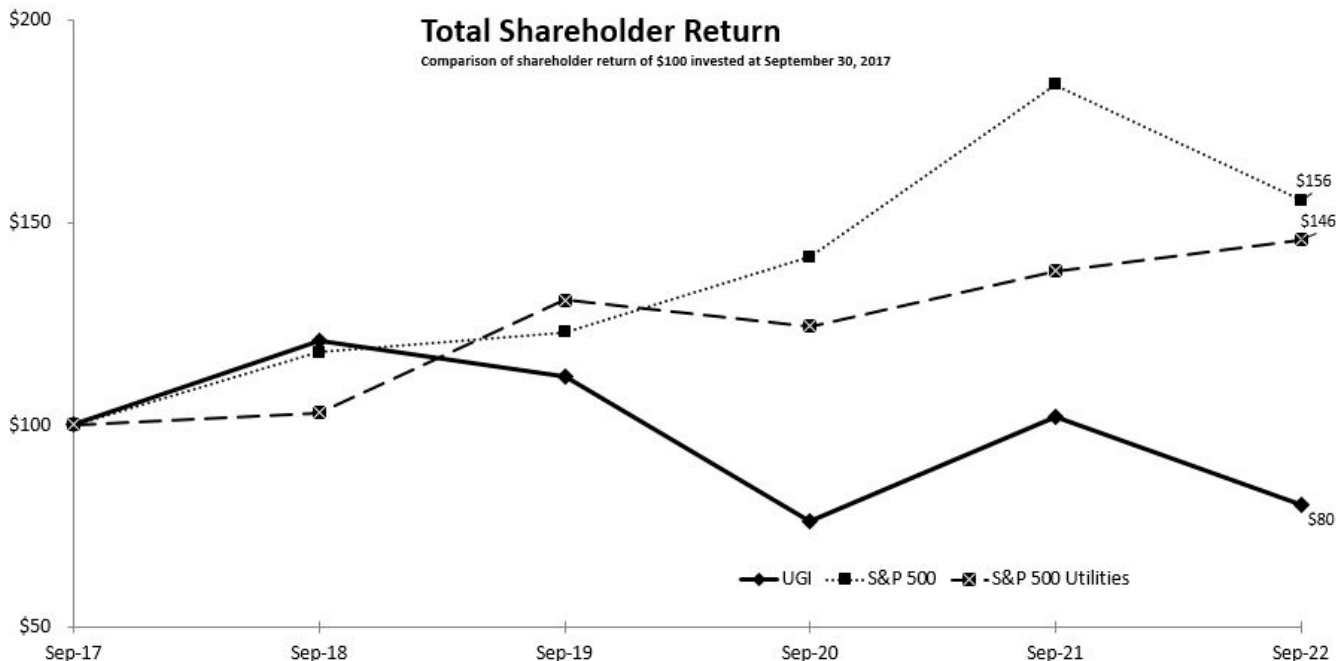
The Company did not repurchase any shares of its Common Stock during the quarter ended September 30, 2022. As of September 30, 2022, the Company had 7.10 million shares of Common Stock available for repurchase through an extension of a previous share repurchase program announced by the Company on February 2, 2022. The Board of Directors authorized the repurchase of up to 8 million shares of Common Stock over a four-year period expiring in February 2026.

Recent Sale of Unregistered Securities

The Company did not sell any unregistered securities during Fiscal 2022.

Performance Graph

The following graph compares the cumulative five-year total shareholder return (stock price appreciation and the reinvestment of dividends) on an investment of \$100 in UGI Common Stock, the S&P 500 Index, and the S&P 500 Utilities Index over the five years from September 30, 2017, through September 30, 2022. The stock performance shown on the graph below is based on historical data and is not necessarily indicative of future stock price performance.



ITEM 6. SELECTED FINANCIAL DATA

Intentionally omitted.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MD&A discusses our results of operations for Fiscal 2022 and Fiscal 2021, and our financial condition. For discussion of our results of operations and cash flows for Fiscal 2021 compared with Fiscal 2020, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Fiscal 2021 Annual Report on Form 10-K, filed with the SEC on November 19, 2021. MD&A should be read in conjunction with Items 1 and 2, "Business and Properties," Item 1A, "Risk Factors," and the Consolidated Financial Statements in Item 8 below including "Segment Information" included in Note 23 to 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. Accordingly, our results of operations, after adjusting for the effects of gains and losses on derivative instruments not associated with current-period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

Executive Overview

Recent Developments

UGI International Energy Marketing Business

In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the United Kingdom resulting in a net cash payment to the buyer of \$19 million which includes working capital adjustments. The assets and liabilities associated with this business, primarily attributable to the value of unrealized gains and losses on derivative contracts, are classified as held-for-sale on the accompanying Consolidated Balance Sheet as of September 30, 2022. During the fourth quarter of Fiscal 2022, the Company recognized an impairment charge, which was limited to the disposal group's long-lived assets in accordance with its policy related to assets held for sale. Such impairment in Fiscal 2022 was not material. An incremental pretax loss of approximately \$220 million was recognized in the first quarter of Fiscal 2023 in connection with the completed sale, largely attributable to the difference between the net cash payment to the buyer and the fair value of net derivative assets sold along with customer contracts as of the transaction date. The change in the net assets held for sale as of September 30, 2022, and the loss recognized upon disposal in October 2022, was due to the change in the fair value of the net derivative assets subsequent to September 30, 2022.

In November 2022, the Company announced its intent to sell its energy marketing business located in France, with a definitive agreement expected to be signed in the first quarter of Fiscal 2023. The Company expects to recognize a significant loss on the sale largely attributable to the value of net derivative assets sold along with the related customer contracts. At September 30, 2022, the carrying value of the net assets of the Company's energy marketing business in France amounted to approximately \$470 million with primarily all of that value related to the fair value of the applicable derivative contracts.

Global Macroeconomic Conditions

During Fiscal 2021 and continuing into the current fiscal year, global commodity and labor markets have experienced significant inflationary pressures attributable to various economic and political factors, including: the economic recovery and evolving consumer patterns associated with the COVID-19 pandemic; supply chain issues associated with labor shortages; significant inflationary pressures on commodity prices; and political and regulatory conditions resulting from the war between Russia and Ukraine, among others. These factors have led to significant volatility across various consumer price indices during Fiscal 2021 and Fiscal 2022. We have experienced substantial shifts in commodity prices, particularly in LPG, natural gas and electricity prices, which, in turn, have led to extensive mark-to-market impacts on commodity derivative instruments not associated with current-period activity. The ongoing strain on supply costs has resulted in increased inventory costs and certain distribution expenses across all of our businesses. It has also affected requirements around cash collateral and restricted cash associated with our outstanding derivatives. We cannot predict the duration or total magnitude of these factors and the total effects on our business, financial position, results of operations, liquidity or cash flows at this time. However, we continue to evaluate and react to these global economic and political conditions and remain focused on managing our financial condition and liquidity as these conditions continue to evolve.

Acquisition of Mountaineer Gas Company

On September 1, 2021, UGI acquired Mountaineer, the largest natural gas distribution company in West Virginia for a purchase price of \$540 million, which included the assumption of approximately \$140 million principal amounts of long-term debt. Mountaineer serves nearly 214,000 customers across 50 of the state's 55 counties, and is subject to regulation by the WVPS. The Mountaineer Acquisition was funded with cash proceeds from the 2021 UGI Corporation Senior Credit Facility and the issuance of Equity Units and cash on hand. Mountaineer is included in the Utilities segment as of and in all periods subsequent to the acquisition date. For additional information on the Mountaineer Acquisition and the associated financing activities, see Notes 5, 6 and 13 to the Consolidated Financial Statements.

Continuing Business Transformation Initiatives

By the end of Fiscal 2021, AmeriGas Propane and UGI International substantially completed their previously announced business transformation initiatives. Benefits provided under each initiative were consistent with expectations during Fiscal 2022, and are expected to provide ongoing annual benefits of more than \$150 million and €30 million, respectively.

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

Non-GAAP Financial Measures

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

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

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

Table of Contents

(Millions of dollars, except per share amounts)	Year Ended September 30,	
	2022	2021
Adjusted net income attributable to UGI Corporation:		
AmeriGas Propane	\$ 112	\$ 168
UGI International	175	221
Midstream & Marketing	163	107
Utilities	206	144
Corporate & Other (a)	417	827
Net income attributable to UGI Corporation	1,073	1,467
Net gains on commodity derivative instruments not associated with current-period transactions (net of tax of \$140 and \$389, respectively)	(458)	(1,001)
Unrealized gains on foreign currency derivative instruments (net of tax of \$14 and \$2, respectively)	(36)	(6)
Business transformation expenses (net of tax of \$(2) and \$(27), respectively)	7	74
Acquisition and integration expenses associated with the Mountaineer Acquisition (net of tax of \$(1) and \$(4), respectively)	1	10
Impairment of customer relationship intangible (net of tax of \$0 and \$(5), respectively)	—	15
Impairments of certain equity method investments and assets (net of tax of \$(14) and \$0, respectively)	26	93
Impact of change in tax law	(19)	(23)
Loss on extinguishment of debt (net of tax of \$(3) and \$0, respectively)	8	—
Restructuring costs (net of tax of \$(10) and \$0, respectively)	24	—
Total adjustments (a) (b)	(447)	(838)
Adjusted net income attributable to UGI Corporation	\$ 626	\$ 629
Adjusted diluted earnings per share:		
AmeriGas Propane	\$ 0.52	\$ 0.79
UGI International	0.81	1.04
Midstream & Marketing	0.76	0.51
Utilities	0.95	0.68
Corporate & Other (a)	1.93	3.90
Earnings per share - diluted	4.97	6.92
Net gains on commodity derivative instruments not associated with current-period transactions	(2.11)	(4.72)
Unrealized gains on foreign currency derivative instruments	(0.17)	(0.03)
Business transformation expenses	0.03	0.35
Acquisition and integration expenses associated with the Mountaineer Acquisition	—	0.04
Impairment of customer relationship intangible	—	0.07
Impairments of certain equity method investments and assets	0.12	0.44
Impact of change in tax law	(0.09)	(0.11)
Loss on extinguishment of debt	0.03	—
Restructuring costs	0.12	—
Total adjustments (a)	(2.07)	(3.96)
Adjusted diluted earnings per share	\$ 2.90	\$ 2.96

(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 23 to Consolidated Financial Statements for additional information related to these adjustments, as well as other items included within Corporate & Other.

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

Fiscal 2022 Compared with Fiscal 2021

Discussion. Net income attributable to UGI Corporation was \$1,073 million for Fiscal 2022 (equal to \$4.97 per diluted share) compared to \$1,467 million for Fiscal 2021 (equal to \$6.92 per diluted share). Net income attributable to UGI Corporation in Fiscal 2022 reflects a \$513 million year-over-year decrease in net unrealized gains on commodity derivative instruments and certain foreign currency derivative instruments. This decrease reflects the significant volatility related to commodity prices during Fiscal 2022 and Fiscal 2021, as well as the stronger U.S. dollar versus the euro, and has contributed to the accumulation of substantial derivative assets related to the Company’s commodity derivative instruments at both September 30, 2022 and 2021. Net income attributable to UGI Corporation for Fiscal 2022 and Fiscal 2021 also includes (1) impairments of certain equity method investments and other assets of \$26 million and \$108 million, respectively; (2) benefits related to tax law changes of \$19 million and \$23 million, respectively; (3) business transformation expenses of \$7 million and \$74 million, respectively; and (4) acquisition and integration expenses of \$1 million and \$10 million, respectively. Net income attributable to UGI Corporation for Fiscal 2022 also includes restructuring costs of \$21 million largely attributable to a reduction in workforce and related costs, and a loss on extinguishment of debt of \$8 million associated with financing activities at UGI International.

Adjusted net income attributable to UGI Corporation for Fiscal 2022 was \$626 million (equal to \$2.90 per diluted share) compared to adjusted net income attributable to UGI Corporation for Fiscal 2021 of \$629 million (equal to \$2.96 per diluted share). The slight decrease in adjusted net income attributable to UGI Corporation during Fiscal 2022 reflects lower earnings contributions from our LPG businesses which were significantly impacted by the effects of commodity price volatility on current-period margins and related volumes and the absence of a Fiscal 2021 tax benefit under the CARES Act. These factors were largely offset by higher earnings from our Utilities and Midstream & Marketing segments, which include contributions attributable to recent acquisitions.

AmeriGas Propane’s adjusted net income attributable to UGI Corporation decreased \$56 million during Fiscal 2022. This decrease largely reflects lower retail propane margin primarily attributable to lower retail volumes sold and higher operating and administrative expenses largely attributable to inflationary pressures. These factors were partially offset by higher non-propane margin and gains on asset sales.

UGI International’s adjusted net income attributable to UGI Corporation decreased \$46 million during Fiscal 2022 principally reflecting lower total margin largely attributable to the effects of commodity price volatility on our energy marketing business and the net effect of weaker foreign currencies compared to the prior year. These factors were partially offset by higher gains on asset sales.

Midstream & Marketing adjusted net income in Fiscal 2022 was \$56 million higher than the prior year. This increase principally reflects higher margins related to natural gas marketing activities, higher total earnings from renewable energy marketing activities, and incremental contributions from UGI Moraine East.

Utilities Fiscal 2022 adjusted net income increased \$62 million compared to the prior year. The increase was largely related to the full-year impact of earnings attributable to the Mountaineer Acquisition, an increase in DSIC rates and higher margin from large delivery including the effects of customer growth at UGI Utilities also contributed to the earnings improvement during the current year.

AmeriGas Propane	2022	2021	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 2,943	\$ 2,614	\$ 329	13 %
Total margin (a)	\$ 1,330	\$ 1,397	\$ (67)	(5)%
Operating and administrative expenses	\$ 889	\$ 869	\$ 20	2 %
Operating income / earnings before interest expense and income taxes	\$ 307	\$ 385	\$ (78)	(20)%
Retail gallons sold (millions)	888	968	(80)	(8)%
Degree days – % warmer than normal (b)	(0.8)%	(2.8)%	—	—

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

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

Table of Contents

Average temperatures during Fiscal 2022 were 0.8% warmer than normal and 1.8% colder than the prior year. Total retail gallons sold decreased 8% during Fiscal 2022 principally reflecting the continuing impact of customer service challenges that occurred in Fiscal 2021, staffing shortages in key delivery related positions, increased price sensitivity in the higher commodity cost environment and the absence of the beneficial prior-year impact of COVID-19 on cylinder exchange and resale volumes.

Total revenues increased \$329 million during Fiscal 2022 largely reflecting higher average propane selling prices (\$468 million) and, to much lesser extent, higher wholesale volumes (\$29 million). These increases were partially offset by the effects of the lower retail propane volumes sold (\$182 million). Average daily wholesale propane commodity prices during Fiscal 2022 at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 39% higher than such prices during Fiscal 2021. Total cost of sales increased \$396 million during Fiscal 2022 largely attributable to the higher average propane product costs (\$448 million) and, to a much lesser extent, the higher wholesale propane volumes (\$27 million). These increases were partially offset by the effects of the lower retail propane volumes sold (\$82 million).

AmeriGas Propane total margin decreased \$67 million in Fiscal 2022 largely attributable to the lower retail propane volumes sold (\$100 million) compared to the prior year. This decrease was partially offset by higher average retail propane margin (\$28 million) and increased non-propane margin (\$11 million) largely attributable to higher fuel recovery and tank rental fees.

Operating income and earnings before interest expense and income taxes decreased \$78 million during Fiscal 2022 primarily attributable to the previously mentioned decrease in total margin and higher operating and administrative expenses (\$20 million). Operating income and earnings before interest expense and income taxes in Fiscal 2022 also includes an increase in other income largely related to gains on asset sales. The increase in operating and administrative expenses in Fiscal 2022 was impacted by the inflationary cost environment and includes, among other things, higher bad debt expense (\$13 million), vehicle fuel (\$13 million), general insurance and claims expense (\$11 million), and telecommunications expenses (\$10 million). These increases were partially offset by lower expenses associated with employee compensation and benefits (\$22 million), advertising (\$8 million) and vehicle leases (\$5 million).

UGI International	2022	2021	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 3,686	\$ 2,651	\$ 1,035	39 %
Total margin (a)	\$ 935	\$ 1,053	\$ (118)	(11)%
Operating and administrative expenses	\$ 611	\$ 622	\$ (11)	(2)%
Operating income	\$ 237	\$ 314	\$ (77)	(25)%
Earnings before interest expense and income taxes	\$ 254	\$ 317	\$ (63)	(20)%
LPG retail gallons sold (millions)	799	792	7	1 %
Degree days - % (warmer) colder than normal (b)	(2.6)%	0.4 %	—	—

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

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

Average temperatures during Fiscal 2022 were 2.6% warmer than normal and 5.0% warmer than Fiscal 2021. Total LPG retail gallons sold during Fiscal 2022 increased slightly compared to Fiscal 2021 largely attributable to the recovery of certain bulk volumes that were negatively impacted by COVID-19 in Fiscal 2021 and favorable crop drying campaigns, partially offset by warmer weather.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During Fiscal 2022 and Fiscal 2021, the average unweighted euro-to-dollar translation rates were approximately \$1.08 and \$1.20, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately \$1.28 and \$1.37, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The impact of such changes on earnings, however, is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to reduce volatility in U.S. dollar amounts resulting from changes in exchange rates. These forward foreign currency exchange contracts resulted in realized net gains of \$13 million and \$1 million, respectively, in Fiscal 2022 and Fiscal 2021.

UGI International revenues and cost of sales increased \$1,035 million and \$1,153 million, respectively, during Fiscal 2022. Average wholesale prices for propane and butane during Fiscal 2022 in northwest Europe were approximately 53% and 70%

Table of Contents

higher, respectively, compared to Fiscal 2021. The increase in revenues and cost of sales principally reflects the impact on our energy marketing business from significant increases and volatility in natural gas and electricity prices and the effects of the previously mentioned higher average propane and butane selling prices and product costs on our LPG business compared to the prior year. These increases were partially offset by the translation effects of weaker foreign currencies as reflected in the previously mentioned average exchange rates.

UGI International total margin decreased \$118 million during Fiscal 2022 primarily reflecting lower total margin from our energy marketing business (approximately \$53 million) and the translation effects of the weaker foreign currencies. These factors were partially offset by higher total margin from our LPG business attributable to strong margin management efforts despite the effects of the previously mentioned higher product costs. The lower total margin from our energy marketing business is largely due to the impact of significant volatility in commodity costs and its effects on unit margins of certain customer contracts which were largely confined to the heating-season months of October through March during Fiscal 2022.

UGI International operating income and earnings before interest expense and income taxes decreased \$77 million and \$63 million, respectively, during Fiscal 2022. The decrease in operating income principally reflects the decrease in total margin partially offset by lower depreciation and amortization (\$18 million), lower operating and administrative expenses (\$11 million) and higher gains associated with the sale of assets compared to Fiscal 2021. The decrease in depreciation and amortization principally reflects the effects of currency translation. The net decrease in operating and administrative expenses compared to the prior year was driven by the translation effects of the weaker foreign currencies largely offset by the effects of inflation on the underlying distribution, personnel and maintenance costs. The decrease in earnings before interest expense and income taxes in Fiscal 2022 largely reflects the decrease in operating income partially offset by higher realized gains on foreign currency exchange contracts (\$12 million) entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates.

Midstream & Marketing	2022		2021		Increase	
(Dollars in millions)						
Revenues	\$	2,326	\$	1,406	\$	920 65 %
Total margin (a)	\$	450	\$	373	\$	77 21 %
Operating and administrative expenses	\$	129	\$	129	\$	— — %
Operating income	\$	246	\$	160	\$	86 54 %
Earnings before interest expense and income taxes	\$	269	\$	190	\$	79 42 %

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

Average temperatures across Midstream & Marketing's energy marketing territory during Fiscal 2022 were 8.1% warmer than normal and 4.3% warmer than the prior year.

Midstream & Marketing's revenues increased \$920 million compared to the prior year principally reflecting increased revenues from natural gas marketing activities (\$845 million), including the effects of peaking and capacity management activities, which were impacted by significantly higher average natural gas prices compared to the prior year. This increase in revenues was partially offset by lower volumes attributable to the warmer weather. Higher revenues associated with retail power and generation (\$45 million) and natural gas gathering activities (\$27 million) also contributed to the increase.

Midstream & Marketing cost of sales was \$1,876 million in Fiscal 2022 compared to \$1,033 million in Fiscal 2021. The \$843 million increase principally reflects higher cost of sales related to the previously mentioned natural gas marketing activities (\$807 million) which include the effects of significantly higher product costs in Fiscal 2022 partially offset by the lower volumes sold. Higher cost of sales associated with retail power and generation (\$40 million) also contributed to the increase.

Midstream & Marketing total margin increased \$77 million in Fiscal 2022 largely reflecting improved margin from natural gas marketing activities (\$38 million), including the effects of peaking and capacity management activities, and reflects the positive impact of settlement timing of certain multi-year commodity storage hedge contracts during Fiscal 2022. The increase in total margin also includes incremental margin attributable to UGI Moraine East (\$15 million), higher total margin from renewable energy marketing activities (\$9 million) including the impact of increased average pricing related to environmental credits compared to Fiscal 2021, and higher retail power and generation margin (\$5 million).

Midstream & Marketing operating income and earnings before interest expense and income taxes during Fiscal 2022 increased \$86 million and \$79 million, respectively, compared to the prior year. The increase in operating income principally reflects the

Table of Contents

increase in total margin and the absence of a contingent consideration adjustment related to the GHI acquisition in the prior year partially offset by higher depreciation and amortization expense largely attributable to UGI Moraine East. The increase in earnings before interest expense and income taxes reflects the improvement in operating income partially offset by lower income from equity-method investments.

Utilities	2022	2021	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 1,620	\$ 1,079	\$ 541	50 %
Total margin (a)	\$ 801	\$ 616	\$ 185	30 %
Operating and administrative expenses (a)	\$ 332	\$ 254	\$ 78	31 %
Operating income	\$ 327	\$ 241	\$ 86	36 %
Earnings before interest expense and income taxes	\$ 336	\$ 242	\$ 94	39 %
Gas Utility system throughput – bcf				
Core market	100	77	23	30 %
Total	363	311	52	17 %
Electric Utility distribution sales - gwh	997	998	(1)	— %
Natural gas degree days – % warmer than normal (b)	(7.5)%	(6.5)%	—	—

(a) Total margin represents total revenues less total cost of sales and revenue-related taxes (i.e. Electric Utility gross receipts and business and occupation taxes) of \$21 million and \$5 million, respectively, during Fiscal 2022 and Fiscal 2021. For financial statement purposes, revenue-related taxes are included in “Operating and administrative expenses” on the Consolidated Statements of Income (but are excluded from operating expenses presented above).

(b) Deviation from average heating degree days is determined on a 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Utilities natural gas service territory.

Temperatures in Utilities’ natural gas service territory during Fiscal 2022 were 7.5% warmer than normal and slightly warmer than the prior year. Utilities’ core market and total natural gas system volumes increased (23 bcf and 52 bcf, respectively) during Fiscal 2022 largely related to incremental volumes attributable to Mountaineer.

Utilities revenues increased \$541 million in Fiscal 2022 reflecting a \$505 million increase in natural gas revenues and a \$36 million increase in Electric Utility revenues. The increase in natural gas revenues principally reflects incremental revenues attributable to Mountaineer (\$249 million), higher PGC rates reflecting higher natural gas costs, higher pricing on off-system sales, increased DSIC rates, and the full-year impact of the increase in base rates that went into effect during Fiscal 2021. The increase in Electric Utility revenues during Fiscal 2022 reflects higher DS rates compared to the prior year and the increase in base rates that went into effect in November 2021.

Utilities cost of sales (including revenue-related taxes) was \$819 million in Fiscal 2022 compared with \$463 million in Fiscal 2021. Natural gas cost of sales increased during Fiscal 2022 (\$326 million) largely attributable to incremental cost of sales attributable to Mountaineer (\$126 million), higher PGC rates compared to the prior year, and increased cost of sales associated with off-system sales. Electric Utility cost of sales increased during Fiscal 2022 (\$30 million) primarily related to the higher DS rates compared to the prior year.

Utilities total margin increased \$185 million during Fiscal 2022 primarily related to higher natural gas margin (\$179 million) compared to Fiscal 2021 largely reflecting incremental margin attributable to Mountaineer (\$123 million). The increase in total natural gas margin also includes higher margin attributable to the increased DSIC rates, higher margin from large delivery service customers including the effects of customer growth compared to the prior year, and the previously mentioned full-year impact of the increase in base rates. Electric Utility margin increased \$6 million largely attributable to the increase in base rates compared to the prior year.

Utilities operating income and earnings before interest expense and income taxes during Fiscal 2022 increased \$86 million and \$94 million, respectively, compared to the prior year. The increase in operating income largely reflects the previously mentioned increase in total margin, partially offset by higher operating and administrative expenses (\$78 million) and depreciation expense (\$25 million) compared to the prior year, both principally related to incremental expenses attributable to Mountaineer. The higher depreciation expense compared to the prior year also includes the effects of continued distribution system capital expenditure activity. The increase in earnings before interest expense and income taxes principally reflects the increase in operating income and higher pension non-service income compared to the prior year.

Interest Expense and Income Taxes

Our consolidated interest expense during Fiscal 2022 was \$329 million compared to \$310 million during the prior year. The increase in interest expense principally reflects the effects of incremental long-term debt outstanding during the current period, net of repayments, primarily related to the Mountaineer Acquisition and UGI Utilities' issuance of senior notes during Fiscal 2022 and the second half of Fiscal 2021. Higher average short-term borrowings outstanding compared to the prior year also contributed to the increase in interest expense.

Our effective income tax rate decreased between Fiscal 2021 and Fiscal 2022 due primarily to the benefit of the impact on net deferred tax liabilities of the reduction in the Pennsylvania statutory income tax rate. This benefit exceeded the prior year net benefits attributable to the CARES Act and the election made under a tax law change in Italy which allowed us to step up its tax basis on certain assets in exchange for paying a three percent substitute tax, partially offset by the establishment of a valuation allowance on the PennEast impairment. For additional information on our income taxes, including tax law changes, see Note 7 to Consolidated Financial Statements.

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 ongoing global macroeconomic conditions including, among others, changes in consumer behavior resulting from the COVID-19 pandemic, the inflationary cost environment and ongoing energy commodity price volatility. Our total available liquidity balance, comprising cash and cash equivalents and available borrowing capacity on our revolving credit facilities, totaled approximately \$1.7 billion and \$2.2 billion at September 30, 2022 and 2021, respectively. Our total available liquidity at September 30, 2022 was affected, in part, by \$398 million of cash collateral received from derivative counterparties resulting from the impact of rising commodity prices and an accumulation of derivative assets associated with our commodity derivative instruments. The Company does not have any near-term senior note or term loan maturities. The Company cannot predict the duration or total magnitude of the uncertain economic factors mentioned above and the total effects they will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. UGI and its subsidiaries were in compliance with all debt covenants as of September 30, 2022.

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 \$405 million at September 30, 2022, compared with \$855 million at September 30, 2021. Our cash and cash equivalents at September 30, 2022 reflects the previously mentioned cash collateral deposits received from our derivative instrument counterparties. This is attributable to significant mark-to-market gains on our commodity derivative instruments resulting from the steep rise and volatility in commodity prices during Fiscal 2022 and 2021. This cash could be returned to such counterparties as commodity prices and their impact on our commodity derivative instruments stabilizes or reverses. Excluding these collateral deposits received and cash and cash equivalents that reside at UGI's operating subsidiaries, at September 30, 2022 and 2021, our cash and cash equivalents totaled \$140 million and \$172 million, respectively. Such cash is available to pay dividends on UGI Common Stock and for investment purposes.

Table of Contents

During Fiscal 2022 and Fiscal 2021, our principal business units paid cash dividends and made other cash payments to UGI and its subsidiaries as follows:

(Millions of dollars)	2022	2021
AmeriGas Propane	\$ 227	\$ 135
UGI International	116	212
Midstream & Marketing	—	25
Utilities	—	35
Total	<u>\$ 343</u>	<u>\$ 407</u>

Common and Preferred Stock

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 Consolidated Balance Sheet. The proceeds were used to pay a portion of the purchase price for the Mountaineer Acquisition and related fees and expenses, and for general corporate purposes. For additional information on the Mountaineer Acquisition and the issuance of Equity Units, see Notes 5 and 13 to the Consolidated Financial Statements.

Dividends

Quarterly dividends per share of UGI Common Stock paid during Fiscal 2022 and Fiscal 2021 were as follows:

	2022	2021
1 st Quarter	\$ 0.345	\$ 0.330
2 nd Quarter	0.345	0.330
3 rd Quarter	0.360	0.345
4 th Quarter	0.360	0.345
Total	<u>\$ 1.410</u>	<u>\$ 1.350</u>

On November 17, 2022, UGI’s Board of Directors declared a cash dividend equal to \$0.360 per common share. The dividend will be payable on January 1, 2023, to shareholders of record on December 15, 2022.

Repurchases of Common Stock

During Fiscal 2022, the Company repurchased 900,000 shares at a total purchase price of \$38 million. There were no such repurchases during Fiscal 2021. For additional information on the authorization of these repurchases, see Note 13 to the Consolidated Financial Statements.

Long-term Debt and Credit Facilities

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

(Millions of dollars)	2022					2021	
	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corp. & Other	Total	Total
Short-term borrowings	\$ 131	\$ 1	\$ —	\$ 236	\$ —	\$ 368	\$ 367
Long-term debt (including current maturities):							
Senior notes	\$ 2,575	\$ 392	\$ —	\$ 1,505	\$ —	\$ 4,472	\$ 4,270
Term loans	—	294	677	135	765	1,871	1,938
Other long-term debt	—	2	40	22	258	322	283
Unamortized debt issuance costs	(12)	(6)	(7)	(6)	(2)	(33)	(42)
Total long-term debt	\$ 2,563	\$ 682	\$ 710	\$ 1,656	\$ 1,021	\$ 6,632	\$ 6,449
Total debt	\$ 2,694	\$ 683	\$ 710	\$ 1,892	\$ 1,021	\$ 7,000	\$ 6,816

Significant Financing Activities

Mountaineer Credit Agreement. On October 20, 2022, Mountaineer entered into the Mountaineer 2023 Credit Agreement, as borrower, with a group of lenders. The Mountaineer 2023 Credit Agreement amends and restates a previous credit agreement and provides for borrowings up to \$150 million, including a \$20 million sublimit for letters of credit. Mountaineer may request an increase in the amount of loan commitments to a maximum aggregate amount of \$250 million, subject to certain terms and conditions. Borrowings under the Mountaineer 2023 Credit Agreement can be used to finance the working capital needs of Mountaineer and for general corporate purposes. The Mountaineer 2023 Credit Agreement is scheduled to expire in November 2024, with an option to extend the maturity date.

AmeriGas Propane. On September 28, 2022, AmeriGas Propane entered into the 2022 AmeriGas OLP Credit Agreement, as borrower, with a group of lenders. In connection with the entering into of the 2022 AmeriGas OLP Credit Agreement, the borrower paid off in full and terminated the existing AmeriGas OLP Credit Agreement. The 2022 AmeriGas OLP Credit Agreement provides for borrowings up to \$600 million, including a \$100 million sublimit for letters of credit. AmeriGas Propane may request an increase in the amount of loan commitments under the 2022 AmeriGas OLP Credit Agreement to a maximum aggregate amount of \$900 million, subject to certain terms and conditions. Borrowings under the 2022 AmeriGas OLP Credit Agreement can be used to fund acquisitions and investments and for general corporate purposes. The 2022 AmeriGas OLP Credit Agreement is scheduled to expire in September 2026.

UGI Utilities. On July 12, 2022, UGI Utilities amended the Utilities Term Loan. The amendment extended the maturity date of the loan from October 2022 to July 2027, among other things. The current amount outstanding under the Utilities Term Loan remains unchanged and is payable in quarterly installments of \$2 million, with the balance of the principal being due and payable in full at maturity. We have entered into an interest rate swap that will generally fix the underlying market-based interest rate on this variable-rate loan through June 2026.

On June 30, 2022, UGI Utilities entered into a note purchase agreement which provides for the private placement of (1) \$90 million aggregate principal amount of 4.75% Senior Notes due July 15, 2032 and (2) \$85 million aggregate principal amount of 4.99% Senior Notes due September 15, 2052. On July 15, 2022, UGI Utilities issued \$90 million aggregate principal amount of 4.75% Senior Notes pursuant to the note purchase agreement. On September 15, 2022, UGI Utilities issued \$85 million aggregate principal amount of 4.99% Senior Notes pursuant to the note purchase agreement. The net proceeds from the issuance of the 4.75% Senior Notes and 4.99% Senior Notes were used to reduce short-term borrowings and for general corporate purposes.

Mountaineer. On June 30, 2022, Mountaineer entered into a note purchase agreement which provides for the private placement of \$40 million aggregate principal amount of 4.49% Senior Notes due August 16, 2052. On August 16, 2022, Mountaineer issued \$40 million aggregate principal amount of 4.49% Senior Notes pursuant to the note purchase agreement. The net proceeds from the issuance of the 4.49% Senior Notes were used to reduce short-term borrowings and for general corporate purposes.

Table of Contents

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

Credit Facilities

Information about the Company's principal credit agreements (excluding Energy Services' Receivables Facility, which is discussed below) as of September 30, 2022 and 2021, is presented in the tables below.

(Currency in millions)	Expiration Date	Total Capacity	Borrowings Outstanding	Letters of Credit and Guarantees Outstanding	Available Borrowing Capacity	Weighted Average Interest Rate - End of Year
September 30, 2022						
AmeriGas OLP	September 2026	\$ 600	\$ 131	\$ 2	\$ 467	7.27 %
UGI International, LLC (a)	October 2023	€ 300	€ —	€ —	€ 300	N.A.
Energy Services	March 2025	\$ 260	\$ —	\$ —	\$ 260	N.A.
UGI Utilities	June 2024	\$ 350	\$ 151	\$ —	\$ 199	4.37 %
Mountaineer	November 2024	\$ 100	\$ 85	\$ —	\$ 15	3.82 %
UGI Corporation (b)	August 2024	\$ 300	\$ 252	\$ —	\$ 48	5.62 %
September 30, 2021						
AmeriGas OLP	December 2022	\$ 600	\$ 170	\$ 60	\$ 370	2.58 %
UGI International, LLC (a)	October 2023	€ 300	€ —	€ —	€ 300	N.A.
Energy Services	March 2025	\$ 260	\$ —	\$ —	\$ 260	N.A.
UGI Utilities	June 2024	\$ 350	\$ 130	\$ —	\$ 220	1.35 %
Mountaineer	November 2024	\$ 100	\$ 67	\$ —	\$ 33	N.M.
UGI Corporation (b)	August 2024	\$ 300	\$ 185	\$ —	\$ 115	3.27 %

(a) Permits UGI International, LLC to borrow in euros or USD.

(b) Borrowings outstanding have been classified as "Long-term debt" on the Consolidated Balance Sheets. Subsequent to September 30, 2022 and 2021, the Company repaid \$87 million and \$70 million, respectively, of such borrowings and classified these repayments as "Current maturities of long-term debt" on the Consolidated Balance Sheets.

N.A. - Not applicable

N.M. - Not meaningful

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

(Currency in millions)	2022		2021	
	Average	Peak	Average	Peak
AmeriGas OLP	\$ 181	\$ 388	\$ 168	\$ 293
UGI International, LLC	€ 77	€ 250	€ —	€ —
Energy Services	\$ —	\$ —	\$ 3	\$ 32
UGI Utilities	\$ 163	\$ 270	\$ 186	\$ 279
Mountaineer	\$ 53	\$ 85	\$ 58	\$ 67
UGI Corporation	\$ 191	\$ 288	\$ 191	\$ 300

Receivables Facility. Energy Services also has a Receivables Facility with an issuer of receivables-backed commercial paper. On October 21, 2022, the expiration date of the Receivables Facility was extended to October 20, 2023. The Receivables Facility provides Energy Services with the ability to borrow up to \$150 million of eligible receivables during the period October 21, 2022 through April 30, 2023, and up to \$75 million of eligible receivables during the period May 1, 2023 through October 20, 2023. Energy Services uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

Table of Contents

At September 30, 2022 and 2021, the outstanding balance of trade receivables was \$101 million and \$61 million, respectively, none of which was sold to the bank. During Fiscal 2022 and Fiscal 2021, peak sales of receivables were \$98 million and \$87 million, respectively. During Fiscal 2022 and Fiscal 2021, average daily amounts sold were \$2 million and \$21 million, respectively.

For further information on the Company's long-term debt and credit facilities, see Note 6 to Consolidated Financial Statements.

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 flows from operating activities in Fiscal 2022 and Fiscal 2021 were \$716 million and \$1,481 million, respectively. Cash flows from operating activities before changes in operating working capital were \$1,269 million in Fiscal 2022 and \$1,200 million in Fiscal 2021. Changes in operating working capital provided (used) operating cash flow of \$(553) million in Fiscal 2022 and \$281 million in Fiscal 2021. The significant increase in cash used from changes in operating working capital principally reflects derivative instruments collateral repayments of \$9 million in Fiscal 2022 compared to collateral received of \$472 million in Fiscal 2021 reflecting the volatility in energy commodity prices and the timing of associated collateral receipts and payments; lower cash generated from changes in accounts payable due in part to the timing of payments and the impacts of changes in commodity energy prices; and an increase in accounts receivable principally reflecting the effects of higher energy prices on receivable balances.

Investing Activities:

Investing activity cash flow is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses and assets; investments in equity method investees; and cash proceeds from sales and retirements of property, plant and equipment. Cash expenditures for property, plant and equipment totaled \$804 million in Fiscal 2022 and \$690 million in Fiscal 2021. Cash payments for property, plant and equipment were higher in Fiscal 2022 compared with Fiscal 2021 reflecting, in part, higher capital expenditures at Utilities including the full-year impact of Mountaineer. Cash used for acquisitions of businesses and assets in Fiscal 2022 includes the Stonehenge Acquisition and the Pennant Acquisition in which the Company acquired the 53% interest in Pennant it did not already own. Cash used for acquisitions of businesses and assets in Fiscal 2021 reflects UGI's acquisition of Mountaineer. Cash used for investments in equity method investees was \$47 million in Fiscal 2022 including investments in biomass and renewable energy projects at our Midstream & Marketing reportable segment and an investment in a renewable energy joint venture at UGI International. Cash inflows associated with investing activities during Fiscal 2022 includes cash received from the settlement of certain forward foreign currency contracts previously designated as net investment hedges. Fiscal 2021 includes cash contributions to Pine Run 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; short-term borrowings; dividends on UGI Common Stock; and issuances or repurchases of equity instruments.

Cash flow used by financing activities was \$51 million in Fiscal 2022 compared to cash flow provided by financing activities of \$166 million in Fiscal 2021. During Fiscal 2022, UGI International issued €400 million principal amount of senior notes and Utilities issued a combined \$215 million principal amount of senior notes. Proceeds from the UGI International senior notes were principally used to reduce existing long-term debt while proceeds from the Utilities borrowings were used to reduce short-term borrowings and for general corporate purposes. During Fiscal 2021, the Company received \$213 million in net cash proceeds from the issuance of Equity Units and \$215 million from the issuance of a new variable rate term loan due in May 2025. These funds were used partially to fund the Mountaineer Acquisition. During Fiscal 2021, Utilities issued \$175 million of senior notes. In Fiscal 2022 and Fiscal 2021, the Company had net borrowings and (repayments) on credit facilities and the Receivables Facility of \$1 million and \$(35) million, respectively. Fiscal 2022 cash flow used by financing activities also includes \$38 million of cash paid to repurchase Common Stock.

[Table of Contents](#)

Capital Expenditures

In the following table, we present capital expenditures (which exclude acquisitions of businesses and assets) for Fiscal 2022 and Fiscal 2021. We also provide amounts we expect to spend in Fiscal 2023. We expect to finance a substantial portion of our Fiscal 2023 capital expenditures from cash generated by operations and cash on hand.

(Millions of dollars)	2023 (estimate)	2022	2021
AmeriGas Propane	\$ 130	\$ 128	\$ 130
UGI International	140	107	107
Midstream & Marketing	170	38	43
Utilities	580	562	394
Corporate & Other	20	—	—
Total	<u>\$ 1,040</u>	<u>\$ 835</u>	<u>\$ 674</u>

The increase in capital expenditures at Utilities during Fiscal 2022 reflects the continued execution on its infrastructure replacement and system betterment program as well as the full year impact of Mountaineer. Increased levels of capital expenditures estimated in Fiscal 2023 reflect natural gas infrastructure expansion and investments in renewable energy projects at Midstream & Marketing and UGI International; replacement and betterment projects at UGI Utilities; and expansion of Mountaineer's capital expenditure programs.

Contractual Cash Obligations and Commitments

The Company has contractual cash obligations that extend beyond Fiscal 2022. The following table presents contractual cash obligations with non-affiliates under agreements existing as of September 30, 2022:

(Millions of dollars)	Payments Due by Period				
	Total	Fiscal 2023	Fiscal 2024 - 2025	Fiscal 2026 - 2027	Thereafter
Short-term borrowings (a)	\$ 368	\$ 368	\$ —	\$ —	\$ —
Long-term debt (a)	6,665	149	2,587	2,207	1,722
Interest on long-term fixed-rate debt (a)(b)(c)	1,971	302	489	258	922
Operating leases	417	93	145	93	86
AmeriGas Propane supply contracts	13	13	—	—	—
UGI International supply contracts	238	238	—	—	—
Midstream & Marketing supply contracts	1,670	576	391	155	548
Utilities construction, supply, storage and transportation contracts	683	197	231	152	103
Derivative instruments (d)	213	150	62	1	—
Total	<u>\$ 12,238</u>	<u>\$ 2,086</u>	<u>\$ 3,905</u>	<u>\$ 2,866</u>	<u>\$ 3,381</u>

(a) Based upon stated maturity dates for debt outstanding at September 30, 2022.

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

(c) Calculated using applicable interest rates or forward interest rate curves, and UGI's and its subsidiaries' leverage ratios, as of September 30, 2022.

(d) Represents the sum of amounts due if derivative instrument liabilities were settled at the September 30, 2022 amounts reflected in the Consolidated Balance Sheet (but excluding amounts associated with interest rate contracts).

"Other noncurrent liabilities" included in our Consolidated Balance Sheet at September 30, 2022, principally comprise operating lease liabilities (see Note 16 to Consolidated Financial Statements); regulatory liabilities (see Note 9 to Consolidated Financial Statements); refundable tank and cylinder deposits (as further described in Note 2 to Consolidated Financial Statements under the caption "Refundable Tank and Cylinder Deposits"); litigation, property and casualty liabilities and obligations under environmental remediation agreements (see Note 17 to Consolidated Financial Statements); pension and other postretirement benefit liabilities recorded in accordance with accounting guidance relating to employee retirement plans (see Note 8 to Consolidated Financial Statements); and liabilities associated with executive compensation plans (see Note 14 to Consolidated Financial Statements). These liabilities, with the exception of operating lease liabilities, are not included in the

Table of Contents

table of Contractual Cash Obligations and Commitments because they are estimates of future payments and not contractually fixed as to timing or amount. Required minimum contributions to the U.S. Pension Plans (as further described below under “U.S. Pension Plans”) in Fiscal 2023 are not expected to be material. Required minimum contributions to the U.S. Pension Plans in years beyond Fiscal 2023 will depend, in large part, on the impacts of future returns on pension plan assets and interest rates on pension plan liabilities.

U.S. Pension Plans

The U.S. Pension Plans consist of (1) a defined benefit pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, and certain of UGI’s other domestic wholly owned subsidiaries, and (2) a defined benefit pension plan for substantially all Mountaineer employees. The fair values of the U.S. Pension Plans’ assets totaled \$525 million and \$717 million at September 30, 2022 and 2021, respectively. At September 30, 2022 and 2021, the underfunded positions of the U.S. Pension Plans, defined as the excess of the PBO over the U.S. Pension Plans’ assets, were \$82 million and \$109 million, respectively.

We believe we are in compliance with regulations governing defined benefit pension plans, including the ERISA rules and regulations. Required minimum contributions to the U.S. Pension Plans in Fiscal 2023 are not expected to be material. Pre-tax pension cost associated with the U.S. Pension Plans in Fiscal 2022 was not material. Pre-tax pension cost associated with the U.S. Pension Plans in Fiscal 2023 is not expected to be material.

GAAP guidance associated with pension and other postretirement plans generally requires recognition of an asset or liability in the statement of financial position reflecting the funded status of pension and other postretirement benefit plans with current year changes recognized in shareholders’ equity unless such amounts are subject to regulatory recovery. At September 30, 2022, we have recorded after-tax charges to UGI Corporation’s stockholders’ equity of \$14 million and recorded regulatory assets totaling \$114 million in order to reflect the funded status of the U.S. Pension Plans. For a more detailed discussion of the U.S. Pension Plans and our other postretirement benefit plans, see Note 8 to Consolidated Financial Statements.

Related Party Transactions

During Fiscal 2022 and Fiscal 2021, we did not enter into any related-party transactions that had a material effect on our financial condition, results of operations or cash flows.

Off-Balance-Sheet Arrangements

UGI primarily enters into guarantee arrangements on behalf of its consolidated subsidiaries. These arrangements are not subject to the recognition and measurement guidance relating to guarantees under GAAP.

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

Utility Regulatory Matters

Base Rate Filings. On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by \$83 million annually. On September 15, 2022, the PAPUC issued a final order approving a settlement providing for a \$49 million annual base distribution rate increase for PA Gas Utility, through a phased approach, with \$38 million beginning October 29, 2022 and an additional \$11 million beginning October 1, 2023. In accordance with the terms of the final order, PA Gas Utility will not be permitted to file a rate case prior to January 1, 2024. Also in accordance with the terms of the final order, PA Gas Utility is authorized to implement a weather normalization adjustment rider as a 5-year pilot program beginning on the effective date of the new rates. Under this rider, customer billings for distribution services will be adjusted monthly to reflect normal weather conditions if weather deviates more than 3% from normal. Additionally, under the terms of the final order, PA Gas Utility will be authorized to implement a DSIC once its total property, plant and equipment less accumulated depreciation reaches \$3,368 million (which threshold was achieved in September 2022).

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

On January 28, 2020, PA Gas Utility filed a request with the PAPUC to increase its annual base distribution operating revenues by \$75 million annually. On October 8, 2020, the PAPUC issued a final Order approving a settlement that permitted PA Gas

Table of Contents

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

Market Risk Disclosures

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 and option 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.

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

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

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

Interest Rate Risk

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

Our variable-rate debt at September 30, 2022, includes revolving credit facility borrowings and variable-rate term loans at UGI International, 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 September 30, 2022, combined borrowings outstanding under variable-rate debt agreements, excluding the previously mentioned effectively fixed-rate debt, totaled \$800 million. Based upon average borrowings outstanding under variable-rate borrowings (excluding effectively fixed-rate term loan debt), an increase in short-term interest rates of 100 basis points (1%) would have increased our Fiscal 2022 interest expense by approximately \$8 million. The remainder of our debt outstanding is subject to fixed rates of interest. A 100 basis point increase in market interest rates would result in decreases in the fair value of this fixed-rate debt of approximately \$165 million at September 30, 2022. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of approximately \$265 million at September 30, 2022.

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 USD versus the euro and, to a lesser extent, the USD versus the British pound sterling. The USD value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries, including anticipated foreign currency denominated dividends. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our net investments in our UGI International operations, a 10% decline in the value of the associated foreign currencies versus the USD would reduce their aggregate net book value at September 30, 2022, by approximately \$180 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 USD exchange rate between the euro and British pound sterling, we enter into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over a multi-year period to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes.

Derivative Instrument Credit Risk

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

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of September 30, 2022, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was \$2,418 million. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At September 30, 2022, we had received cash collateral from derivative instrument counterparties totaling \$398 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event

Table of Contents

of a downgrade of the Partnership's debt rating. At September 30, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at September 30, 2022 and changes in their fair values due to market risks. Certain of UGI Utilities' commodity derivative instruments are excluded from the table below because any associated net gains or losses are refundable to or recoverable from customers in accordance with UGI Utilities ratemaking.

(Millions of dollars)	Asset (Liability)	
	Fair Value	Change in Fair Value
September 30, 2022		
Commodity price risk (1)	\$ 1,715	\$ (353)
Interest rate risk (2)	\$ 66	\$ (11)
Foreign currency exchange rate risk (3)	\$ 117	\$ (47)

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

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

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

Critical Accounting Policies and Estimates

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

Goodwill Impairment Evaluation. Our goodwill is the result of business acquisitions. We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment (a component), if it constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Components are aggregated into a single reporting unit if they have similar economic characteristics. A reporting unit with goodwill is required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

For certain of our reporting units with goodwill, we assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. For our other reporting units with goodwill, we bypass the qualitative assessment and perform the quantitative assessment by comparing the fair values of the reporting units with their carrying amounts, including goodwill. We determine fair values generally based on a weighting of income and market approaches. For purposes of the income approach, fair values are determined based upon the present value of the reporting unit's estimated future cash flows, including an estimate of the reporting unit's terminal value based upon these cash flows, discounted at appropriate risk-adjusted rates. We use our internal forecasts to estimate future cash flows, which may include estimates of long-term future growth rates based upon our most recent reviews of the long-term outlook for each reporting unit. Cash flow estimates used to establish fair values under our income approach involve management judgments based on a broad range of information and historical results. In addition, external economic and competitive conditions can influence future performance. For purposes of the market approach, we use valuation multiples for companies comparable to our reporting units. The market approach requires judgment to determine the appropriate valuation multiples. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit. As of September 30, 2022, our goodwill totaled \$3,612 million. No impairments of goodwill were recorded during any of the periods presented.

With respect to the AmeriGas Propane reporting unit's Fiscal 2022 impairment test, we determined that AmeriGas Propane's fair value exceeded its carrying value by approximately 30%. While the Company believes that its judgments used in the quantitative assessment of AmeriGas Propane's fair value are reasonable based upon currently available facts and circumstances, if AmeriGas Propane were not able to achieve its anticipated results and/or if its weighted average cost of capital were to increase, its fair value would be adversely affected, which may result in an impairment. There is approximately \$2

[Table of Contents](#)

billion of goodwill in this reporting unit as of September 30, 2022. The Company will continue to monitor its reporting units and related goodwill for any possible future non-cash impairment charges.

Impairment of Long-Lived Assets. An impairment test for long-lived assets (or an asset group) is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we perform a recoverability test based upon estimated undiscounted cash flow projections expected to be realized over the remaining useful life of the long-lived asset. If the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, we determine its fair value. If the fair value is determined to be less than its carrying amount, the long-lived asset is reduced to its estimated fair value and an impairment loss is recognized in an amount equal to such shortfall. When determining whether a long-lived asset has been impaired, management groups assets at the lowest level that has identifiable cash flows. Performing an impairment test on long-lived assets involves judgment in areas such as identifying when a triggering event requiring evaluation occurs; identifying and grouping assets; and, if the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, determining the fair value of the long-lived asset. Although cash flow estimates are based upon relevant information at the time the estimates are made, estimates of future cash flows are by nature highly uncertain and contemplate factors that change over time such as the expected use of the asset including future production and sales volumes, expected fluctuations in prices of commodities and expected proceeds from disposition. See Note 5 to Consolidated Financial Statements for information on the impairment loss associated with the disposal of Conemaugh during the third quarter of Fiscal 2020. No other material provisions for impairments of long-lived assets were recorded during Fiscal 2022 or Fiscal 2021.

Loss Contingencies and Environmental Remediation Liabilities. We are involved in litigation that arises in the normal course of business, and we are subject to risk of loss for general, automobile and product liability and workers' compensation claims for which we obtain insurance coverage subject to self-insured retentions or deductibles. We are also subject to environmental laws and regulations intended to mitigate or remove the effects of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current or former operating sites.

We establish reserves for loss contingencies including pending litigation, and for pending and incurred but not reported claims associated with general and product liability, automobile and workers' compensation when it is probable that a liability exists and the amount or range of amounts related to such liability can be reasonably estimated. When no amount within a range of possible loss is a better estimate than any other amount within the range, liabilities recorded are based upon the low end of the range. With respect to unasserted claims arising from unreported incidents, we may use the work of specialists to estimate the ultimate losses to be incurred using actuarially determined loss development factors applied to actual claims data.

The likelihood of a loss with respect to a particular loss contingency is often difficult to predict. In addition, a reasonable estimate of the loss, or a range of possible loss, may not be practicable based upon the information available and the potential effects of future events and decisions by third parties that will determine the ultimate resolution of the loss contingency. Reasonable estimates involve management judgments based on a broad range of information and prior experience. For litigation and pending claims including those covered by insurance policies, the analysis of probable loss is performed on a case by case basis and includes an evaluation of the nature of the claim, the procedural status of the matter, the probability or likelihood of success in prosecuting or defending the claim, the information available with respect to the claim, the opinions and views of outside counsel and other advisors, and past experience in similar matters. These judgments are reviewed quarterly as more information is received, and the amounts reserved are updated as necessary. Our estimated reserves for loss contingencies and for pending and incurred but not reported claims associated with general and product liability, automobile and workers' compensation may differ materially from the ultimate liability and such reserves may change materially as more information becomes available and estimated reserves are adjusted.

We accrue reserves for environmental remediation when assessments indicate that it is probable a liability has been incurred and an amount can be reasonably estimated. Amounts recorded as environmental liabilities on the Consolidated Balance Sheets represent our best estimate of costs expected to be incurred or, if no best estimate can be made, the minimum liability associated with a range of expected environmental investigation and remediation costs. These estimates are based upon a number of factors including whether the company will be responsible for such remediation, the scope and cost of the remediation work to be performed, the portion of costs that will be shared with other potentially responsible parties, the timing of the remediation and possible impact of changes in technology, and the regulations and requirements of local governmental authorities. Our estimated reserves for environmental remediation may differ materially from the ultimate liability and such reserves may change materially as more information becomes available and estimated reserves are adjusted. PA Gas Utility receives ratemaking recognition of environmental investigation and remediation costs associated with its in-state environmental sites. This ratemaking recognition balances the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites.

Regulatory Assets and Liabilities. The accounting for our rate regulated gas and electric utility businesses differs from the accounting for nonregulated operations in that these businesses are required to reflect the effects of rate regulation in the consolidated financial statements. Regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated businesses. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Similarly, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred. We continually assess whether the regulatory assets are probable of future recovery by evaluating the regulatory environment, recent rate orders and public statements issued by the PAPUC, WVPSC and MDPSC, and discussions with regulatory authorities and legal counsel. If future recovery of regulatory assets ceases to be probable, the elimination of those regulatory assets would adversely impact our results of operations and cash flows. As of September 30, 2022, our regulatory assets and regulatory liabilities totaled \$340 million and \$335 million, respectively. For additional information on regulatory assets and liabilities, see Notes 2 and 9 to Consolidated Financial Statements.

Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Positions taken by an entity in its tax returns must satisfy a more-likely-than-not recognition threshold assuming the positions will be examined by tax authorities with full knowledge of relevant information. We use assumptions, judgments and estimates to determine our current provision for income taxes. We also use assumptions, judgments and estimates to determine our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. The interpretation of tax laws involves uncertainty since tax authorities may interpret the laws differently. Our assumptions, judgments and estimates relative to the current provision for income tax give consideration to current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation thereof and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income. Actual taxable income or future estimates of taxable income could render our current assumptions, judgments and estimates inaccurate. Changes in the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ significantly from our estimates. As of September 30, 2022, our net deferred tax liabilities totaled \$1,249 million.

Business Combination Purchase Price Allocations. From time to time, the Company enters into material business combinations. The purchase price is allocated to the various assets acquired and liabilities assumed at their estimated fair value as of the acquisition date with the residual of the purchase price allocated to goodwill. From time to time, we engage third-party valuation experts to assist us in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require management to make significant judgments, estimates and assumptions especially with respect to intangible assets. Management makes estimates of fair value based upon assumptions it believes to be reasonable. These estimates are based upon historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets include, but are not limited to, discount rates and expected future cash flows from and the economic lives of customer relationships, trade names, existing technology, and other intangible assets. Unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions or estimates. The allocation of the purchase price may be modified up to one year after the acquisition date, under certain circumstances, as more information is obtained about the fair value of assets acquired and liabilities assumed.

Recently Issued Accounting Pronouncements

See Note 3 to Consolidated Financial Statements for a discussion of the effects of recently issued accounting guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

“Quantitative and Qualitative Disclosures About Market Risk” are contained in Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations under the caption “Market Risk Disclosures” and are incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management’s Annual Report on Internal Control Over Financial Reporting included in Item 9A and the financial statements and financial statement schedules referred to in the Index contained on page F-2 of this Report are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) 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 September 30, 2022, were effective at the reasonable assurance level.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing, of the Company's internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria").

Internal control over financial reporting refers to the process, designed under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, and effected by the Company's Board of Directors, to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changing conditions, or the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2022, based on the COSO criteria. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of September 30, 2022. This report is set forth below.

(c) During the most recent fiscal quarter, no change in the Company's internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of UGI Corporation

Opinion on Internal Control over Financial Reporting

We have audited UGI Corporation and subsidiaries' internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UGI Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2022, and the related notes and the financial statement schedules listed in the Index at Item 15(a) and our report dated November 21, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
November 21, 2022

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable

PART III:

ITEMS 10 THROUGH 14.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12, 13 and 14 is incorporated in this Report by reference to the following portions of UGI’s Proxy Statement, which will be filed with the SEC by December 31, 2022.

	Information	Captions of Proxy Statement Incorporated by Reference
Item 10.	Directors, Executive Officers and Corporate Governance The Code of Business Conduct and Ethics is available without charge on the Company’s website, www.ugicorp.com under the caption “Company - Leadership and Governance - Governance Documents”, or by writing to Director, Investor Relations, UGI Corporation, P. O. Box 858, Valley Forge, PA 19482. We will disclose on the Company’s website any waiver from or amendment to the Code of Business Conduct and Ethics that applies to the Company’s principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the code of ethics definition in Item 406(b) of Regulations S-K.	Election of Directors - Nominees; Corporate Governance; Report of the Audit Committee of the Board of Directors
Item 11.	Executive Compensation	Compensation of Directors; Report of the Compensation and Management Development Committee of the Board of Directors; Compensation Discussion and Analysis; Compensation of Executive Officers; Compensation Committee Interlocks and Insider Participation
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Securities Ownership of Certain Beneficial Owners
Item 13.	Certain Relationships and Related Transactions, and Director Independence	Corporate Governance - Director Independence; Corporate Governance - Board and Committee Structure; Corporate Governance - Selection of Board Candidates; Policy for Approval of Related Person Transactions
Item 14.	Principal Accounting Fees and Services	Our Independent Registered Public Accounting Firm

[Table of Contents](#)

Equity Compensation Table

The following table sets forth information as of the end of Fiscal 2022 with respect to compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	9,004,896 (1)	\$ 42.16	18,015,916 (2)
	1,376,371 (3)	\$ 0	
Equity compensation plans not approved by security holders	—		
Total	10,381,267	\$ 42.16 (4)	

- (1) Represents 9,004,896 stock options under the UGI Corporation 2021 Incentive Award Plan, which supersedes and replaces the UGI Corporation 2013 Omnibus Incentive Compensation Plan. The UGI Corporation 2021 Incentive Award Plan was approved by shareholders on January 29, 2021.
- (2) Represents securities remaining for issuance under the UGI Corporation 2021 Incentive Award Plan. The UGI Corporation 2021 Incentive Award Plan uses a share pool under which each share issued pursuant to a stock option or stock appreciation right reduces the number of shares available by one share, and each share issued pursuant to awards other than stock options or stock appreciation rights reduces the number of shares available by three (3) shares.
- (3) Represents 1,376,371 restricted stock units under the UGI Corporation 2021 Incentive Award Plan.
- (4) Weighted-average exercise price of outstanding options; excludes restricted stock units.

The information concerning the Company’s executive officers required by Item 10 is set forth below.

EXECUTIVE OFFICERS

Name	Age	Position
Roger Perreault	58	President and Chief Executive Officer
Ted J. Jastrzebski	61	Chief Financial Officer
Robert F. Beard, Jr.	57	Executive Vice President, Natural Gas, Global Engineering & Construction and Procurement; Chief Executive Officer, UGI Utilities, Inc.; Chief Executive Officer, Mountaineer Gas Company
Monica M. Gaudiosi	59	Vice President, General Counsel and Secretary
John Koerwer	62	Chief Information Officer
Jean Felix Tematio Dontsop	46	Vice President - Chief Accounting Officer and Corporate Controller
Judy A. Zagorski	59	Chief Human Resources Officer

All officers are elected for a one-year term at the organizational meeting of the Board of Directors held each year.

There are no family relationships between any of the officers or between any of the officers and any of the directors.

Table of Contents

Roger Perreault

Mr. Perreault is a Director and President and Chief Executive Officer of UGI Corporation (since June 2021). Mr. Perreault previously served as Executive Vice President, Global LPG (2018 to 2021) and President - UGI International, LLC (from 2015 to 2021). Prior to joining UGI Corporation, Mr. Perreault held various positions at Air Liquide, an industrial gases company he joined in 1994, and served in various leadership positions from 2008 to 2014, including in a global role as President, Large Industries with international responsibilities and, prior to that, in a role with responsibility for Air Liquide's North American large industries business. Prior to joining Air Liquide, Mr. Perreault was a chemical engineer and operations manager with I.C.I. in Quebec, Canada.

Ted J. Jastrzebski

Mr. Jastrzebski is Chief Financial Officer of UGI Corporation (since 2018). Mr. Jastrzebski previously served as Principal Financial Officer of AmeriGas Propane, Inc. (2018 to 2019). From 2013 until 2018, Mr. Jastrzebski served as Executive Vice President and Chief Financial Officer of Qurate Retail Group, which is comprised of QVC, HSN, Cornerstone Brands, and Zulily. Previously, Mr. Jastrzebski held various positions at The Hershey Company, including Senior Vice President and President, Hershey Americas (2011 to 2013), Senior Vice President and President, Hershey International (2007 to 2010) and Vice President, Finance, Hershey International (2004 to 2007). Mr. Jastrzebski also served as Senior Vice President, Finance, IT and Administration and Chief Financial Officer of CARE (2002 to 2004) and as Vice President and Chief Financial Officer of Project Hope (1999 to 2002).

Robert F. Beard, Jr.

Mr. Beard is Executive Vice President, Natural Gas, Global Engineering & Construction and Procurement of UGI Corporation (since 2021), Chief Executive Officer of UGI Utilities, Inc. (since 2011) and Chief Executive Officer of Mountaineer Gas Company (Since 2021). He held the title of Executive Vice President, Natural Gas of UGI Corporation (2018 to 2021) and previously served as President (2011 to September 2020), Vice President - Marketing, Rates and Gas Supply (2010 to 2011) and Vice President - Southern Region (2008 to 2010) of UGI Utilities, Inc. From 2006 until 2008, Mr. Beard served as Vice President - Operations and Engineering of PPL Gas Utilities Corporation and, from 2002 until 2006, he served as Director - Operations and Engineering of PPL Gas Utilities Corporation.

Monica M. Gaudiosi

Ms. Gaudiosi is the Vice President, General Counsel and Secretary of UGI Corporation (since 2012). Prior to joining UGI Corporation, Ms. Gaudiosi served as Senior Vice President and General Counsel (2007 to 2012) and Senior Vice President and Associate General Counsel (2005 to 2007) of Southern Union Company. Prior to joining Southern Union Company in 2005, Ms. Gaudiosi held various positions with General Electric Capital Corporation (1997 to 2005). Before joining General Electric Capital Corporation, Ms. Gaudiosi was an associate at the law firms of Hunton & Williams (1994 to 1997) and Sutherland, Asbill & Brennan (1988 to 1994).

John Koerwer

Mr. Koerwer is the Chief Information Officer of UGI Corporation (since 2020). Mr. Koerwer joined UGI as Vice President, Information Technology, for UGI International in 2016 and later was named Group CIO for UGI Corporation, responsible for the global IT strategy, operations, products and services to support both the domestic and international businesses units. Previously, Mr. Koerwer served in multiple IT/IS leadership roles for The Linde Group, a multi-national industrial gas company based in Munich, Germany.

Jean Felix Tematio Dontsop

Mr. Tematio Dontsop is the Vice President, Chief Accounting Officer and Controller of UGI Corporation (since July 2021). Mr. Tematio Dontsop most recently served as Vice President of Internal Audit for West Pharmaceuticals Services, Inc. in Exton, Pennsylvania (July 2020 to June 2021). Previously, he held several roles of increasing responsibility over fifteen years with PricewaterhouseCoopers, based in Philadelphia, Pennsylvania and Paris, France, including Audit Director (2019 to 2020) and Audit Senior Manager (2011 to 2019). Mr. Tematio Dontsop also worked earlier in his career as an auditor for KPMG, based in Paris.

Table of Contents

Judy A. Zagorski

Ms. Zagorski is the Chief Human Resources Officer of UGI Corporation (since September 2020). Previously, Ms. Zagorski served as Executive Vice President, Global Human Resources & CHRO at Church & Dwight, a major manufacturer of household products headquartered in Ewing, New Jersey (2017 to 2020). Prior to joining Church & Dwight, Ms. Zagorski held the positions of Senior Vice President - Human Resources and Vice President - Human Resources, Development and Strategy at BASF (2011 to 2017).

PART IV:

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

(1) Financial Statements:

Included under Item 8 are the following financial statements and supplementary data:

Management's Annual Report on Consolidated Financial Statements and Schedules

Report of Independent Registered Public Accounting Firm (PCAOB ID:42) (on Consolidated Financial Statements and Schedules)

Consolidated Balance Sheets as of September 30, 2022 and 2021

Consolidated Statements of Income for the years ended September 30, 2022, 2021 and 2020

Consolidated Statements of Comprehensive Income for the years ended September 30, 2022, 2021 and 2020

Consolidated Statements of Cash Flows for the years ended September 30, 2022, 2021 and 2020

Consolidated Statements of Changes in Equity for the years ended September 30, 2022, 2021 and 2020

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

I — Condensed Financial Information of Registrant (Parent Company)

II — Valuation and Qualifying Accounts for the years ended September 30, 2022, 2021 and 2020

We have omitted all other financial statement schedules because the required information is (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) included elsewhere in the financial statements or related notes.

(3) List of 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 registration number or last date of the period for which it was filed, and the exhibit number in such filing):

Incorporation by Reference

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Registrant</u>	<u>Filing</u>	<u>Exhibit</u>
3.1	<u>(Second) Amended and Restated Articles of Incorporation of the Company as amended through June 6, 2005.</u>	UGI	Form 10-Q (6/30/05)	3.1

Table of Contents

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
3.2	<u>Articles of Amendment to the Amended and Restated Articles of Incorporation of UGI Corporation.</u>	UGI	Form 8-K (7/29/14)	3.1
3.3	<u>Bylaws of UGI Corporation, amended and restated as of July 25, 2017.</u>	UGI	Form 8-K (7/31/17)	3.1
3.4	<u>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.</u>	UGI	Form 8-K (5/25/21)	3.1
3.5	<u>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.</u>	UGI	Form 8-K (5/25/21)	3.2
4.1	Instruments defining the rights of security holders, including indentures. (The Company agrees to furnish to the Commission upon request a copy of any instrument defining the rights of holders of long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K).			
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended.	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI Corporation's (Second) Amended and Restated Articles of Incorporation, as amended, and Bylaws referred to in 3.1, 3.2, and 3.3 above.			
4.4	Indenture, dated as of August 1, 1993, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, as successor trustee, incorporated by reference to the Registration Statement on Form S-3 filed on April 8, 1994.	Utilities	Registration Statement No. 33-77514 (4/8/94)	4(c)

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
4.5	<u>Supplemental Indenture, dated as of September 15, 2006, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, successor trustee to Wachovia Bank, National Association.</u>	Utilities	Form 8-K (9/12/06)	4.2
4.6	<u>Form of Note Purchase Agreement dated October 30, 2013 between the Company and the purchasers listed as signatories thereto.</u>	Utilities	Form 8-K (10/30/13)	4.1
4.7	<u>Note Purchase Agreement dated April 22, 2016 between the Company and the purchasers listed as signatories thereto.</u>	Utilities	Form 8-K (4/28/16)	4.1
4.8	<u>Indenture, dated as of June 27, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee.</u>	AmeriGas Partners, L.P.	Form 8-K (6/27/16)	4.1
4.9	<u>First Supplemental Indenture, dated as of June 27, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee.</u>	AmeriGas Partners, L.P.	Form 8-K (6/27/16)	4.2
4.10	<u>Second Supplemental Indenture, dated as of December 28, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee (including form of global note).</u>	AmeriGas Partners, L.P.	Form 8-K (12/28/16)	4.1
4.11	<u>Third Supplemental Indenture, dated as of February 13, 2017, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee (including form of global note).</u>	AmeriGas Partners, L.P.	Form 8-K (2/13/17)	4.1
4.12	<u>Indenture, dated as of October 25, 2018, by and among International, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, as registrar and transfer agent, and Elavon Financial Services DAC, UK Branch, as paying agent (including the form of Note).</u>	UGI	Form 8-K (10/25/18)	4.1

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
4.13	<u>Indenture, dated as of December 7, 2021, by and among UGI International, LLC, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, as registrar and transfer agent, and Elavon Financial Services DAC, UK Branch, as paying agent (including the form of Note).</u>	UGI	Form 8-K (12/7/21)	4.1
4.14	<u>Form of Note Purchase Agreement dated December 21, 2018 between the Company and the purchasers listed as signatories thereto.</u>	UGI	Form 10-Q (12/31/18)	4.1
4.15	<u>Note Purchase Agreement, dated as of March 19, 2020, by and among the Company and the purchasers listed as signatories thereto.</u>	UGI	Form 8-K (3/19/20)	4.1
4.16	<u>Note Purchase Agreement, dated May 7, 2021, by and among UGI Utilities, Inc. and the purchasers listed as signatories thereto.</u>	UGI	Form 8-K (5/4/21)	4.1
4.17	<u>Note Purchase Agreement, dated June 30, 2022, by and among UGI Utilities, Inc. and the purchasers listed as signatories thereto.</u>	UGI	Form 8-K (6/30/22)	4.1
4.18	<u>Note Purchase Agreement, dated June 30, 2022, by and among Mountaineer Gas Company and the purchasers listed as signatories thereto.</u>	UGI	Form 8-K (6/30/22)	4.2
4.19	<u>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.</u>	UGI	Form 8-K (5/25/21)	4.1
4.20	<u>Form of Corporate Unit (included as Exhibit A to Exhibit 4.19 hereto).</u>	UGI	Form 8-K (5/25/21)	4.2
4.21	<u>Form of Treasury Unit (included as Exhibit B to Exhibit 4.19 hereto).</u>	UGI	Form 8-K (5/25/21)	4.3
4.22	<u>Form of Cash Settled Unit (included as Exhibit C to Exhibit 4.19 hereto).</u>	UGI	Form 8-K (5/25/21)	4.4
4.23	<u>Form of Series A Cumulative Perpetual Convertible Preferred Stock Certificate.</u>	UGI	Form 8-K (5/25/21)	4.5
4.24	<u>Form of Series B Cumulative Perpetual Preferred Stock Certificate.</u>	UGI	Form 8-K (5/25/21)	4.6

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
4.25	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	UGI	Form 10-K (9/30/21)	4.22
10.1**	UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of September 5, 2014.	UGI	Form 10-K (9/30/16)	10.25
10.2**	UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of September 5, 2014 - Terms and Conditions as effective January 1, 2016.	UGI	Form 10-K (9/30/16)	10.26
10.3**	UGI Corporation 2009 Deferral Plan, as Amended and Restated effective June 15, 2017.	UGI	Form 10-Q (6/30/17)	10.6
10.4**	UGI Corporation 2009 Supplemental Executive Retirement Plan for New Employees, as Amended and Restated as of June 15, 2017.	UGI	Form 10-Q (6/30/17)	10.1
10.5**	UGI Corporation 2013 Omnibus Incentive Compensation Plan, effective as of September 5, 2014.	UGI	Form 10-K (9/30/16)	10.30
10.6**	UGI Corporation 2013 Omnibus Incentive Compensation Plan, Terms and Conditions for Non-Employee Directors, effective January 1, 2019.	UGI	Form 10-Q (3/31/19)	10.6
10.7**	UGI Corporation Supplemental Executive Retirement Plan and Supplemental Savings Plan, as Amended and Restated effective April 1, 2015.	UGI	Form 10-K (9/30/17)	10.26
10.8**	UGI Corporation Executive Annual Bonus Plan as amended November 15, 2018.	UGI	Form 10-Q (3/31/19)	10.7
10.9**	UGI Corporation 2021 Incentive Award Plan.	UGI	Form S-8 (2/4/21)	4.4
*10.10**	UGI Corporation 2021 Incentive Award Plan, Terms and Conditions for Non-Employee Directors, effective February 1, 2021.			
10.11**	UGI Corporation Executive Severance Plan, as effective October 1, 2021.	UGI	Form 8-K (9/29/21)	10.1
10.12**	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan, Nonqualified Stock Option Grant Letter for all US Employees.	UGI	Form 10-Q (3/31/21)	10.1

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.13**	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Performance Unit Grant Letter for all US Employees.	UGI	Form 10-Q (3/31/21)	10.2
10.14**	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Stock Unit Grant Letter for all US Employees.	UGI	Form 10-Q (3/31/21)	10.3
10.15**	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Nonqualified Stock Option Grant Letter for Non-Employee Directors.	UGI	Form 10-Q (3/31/21)	10.4
10.16**	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Stock Unit Grant Letter for Non-Employee Directors.	UGI	Form 10-Q (3/31/21)	10.5
*10.17**	Form of UGI Corporation 2021 Incentive Award Plan Nonqualified Stock Option Grant Letter for Non-Employee Directors.			
*10.18**	Form of UGI Corporation 2021 Incentive Award Plan Restricted Stock Unit Grant Letter for Non-Employee Directors.			
10.19**	Form of UGI Corporation 2021 Incentive Award Plan Nonqualified Stock Option Grant Letter for all US Employees.	UGI	Form 10-Q (6/30/21)	10.1
10.20**	Form of UGI Corporation 2021 Incentive Award Plan Performance Unit Grant Letter for all US Employees.	UGI	Form 10-Q (6/30/21)	10.2
10.21**	Form of UGI Corporation 2021 Incentive Award Plan Stock Unit Grant Letter for all US Employees.	UGI	Form 10-Q (6/30/21)	10.3
10.22**	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Ted J. Jastrzebski.	UGI	Form 10-Q (6/30/18)	10.1
10.23**	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Mr. Roger Perreault.	UGI	Form 10-Q (6/30/21)	10.4

[Table of Contents](#)

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.24**	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Mr. Robert F. Beard.	UGI	Form 10-K (9/30/20)	10.27
10.25**	Form of Change in Control Agreement between UGI Utilities, Inc. and Mr. Robert F. Beard.	UGI	Form 10-K (9/30/20)	10.28
10.26**	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Ms. Judy Zagorski.	UGI	Form 10-K (9/30/21)	10.31
10.27**	Form of Change in Control Agreement between UGI Corporation and Messrs. Perreault and Jastrzebski and Mses. Gaudiosi and Zagorski.	UGI	Form 10-K (9/30/21)	10.32
10.28	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	UGI	Form 10-K (9/30/10)	10.37
10.29	First Amendment, dated as of November 18, 2015, to Trademark License Agreement, dated April 19, 1995, by and among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P., and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/15)	10.40
10.30	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (12/31/10)	10.1
10.31	Form of Receivables Purchase Agreement, dated as of November 30, 2001, as amended through and including Amendment No. 18 thereto dated October 27, 2017, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.	UGI	Form 10-K (9/30/17)	10.38

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.32	<u>Amendment No. 19, dated as of October 26, 2018, to Receivables Purchase Agreement, dated as of November 30, 2001 (as amended, supplemented or modified from time to time), by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</u>	UGI	Form 8-K (10/26/18)	10.1
10.33	<u>Amendment No. 20, dated as of October 25, 2019, to Receivables Purchase Agreement, dated as of November 30, 2001 (as amended, supplemented or modified from time to time), by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</u>	UGI	Form 8-K (10/25/19)	10.1
10.34	<u>Amendment No. 21, dated as of October 23, 2020, to Receivables Purchase Agreement, dated as of November 30, 2001, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</u>	UGI	Form 8-K (10/23/20)	10.1
10.35	<u>Amendment No. 22, dated as of October 22, 2021, to Receivables Purchase Agreement, dated as of November 30, 2001, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</u>	UGI	Form 8-K (10/22/21)	10.1
10.36	<u>Amendment No. 23, dated as of October 21, 2022, to Receivables Purchase Agreement, dated as of November 30, 2001, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</u>	UGI	Form 8-K (10/20/22)	10.2

[Table of Contents](#)

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.37	Form of Purchase and Sale Agreement, dated as of November 30, 2001, as amended through and including Amendment No. 4 thereto dated October 1, 2013, by and between UGI Energy Services, LLC and Energy Services Funding Corporation.	UGI	Form 10-K (9/30/17)	10.39
10.38	FSS Service Agreement No. 79028 effective as of December 1, 2019 by and between Columbia Gas Transmission, LLC and UGI Utilities, Inc.	UGI	Form 10-K (9/30/19)	10.40
10.39	SST Service Agreement No. 79133 effective as of December 1, 2019 by and between Columbia Gas Transmission, LLC and UGI Utilities, Inc.	UGI	Form 10-K (9/30/19)	10.41
10.40	Gas Supply and Delivery Service Agreement between UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2015.	Utilities	Form 10-K (9/30/16)	10.19
10.41	First Amendment, dated November 1, 2020, to Gas Supply and Delivery Service Agreement First Amendment, dated November 1, 2020, to Gas Supply and Delivery Service Agreement between UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2015. UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2015.	UGI	Form 10-K (9/30/20)	10.41
10.42	Gas Supply and Delivery Service Agreement between UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2020.	UGI	Form 10-K (9/30/20)	10.42
10.43	Gas Supply and Delivery Service Agreement between UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2021.	UGI	Form 10-K (9/30/21)	10.47
10.44	Credit Agreement, dated October 31, 2017, by and among UGI Utilities, Inc., PNC Bank National Association, as administrative agent, The Bank of New York Mellon, as syndication agent, and certain other lenders named therein.	Utilities	Form 8-K (10/31/17)	10.1

[Table of Contents](#)

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.45	First Amendment to Credit Agreement, dated July 12, 2022, by and among UGI Utilities, Inc., the lenders party thereto and PNC Bank, National Association, as administrative agent.	UGI	Form 8-K (7/21/22)	10.1
10.46	Credit Agreement, dated as of June 27, 2019, by and among UGI Utilities, Inc., as borrower, PNC Bank, National Association, as administrative agent, Citizens Bank, N.A., as syndication agent, and the lenders party thereto.	UGI	Form 10-Q (6/30/19)	10.1
10.47	Multicurrency Facilities Agreement, effective October 25, 2018, among International, as borrower, Natixis, as agent, mandated lead arranger, bookrunner and coordinator, Barclays Bank Plc, BNP Paribas, Credit Agricole Corporate and Investment Bank, HSBC France, ING Bank N.V., French Branch, Mediobanca International (Luxembourg) S.A., Raiffeisen Bank International AG and Societe Generale Corporate and Investment Banking, as mandated lead arrangers, and certain other lenders.	UGI	Form 8-K (10/25/18)	4.2
10.48	Credit Agreement, dated as of August 13, 2019, by and among UGI Energy Services, LLC, as borrower, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the lenders party thereto.	UGI	Form 8-K (8/13/19)	10.1
10.49	Third Amended and Restated Credit Agreement, dated as of March 6, 2020, by and among UGI Energy Services, LLC, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, PNC Bank, National Association, as syndication agent, and Wells Fargo Bank, National Association, as documentation agent.	UGI	Form 8-K (3/6/20)	10.1

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.50	<u>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.</u>	UGI	Form 8-K (5/4/21)	10.1
10.51	<u>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.</u>	UGI	Form 10-Q (6/30/21)	10.6
10.52	<u>Credit Agreement, dated as of September 28, 2022, by and among AmeriGas Propane, L.P., AmeriGas Propane, Inc., the lenders from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent.</u>	UGI	Form 8-K (9/28/22)	10.1
10.53	<u>Third Amendment to Third Amended and Restated Credit Agreement, dated as of October 20, 2022, by and among Mountaineer Gas Company, as borrower, the lenders party thereto and Truist Bank, as administrative agent, letter of credit issuer and swing line lender</u>	UGI	Form 8-K (10/20/22)	10.1
14	<u>Code of Business Conduct and Ethics.</u>	UGI	Form 10-K (9/30/21)	14
*21	<u>Subsidiaries of the Registrant.</u>			
*23	<u>Consent of Ernst & Young LLP</u>			
*31.1	<u>Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>			
*31.2	<u>Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>			

Table of Contents

Incorporation by Reference

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
*32	<u>Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>			
*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			

* Filed herewith.

** As required by Item 15(a)(3), this exhibit is identified as a compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit No.	Description
10.10	UGI Corporation 2021 Incentive Award Plan, Terms and Conditions for Non-Employee Directors, effective February 1, 2021.
10.17	Form of UGI Corporation 2021 Incentive Award Plan Nonqualified Stock Option Grant Letter for Non-Employee Directors.
10.18	Form of UGI Corporation 2021 Incentive Award Plan Restricted Stock Unit Grant Letter for Non-Employee Directors.
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2022, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: November 21, 2022

By: /s/ Ted J. Jastrzebski

Ted J. Jastrzebski
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on November 21, 2022, by the following persons on behalf of the Registrant in the capacities indicated.

Signature	Title
<u>/s/ Roger Perreault</u> Roger Perreault	President and Chief Executive Officer (Principal Executive Officer) and Director
<u>/s/ Ted J. Jastrzebski</u> Ted J. Jastrzebski	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Jean Felix Tematio Dontsop</u> Jean Felix Tematio Dontsop	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
<u>/s/ Frank S. Hermance</u> Frank S. Hermance	Chairman and Director
<u>/s/ M. Shawn Bort</u> M. Shawn Bort	Director
<u>/s/ Theodore A. Dosch</u> Theodore A. Dosch	Director
<u>/s/ Alan N. Harris</u> Alan N. Harris	Director
<u>/s/ Mario Longhi</u> Mario Longhi	Director
<u>/s/ William J. Marrazzo</u> William J. Marrazzo	Director
<u>/s/ Cindy J. Miller</u> Cindy J. Miller	Director
<u>/s/ Kelly A. Romano</u> Kelly A. Romano	Director
<u>/s/ James B. Stallings, Jr.</u> James B. Stallings, Jr.	Director
<u>/s/ John L. Walsh</u> John L. Walsh	Director

UGI CORPORATION AND SUBSIDIARIES
FINANCIAL INFORMATION
FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K
YEAR ENDED SEPTEMBER 30, 2022

Table of Contents

UGI CORPORATION AND SUBSIDIARIES INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

	<u>Pages</u>
<u>Management's Annual Report on Consolidated Financial Statements and Schedules</u>	F-3
<u>Financial Statements:</u>	
<u>Report of Independent Registered Public Accounting Firm (on Consolidated Financial Statements and Schedules)</u>	F-4
<u>Consolidated Balance Sheets as of September 30, 2022 and 2021</u>	F-6
<u>Consolidated Statements of Income for the years ended September 30, 2022, 2021 and 2020</u>	F-7
<u>Consolidated Statements of Comprehensive Income for the years ended September 30, 2022, 2021 and 2020</u>	F-8
<u>Consolidated Statements of Cash Flows for the years ended September 30, 2022, 2021 and 2020</u>	F-9
<u>Consolidated Statements of Changes in Equity for the years ended September 30, 2022, 2021 and 2020</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-11
<u>Financial Statement Schedules:</u>	
For the years ended September 30, 2022, 2021 and 2020:	
<u>I — Condensed Financial Information of Registrant (Parent Company)</u>	S-1
<u>II — Valuation and Qualifying Accounts</u>	S-4

We have omitted all other financial statement schedules because the required information is either (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) included elsewhere in the financial statements or related notes.

Management’s Annual Report on Consolidated Financial Statements and Schedules

The Company’s consolidated financial statements and other financial information contained in this Annual Report were prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with GAAP and include amounts that are based on management’s best judgments and estimates.

The Audit Committee of the Board of Directors (the “Committee”) is composed of three members, each of whom is independent and a non-employee director of the Company. The Committee is responsible for monitoring and overseeing the financial reporting process, the adequacy of internal accounting controls, and the independence and performance of the Company’s independent registered public accounting firm and internal auditors. The Committee meets regularly, with and without management present, with the independent registered public accounting firm and the internal auditors, both of which report directly to the Committee. In addition, the Committee provides regular reports to the Board of Directors.

/s/ Roger Perreault
Chief Executive Officer

/s/ Ted J. Jastrzebski
Chief Financial Officer

/s/ Jean Felix Tematio Dontsop
Chief Accounting Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of UGI Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries (the Company) as of September 30, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2022, and the related notes and the financial statement schedules listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 21, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of general liability, automobile and workers' compensation reserves

Description of the Matter

As discussed in Note 2 to the consolidated financial statements, the Company is subject to risk of loss for general liability, automobile and workers' compensation claims for which it obtains coverage under insurance policies that are subject to self-insured retentions or deductibles. The Company establishes reserves for pending and incurred but not reported claims associated with general liability, automobile and workers' compensation when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated.

Auditing the Company's general liability, automobile and workers' compensation reserves was complex and required us to involve our actuarial specialists due to the significant measurement uncertainty associated with the estimate and the use of actuarial methods. In addition, the reserve estimate is sensitive to significant management assumptions, including the loss development factors for reported claims.

Table of Contents

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's valuation of general liability, automobile and workers' compensation reserves. For example, we tested controls over management's review of the appropriateness of the assumptions used in the calculations and the completeness and accuracy of the data underlying the reserves.

To test the valuation of general liability, automobile and workers' compensation reserves, our audit procedures included, among others, assessing the methodologies used to estimate the reserves and testing the completeness and accuracy of the underlying data. We involved our actuarial specialists to assist in evaluating the significant assumptions and actuarial methodologies used by the Company to estimate the total expected losses for claims. We also performed a search for unrecorded claims reserves related to claims incurred prior to the balance sheet date through examination of subsequent payments and other supporting documentation to determine if unrecorded claims affect the loss reserve estimation process or reserve balance.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Philadelphia, Pennsylvania

November 21, 2022

[Table of Contents](#)

UGI CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Millions of dollars)

	September 30,	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 405	\$ 855
Restricted cash	64	22
Accounts receivable (less allowances for doubtful accounts of \$64 and \$53, respectively)	1,127	880
Accrued utility revenues	23	15
Income taxes receivable	128	128
Inventories	665	469
Derivative instruments	865	665
Prepaid expenses	110	135
Held for sale assets (Note 25)	295	—
Other current assets	120	101
Total current assets	<u>3,802</u>	<u>3,270</u>
Property, plant and equipment		
Non-utility	6,656	6,486
Utility	5,550	5,022
	<u>12,206</u>	<u>11,508</u>
Accumulated depreciation	(4,166)	(3,950)
Net property, plant, and equipment	<u>8,040</u>	<u>7,558</u>
Goodwill	3,612	3,770
Intangible assets, net	500	583
Utility regulatory assets	301	373
Derivative instruments	565	338
Other assets	755	831
Total assets	<u>\$ 17,575</u>	<u>\$ 16,723</u>
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 149	\$ 110
Short-term borrowings	368	367
Accounts payable	891	837
Employee compensation and benefits accrued	147	181
Deposits and advances	225	208
Derivative instruments	144	60
Held for sale liabilities (Note 25)	19	—
Other current liabilities	501	534
Total current liabilities	<u>2,444</u>	<u>2,297</u>
Noncurrent liabilities		
Long-term debt	6,483	6,339
Deferred income taxes	1,305	1,137
Derivative instruments	50	38
Other noncurrent liabilities	1,219	1,381
Total liabilities	<u>11,501</u>	<u>11,192</u>
Commitments and contingencies (Note 17)		
Equity:		
UGI Corporation stockholders' equity:		
Preferred Stock, without par value (authorized 5,000,000 shares; issued 220,000 and 220,000 Series A shares, respectively)	162	213
UGI Common Stock, without par value (authorized – 450,000,000 shares; issued – 210,560,494 and 209,843,296 shares, respectively)	1,483	1,394
Retained earnings	4,841	4,081
Accumulated other comprehensive loss	(380)	(140)
Treasury stock, at cost	(40)	(26)
Total UGI Corporation stockholders' equity	<u>6,066</u>	<u>5,522</u>
Noncontrolling interests	8	9
Total equity	<u>6,074</u>	<u>5,531</u>
Total liabilities and equity	<u>\$ 17,575</u>	<u>\$ 16,723</u>

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

UGI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2022	2021	2020
Revenues	\$ 10,106	\$ 7,447	\$ 6,559
Costs and expenses:			
Cost of sales (excluding depreciation and amortization shown below)	5,973	2,614	3,149
Operating and administrative expenses	2,028	2,014	1,911
Loss on disposals of Conemaugh and HVAC	—	—	54
Depreciation and amortization	518	502	484
Other operating income, net	(79)	(33)	(21)
	<u>8,440</u>	<u>5,097</u>	<u>5,577</u>
Operating income	1,666	2,350	982
(Loss) income from equity investees	(14)	(63)	27
Loss on extinguishments of debt	(11)	—	—
Other non-operating income (expense), net	75	12	(20)
Interest expense	(329)	(310)	(322)
Income before income taxes	1,387	1,989	667
Income tax expense	(313)	(522)	(135)
Net income including noncontrolling interests	1,074	1,467	532
Deduct net income attributable to noncontrolling interests	(1)	—	—
Net income attributable to UGI Corporation	<u>\$ 1,073</u>	<u>\$ 1,467</u>	<u>\$ 532</u>
Earnings per common share attributable to UGI Corporation stockholders:			
Basic	<u>\$ 5.11</u>	<u>\$ 7.02</u>	<u>\$ 2.55</u>
Diluted	<u>\$ 4.97</u>	<u>\$ 6.92</u>	<u>\$ 2.54</u>
Weighted-average common shares outstanding (thousands):			
Basic	<u>209,940</u>	<u>209,063</u>	<u>208,928</u>
Diluted	<u>215,821</u>	<u>212,126</u>	<u>209,869</u>

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

UGI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Millions of dollars)

	Year Ended September 30,		
	2022	2021	2020
Net income including noncontrolling interests	\$ 1,074	\$ 1,467	\$ 532
Net gains (losses) on derivative instruments (net of tax of \$(27), \$(1), and \$15, respectively)	64	3	(38)
Reclassifications of net losses on derivative instruments (net of tax of \$(1), \$(7), and \$(4), respectively)	6	18	9
Foreign currency translation adjustments (net of tax of \$(55), \$(4), and \$12, respectively)	(193)	(11)	15
Foreign currency (losses) gains on long-term intra-company transactions	(148)	(12)	84
Benefit plans, principally actuarial gains (losses) (net of tax of \$(10), \$(3), and \$1, respectively)	28	7	(3)
Reclassifications of benefit plans actuarial losses and net prior service benefit (net of tax of \$(1), \$(1), and \$(1), respectively)	3	2	3
Other comprehensive (loss) income	(240)	7	70
Comprehensive income including noncontrolling interests	834	1,474	602
Deduct comprehensive income attributable to noncontrolling interests	(1)	—	—
Comprehensive income attributable to UGI Corporation	<u>\$ 833</u>	<u>\$ 1,474</u>	<u>\$ 602</u>

See accompanying Notes to Consolidated Financial Statements.

UGI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income including noncontrolling interests	\$ 1,074	\$ 1,467	\$ 532
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	518	502	484
Deferred income tax expense, net	221	478	146
Provision for uncollectible accounts	61	36	32
Changes in unrealized gains on derivative instruments	(648)	(1,398)	(81)
Loss on disposals of Conemaugh and HVAC	—	—	54
Equity-based compensation expense	15	21	15
Loss on extinguishments of debt	11	—	—
Loss (income) from equity investees	14	63	(27)
Other, net	3	31	21
Net change in:			
Accounts receivable and accrued utility revenues	(431)	(233)	(18)
Income taxes receivable	—	(48)	(80)
Inventories	(224)	(231)	(5)
Utility deferred fuel costs, net of changes in unsettled derivatives	(24)	(22)	17
Accounts payable	85	366	3
Derivative instruments collateral (paid) received	(9)	472	22
Other current assets	54	(10)	38
Other current liabilities	(4)	(13)	(51)
Net cash provided by operating activities	<u>716</u>	<u>1,481</u>	<u>1,102</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(804)	(690)	(655)
Acquisitions of businesses and assets, net of cash and restricted cash acquired	(242)	(397)	(16)
Investments in equity method investees	(47)	(65)	—
Settlements of net investment hedges	26	—	—
Other, net	55	39	22
Net cash used by investing activities	<u>(1,012)</u>	<u>(1,113)</u>	<u>(649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends on UGI Common Stock	(296)	(282)	(273)
Issuances of debt, net of issuance costs	1,257	656	209
Repayments of debt and finance leases	(978)	(405)	(86)
Receivables Facility net repayments	—	(19)	(27)
Increase (decrease) in short-term borrowings	1	(16)	(422)
Issuances of preferred stock, net of issuance costs	—	213	—
Issuances of UGI Common Stock	19	19	2
Repurchases of UGI Common Stock	(38)	—	(38)
Payments on Purchase Contracts	(16)	—	—
Net cash (used) provided by financing activities	<u>(51)</u>	<u>166</u>	<u>(635)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(61)</u>	<u>(14)</u>	<u>28</u>
Cash, cash equivalents and restricted cash (decrease) increase	<u>\$ (408)</u>	<u>\$ 520</u>	<u>\$ (154)</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash, cash equivalents and restricted cash at end of year	\$ 469	\$ 877	\$ 357
Cash, cash equivalents and restricted cash at beginning of year	<u>877</u>	<u>357</u>	<u>511</u>
Cash, cash equivalents and restricted cash (decrease) increase	<u>\$ (408)</u>	<u>\$ 520</u>	<u>\$ (154)</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for:			
Interest	\$ 320	\$ 297	\$ 311
Income taxes	\$ 61	\$ 96	\$ 75

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

UGI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2022	2021	2020
Preferred stock, without par value			
Balance, beginning of year	\$ 213	\$ —	\$ —
Issuance of preferred stock	—	213	—
Beneficial conversion feature	1	—	—
Other	(52)	—	—
Balance, end of year	<u>\$ 162</u>	<u>\$ 213</u>	<u>\$ —</u>
Common stock, without par value			
Balance, beginning of year	\$ 1,394	\$ 1,416	\$ 1,397
Common Stock issued in connection with employee and director plans, net of tax withheld	19	9	2
Equity-based compensation expense	17	16	17
Issuance of Equity Units - 2024 Purchase Contracts	—	(45)	—
Other	53	(2)	—
Balance, end of year	<u>\$ 1,483</u>	<u>\$ 1,394</u>	<u>\$ 1,416</u>
Retained earnings			
Balance, beginning of year	\$ 4,081	\$ 2,908	\$ 2,653
Net income attributable to UGI Corporation	1,073	1,467	532
Cash dividends on common stock (\$1.41, \$1.35, and \$1.31 per share, respectively)	(296)	(282)	(273)
Losses on treasury stock transactions in connection with employee and director plans	(17)	(12)	(4)
Balance, end of year	<u>\$ 4,841</u>	<u>\$ 4,081</u>	<u>\$ 2,908</u>
Accumulated other comprehensive income (loss)			
Balance, beginning of year	\$ (140)	\$ (147)	\$ (217)
Net gains (losses) on derivative instruments	64	3	(38)
Reclassification of net losses on derivative instruments	6	18	9
Benefit plans, principally actuarial gains (losses)	28	7	(3)
Reclassification of benefit plans actuarial losses and net prior service benefits	3	2	3
Foreign currency (losses) gains on long-term intra-company transactions	(148)	(12)	84
Foreign currency translation adjustments	(193)	(11)	15
Balance, end of year	<u>\$ (380)</u>	<u>\$ (140)</u>	<u>\$ (147)</u>
Treasury stock			
Balance, beginning of year	\$ (26)	\$ (49)	\$ (16)
Common Stock issued in connection with employee and director plans, net of tax withheld	34	24	8
Repurchases of common stock	(38)	—	(38)
Reacquired common stock – employee and director plans	(10)	(1)	(3)
Balance, end of year	<u>\$ (40)</u>	<u>\$ (26)</u>	<u>\$ (49)</u>
Total UGI Corporation stockholders' equity	<u>\$ 6,066</u>	<u>\$ 5,522</u>	<u>\$ 4,128</u>
Noncontrolling interests			
Balance, beginning of year	\$ 9	\$ 9	\$ 10
Net income attributable to noncontrolling interests	1	—	—
Other	(2)	—	(1)
Balance, end of year	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 9</u>
Total equity	<u>\$ 6,074</u>	<u>\$ 5,531</u>	<u>\$ 4,137</u>

See accompanying Notes to Consolidated Financial Statements.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Index to Notes

Note 1 — Nature of Operations

Note 2 — Summary of Significant Accounting Policies

Note 3 — Accounting Changes

Note 4 — Revenue from Contracts with Customers

Note 5 — Acquisitions and Dispositions

Note 6 — Debt

Note 7 — Income Taxes

Note 8 — Employee Retirement Plans

Note 9 — Utility Regulatory Assets and Liabilities and Regulatory Matters

Note 10 — Inventories

Note 11 — Property, Plant and Equipment

Note 12 — Goodwill and Intangible Assets

Note 13 — Equity

Note 14 — Equity-Based Compensation

Note 15 — Partnership Distributions

Note 16 — Leases

Note 17 — Commitments and Contingencies

Note 18 — Fair Value Measurements

Note 19 — Derivative Instruments and Hedging Activities

Note 20 — Accumulated Other Comprehensive Income (Loss)

Note 21 — Other Operating Income, Net and Other Non-Operating Income (Expense), Net

Note 22 — Equity Method Investments

Note 23 — Segment Information

Note 24 — Business Transformation Initiatives

Note 25 — Subsequent Events

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 U.S., we own and operate (1) a retail propane marketing and distribution business; (2) natural gas and electric distribution utilities; and (3) energy marketing, midstream infrastructure, storage, natural gas gathering and processing, natural gas production, electricity generation and energy services businesses. In Europe, we market and distribute propane and other LPG, and market other energy products and services.

We conduct a domestic propane marketing and distribution business through AmeriGas Partners. AmeriGas Partners conducts a national propane distribution business through its principal operating subsidiary AmeriGas OLP. AmeriGas Partners and AmeriGas OLP are Delaware limited partnerships. UGI's wholly owned second-tier subsidiary, AmeriGas Propane, Inc., serves as the general partner of AmeriGas Partners.

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. See Note 25 for additional information regarding the October 2022 sale of the United Kingdom energy marketing business and the November 2022 announcement related to the France energy marketing business.

Energy Services conducts, directly and through subsidiaries and affiliates, energy marketing, including RNG, midstream transmission, LNG storage, natural gas gathering and processing, natural gas and RNG production, electricity generation and energy services businesses primarily in the eastern region of the U.S., eastern Ohio, the panhandle of West Virginia and

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

Upon acquisition of Mountaineer on September, 1, 2021, our Utilities segment includes UGI Utilities and Mountaintop Energy Holdings, LLC. For additional information on the Mountaineer Acquisition, see Note 5. PA Gas Utility serves customers in eastern and central Pennsylvania and in portions of one Maryland county, and Mountaineer serves customers in West Virginia. Electric Utility serves customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania. PA Gas Utility is subject to regulation by the PAPUC and FERC and, with respect to its customers in Maryland, the MDPSC. Mountaineer is subject to regulation by the WVPS and FERC. Electric Utility is subject to regulation by the PAPUC and FERC.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

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

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

Principles of Consolidation

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

We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. See Note 22 for more information on our equity method investments. Investments in equity securities related to entities in which we do not have significant influence over operating and financial policies are generally initially valued at their cost less impairment (if any) and subsequently remeasured at fair value, as applicable, in accordance with the relevant provisions under GAAP.

Effects of Regulation

Certain of our subsidiaries account for the financial effects of regulation in accordance with ASC 980. In accordance with this guidance, incurred costs that would otherwise be charged to expense are capitalized and recorded as regulatory assets when it is probable that the incurred costs will be recovered through rates in the future. Similarly, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have not yet been incurred. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date. Generally, regulatory assets and regulatory liabilities are amortized into expense and income over the periods authorized by the respective regulatory body. For additional information regarding the effects of rate regulation on our utility operations, see Note 9.

Fair Value Measurements

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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

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

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

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

Derivative Instruments

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

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

Cash flows from derivative instruments, other than certain cross-currency swaps and net investment hedges, if any, are included in cash flows from operating activities on the 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 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 19.

Business Combination Purchase Price Allocations

From time to time, the Company enters into material business combinations. The purchase price is allocated to the various assets acquired and liabilities assumed at their estimated fair value as of the acquisition date with the residual of the purchase price allocated to goodwill. Fair values of assets acquired and liabilities assumed are based upon available information. Estimating fair values is generally subject to significant judgment, estimates and assumptions especially with respect to

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

intangible assets. The allocation of the purchase price may be modified up to one year after the acquisition date, under certain circumstances, as more information is obtained about the fair value of assets acquired and liabilities assumed.

Foreign Currency Translation

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

Revenue Recognition

In accordance with ASC 606, the Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Certain revenues such as revenue from leases, financial instruments and other revenues are not within the scope of ASC 606 because they are not from contracts with customers. Such revenues are accounted for in accordance with other GAAP. Revenue-related taxes collected on behalf of customers and remitted to taxing authorities, principally sales and use taxes, are not included in revenues. Gross receipts taxes at Midstream & Marketing, Mountaineer and Electric Utility are presented on a gross basis. The Company has elected to use the practical expedient to expense the costs to obtain contracts when incurred for contracts that have a term less than one year. The costs incurred to obtain contracts that have durations of longer than one year are not material. See Note 4 for additional disclosures regarding the Company's revenue from contracts with customers.

Accounts Receivable

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

LPG Delivery Expenses

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

Income Taxes

AmeriGas Partners and AmeriGas OLP are not directly subject to federal income taxes. Instead, their taxable income or loss is allocated to the individual partners. We record income taxes on (1) our share of the Partnership's current taxable income or loss and (2) the differences between the book and tax basis of our investment in the Partnership. AmeriGas OLP has subsidiaries which operate in corporate form and are directly subject to federal and state income taxes. Legislation in certain states allows for taxation of partnership income and the accompanying financial statements reflect state income taxes resulting from such legislation.

Utilities records deferred income taxes in the Consolidated Statements of Income resulting from the use of accelerated tax depreciation methods based upon amounts recognized for ratemaking purposes. Utilities also records a deferred income tax liability for tax benefits, principally the result of accelerated tax depreciation for state income tax purposes, that are flowed through to ratepayers when temporary differences originate and records a regulatory income tax asset for the probable increase in future revenues that will result when the temporary differences reverse.

We record interest on underpayments and overpayments of income taxes, and income tax penalties, in "Income tax expense" on the Consolidated Statements of Income. Interest income or expense recognized in "Income tax expense" on the Consolidated Statements of Income was not material for all periods presented.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

Earnings Per Common Share

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

(Thousands of shares)	2022	2021	2020
Weighted-average common shares outstanding for basic computation	209,940	209,063	208,928
Incremental shares issuable for stock options, common stock awards and Equity Units (a) (b)	5,881	3,063	941
Weighted-average common shares outstanding for diluted computation	215,821	212,126	209,869

- (a) Fiscal 2022 and 2021 includes the impact of common shares assumed to be outstanding under the if-converted method in connection with the May 2021 issuance of Equity Units (see Note 13).
- (b) For Fiscal 2022, Fiscal 2021 and Fiscal 2020 there were 8,138 shares, 5,267 shares and 7,056 shares, respectively, associated with outstanding stock option awards that were not included in the computation of diluted earnings per share because their effect was antidilutive.

Cash, Cash Equivalents and Restricted Cash

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

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

	2022	2021	2020
Cash and cash equivalents	\$ 405	\$ 855	\$ 336
Restricted cash	64	22	21
Cash, cash equivalents and restricted cash	\$ 469	\$ 877	\$ 357

Inventories

Our inventories are stated at the lower of cost or net realizable value. We determine cost using an average cost method for non-utility LPG and natural gas and utility inventories; specific identification for appliances; and the FIFO method for all other inventories.

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

Property, Plant and Equipment and Related Depreciation

We record property, plant and equipment at the lower of original cost or fair value, if impaired. Capitalized costs include labor, materials and other direct and indirect costs, and for certain operations subject to cost-of-service rate regulation, AFUDC. We also include in property, plant and equipment costs associated with computer software we develop or obtain for use in our businesses. The amounts assigned to property, plant and equipment of acquired businesses are based upon estimated fair value at date of acquisition. When we retire or otherwise dispose of non-utility plant and equipment, we eliminate the associated cost and accumulated depreciation and recognize any resulting gain or loss in "Other operating income, net" on the Consolidated Statements of Income. For property subject to cost of service rate regulation, upon retirement we charge the original cost to accumulated depreciation for financial accounting purposes. Costs incurred to retire UGI Utilities plant and equipment, net of salvage, are recorded in regulatory assets and amortized over five years, consistent with prior ratemaking treatment.

We record depreciation expense on non-utility plant and equipment on a straight-line basis over estimated economic useful lives. We record depreciation expense for Utilities' plant and equipment on a straight-line basis based upon the projected

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

service lives of the various classes of its depreciable property. We classify amortization of computer software and related IT system installation costs included in property, plant and equipment as depreciation expense. No depreciation expense is included in cost of sales on the Consolidated Statements of Income.

Goodwill and Intangible Assets

Intangible Assets. We amortize intangible assets over their estimated useful lives unless we determine their lives to be indefinite. Estimated useful lives of definite-lived intangible assets, primarily consisting of customer relationships. We test definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the associated carrying amounts may be impaired. Determining whether an impairment loss occurred requires comparing the carrying amount to the estimated fair value of the asset in accordance with ASC 820. Intangible assets with indefinite lives are not amortized but are tested for impairment annually (and more frequently if events or changes in circumstances between annual tests indicate that it is more likely than not that they are impaired) and written down to fair value, if impaired. See Note 12 for additional information related to an intangible asset impairment recognized in Fiscal 2021.

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

For certain of our reporting units with goodwill, we assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. For our other reporting units with goodwill, we bypass the qualitative assessment and perform the quantitative assessment by comparing the fair values of the reporting units with their carrying amounts, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit.

With respect to the AmeriGas Propane reporting unit's Fiscal 2022 impairment test, the Company bypassed the qualitative assessment and performed a quantitative assessment. Such assessment used a weighting of income and market approaches to determine fair value. For the income approach we used management's best estimates of future anticipated cash flow performance included in AmeriGas Propane's latest budget and plan, discounted based upon AmeriGas Propane's weighted average cost of debt and equity. We also used valuation multiples to determine an estimated fair value using recent transaction market multiples for retail propane distribution companies in the U.S. Based upon weighting the fair values estimated using the income and market approaches above, we determined that AmeriGas Propane's fair value exceeded its carrying value by approximately 30%. While the Company believes that its judgments used in the quantitative assessment of AmeriGas Propane's fair value are reasonable based upon currently available facts and circumstances, if AmeriGas Propane were not able to achieve its anticipated results and/or if its weighted average cost of capital were to increase, its fair value would be adversely affected, which may result in an impairment. There is approximately \$2 billion of goodwill in this reporting unit as of September 30, 2022. The Company will continue to monitor its reporting units and related goodwill for any possible future non-cash impairment charges.

There were no accumulated goodwill impairment losses at September 30, 2022 and 2021, and no provisions for goodwill impairments were recognized for all periods presented. For further information on our goodwill and intangible assets, see Note 12.

Impairment of Long-Lived Assets

Impairment testing for long-lived assets (or an asset group) is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we perform a recoverability test based upon estimated undiscounted cash flow projections expected to be realized over the remaining useful life of the long-lived asset. If the undiscounted cash flows used in the recoverability test are less than the long-lived asset's carrying amount, we determine its fair value. If the fair value is determined to be less than its carrying amount, the long-lived asset is reduced to its estimated fair value and an impairment loss is recognized in an amount equal to such shortfall. When determining whether a long-lived asset has been impaired, management groups assets at the lowest level that has identifiable cash flows.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

No material provisions for impairments of long-lived assets were recorded during Fiscal 2022. See Note 5 for further information on the losses associated with assets held for sale and the dispositions of Conemaugh and HVAC during Fiscal 2020.

Refundable Tank and Cylinder Deposits

Included in “Other noncurrent liabilities” on our Consolidated Balance Sheets are customer paid deposits on tanks and cylinders primarily owned by subsidiaries of UGI France of \$243 and \$296 at September 30, 2022 and 2021, respectively. Deposits are refundable to customers when the tanks or cylinders are returned in accordance with contract terms.

Environmental Matters

We are subject to environmental laws and regulations intended to mitigate or remove the effects of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current or former operating sites.

Environmental reserves are accrued when assessments indicate that it is probable that a liability has been incurred and an amount can be reasonably estimated. Amounts recorded as environmental liabilities on the Consolidated Balance Sheets represent our best estimate of costs expected to be incurred or, if no best estimate can be made, the minimum liability associated with a range of expected environmental investigation and remediation costs. These estimates are based upon a number of factors including whether the Company will be responsible for such remediation, the scope and cost of the remediation work to be performed, the portion of costs that will be shared with other potentially responsible parties, the timing of the remediation and possible impact of changes in technology, and the regulations and requirements of local governmental authorities. Our estimated liability for environmental contamination is reduced to reflect anticipated participation of other responsible parties but is not reduced for possible recovery from insurance carriers. Under GAAP, if the amount and timing of cash payments associated with environmental investigation and cleanup are reliably determinable, such liabilities are discounted to reflect the time value of money. We intend to pursue recovery of incurred costs through all appropriate means, including regulatory relief. PA Gas Utility receives ratemaking recognition of environmental investigation and remediation costs associated with in-state environmental sites. This ratemaking recognition balances the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. For further information, see Note 17.

Loss Contingencies Subject to Insurance

We are subject to risk of loss for general, automobile and product liability, and workers’ compensation claims for which we obtain insurance coverage under insurance policies that are subject to self-insured retentions or deductibles. In accordance with GAAP, we record accruals when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. When no amount within a range of possible loss is a better estimate than any other amount within the range, liabilities recorded are based upon the low end of the range. For litigation and pending claims including those covered by insurance policies, the analysis of probable loss is performed on a case by case basis and includes an evaluation of the nature of the claim, the procedural status of the matter, the probability or likelihood of success in prosecuting or defending the claim, the information available with respect to the claim, the opinions and views of outside counsel and other advisors, and past experience in similar matters. With respect to unasserted claims arising from unreported incidents, we may use the work of specialists to estimate the ultimate losses to be incurred using actuarially determined loss development factors applied to actual claims data. Our estimated reserves for loss contingencies may differ materially from the ultimate liability and such reserves may change materially as more information becomes available and estimated reserves are adjusted. We maintain insurance coverage such that our net exposure for claims covered by insurance would be limited to the self-insured retentions or deductibles, claims above which would be paid by the insurance carrier. For such claims, we record a receivable related to the amount of the liability expected to be paid by insurance.

Employee Retirement Plans

We use a market-related value of plan assets and an expected long-term rate of return to determine the expected return on assets of our U.S. pension and other postretirement plans. The market-related value of plan assets, other than equity investments, is based upon fair values. The market-related value of equity investments is calculated by rolling forward the prior-year’s market-related value with contributions, disbursements and the expected return on plan assets. One third of the difference between the expected and the actual value is then added to or subtracted from the expected value to determine the new market-related value (see Note 8).

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Note 3 — Accounting Changes

New Accounting Standard Adopted in Fiscal 2022

Income Taxes. Effective October 1, 2021, the Company adopted ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” prospectively and retrospectively where deemed applicable. This ASU simplifies the accounting for income taxes by eliminating certain exceptions within the existing guidance for recognizing deferred taxes for equity method investments, performing intraperiod allocations and calculating income taxes in interim periods. Further, this ASU clarifies existing guidance related to, among other things, recognizing deferred taxes for goodwill and allocated taxes to members of a consolidated group. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

New Accounting Standard Adopted Effective October 1, 2022

Debt and Derivatives and Hedging. Effective October 1, 2022, the Company adopted 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),” using the modified retrospective approach. 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. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

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. The Company generally has the right to consideration from a customer in an amount that corresponds directly with the value to the customer for performance completed to date. As such, we have elected to recognize revenue in the amount to which we have a right to invoice except in the case of certain of Utilities’ large delivery service customers and Midstream & Marketing’s peaking contracts for which we recognize revenue on a straight-line basis over the term of the contract, consistent with when the performance obligations are satisfied by the Company.

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

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

Utility Revenues

Utilities supplies natural gas and electricity and provides distribution services of natural gas and electricity to residential, commercial, and industrial customers who are generally billed at standard regulated tariff rates approved by the regulatory bodies through the ratemaking process. Tariff rates include a component that provides for a reasonable opportunity to recover operating costs and expenses and to earn a return on net investment, and a component that provides for the recovery, subject to reasonableness reviews, of PGC, PGA and DS costs.

Customers may choose to purchase their natural gas and electricity from Utilities, or, alternatively, may contract separately with alternate suppliers. Accordingly, our contracts with customers comprise two promised goods or services: (1) delivery service of natural gas and electricity through the Company’s utility distribution systems and (2) the natural gas or electricity commodity itself for those customers who choose to purchase the natural gas or electricity directly from the Company. Revenue is not recorded for the sale of natural gas or electricity to customers who have contracted separately with alternate suppliers. For those customers who choose to purchase their natural gas or electricity from the Company, the performance obligation includes both the supply of the commodity and the delivery service.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

The terms of our core market customer contracts are generally considered day-to-day as customers can discontinue service at any time without penalty. Performance obligations are generally satisfied over time as the natural gas or electricity is delivered to customers, at which point the customers simultaneously receive and consume the benefits provided by the delivery service and, when applicable, the commodity. Amounts are billed to customers based upon the reading of a customer's meter, which occurs on a cycle basis throughout each reporting period. An unbilled amount is recorded at the end of each reporting period based upon estimated amounts of natural gas or electricity delivered to customers since the date of the last meter reading. These unbilled estimates consider various factors such as historical customer usage patterns, customer rates and weather.

Utilities has certain fixed-term contracts with large commercial and industrial customers to provide natural gas delivery services at contracted rates and at volumes generally based on the customer's needs. The performance obligation to provide the contracted delivery service for these large commercial and industrial customers is satisfied over time and revenue is generally recognized on a straight-line basis.

Utilities makes off-system sales whereby natural gas delivered to our system in excess of amounts needed to fulfill our distribution system needs is sold to other customers, primarily other distributors of natural gas, based on an agreed-upon price and volume between the Company and the counterparty. Utilities also sells excess natural gas capacity whereby interstate pipeline capacity in excess of amounts needed to meet our customer obligations is sold to other distributors of natural gas based upon an agreed-upon rate. Off-system sales and capacity releases are generally entered into one month at a time and comprise the sale of a specific volume of gas or pipeline capacity at a specific delivery point or points over a specific time. As such, performance obligations associated with off-system sales and capacity release customers are satisfied, and associated revenue is recorded, when the agreed upon volume of natural gas is delivered or capacity is provided, and title is transferred, in accordance with the contract terms.

Electric Utility provides transmission services to PJM by allowing PJM to access Electric Utility's electricity transmission facilities. In exchange for providing access, PJM pays Electric Utility consideration determined by a formula-based rate approved by the FERC. The formula-based rate, which is updated annually, allows recovery of costs incurred to provide transmission services and return on transmission-related net investment. We recognize revenue over time as we provide transmission service.

Other Utility revenues represent revenues from other ancillary services provided to customers and are generally recorded as the service is provided to customers.

Non-Utility Revenues

LPG. AmeriGas Propane and UGI International record revenue principally from the sale of LPG to retail and wholesale customers. The primary performance obligation associated with the sale of LPG is the delivery of LPG to (1) the customer's point of delivery for retail customers and (2) the customer's specified location where LPG is picked up by wholesale customers, at which point control of the LPG is transferred to the customer, the performance obligation is satisfied, and the associated revenue is recognized. For contracts with retail customers that consume LPG from a metered tank, we recognize revenue as LPG is consumed, at which point we have the right to invoice, and generally invoice monthly based on consumption.

Contracts with customers comprise different types of contracts with varying length terms, fixed or variable prices, and fixed or variable quantities. Contracts with our residential customers, which comprise a substantial number of our customer contracts, are generally one year or less. Customer contracts for the sale of LPG include fixed-price, fixed-quantity contracts under which LPG is provided to customers at a fixed price and a fixed volume, and contracts that provide for the sale of LPG at market prices at date of delivery with no fixed volumes. AmeriGas Propane offers contracts that permit customers to lock in a fixed price for their volumes for a fee and also provide customers with the option to pre-buy a fixed amount of LPG at a fixed price. Amounts received under pre-buy arrangements are recorded as a contract liability when received and recorded as revenue when LPG is delivered and control is transferred to the customer. Fee revenue associated with fixed-price contracts are recorded as contract liabilities and recorded ratably over the contract period.

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Certain retail LPG customers for AmeriGas Propane receive credits which we account for as variable consideration. We estimate these credits based upon past practices and historical customer experience and we reduce our revenues recognized for these credits.

Energy Marketing. Midstream & Marketing and UGI International operate energy marketing businesses that sell energy commodities, principally natural gas and electricity, to residential, commercial, industrial and wholesale customers.

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

Midstream. Midstream & Marketing provides natural gas pipeline transportation, natural gas gathering, natural gas processing and natural gas underground storage services, which generally contain a performance obligation for the Company to have availability to transport or store a product. Additionally, the Company provides stand-ready services to sell supplemental energy products and related services, primarily LNG and propane-air mixtures during periods of high demand that typically result from cold weather. The Company also sells LNG to end-user customers for use by trucks, drilling rigs and other motored vehicles and equipment, and facilities that are located off the natural gas grid.

Contracts for natural gas transportation and gathering services are typically long-term contracts with terms of up to 30 years, while contracts for storage are typically for one-year or multiple storage season periods. Contracts to provide natural gas during periods of high demand have terms of up to 15 years. Contracts to sell LNG for trucks, drilling rigs and other motor vehicles and facilities are typically short-term (less than one year). Depending on the type of services provided or goods sold, midstream revenues may consist of demand rates, commodity rates, and transportation rates and may include other fees for ancillary services. Pipeline transportation, natural gas gathering and storage services provided and services to stand ready to sell supplemental energy products and services each are considered to have a single performance obligation satisfied through the passage of time ratably based upon providing a stand-ready service generally on a monthly basis. Contracts to sell LNG to end-user customers contain performance obligations to deliver LNG over the term of the contract and revenue is recognized at a point in time when the control of the energy products is transferred to the customer. The price in the contract corresponds to our efforts to satisfy the performance obligation and reflects the consideration we expect to receive for the satisfied performance obligation, and, therefore, the revenue is recognized based on the volume delivered and the price within the contract. In cases where shipping and handling occurs prior to the LNG being delivered to the customer's storage vessel, we have elected to treat this as a cost of fulfillment and not a separate performance obligation. Revenues are typically billed and payment received monthly. Advance fees received from customers for stand-ready services are deferred as contract liabilities and revenue is recognized ratably over time as the performance obligation is satisfied over a period less than one year.

Electricity Generation. Midstream & Marketing sells power generated from electricity generation assets in the wholesale electricity markets administered by PJM regional transmission organization. Power contracts with PJM consist of the sale of power, capacity and ancillary services, all of which are considered a bundle of various services. Performance obligations are satisfied over time, generally on a daily basis, as electricity is delivered to and simultaneously consumed by the customer. As such, the Company has elected to recognize revenue in the amount to which we have a right to invoice which is based on market prices at the time of the delivery of the electricity to the customers.

Other. Other revenues from contracts with customers are generated primarily from services and products provided by Midstream & Marketing's HVAC business, prior to its sale in September 2020, and AmeriGas Propane's parts and services business. The performance obligations of these businesses include installation, repair and warranty agreements associated with HVAC equipment and installation services provided for combined heat and power and solar panel installations. For installation and repair goods and services, the performance obligations under these contracts are satisfied, and revenue is recognized, as control of the product is transferred or the services are rendered. For warranty services, revenue is recorded ratably over the warranty period. Other LPG revenues from contracts with customers are generated primarily from certain fees AmeriGas Propane and UGI International charge associated with the delivery of LPG, including hazmat safety compliance, inspection,

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

metering, installation, fuel recovery and certain other services. Revenues from fees are typically recorded when the LPG is delivered to the customer or the associated service is completed.

Revenue Disaggregation

The following tables present our disaggregated revenues by reportable segment during Fiscal 2022, Fiscal 2021 and Fiscal 2020:

2022	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
<u>Utility:</u>							
Core Market:							
Residential	\$ 875	\$ —	\$ —	\$ —	\$ —	\$ 875	\$ —
Commercial & Industrial	365	—	—	—	—	365	—
Large delivery service	171	—	—	—	—	171	—
Off-system sales and capacity releases	76	(104)	—	—	—	180	—
Other	23	(1)	—	—	—	24	—
Total Utility	1,510	(105)	—	—	—	1,615	—
<u>Non-Utility:</u>							
LPG:							
Retail	4,436	—	2,439	1,997	—	—	—
Wholesale	496	—	218	278	—	—	—
Energy Marketing	2,951	(264)	—	1,298	1,917	—	—
Midstream:							
Pipeline	211	—	—	—	211	—	—
Peaking	48	(105)	—	—	153	—	—
Other	9	—	—	—	9	—	—
Electricity Generation	34	—	—	—	34	—	—
Other	286	—	207	79	—	—	—
Total Non-Utility	8,471	(369)	2,864	3,652	2,324	—	—
Total revenues from contracts with customers	9,981	(474)	2,864	3,652	2,324	1,615	—
Other revenues (b)	125	(3)	79	34	2	5	8
Total revenues	\$ 10,106	\$ (477)	\$ 2,943	\$ 3,686	\$ 2,326	\$ 1,620	\$ 8

[Table of Contents](#)

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

2021	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
<u>Utility:</u>							
Core Market:							
Residential	\$ 568	\$ —	\$ —	\$ —	\$ —	\$ 568	\$ —
Commercial & Industrial	218	—	—	—	—	218	—
Large delivery service	148	—	—	—	—	148	—
Off-system sales and capacity releases	51	(62)	—	—	—	113	—
Other	21	(2)	—	—	—	23	—
Total Utility	1,006	(64)	—	—	—	1,070	—
<u>Non-Utility:</u>							
LPG:							
Retail	3,957	—	2,203	1,754	—	—	—
Wholesale	328	—	139	189	—	—	—
Energy Marketing	1,564	(126)	—	605	1,085	—	—
Midstream:							
Pipeline	181	—	—	—	181	—	—
Peaking	16	(98)	—	—	114	—	—
Other	8	—	—	—	8	—	—
Electricity Generation	13	—	—	—	13	—	—
Other	275	—	206	69	—	—	—
Total Non-Utility	6,342	(224)	2,548	2,617	1,401	—	—
Total revenues from contracts with customers	7,348	(288)	2,548	2,617	1,401	1,070	—
Other revenues (b)	99	(3)	66	34	5	9	(12)
Total revenues	\$ 7,447	\$ (291)	\$ 2,614	\$ 2,651	\$ 1,406	\$ 1,079	\$ (12)

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

2020	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
<u>Utility:</u>							
Core Market:							
Residential	\$ 563	\$ —	\$ —	\$ —	\$ —	\$ 563	\$ —
Commercial & Industrial	215	—	—	—	—	215	—
Large delivery service	142	—	—	—	—	142	—
Off-system sales and capacity releases	48	(45)	—	—	—	93	—
Other	14	(2)	—	—	—	16	—
Total Utility	982	(47)	—	—	—	1,029	—
<u>Non-Utility:</u>							
LPG:							
Retail	3,499	—	2,037	1,462	—	—	—
Wholesale	211	—	63	148	—	—	—
Energy Marketing	1,233	(79)	—	434	878	—	—
Midstream:							
Pipeline	168	—	—	—	168	—	—
Peaking	6	(100)	—	—	106	—	—
Other	7	—	—	—	7	—	—
Electricity Generation	34	—	—	—	34	—	—
Other	312	(3)	215	60	40	—	—
Total Non-Utility	5,470	(182)	2,315	2,104	1,233	—	—
Total revenues from contracts with customers	6,452	(229)	2,315	2,104	1,233	1,029	—
Other revenues (b)	107	(3)	66	23	14	1	6
Total revenues	\$ 6,559	\$ (232)	\$ 2,381	\$ 2,127	\$ 1,247	\$ 1,030	\$ 6

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

(b) Primarily represents revenues from tank rentals at AmeriGas Propane and UGI International, rental revenues from certain assets at Midstream & Marketing, revenues from alternative revenue programs at 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 at September 30, 2022 and 2021. Substantially all of our receivables are unconditional rights to consideration and are included in “Accounts receivable” and, in the case of Utilities, “Accrued utility revenues” on the 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 \$164 and \$149 at September 30, 2022 and 2021, respectively, and are primarily included in “Deposits and Advances” on the Consolidated Balance Sheets. Revenues recognized during Fiscal 2022, Fiscal 2021 and Fiscal 2020 from the amount included in contract liabilities at September 30, 2021, September 30, 2020 and September 30, 2019 was \$119, \$138 and \$122, respectively.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Remaining Performance Obligations

The Company excludes disclosures related to the aggregate amount of the transaction price allocated to certain performance obligations that are unsatisfied as of the end of the reporting period because these contracts have an initial expected term of one year or less, or we have a right to bill the customer in an amount that corresponds directly with the value of services provided to the customer to date. Certain contracts with customers at Midstream & Marketing and Utilities contain minimum future performance obligations through 2047 and 2053, respectively. At September 30, 2022, Midstream & Marketing and Utilities expect to record approximately \$2.4 billion and \$0.2 billion of revenues, respectively, related to the minimum future performance obligations over the remaining terms of the related contracts.

Note 5 — Acquisitions and Dispositions

Mountaineer Acquisition

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

The Company has accounted for the Mountaineer Acquisition using the acquisition method. During Fiscal 2022, the Company recorded an adjustment to decrease goodwill by \$5 primarily reflecting an adjustment to a valuation allowance on certain deferred income taxes. The Consolidated Balance Sheet at September 30, 2022, reflects the final allocation of the purchase price to the assets acquired and liabilities assumed for the Mountaineer Acquisition.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

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

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

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

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

The Company recognized \$13 of direct transaction-related costs associated with the Mountaineer Acquisition during Fiscal 2021, which costs are reflected in "Operating and administrative expenses" on the 2021 Consolidated Statement of Income. The Mountaineer Acquisition did not have a material impact on the Company's revenues or net income attributable to UGI for Fiscal 2021. In addition, the impact of the Mountaineer Acquisition on a pro forma basis as if the Mountaineer Acquisition had occurred on October 1, 2019 was not material to the Company's revenues or net income for Fiscal 2021 and Fiscal 2020.

Other Acquisitions

During Fiscal 2021, UGI International acquired several LPG retail businesses and an energy marketing business in Europe. During Fiscal 2020, Energy Services acquired GHI, a Houston, Texas-based renewable natural gas company currently doing business in California.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

Total cash paid and liabilities incurred in connection with these acquisitions were as follows:

	2021	2020
	UGI International	Midstream & Marketing
Total cash paid	\$ 18	\$ 16
Liabilities incurred	—	7
Total purchase price	<u>\$ 18</u>	<u>\$ 23</u>

Acquisitions of Assets

Pennant. As of September 30, 2021, Energy Services held a 47% membership interest in Pennant, a natural gas gathering system located in northeast Ohio and western Pennsylvania. During Fiscal 2022, UGI through its wholly owned indirect subsidiary, Energy Services, completed the Pennant Acquisition in which Energy Services acquired the remaining 53% of the equity interests in Pennant for total cash consideration of approximately \$61. The Pennant Acquisition was funded using available cash. The acquisition of the remaining interests has been accounted for as an acquisition of assets, and the purchase price has been primarily allocated to property, plant and equipment. See Note 22 for additional information related to the acquired interest in Pennant.

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

Dispositions

Conemaugh. 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 values during the third quarter of Fiscal 2020 and recognized a non-cash, pre-tax impairment charge of \$52 which amount is reflected in “Loss on disposals of Conemaugh and HVAC” on the 2020 Consolidated Statement of Income. The fair value of such assets was based upon the agreed upon sales price, and was determined to be a Level 2 measurement within the fair value hierarchy. The sale was completed on September 30, 2020.

HVAC. In September 2020, Enterprises entered into an agreement to sell its HVAC business. As a result, the Company reduced the carrying amount of these assets to their fair values during the fourth quarter of Fiscal 2020 and recognized a non-cash, pre-tax loss on disposal of \$2 which amount is reflected in “Loss on disposals of Conemaugh and HVAC” on the 2020 Consolidated Statement of Income. The fair value of such assets was based upon the agreed upon sales price, and was determined to be a Level 2 measurement within the fair value hierarchy. The sale was completed on September 30, 2020.

Note 6 — Debt**Significant Financing Activities Since September 30, 2021**

Mountaineer Credit Agreement. On October 20, 2022, Mountaineer entered into the Mountaineer 2023 Credit Agreement, as borrower, with a group of lenders. The Mountaineer 2023 Credit Agreement amends and restates a previous credit agreement and provides for borrowings up to \$150, including a \$20 sublimit for letters of credit. Mountaineer may request an increase in the amount of loan commitments to a maximum aggregate amount of \$250, subject to certain terms and conditions. Borrowings under the Mountaineer 2023 Credit Agreement can be used to finance the working capital needs of Mountaineer and for general corporate purposes. The Mountaineer 2023 Credit Agreement is scheduled to expire in November 2024, with an option to extend the maturity date.

AmeriGas Propane. On September 28, 2022, AmeriGas Propane entered into the 2022 AmeriGas OLP Credit Agreement, as borrower, with a group of lenders. In connection with the entering into of the 2022 AmeriGas OLP Credit Agreement, the

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

borrower paid off in full and terminated the existing AmeriGas OLP Credit Agreement. The 2022 AmeriGas OLP Credit Agreement provides for borrowings up to \$600, including a \$100 sublimit for letters of credit. AmeriGas Propane may request an increase in the amount of loan commitments under the 2022 AmeriGas OLP Credit Agreement to a maximum aggregate amount of \$900, subject to certain terms and conditions. Borrowings under the 2022 AmeriGas OLP Credit Agreement can be used to fund acquisitions and investments and for general corporate purposes. The 2022 AmeriGas OLP Credit Agreement is scheduled to expire in September 2026.

UGI Utilities. On July 12, 2022, UGI Utilities amended the Utilities Term Loan. The amendment extended the maturity date of the loan from October 2022 to July 2027, among other things. The current amount outstanding under the Utilities Term Loan remains unchanged and is payable in quarterly installments of \$2, with the balance of the principal being due and payable in full at maturity. We have entered into an interest rate swap that will generally fix the underlying market-based interest rate on this variable-rate loan through June 2026.

On June 30, 2022, UGI Utilities entered into a note purchase agreement which provides for the private placement of (1) \$90 aggregate principal amount of 4.75% Senior Notes due July 15, 2032 and (2) \$85 aggregate principal amount of 4.99% Senior Notes due September 15, 2052. On July 15, 2022, UGI Utilities issued \$90 aggregate principal amount of 4.75% Senior Notes pursuant to the note purchase agreement. On September 15, 2022, UGI Utilities issued \$85 aggregate principal amount of 4.99% Senior Notes pursuant to the note purchase agreement. The net proceeds from the issuance of the 4.75% Senior Notes and 4.99% Senior Notes were used to reduce short-term borrowings and for general corporate purposes.

Mountaineer. On June 30, 2022, Mountaineer entered into a note purchase agreement which provides for the private placement of \$40 aggregate principal amount of 4.49% Senior Notes due August 16, 2052. On August 16, 2022, Mountaineer issued \$40 aggregate principal amount of 4.49% Senior Notes pursuant to the note purchase agreement. The net proceeds from the issuance of the 4.49% Senior Notes were used to reduce short-term borrowings and for general corporate purposes.

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

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Credit Facilities and Short-term Borrowings

Information about the Company’s principal credit agreements (excluding the Energy Services Receivables Facility, which is discussed below) as of September 30, 2022 and 2021, is presented in the following table. Borrowings on these credit agreements bear interest at rates indexed to short-term market rates. Borrowings outstanding under these agreements (other than the 2021 UGI Corporation Senior Credit Facility and its predecessor agreement) are classified as “Short-term borrowings” on the Consolidated Balance Sheets.

	Expiration Date	Total Capacity	Borrowings Outstanding	Letters of Credit and Guarantees Outstanding	Available Borrowing Capacity	Weighted Average Interest Rate - End of Year
September 30, 2022						
AmeriGas OLP (a)	September 2026	\$ 600	\$ 131	\$ 2	\$ 467	7.27 %
UGI International, LLC (b)	October 2023	€ 300	€ —	€ —	€ 300	N.A.
Energy Services (c)	March 2025	\$ 260	\$ —	\$ —	\$ 260	N.A.
UGI Utilities (d)	June 2024	\$ 350	\$ 151	\$ —	\$ 199	4.37 %
Mountaineer (e)	November 2024	\$ 100	\$ 85	\$ —	\$ 15	3.82 %
UGI Corporation (f)	August 2024	\$ 300	\$ 252	\$ —	\$ 48	5.62 %
September 30, 2021						
AmeriGas OLP (a)	December 2022	\$ 600	\$ 170	\$ 60	\$ 370	2.58 %
UGI International, LLC (b)	October 2023	€ 300	€ —	€ —	€ 300	N.A.
Energy Services (c)	March 2025	\$ 260	\$ —	\$ —	\$ 260	N.A.
UGI Utilities (d)	June 2024	\$ 350	\$ 130	\$ —	\$ 220	1.35 %
Mountaineer (e)	November 2024	\$ 100	\$ 67	\$ —	\$ 33	N.M.
UGI Corporation (f)	August 2024	\$ 300	\$ 185	\$ —	\$ 115	3.27 %

- (a) At September 30, 2022 the 2022 AmeriGas OLP Credit Agreement includes a \$100 sublimit for letters of credit. At September 30, 2021 the AmeriGas OLP Credit Agreement included a \$150 sublimit for letters of credit.
- (b) The UGI International Credit Facilities Agreement permits UGI International, LLC to borrow in euros or USD.
- (c) The Energy Services Credit Agreement includes a \$50 sublimit for letters of credit and is guaranteed by certain subsidiaries of Energy Services.
- (d) The UGI Utilities Credit Agreement includes a \$100 sublimit for letters of credit.
- (e) The Mountaineer Credit Agreement includes a \$20 sublimit for letters of credit.
- (f) At September 30, 2022 and 2021, management intended to maintain a substantial portion of amounts outstanding under the 2021 UGI Corporation Senior Credit Facility beyond twelve months from the respective balance sheet dates. As such, borrowings outstanding are classified as “Long-term debt” on the Consolidated Balance Sheets. Subsequent to September 30, 2022 and 2021, the Company repaid \$87 and \$70, respectively, of such borrowings and classified these repayments as “Current maturities of long-term debt” on the Consolidated Balance Sheets. The 2021 UGI Corporation Senior Credit Facility includes a \$10 sublimit for letters of credit.

N.A. - Not applicable

N.M. - Not meaningful

Energy Services Receivables Facility. Energy Services has a Receivables Facility with an issuer of receivables-backed commercial paper. On October 21, 2022, the expiration date of the Receivables Facility was extended to October 20, 2023. The Receivables Facility provides Energy Services with the ability to borrow up to \$150 of eligible receivables during the period October 21, 2022 to April 30, 2023, and up to \$75 of eligible receivables during the period May 1, 2023 to October 20, 2023. Energy Services uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, ESFC, which is consolidated for financial statement purposes. ESFC, in turn, has sold and, subject to certain conditions, may from time to time sell, an undivided interest in some or all of the

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

receivables to a major bank. Amounts sold to the bank are reflected as “Short-term borrowings” on the Consolidated Balance Sheets. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. Trade receivables sold to the bank remain on the Company’s balance sheet and the Company reflects a liability equal to the amount advanced by the bank. The Company records interest expense on amounts owed to the bank. Energy Services continues to service, administer and collect trade receivables on behalf of the bank, as applicable.

Information regarding the amounts of trade receivables transferred to ESFC and the amounts sold to the bank are as follows:

	2022	2021	2020
Trade receivables transferred to ESFC during the year	\$ 2,221	\$ 1,353	\$ 1,046
ESFC trade receivables sold to the bank during the year	\$ 152	\$ 308	\$ 182
ESFC trade receivables - end of year (a)	\$ 101	\$ 61	\$ 50

(a) At September 30, 2022 and 2021, there were no ESFC trade receivables sold to the bank.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Long-term Debt

Long-term debt comprises the following at September 30:

	2022	2021
AmeriGas Propane:		
AmeriGas Partners Senior Notes:		
5.50% due May 2025	\$ 700	\$ 700
5.875% due August 2026	675	675
5.625% due May 2024	675	675
5.75% due May 2027	525	525
Other	—	1
Unamortized debt issuance costs	(12)	(16)
Total AmeriGas Propane	2,563	2,560
UGI International:		
3.25% Senior Notes due November 2025	—	405
2.50% Senior Notes due December 2029	392	—
UGI International, LLC variable-rate term loan due October 2023 (a)	294	347
Other	2	23
Unamortized debt issuance costs	(6)	(5)
Total UGI International	682	770
Midstream & Marketing:		
Energy Services variable-rate term loan due through August 2026 (b)	677	684
Other	40	42
Unamortized discount and debt issuance costs	(7)	(10)
Total Energy Services	710	716
Utilities:		
Senior Notes:		
4.12% due September 2046	200	200
4.98% due March 2044	175	175
3.12% due April 2050	150	150
4.55% due February 2049	150	150
4.12% due October 2046	100	100
6.21% due September 2036	100	100
2.95% due June 2026	100	100
1.59% due June 2026	100	100
1.64% due September 2026	75	75
4.75% due July 2032	90	—
4.99% due September 2052	85	—
Medium-Term Notes:		
6.13% due October 2034	20	20
6.50% due August 2033	20	20
Mountaineer senior notes (c)	201	164
Variable-rate term loan due through July 2027 (d)	95	102
Other	1	1
Unamortized debt issuance costs	(6)	(6)
Total UGI Utilities	1,656	1,451
UGI Corporation:		
UGI Corporation revolving credit facility maturing August 2024 (e)	252	185
UGI Corporation variable-rate term loan due May 2025 (f)	300	300
UGI Corporation variable-rate term loan due through August 2024 (g)	250	250
UGI Corporation variable-rate term loan due May 2025 (h)	215	215
Unamortized debt issuance costs	(2)	(5)
Total UGI Corporation	1,015	945
Other	6	7
Total long-term debt	6,632	6,449
Less: current maturities	(149)	(110)
Total long-term debt due after one year	\$ 6,483	\$ 6,339

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

- (a) The effective interest rate on the term loan was 1.89% at both September 30, 2022 and 2021. We have entered into pay-fixed, receive-variable interest rate swaps to effectively fix the underlying variable rate on these borrowings.
- (b) At September 30, 2022 and 2021, the effective interest rates on the term loan were 5.13% and 5.23%, respectively. We have entered into a pay-fixed, receive-variable interest rate swap to effectively fix the underlying variable rate on these borrowings. Term loan borrowings are due in equal quarterly installments of \$2, with the balance of the principal being due in full at maturity. Under certain circumstances, Energy Services is required to make additional principal payments if the consolidated total leverage ratio, as defined, is greater than defined thresholds. This term loan is collateralized by substantially all of the assets of Energy Services, subject to certain exceptions and carveouts including, but not limited to, accounts receivable and certain real property.
- (c) Total long-term debt at September 30, 2022 and 2021, comprises \$180 and \$140 principal amount of Mountaineer senior secured notes plus unamortized premium of \$21 and \$24, respectively. The face interest rates on the Mountaineer senior notes range from 3.50% to 4.49%, with maturities ranging from 2027 to 2052.
- (d) At September 30, 2022 and 2021, the effective interest rate on this term loan was 3.92% and 4.00%, respectively. We have entered into a pay-fixed, receive-variable interest rate swap to effectively fix the underlying variable rate on these borrowings. Term loan borrowings are due in equal quarterly installments of \$2, with the balance of the principal being due in full at maturity.
- (e) At September 30, 2022 and 2021, the effective interest rates on credit facility borrowings were 5.61% and 3.27%, respectively. We have entered into pay-fixed, receive-variable interest rate swaps to effectively fix the underlying variable rate on a portion of these borrowings.
- (f) At September 30, 2022 and 2021, the effective interest rates on the term loan was 2.67% and 3.26%, respectively. We have entered into pay-fixed, receive-variable interest rate swaps to effectively fix the underlying variable rate on these borrowings.
- (g) At September 30, 2022 and 2021, the effective interest rates on the term loan were 4.15% and 3.56%, respectively. We have entered into pay-fixed, receive-variable interest rate swaps to effectively fix the underlying variable rate on a portion of these borrowings. Term loan borrowings are due in equal quarterly installments of \$9, commencing December 2022, with the balance of the principal being due in full at maturity.
- (h) At September 30, 2022 and 2021, the effective interest rates on the term loan were 3.53% and 1.88%. We have entered into pay-fixed, receive-variable interest rate swaps to effectively fix the underlying variable rate on these borrowings.

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

	2023	2024	2025	2026	2027
AmeriGas Propane	\$ —	\$ 675	\$ 700	\$ 675	\$ 525
UGI International	1	294	—	—	—
Midstream & Marketing	10	7	7	656	—
Utilities	7	6	6	281	70
UGI Corporation (a)	125	377	515	—	—
Other	6	—	—	—	—
Total	\$ 149	\$ 1,359	\$ 1,228	\$ 1,612	\$ 595

- (a) Subsequent to September 30, 2022 and 2021, the Company repaid \$87 and \$70, respectively, of borrowings on the UGI Corporation revolving credit facility maturing August 2024. Such repayments are classified as “Current maturities of long-term debt” on the Consolidated Balance Sheets.

Restrictive Covenants

Our long-term debt and credit facility agreements generally contain customary covenants and default provisions which may include, among other things, restrictions on the incurrence of additional indebtedness and also restrict liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. These agreements contain standard provisions which require compliance with certain financial ratios. UGI and its subsidiaries were in compliance with all debt covenants as of September 30, 2022.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Restricted Net Assets

At September 30, 2022, the amount of net assets of UGI’s consolidated subsidiaries that were restricted from transfer to UGI under debt agreements, subsidiary partnership agreements and regulatory requirements under foreign laws totaled approximately \$2,900.

Note 7 — Income Taxes

Income before income taxes comprises the following:

	2022	2021	2020
Domestic	\$ 362	\$ 647	\$ 424
Foreign	1,025	1,342	243
Total income before income taxes	\$ 1,387	\$ 1,989	\$ 667

The provisions for income taxes consist of the following:

	2022	2021	2020
Current expense (benefit):			
Federal	\$ 24	\$ (48)	\$ (85)
State	18	7	4
Foreign	50	85	70
Total current expense (benefit)	92	44	(11)
Deferred expense (benefit):			
Federal	45	168	135
State	(17)	48	19
Foreign	193	262	(8)
Total deferred expense	221	478	146
Total income tax expense	\$ 313	\$ 522	\$ 135

Federal income taxes for Fiscal 2022 are net of foreign tax credits of \$5. There were none utilized in Fiscal 2021 or Fiscal 2020.

A reconciliation from the U.S. federal statutory tax rate to our effective tax rate is as follows:

	2022	2021	2020
U.S. federal statutory tax rate	21.0 %	21.0 %	21.0 %
Difference in tax rate due to:			
Effects of U.S. tax legislation	—	(0.8)	(4.7)
Effects of tax rate changes - International	(2.3)	(1.3)	0.3
Effects of tax rate changes – State, net of federal benefit	(1.4)	—	—
State income taxes, net of federal benefit	1.5	1.9	2.8
Valuation allowance adjustments	(0.5)	1.0	—
Effects of foreign operations	4.4	4.6	1.3
Excess tax benefits on share-based payments	(0.3)	(0.1)	(0.2)
Other, net	0.2	(0.1)	(0.3)
Effective tax rate	22.6 %	26.2 %	20.2 %

In July 2022, tax legislation was enacted in Pennsylvania reducing the state’s corporate net income tax rate from 9.99% to 4.99% over a nine-year period, beginning with an initial reduction to 8.99% beginning in Fiscal 2024. The legislation resulted in a \$20 benefit being recorded in Fiscal 2022 based on the Company’s analysis of future reversals of net deferred tax liabilities.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

In February 2021, tax legislation was enacted in Italy which allowed the Company to align book basis with tax basis on certain assets in exchange for paying a three percent substitute tax payment payable in three annual installments. This election resulted in a \$23 net benefit in Fiscal 2021. Timing of the recovery of the resulting incremental tax basis was changed with legislation in Fiscal 2022 extending the deductible period of recovery from 18 to 50 years.

On March 27, 2020 the CARES Act was enacted into law. The primary impact of the legislation was the change in federal net operating loss carryback rules which allowed the Company's U.S. federal tax losses generated in Fiscal 2021 and Fiscal 2020 to be carried back to Fiscal 2016 and Fiscal 2015. The carryback of our Fiscal 2021 and Fiscal 2020 U.S. federal tax losses from a 21% rate environment to offset taxable income in Fiscal 2016 and Fiscal 2015 in a 35% rate environment generated incremental benefits of \$15 and \$32, respectively. A \$90 refund claim for the Fiscal 2020 carryback to Fiscal 2015 was filed and has been approved by the IRS, though the actual cash refund was not received in Fiscal 2022. Of the outstanding \$90 refund, \$75 was received subsequent to Fiscal 2022. A \$37 refund claim for the Fiscal 2021 claim has been filed. Both are included in "Income taxes receivable" on the Consolidated Balance Sheet at September 30, 2022 and 2021. On July 20, 2020, the Treasury Department issued final regulations under IRC Section 951A permitting a taxpayer to elect to exclude, from its inclusion of GILTI, income subject to a high effective rate of foreign tax. The impact of these final regulations reduced U.S. tax of foreign source income in Fiscal 2022, Fiscal 2021, and Fiscal 2020.

Our effective tax rate is subject to the impact of changes to the taxation of foreign source income made by the TCJA and the high tax exception regulations issued in July 2020. Income tax expense for Fiscal 2022, Fiscal 2021 and Fiscal 2020 includes \$3, \$8 and \$0, respectively, of GILTI taxes that are treated as current period costs and carry no related deferred taxes.

Pennsylvania and West Virginia utility ratemaking practices permit the flow through to ratepayers of state tax benefits resulting from accelerated tax depreciation. For Fiscal 2022, Fiscal 2021 and Fiscal 2020, the beneficial effects of state tax flow through of accelerated depreciation reduced income tax expense by \$10, \$9, and \$11, respectively.

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

	2022	2021
Excess book basis over tax basis of property, plant and equipment	\$ 867	\$ 937
Utility regulatory assets	106	105
Intangible assets and goodwill	75	77
Derivative instrument assets	514	322
Other	33	36
Gross deferred tax liabilities	1,595	1,477
Investment in AmeriGas Partners	(79)	(102)
Pension plan liabilities	(21)	(29)
Employee-related benefits	(38)	(45)
Operating loss carryforwards	(48)	(53)
Foreign tax credit carryforwards	(76)	(79)
Utility regulatory liabilities	(85)	(102)
Utility environmental liabilities	(15)	(16)
Other	(125)	(107)
Gross deferred tax assets	(487)	(533)
Deferred tax assets valuation allowance	141	138
Net deferred tax liabilities	\$ 1,249	\$ 1,082

At September 30, 2022, we carried foreign net operating loss carryforwards of \$5 relating to Flaga, \$30 at certain subsidiaries of UGI France, and \$10 in the Netherlands with no expiration dates. We have state net operating loss carryforwards primarily relating to certain subsidiaries that approximate \$787 and expire through 2042. We also have federal operating loss carryforwards of \$16 for Mountaintop Energy Holdings, LLC and \$6 for certain operations of AmeriGas Propane. At

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

September 30, 2022, deferred tax assets relating to operating loss carryforwards amounted to \$48 related to various UGI subsidiaries.

Valuation allowances against deferred tax assets exist for foreign tax credit carryforwards, net operating loss carryforwards of foreign subsidiaries, capital loss carryforwards and a notional interest deduction. The valuation allowance for all deferred tax assets increased by \$3 in Fiscal 2022, which included a \$17 increase in a notional interest deduction carryover, a \$4 decrease from state tax rate changes, offset by a release of \$6 against FTCs, that will be realizable in the future and a \$4 decrease related to foreign net operating loss carry forwards.

The valuation allowance for all deferred tax assets increased by \$33 in Fiscal 2021, which included a \$30 increase related to future capital losses from the PennEast and Hudson investments, and a \$10 increase in a notional interest deduction carryover, partially offset by the release of \$10 against FTCs.

We conduct business and file tax returns in the U.S., numerous states, local jurisdictions and in France and certain other European countries. Our U.S. federal income tax returns are settled through the 2018 tax year, our French tax returns are settled through the 2018 tax year, our Austrian tax returns are settled through 2017 and our other European tax returns are effectively settled for various years from 2014 to 2019. State and other income tax returns in the U.S. are generally subject to examination for a period of three to five years after the filing of the respective returns.

The Company's unrecognized tax benefits including amounts related to accrued interest, which if subsequently recognized would be recorded as a benefit to income taxes, amounted to \$4, \$4, and \$4 at September 30, 2022, 2021 and 2020, respectively. Activity related to these unrecognized tax benefits was not material for all periods presented.

Note 8 — Employee Retirement Plans**Defined Benefit Pension and Other Postretirement Plans**

The U.S. Pension Plans consist of (1) a defined benefit pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, and certain of UGI's other domestic wholly owned subsidiaries and (2) a defined benefit pension plan for substantially all Mountaineer employees. U.S. Pension Plans' benefits are based on years of service, age and employee compensation. In addition, certain UGI International employees in France and Belgium are covered by defined benefit pension and postretirement plans. Although the disclosures in the tables below include amounts related to the UGI International plans, such amounts are not material.

We also provide postretirement health care benefits to certain retirees and postretirement life insurance benefits to certain U.S. active and retired employees. The ABO of our other postretirement benefit plans was \$22 and \$31 as of September 30, 2022 and 2021, respectively. The fair value of the plan assets of our other postretirement benefit plans was \$16 and \$19 as of September 30, 2022 and 2021, respectively.

The following table provides a reconciliation of the PBOs of our pension plans (the U.S. Pension Plans and the UGI International pension plans), plan assets, and the related funded status of our pension plans as of September 30, 2022 and 2021. ABO is the present value of benefits earned to date with benefits based upon current compensation levels. PBO is ABO increased to reflect estimated future compensation.

	Pension Benefits	
	2022	2021
Change in benefit obligations:		
Benefit obligations — beginning of year	\$ 870	\$ 782
Service cost	16	12
Interest cost	26	22
Actuarial gain	(240)	(30)
Plan amendments	1	2
Acquisitions	—	114
Foreign currency	(6)	(1)
Benefits paid	(34)	(31)

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

	Pension Benefits	
	2022	2021
Benefit obligations — end of year (a)	\$ 633	\$ 870
Change in plan assets:		
Fair value of plan assets — beginning of year	\$ 736	\$ 585
Actual (loss) gain on plan assets	(173)	75
Foreign currency	(3)	—
Employer contributions	15	14
Acquisitions	—	92
Benefits paid	(34)	(30)
Fair value of plan assets — end of year	\$ 541	\$ 736
Funded status of the plans — end of year (b)	\$ (92)	\$ (134)
Amounts recorded in UGI Corporation stockholders' equity (pre-tax):		
Prior service cost	\$ 3	\$ 3
Net actuarial (gain) loss	(17)	13
Total	\$ (14)	\$ 16
Amounts recorded in regulatory assets and liabilities (pre-tax):		
Net actuarial loss	114	108
Total	\$ 114	\$ 108

(a) The ABO for the U.S. Pension Plans was \$570 and \$756 as of September 30, 2022 and 2021, respectively.

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

In Fiscal 2022 and Fiscal 2021, the change in the pension plans’ PBO due to actuarial gains and losses is principally the result of changes in discount rates.

Actuarial assumptions for our U.S. Pension Plans are described below. The discount rate assumption was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plans. The discount rate was then developed as the single rate that equates the market value of the bonds purchased to the discounted value of the plans’ benefit payments. The expected rate of return on assets assumption is based on current and expected asset allocations as well as historical and expected returns on various categories of plan assets (as further described below).

	Pension Plans		
	2022	2021	2020
Weighted-average assumptions:			
Discount rate – benefit obligations	5.70 %	3.13 %	2.90 %
Discount rate – benefit cost	3.13 %	2.90 %	3.30 %
Expected return on plan assets	7.10 %	7.10 %	7.20 %
Rate of increase in salary levels	3.25 %	3.25 %	3.25 %

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

The service cost component of our pension and other postretirement plans, net of amounts capitalized, is reflected in “Operating and administrative expenses” on the Consolidated Statements of Income. The non-service cost components, net of amounts capitalized by Utilities as a regulatory asset, are reflected in “Other non-operating income (expense), net” on the 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		
	2022	2021	2020
Service cost	\$ 16	\$ 12	\$ 11
Interest cost	26	22	23
Expected return on assets	(50)	(40)	(38)
Curtailed gain	—	—	(1)
Amortization of:			
Prior service cost	—	—	1
Actuarial loss	7	14	15
Net benefit (income) cost	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ 11</u>

It is our general policy to fund amounts for U.S. Pension Plans benefits equal to at least the minimum required contribution set forth in applicable employee benefit laws. From time to time, we may, at our discretion, contribute additional amounts. During Fiscal 2022, Fiscal 2021 and Fiscal 2020, we made cash contributions to the U.S. Pension Plans of \$14, \$13 and \$13, respectively. The minimum required contributions in Fiscal 2023 are not expected to be material.

UGI Utilities has established a VEBA trust to pay certain retiree health care and life insurance benefits by depositing into the VEBA the annual amount of postretirement benefits costs, if any. Assets associated with the VEBA are not material and we do not expect to be required to make any contributions to the VEBA during Fiscal 2023.

Expected payments for postretirement benefits over the next 10 years are not material. Expected payments for pension benefits are as follows:

	Pension Benefits
Fiscal 2023	\$ 37
Fiscal 2024	\$ 38
Fiscal 2025	\$ 40
Fiscal 2026	\$ 41
Fiscal 2027	\$ 43
Fiscal 2028 - 2032	\$ 229

We also sponsor unfunded and non-qualified supplemental executive defined benefit retirement plans. At September 30, 2022 and 2021, the PBOs of these plans, including obligations for amounts held in grantor trusts, totaled \$44 and \$57, respectively. Costs associated with these plans were not material for all periods presented and are excluded from the tables above. Amounts recorded in UGI’s stockholders’ equity for these plans include pre-tax losses of \$1 and \$10 at September 30, 2022 and 2021, respectively, principally representing unrecognized actuarial losses. In Fiscal 2023, the estimated amount that will be amortized from such pre-tax actuarial losses into retiree benefit cost is not material. During Fiscal 2021, the Company made \$12 of payments for the supplemental executive defined benefit retirement plans. During Fiscal 2022 and Fiscal 2020, the payments the Company made with respect to the supplemental executive defined benefit retirement plans were not material. The total fair value of the grantor trust investment assets associated with the supplemental executive defined benefit retirement plans, which are included in “Other assets” on the Consolidated Balance Sheets, totaled \$31 and \$44 at September 30, 2022 and 2021, respectively.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

U.S. Pension Plans' Assets

The assets of the U.S. Pension Plans are held in trust. The investment policies and asset allocation strategies for the assets in these trusts are determined by the Retirement Plan Committee comprising certain members of UGI's senior management. The overall investment objective is to minimize projected funded status volatility by more closely aligning the duration of the U.S. Pension Plans' fixed income portfolio to the duration of its liabilities. The proportion of plan assets allocated to fixed income investments will increase as the funded status increases. Investments are made principally in common collective trust funds that consist of equity index investments, bond index investments and short-term investments, and, to a much less extent, UGI Common Stock.

The targets and actual allocations for the U.S. Pension Plans' trust assets at September 30 are as follows:

	Actual		Target Asset Allocation (b)	
	2022	2021	2022	2021
Equity investments:				
U.S. equities	26.5 %	22.2 %	24.7 %	25.3 %
Non-U.S. equities	20.9 %	21.7 %	20.9 %	21.4 %
Global equities (a)	13.8 %	16.0 %	13.1 %	13.1 %
Total	61.2 %	59.9 %	58.7 %	59.8 %
Fixed income funds & cash equivalents	35.5 %	36.4 %	35.0 %	34.4 %
Alternative investments	3.3 %	3.7 %	6.3 %	5.8 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

(a) Comprises investment funds that consist of a mix of U.S. and Non-U.S. equity securities.

(b) There is a permitted range for the allocation of the trust assets for the U.S. Pension Plans, excluding the defined benefit pension plan for Mountaineer employees, which is 5% less than and greater than the target allocation.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

Common collective trust funds in the U.S. Pension Plans primarily include investments in U.S., Non-U.S. and global (a mix of U.S. and Non-U.S.) equities, fixed income and short-term investments. The fair values of common collective trust funds and cash equivalents are valued at the NAV of units of the collective trusts. The NAVs, as provided by the trustee, are used as a practical expedient to estimate fair value based on the fair values of the underlying investments held by the funds less their liabilities. The fair values of the U.S. Pension Plans trust assets by asset class as of September 30, 2022 and 2021 are as follows:

	2022	2021
U.S. Pension Plans:		
Domestic equity investments:		
UGI Corporation Common Stock	\$ 26	\$ 35
Total domestic equity investments (a)	26	35
Common collective trust funds:		
U.S. equity index investments	113	124
Non-U.S. equity index investments	110	155
Global equity index investments	72	115
Bond index investments	177	254
Cash equivalents	10	7
Total common collective trust funds (b)	482	655
Alternative investments (b)	17	27
Total	<u>\$ 525</u>	<u>\$ 717</u>

(a) Level 1 investments within the fair value hierarchy.

(b) Assets measured at NAV and therefore excluded from the fair value hierarchy.

The expected long-term rates of return on U.S. Pension Plans' trust assets have been developed using a best estimate of expected returns, volatilities and correlations for each asset class. The estimates are based on historical capital market performance data and future expectations provided by independent consultants. Future expectations are determined by using simulations that provide a wide range of scenarios of future market performance. The market conditions in these simulations consider the long-term relationships between equities and fixed income as well as current market conditions at the start of the simulation. The expected rate begins with a risk-free rate of return with other factors being added such as inflation, duration, credit spreads and equity risk premiums. The rates of return derived from this process are applied to our target asset allocation to develop a reasonable return assumption.

Defined Contribution Plans

We sponsor 401(k) savings plans for eligible employees of UGI and certain of UGI's domestic subsidiaries. Generally, participants in these plans may contribute a portion of their compensation on either a before-tax basis, or on both a before-tax and after-tax basis. These plans also provide for employer matching contributions at various rates. The cost of benefits under the savings plans totaled \$21 in Fiscal 2022, \$21 in Fiscal 2021 and \$21 in Fiscal 2020. The Company also sponsors certain nonqualified supplemental defined contribution executive retirement plans. These plans generally provide supplemental benefits to certain executives that would otherwise be provided under retirement plans but are prohibited due to limitations imposed by the IRC. The Company makes payments to self-directed grantor trusts with respect to these supplemental defined contribution plans. Such payments during Fiscal 2022, Fiscal 2021 and Fiscal 2020 were not material. At September 30, 2022 and 2021, the total fair values of these grantor trust investment assets, which amounts are included in "Other assets" on the Consolidated Balance Sheets, were \$7 and \$9, respectively.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Note 9 — Utility Regulatory Assets and Liabilities and Regulatory Matters

The following regulatory assets and liabilities associated with our Utilities reportable segment are included in our Consolidated Balance Sheets at September 30:

	2022	2021
Regulatory assets (a):		
Income taxes recoverable	\$ 83	\$ 143
Underfunded pension plans	114	108
Environmental costs	37	58
Deferred fuel and power costs	32	11
Removal costs, net	22	24
Other	52	53
Total regulatory assets	<u>\$ 340</u>	<u>\$ 397</u>
Regulatory liabilities (a):		
Postretirement benefits	\$ 11	\$ 13
Deferred fuel and power refunds	3	36
State income tax benefits — distribution system repairs	38	32
Excess federal deferred income taxes	279	287
Other	4	20
Total regulatory liabilities	<u>\$ 335</u>	<u>\$ 388</u>

(a) Current regulatory assets are recorded in “Other current assets” on the Consolidated Balance Sheets. Regulatory liabilities are recorded in “Other current liabilities” and “Other noncurrent liabilities” on the Consolidated Balance Sheets.

Other than removal costs, Utilities currently does not recover a rate of return on the regulatory assets included in the table above.

Income taxes recoverable. This regulatory asset is the result of recording deferred tax liabilities pertaining to temporary tax differences principally as a result of the pass through to ratepayers of the tax benefit on accelerated tax depreciation for state income tax purposes, and the flow through of accelerated tax depreciation for federal income tax purposes for certain years prior to 1981. These deferred taxes have been reduced by deferred tax assets pertaining to utility deferred investment tax credits. Utilities has recorded regulatory income tax assets related to these deferred tax liabilities representing future revenues recoverable through the ratemaking process over the average remaining depreciable lives of the associated property ranging from 1 to approximately 65 years. The decrease in income taxes recoverable at September 30, 2022 reflects the impact on deferred Pennsylvania corporate income taxes resulting from changes in Pennsylvania corporate income tax rates for future years signed into law on July 8, 2022 (See Note 7).

Underfunded pension plans. This regulatory asset represents the portion of net actuarial losses and prior service costs (credits) associated with Gas Utility and Electric Utility pension benefits which are probable of being recovered through future rates based upon established regulatory practices. These regulatory assets are adjusted annually or more frequently under certain circumstances when the funded status of the plans is remeasured in accordance with GAAP. These costs are amortized over the average remaining future service lives of plan participants.

Environmental costs. Environmental costs principally represent estimated probable future environmental remediation and investigation costs that PA Gas Utility expects to incur, primarily at MGP sites in Pennsylvania, in conjunction with a remediation COA with the PADEP. Pursuant to base rate orders, PA Gas Utility receives ratemaking recognition of its estimated environmental investigation and remediation costs associated with its environmental sites. This ratemaking recognition balances the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. The period over which PA Gas Utility expects to recover these costs will depend upon future remediation activity. For additional information on environmental costs, see Note 17.

Removal costs, net. This regulatory asset represents costs incurred, net of salvage, associated with the retirement of depreciable utility plant of UGI Utilities. As required by PAPUC ratemaking, removal costs include actual costs incurred associated with

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

asset retirement obligations. Consistent with prior ratemaking treatment, UGI Utilities expects to recover these costs over five years.

Postretirement benefits. This regulatory liability represents the difference between amounts recovered through rates by PA Gas Utility and Electric Utility and actual costs incurred in accordance with accounting for postretirement benefits. A portion of this liability will be refunded to customers over the average remaining future service lives of plan participants. Another portion of this liability represents overcollections for which refund periods have been established within ratemaking proceedings. With respect to Gas Utility, postretirement benefit overcollections are generally being refunded to customers over a ten-year period beginning October 19, 2016. With respect to Electric Utility, the overcollections are being refunded to ratepayers over a 20-year period effective October 27, 2018.

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

PA Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for retail core-market customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel and power costs or refunds. Net unrealized gains on such contracts at September 30, 2022 and 2021 were \$5 and \$35, respectively.

State income tax benefits — distribution system repairs. This regulatory liability represents Pennsylvania state income tax benefits, net of federal benefit, resulting from the deduction for income tax purposes of repair and maintenance costs associated with UGI Utilities' assets that are capitalized for regulatory and GAAP reporting. The tax benefits associated with these repair and maintenance deductions will be reflected as a reduction to income tax expense over the remaining tax lives of the related book assets.

Excess federal deferred income taxes. This regulatory liability is the result of remeasuring Utilities' federal deferred income tax liabilities on utility plant due to the enactment of the TCJA on December 22, 2017. In order for our utility assets to continue to be eligible for accelerated tax depreciation, current law requires that excess federal deferred income taxes resulting from the remeasurement be amortized no more rapidly than over the remaining lives of the assets that gave rise to the excess federal deferred income taxes, ranging from 1 year to approximately 65 years. This regulatory liability has been increased to reflect the tax benefit generated by the amortization of the excess deferred federal income taxes and is being amortized and credited to tax expense.

Other. Other regulatory assets and liabilities comprise a number of deferred items including, among others, certain fair value adjustments related to the Mountaineer Acquisition, incremental expenses attributable to the COVID-19 pandemic, certain information technology costs, energy efficiency conservation costs and rate case expenses.

Other Regulatory Matters

Base Rate Filings. On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by \$83 annually. On September 15, 2022, the PAPUC issued a final order approving a settlement providing for a \$49 annual base distribution rate increase for PA Gas Utility, through a phased approach, with \$38 beginning October 29, 2022 and an additional \$11 beginning October 1, 2023. In accordance with the terms of the final order, PA Gas Utility will not be permitted to file a rate case prior to January 1, 2024. Also in accordance with the terms of the final order, PA Gas Utility is authorized to implement a weather normalization adjustment rider as a 5-year pilot program beginning on the effective date of the new rates. Under this rider, customer billings for distribution services will be adjusted monthly to reflect normal weather conditions if weather deviates more than 3% from normal. Additionally, under the terms of the final order, PA Gas Utility will be authorized to implement a DSIC once its total property, plant and equipment less accumulated depreciation reaches \$3,368 (which threshold was achieved in September 2022).

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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

Note 10 — Inventories

Inventories comprise the following at September 30:

	2022	2021
Non-utility LPG and natural gas	\$ 335	\$ 278
Gas Utility natural gas	166	68
Energy certificates	70	53
Materials, supplies and other	94	70
Total inventories	\$ 665	\$ 469

Note 11 — Property, Plant and Equipment

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

	2022	2021	Estimated Useful Life
Utility:			
Distribution	\$ 4,746	\$ 4,306	
Transmission	123	111	
General and other	557	507	
Work in process	124	98	
Total Utility	5,550	5,022	
Non-utility:			
Land	179	186	
Buildings and improvements	426	436	10 - 40 years
Transportation equipment	234	232	3 - 10 years
Equipment, primarily cylinders and tanks	3,645	3,785	5 - 30 years
Electric generation	216	211	25 - 40 years
Pipeline and related assets	1,523	1,218	25 - 40 years
Other	380	342	1 - 12 years
Work in process	53	76	
Total non-utility	6,656	6,486	
Total property, plant and equipment	\$ 12,206	\$ 11,508	

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

The average composite depreciation rates at our Gas Utility and Electric Utility were as follows:

	2022	2021	2020
Regulated natural gas utilities	2.6 %	2.6 %	2.5 %
Electric Utility	2.4 %	2.3 %	2.2 %

Depreciation expense totaled \$460, \$437 and \$416 for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

Note 12 — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill by reportable segment are as follows:

	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Total
Balance September 30, 2020	\$ 2,004	\$ 997	\$ 335	\$ 182	\$ 3,518
Acquisitions	—	6	—	255	261
Purchase accounting adjustments	—	—	1	—	1
Foreign currency translation	—	(10)	—	—	(10)
Balance September 30, 2021	2,004	993	336	437	3,770
Purchase accounting adjustments	—	—	—	(5)	(5)
Foreign currency translation	—	(153)	—	—	(153)
Balance September 30, 2022	<u>\$ 2,004</u>	<u>\$ 840</u>	<u>\$ 336</u>	<u>\$ 432</u>	<u>\$ 3,612</u>

Intangible assets comprise the following at September 30:

	2022	2021
Customer relationships	\$ 1,006	\$ 1,054
Trademarks and tradenames	11	12
Noncompete agreements and other	71	75
Accumulated amortization	(629)	(607)
Intangible assets, net (definite-lived)	<u>459</u>	<u>534</u>
Trademarks and tradenames (indefinite-lived)	41	49
Total intangible assets, net	<u>\$ 500</u>	<u>\$ 583</u>

Changes in amounts above include the effects of currency translation. During the fourth quarter of Fiscal 2021, the Company recognized a \$20 non-cash, pre-tax impairment charge related to a customer relationship intangible at DVEP resulting from a decline in anticipated volumes attributable to a historical customer. The charge is reflected in “Operating and administrative expenses” on the Consolidated Statements of Income.

Amortization expense of intangible assets was \$61, \$76 and \$83 for Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2023 — \$54; Fiscal 2024 — \$53; Fiscal 2025 — \$52; Fiscal 2026 — \$51; Fiscal 2027 — \$29.

Note 13 — Equity

On February 2, 2022, UGI’s Board of Directors authorized an extension of an existing share repurchase program for up to 8,000,000 shares of UGI Corporation Common Stock for an additional four-year period, expiring February 2026. Pursuant to the Board authorization, during Fiscal 2022 and Fiscal 2020 the Company purchased and placed in treasury stock 900,000 shares and 950,000 shares at a total cost of \$38 and \$38, respectively. There were no such repurchases during Fiscal 2021.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

UGI Preferred Stock and Common Stock share activity for Fiscal 2022, Fiscal 2021 and Fiscal 2020 is as follows:

	Preferred Stock	Common Stock		
	Issued/ Outstanding	Issued	Treasury	Outstanding
Balance at September 30, 2019	—	209,304,129	(299,340)	209,004,789
Issued:				
Employee and director plans	—	209,915	180,050	389,965
Repurchases of common stock	—	—	(950,000)	(950,000)
Reacquired common stock – employee and director plans	—	—	(90,316)	(90,316)
Balance at September 30, 2020	—	209,514,044	(1,159,606)	208,354,438
Issued:				
Equity Unit Offering	220,000			
Employee and director plans	—	329,252	554,315	883,567
Reacquired common stock – employee and director plans	—	—	(21,870)	(21,870)
Balance at Balance at September 30, 2021	220,000	209,843,296	(627,161)	209,216,135
Issued:				
Employee and director plans	—	717,198	799,152	1,516,350
Repurchases of common stock	—	—	(900,000)	(900,000)
Reacquired common stock – employee and director plans	—	—	(250,273)	(250,273)
Balance at September 30, 2022	220,000	210,560,494	(978,282)	209,582,212

UGI also has 5,000,000 shares of UGI Series Preference Stock authorized for issuance. UGI had no shares of UGI Series Preference Stock outstanding at September 30, 2022 or 2021.

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 (i) a 10% undivided beneficial ownership interest in one share of Convertible Preferred Stock with a liquidation preference of \$1,000 per share and (ii) a 2024 Purchase Contract. The Company received approximately \$213 of 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 which was recorded in “Preferred stock” on the accompanying Consolidated Balance Sheet. The proceeds were used to pay a portion of the purchase price for the Mountaineer Acquisition and related fees and expenses, and for general corporate purposes. During the second quarter of Fiscal 2022, the Company reclassified certain amounts on the Consolidated Balance Sheet and Consolidated Statement of Changes in Equity related to the accounting for the Equity Units.

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 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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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. At September 30, 2022 and 2021, there were 220,000 shares of Series B preferred stock authorized for issuance pursuant to the settlement terms discussed above.

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 common stock on the purchase contract settlement date, which is scheduled to occur on June 1, 2024. The number of shares of UGI 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 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 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 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 common stock equal to 85% of the number of shares of UGI 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 common stock or a combination of cash and shares of UGI 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" (with a corresponding reduction to "UGI Preferred Stock") on the Consolidated Balance Sheet. 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 Consolidated Statements of Income. This accretion was not material during Fiscal 2022 and Fiscal 2021.

Note 14 — Equity-Based Compensation

The Company grants equity-based awards to employees and non-employee directors comprising UGI stock options and, UGI Common Stock-based equity instruments. We recognized total pre-tax equity-based compensation expense of \$15 (\$11 after-tax), \$21 (\$15 after-tax) and \$15 (\$11 after-tax) in Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively.

UGI Equity-Based Compensation Plans and Awards. On January 29, 2021, the Company's shareholders approved the 2021 IAP. Under the 2021 IAP, awards representing up to 20,500,000 shares of UGI Common Stock may be granted. UGI Unit Awards granted to employees and non-employee directors, including dividend equivalents, are settled in shares of UGI Common Stock and cash. The 2021 IAP supersedes and replaces the 2013 OICP for awards granted on or after February 1, 2021. The terms and conditions of the 2013 OICP will continue to govern any outstanding awards granted thereunder. Similar to the 2013 OICP, under the 2021 IAP, we may grant options to acquire shares of UGI Common Stock, SARs, UGI Units (comprising "Stock Units" and "UGI Performance Units"), other equity-based awards and cash to key employees and non-employee directors. The exercise price for options may not be less than the fair market value on the grant date. Awards granted under the 2021 IAP may vest immediately or ratably over a period of years, and stock options can be exercised no later than ten years from the grant date. Except in the event of retirement, death or disability, each grant, unless paid, will terminate when the

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

participant ceases to be employed. There are certain change of control and retirement eligibility conditions that, if met, generally result in accelerated vesting or elimination of further service requirements.

There were 18,015,916 shares of Common Stock available for future grants under the 2021 IAP at September 30, 2022.

UGI Stock Option Awards. We measure the fair value of stock options using a Black-Scholes option pricing model that uses certain key assumptions for such options related to the expected life, volatility, dividend yield and the Company's risk-free rate at the valuation date. The per share weighted average fair value of stock options granted under our option plans was \$8.47, \$6.05 and \$5.58 in Fiscal 2022, Fiscal 2021 and Fiscal 2020, respectively. As of September 30, 2022, there was \$5 of unrecognized compensation cost associated with unvested stock options that is expected to be recognized over a weighted-average period of 1.8 years. There were 9,004,896 stock options outstanding at September 30, 2022, of which, 7,179,583 stock options were exercisable with a weighted-average option price of \$42.23.

UGI Unit Awards. UGI Stock Unit and UGI Performance Unit awards entitle the grantee to shares of UGI Common Stock or cash once the service condition is met and, with respect to UGI Performance Unit awards, subject to market performance conditions. UGI Performance Unit grant recipients are awarded a target number of UGI Performance Units. The number of UGI Performance Units ultimately paid at the end of the performance period (generally three years) may be higher or lower than the target amount, or even zero, based on UGI's TSR percentile rank relative to the UGI comparator group. Grantees may receive 0% to 200% of the target award granted.

The fair value of UGI Stock Units on the grant date is equal to the market price of UGI Stock on the grant date plus the fair value of dividend equivalents if applicable. The fair value of UGI Performance Units is estimated using a Monte Carlo valuation model. The fair value associated with the target award is accounted for as equity and the fair value of the award over the target, as well as all dividend equivalents, is accounted for as a liability.

The weighted-average grant date fair value of UGI Stock Units and UGI Performance Units granted to employees during Fiscal 2022, Fiscal 2021, and Fiscal 2020 was \$51.24, \$41.41 and \$41.47, respectively.

As of September 30, 2022, there was a total of \$24 unrecognized compensation cost associated with UGI Unit awards outstanding that is expected to be recognized over a weighted-average period of 2.0 years. As of September 30, 2022, there were 1,376,371 UGI Unit awards outstanding with a weighted-average grant-date fair value of \$42.31 per share.

Note 15 — Partnership Distributions

In accordance with the Partnership Agreement, the Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in a total amount equal to its Available Cash (as defined in the Partnership Agreement) for such quarter. The General Partner may establish reserves for the proper conduct of the Partnership's business and for distributions during the next four quarters.

Note 16 — Leases

Lessee

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

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize ROU assets at the lease commencement date at the value of the lease liability adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. These payments are discounted using the discount rate implicit in the lease, when available. We apply an incremental borrowing rate, which is

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

developed utilizing a credit notching approach based on information available at the lease commencement date, to substantially all of our leases as the implicit rate is often not available.

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

Certain lease arrangements, primarily fleet vehicle leases with lease terms of one to ten years, contain purchase options. The Company generally excludes purchase options in evaluating its leases unless it is reasonably certain that such options will be exercised. Additionally, leases of fleet vehicles often contain residual value guarantees that are due at the end of the lease. Such amounts are included in the determination of lease liabilities when we are reasonably certain that they will be owed.

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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

	2022	2021	Location on the Balance Sheet
ROU assets:			
Operating lease ROU assets	\$ 368	\$ 390	Other assets
Finance lease ROU assets	48	49	Property, plant and equipment
Total ROU assets	\$ 416	\$ 439	
Lease liabilities:			
Operating lease liabilities — current	\$ 82	\$ 81	Other current liabilities
Operating lease liabilities — noncurrent	294	318	Other noncurrent liabilities
Finance lease liabilities — current	4	4	Current maturities of long-term debt
Finance lease liabilities — noncurrent	41	41	Long-term debt
Total lease liabilities	\$ 421	\$ 444	

The components of lease cost for Fiscal 2022, Fiscal 2021 and Fiscal 2020 are as follows:

	2022	2021	2020
Operating lease cost	\$ 96	\$ 101	\$ 102
Finance lease cost:			
Amortization of ROU assets	4	4	5
Interest on lease liabilities	3	3	3
Variable lease cost	6	4	5
Short-term lease cost	2	2	3
Total lease cost	\$ 111	\$ 114	\$ 118

The following table presents the cash and non-cash activity related to lease liabilities included in the Consolidated Statements of Cash Flows during Fiscal 2022, Fiscal 2021 and Fiscal 2020:

	2022	2021	2020
Cash paid related to lease liabilities:			
Operating cash flows — operating leases	\$ 95	\$ 99	\$ 103
Operating cash flows — finance leases	\$ 3	\$ 3	\$ 3
Financing cash flows — finance leases	\$ 2	\$ 3	\$ 4
Non-cash lease liability activities:			
ROU assets obtained in exchange for operating lease liabilities (a)	\$ 72	\$ 85	\$ 506
ROU assets obtained in exchange for finance lease liabilities	\$ 2	\$ 1	\$ 22

(a) Fiscal 2020 includes the impact of the adoption of ASC 842 – *Leases*.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

The following table presents the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term (in years)	2022	2021
Operating leases	6.0	6.3
Finance leases	3.7	2.4
Weighted-average discount rate (%)	2022	2021
Operating leases	3.6%	3.6%
Finance leases	1.8%	1.5%

Expected annual lease payments based on maturities of operating and finance leases, as well as a reconciliation to the lease liabilities on the Consolidated Balance Sheet, as of September 30, 2022, were as follows:

	2023	2024	2025	2026	2027	After 2027	Total Lease Payments	Imputed Interest	Lease Liabilities
Operating leases	\$ 93	\$ 81	\$ 64	\$ 52	\$ 41	\$ 86	\$ 417	\$ (41)	\$ 376
Finance leases	\$ 4	\$ 4	\$ 4	\$ 4	\$ 3	\$ 77	\$ 96	\$ (51)	\$ 45

Approximately 85% of the operating lease liabilities presented above relate to AmeriGas Propane.

At September 30, 2022, operating and finance leases that had not yet commenced were not material.

Lessor

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

Note 17 — Commitments and Contingencies***Environmental Matters*****UGI Utilities**

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

UGI Utilities is subject to a COA with the PADEP to address the remediation of specified former MGP sites in Pennsylvania, which is scheduled to terminate at the end of 2031. In accordance with the COA, UGI Utilities is required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs, or make expenditures for such activities in an amount equal to an annual environmental minimum expenditure threshold. The annual minimum expenditure threshold of the COA is \$5. At September 30, 2022 and 2021, our aggregate estimated accrued liabilities for environmental investigation and remediation costs related to the current COA and the predecessor agreements totaled \$53 and \$50, respectively.

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities' results of operations because UGI Utilities receives ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COA. This ratemaking recognition reconciles the accumulated

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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 9).

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 were material for all periods presented.

AmeriGas Propane

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

The NYDEC commenced implementation of the remediation plan in the spring of 2018. Based on our evaluation of the available information as of September 30, 2022 and 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.

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.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Note 18 — 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 as described in Note 2:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
September 30, 2022:				
Derivative instruments:				
Assets:				
Commodity contracts (b)	\$ 938	\$ 1,268	\$ 27	\$ 2,233
Foreign currency contracts	\$ —	\$ 119	\$ —	\$ 119
Interest rate contracts	\$ —	\$ 66	\$ —	\$ 66
Liabilities:				
Commodity contracts (b)	\$ (377)	\$ (136)	\$ —	\$ (513)
Foreign currency contracts	\$ —	\$ (2)	\$ —	\$ (2)
Non-qualified supplemental postretirement grantor trust investments (a)				
	\$ 43	\$ —	\$ —	\$ 43
September 30, 2021				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 641	\$ 1,008	\$ —	\$ 1,649
Foreign currency contracts	\$ —	\$ 38	\$ —	\$ 38
Liabilities:				
Commodity contracts	\$ (264)	\$ (16)	\$ —	\$ (280)
Foreign currency contracts	\$ —	\$ (8)	\$ —	\$ (8)
Interest rate contracts	\$ —	\$ (29)	\$ —	\$ (29)
Non-qualified supplemental postretirement grantor trust investments (a)				
	\$ 53	\$ —	\$ —	\$ 53

(a) Consists primarily of mutual fund investments held in grantor trusts associated with non-qualified supplemental retirement plans (see Note 8).

(b) Includes derivative assets and liabilities held-for-sale associated with the October 2022 sale of the United Kingdom energy marketing business (see Note 25).

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. Substantially all of the remaining 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 Level 3 measurements reflect natural gas commodity contracts attributable to our UGI International operations. The fair values of these contracts have been determined using unobservable inputs in an illiquid market, and the fair values of such Level 3 measurements ranged from \$7 to \$27 given the available inputs considered. The actual realized value at which these contracts will settle could vary significantly compared to the fair values reflected at September 30, 2022. The fair values of investments held in grantor trusts are derived from quoted market prices as substantially all of the investments in these trusts have active markets.

UGI Corporation and Subsidiaries**Notes to Consolidated Financial Statements**

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

Other Financial Instruments

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

	2022		2021	
Carrying amount	\$	6,665	\$	6,491
Estimated fair value	\$	6,189	\$	6,996

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 19.

Note 19 — 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*

PA 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 PA Gas Utility's annual PGC filings, PA Gas Utility currently uses NYMEX natural gas futures and option contracts to reduce commodity price volatility associated with a portion of the natural gas it purchases for its retail core-market customers. See Note 9 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 swap contracts. In addition, the Partnership and our UGI International operations also use over-the-counter price swap and option contracts to reduce commodity price volatility associated with a portion of their forecasted LPG purchases.

Natural Gas

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

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

Electricity

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

Interest Rate Risk

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

The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time we enter into IRPAs. We account for IRPAs as cash flow hedges. There were no unsettled IRPAs during any of the periods presented. At September 30, 2022, the amount of pre-tax net losses associated with interest rate hedges (excluding pay-fixed, receive-variable interest rate swaps) expected to be reclassified into earnings during the next twelve months is \$3.

Foreign Currency Exchange Rate Risk

Forward Foreign Currency Exchange Contracts

In order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the USD 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 Consolidated Statements of Income.

Net Investment Hedges

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

Concurrent with the repayment of UGI International’s 3.25% Senior Notes on December 7, 2021, we settled an associated net investment hedge having a notional value of €93. Additionally, in May 2022, we restructured certain net investment hedges associated with anticipated foreign currency denominated dividends. Cash flows from these transactions are included in cash flows from investing activities on the Consolidated Statements of Cash Flows. We recognized pre-tax gains associated with net investment hedges in the foreign currency component of AOCI totaling \$69 during Fiscal 2022.

Our euro-denominated long-term debt has also been designated as net investment hedges, representing a portion of our UGI International euro-denominated net investment. We recognized pre-tax gains (losses) associated with these net investment

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

hedges in the foreign currency component of AOCI totaling \$123, \$9 and \$(53) during Fiscal 2022, Fiscal 2021, and Fiscal 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 September 30, 2022 and 2021 and the final settlement dates of the Company's open derivative contracts as of September 30, 2022, (including amounts associated with our energy marketing businesses in the United Kingdom and France (Note 25)) but excluding those derivatives that qualified for the NPNS exception:

Type	Units	Settlements Extending Through	Notional Amounts (in millions)	
			September 30, 2022	2021
Commodity Price Risk:				
<i>Regulated Utility Operations</i>				
PA Gas Utility NYMEX natural gas futures and option contracts	Dekatherms	October 2023	19	20
<i>Non-utility Operations</i>				
LPG swaps	Gallons	January 2025	874	708
Natural gas futures, forward, basis swap, options and pipeline contracts	Dekatherms	October 2026	363	355
Electricity forward and futures contracts	Kilowatt hours	December 2026	2,446	4,302
Interest Rate Risk:				
Interest rate swaps	Euro	October 2022	€ 300	€ 300
Interest rate swaps	USD	June 2026	\$ 1,358	\$ 1,421
Foreign Currency Exchange Rate Risk:				
Forward foreign exchange contracts	USD	August 2025	\$ 465	\$ 509
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 411	€ 173

Derivative Instrument Credit Risk

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

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of September 30, 2022, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was \$2,418. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At September 30, 2022, we had received cash collateral from derivative instrument counterparties totaling \$398. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At September 30, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Offsetting Derivative Assets and Liabilities

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

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Fair Value of Derivative Instruments

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

	2022	2021
Derivative assets:		
Derivatives designated as hedging instruments:		
Foreign currency contracts	\$ 57	\$ 20
Interest rate contracts	66	—
	<u>123</u>	<u>20</u>
Derivatives subject to PGC and DS mechanisms:		
Commodity contracts	31	58
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	2,202	1,591
Foreign currency contracts	62	18
	<u>2,264</u>	<u>1,609</u>
Total derivative assets – gross	2,418	1,687
Gross amounts offset in the balance sheet	(295)	(216)
Cash collateral received	(398)	(468)
Total derivative assets – net	<u>\$ 1,725</u>	<u>\$ 1,003</u>
Derivative liabilities:		
Derivatives designated as hedging instruments:		
Interest rate contracts	\$ —	\$ (29)
Derivatives subject to PGC and DS mechanisms:		
Commodity contracts	(26)	(23)
Derivatives not designated as hedging instruments:		
Commodity contracts (a)	(487)	(257)
Foreign currency contracts	(2)	(8)
	<u>(489)</u>	<u>(265)</u>
Total derivative liabilities – gross	(515)	(317)
Gross amounts offset in the balance sheet	295	216
Cash collateral pledged	7	3
Total derivative liabilities – net	<u>\$ (213)</u>	<u>\$ (98)</u>

(a) Includes derivative assets and liabilities held-for-sale associated with the October 2022 sale of the United Kingdom energy marketing business (see Note 25).

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Effects of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Consolidated Statements of Income and changes in AOCI for Fiscal 2022, Fiscal 2021 and Fiscal 2020:

	Gain (Loss) Recognized in AOCI			Gain (Loss) Reclassified from AOCI into Income			Location of Gain (Loss) Reclassified from AOCI into Income
	2022	2021	2020	2022	2021	2020	
Cash Flow Hedges:							
Interest rate contracts	91	4	(53)	(7)	(25)	(13)	Interest expense
Net Investment Hedges:							
Foreign currency contracts	\$ 69	\$ 4	\$ (1)				
	Gain (Loss) Recognized in Income			Location of Gain (Loss) Recognized in Income			
	2022	2021	2020				
Derivatives Not Designated as Hedging Instruments:							
Commodity contracts	\$ (9)	\$ (17)	\$ 10	Revenues			
Commodity contracts	1,181	1,545	(32)	Cost of sales			
Commodity contracts	1	5	—	Other operating income, net			
Foreign currency contracts	63	9	(20)	Other non-operating income (expense), net			
Total	\$ 1,236	\$ 1,542	\$ (42)				

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.

Note 20 — Accumulated Other Comprehensive Income (Loss)

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

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

The tables below present changes in AOCI, net of tax, during Fiscal 2022, Fiscal 2021 and Fiscal 2020:

	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI - September 30, 2019	\$ (26)	\$ (25)	\$ (166)	\$ (217)
Other comprehensive (loss) income before reclassification adjustments	(3)	(38)	99	58
Amounts reclassified from AOCI	3	9	—	12
Other comprehensive (loss) income attributable to UGI	—	(29)	99	70
AOCI - September 30, 2020	\$ (26)	\$ (54)	\$ (67)	\$ (147)
Other comprehensive income (loss) before reclassification adjustments	7	3	(23)	(13)
Amounts reclassified from AOCI	2	18	—	20
Other comprehensive income (loss) attributable to UGI	9	21	(23)	7
AOCI - September 30, 2021	\$ (17)	\$ (33)	\$ (90)	\$ (140)
Other comprehensive income (loss) before reclassification adjustments	28	64	(341)	(249)
Amounts reclassified from AOCI	3	6	—	9
Other comprehensive income (loss) attributable to UGI	31	70	(341)	(240)
AOCI - September 30, 2022	\$ 14	\$ 37	\$ (431)	\$ (380)

Note 21 — Other Operating Income, Net and Other Non-Operating Income (Expense), Net

Other Operating Income, Net

Other operating income, net, comprises the following:

	2022	2021	2020
Finance charges	\$ 18	\$ 17	\$ 9
Gains on sales of fixed assets, net	33	11	5
Gain on early derivative termination	—	5	—
Interest and interest-related income	1	—	2
Other, net	27	—	5
Total other operating income, net	\$ 79	\$ 33	\$ 21

Other Non-Operating Income (Expense), Net

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

	2022	2021	2020
Gains (losses) on foreign currency contracts, net	\$ 63	\$ 9	\$ (20)
Amortization of excluded components of certain net investment hedges	7	2	—
Pension and other postretirement plans non-service income, net	5	1	—
Total other non-operating income (expense), net	\$ 75	\$ 12	\$ (20)

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Note 22 — Equity Method Investments

During Fiscal 2022 and Fiscal 2021, the Company's principal equity method investments comprised Pine Run, Pennant and PennEast which are reflected in our Midstream and Marketing Segment. Our equity method investments are included within "Other assets" on the Consolidated Balance Sheets and totaled \$130 and \$174 at September 30, 2022 and 2021, respectively.

Pine Run. The Company has an approximately 49% interest in Pine Run, a company jointly owned by Stonehenge Energy Resources and UGI Pine Run, LLC. In February 2021, Pine Run, completed the acquisition of Pine Run Midstream, an affiliate of PennEnergy, and minority partners for approximately \$205. The acquisition was funded by cash contributions by UGI Pine Run, LLC and Stonehenge Energy Resources totaling approximately \$115, and the issuance by Pine Run of \$90 of long-term debt. Pine Run Midstream operates dry gas gathering pipelines and compression assets in western Pennsylvania. Pine Run is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over the entity. The carrying value of our investment in Pine Run at September 30, 2022 and 2021 was \$68 and \$60, respectively.

Pennant. As of September 30, 2021, Energy Services held a 47% membership interest in Pennant, a natural gas gathering system located in northeast Ohio and western Pennsylvania. In Fiscal 2022, relating to the Company's acquisition of a controlling interest in Pennant, the Company recognized an other-than-temporary pre-tax impairment charge of \$44 related to its 47% membership interest, which was recorded in "(Loss) income from equity investees" in the Consolidated Statements of Income. The Company acquired the outstanding interest in Pennant during the fourth quarter of Fiscal 2022. See Note 5 for additional information related to the acquired interest in Pennant. The carrying value of our investment in Pennant at September 30, 2021 was \$93.

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. PennEast was formed to construct an approximate 120-mile natural gas pipeline from Luzerne County, Pennsylvania to the Trenton-Woodbury interconnection in New Jersey. PennEast is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over 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 needed to be resolved before construction could commence. Based on the significant remaining legal challenges and the expected further delays in obtaining the necessary regulatory approvals, which were 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 at the time. Based upon this analysis, the Company recognized an other-than-temporary pre-tax impairment charge of \$93 in June 2021, which is recorded in "(Loss) income from equity investees" in the Consolidated Statements of Income.

On September 27, 2021, the PennEast partners announced that further development of the project is no longer supported. Following this announcement, the estimated fair value was assessed using the liquidation value of equipment held by PennEast and did not result in a significant change compared to June 30, 2021 and no further impairment loss was recognized. The estimated fair value of the Company's investment in PennEast was determined to be a Level 2 measurement within the fair value hierarchy. During the fourth quarter of Fiscal 2022, the Company recognized \$9 of equity earnings related to the ongoing liquidation of PennEast assets. The carrying value of our investment in PennEast at September 30, 2022 and 2021 was not material.

Other Equity Investments. Our other equity investments totaled \$62 and \$21 at September 30, 2022 and 2021, respectively, and principally comprise investments in biomass and other renewable energy projects at Midstream and Marketing and, in Fiscal 2022, an investment in a renewable energy joint venture at UGI International.

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

Note 23 — Segment Information

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

AmeriGas Propane derives its revenues principally from the sale of propane and related equipment and supplies to retail customers in all 50 states. UGI International derives its revenues principally from the distribution of LPG to retail customers throughout much of Europe. In addition, UGI International derives revenue from natural gas marketing businesses in France, Belgium and the United Kingdom and a natural gas and electricity marketing business in the Netherlands. See Note 25 for additional information regarding the October 2022 sale of the United Kingdom energy marketing business and the November 2022 announcement related to the France energy marketing business. Midstream & Marketing derives its revenues principally from the sale of natural gas, liquid fuels and electricity as well as revenues and fees from storage, pipeline transportation, natural gas gathering, natural gas and RNG production activities primarily in the Mid-Atlantic region of the U.S. eastern Ohio, the panhandle of West Virginia and California. Midstream & Marketing also derives revenues from the sale of electricity through PJM, a regional electricity transmission organization in the eastern U.S., and, prior to its sale on September 30, 2020, also from contracting services provided by HVAC to customers in portions of eastern and central Pennsylvania (see Note 5). Our Utilities segment primarily derives its revenues from the sale and distribution of natural gas to customers in eastern and central Pennsylvania and subsequent to the Mountaineer Acquisition in September 2021, in West Virginia (see Note 5). To a much lesser extent, Utilities also derives revenues from the sale and distribution of electricity in two northeastern Pennsylvania counties.

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 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. Our CODM evaluates the performance of all of our reportable segments based upon earnings before interest expense and income taxes, excluding the items noted below.

No single customer represents more than ten percent of our consolidated revenues. In addition, all of our reportable segments' revenues, other than those of UGI International, are derived from sources within the United States, and all of our reportable segments' long-lived assets, other than those of UGI International, are located in the United States. The amounts of revenues and long-lived assets associated with our operations in France represent approximately 20% and 10% of the respective consolidated amounts.

	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
2022							
Revenues from external customers	\$ 10,106	\$ —	\$ 2,943	\$ 3,686	\$ 1,957	\$ 1,515	\$ 5
Intersegment revenues	\$ —	\$ (477) (b)	\$ —	\$ —	\$ 369	\$ 105	\$ 3
Cost of sales	\$ 5,973	\$ (474) (b)	\$ 1,613	\$ 2,751	\$ 1,876	\$ 798	\$ (591)
Operating income	\$ 1,666	\$ —	\$ 307	\$ 237	\$ 246	\$ 327	\$ 549
(Loss) income from equity investees	(14)	—	—	(2)	23	—	(35)
Loss on extinguishments of debt	(11)	—	—	—	—	—	(11)
Other non-operating income, net	75	—	—	19	—	9	47
Earnings before interest expense and income taxes	1,716	—	307	254	269	336	550
Interest expense	(329)	—	(160)	(28)	(41)	(65)	(35)
Income tax expense	(313)	—	(35)	(50)	(65)	(65)	(98)
Noncontrolling interests' net (income) loss	(1)	—	—	(1)	—	—	—
Net income attributable to UGI	\$ 1,073	\$ —	\$ 112	\$ 175	\$ 163	\$ 206	\$ 417
Depreciation and amortization	\$ 518	\$ —	\$ 177	\$ 116	\$ 79	\$ 144	\$ 2
Total assets	\$ 17,575	\$ (203)	\$ 4,332	\$ 4,610	\$ 3,286	\$ 5,354	\$ 196
Short-term borrowings	\$ 368	\$ —	\$ 131	\$ 1	\$ —	\$ 236	\$ —

[Table of Contents](#)

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Capital expenditures (including the effects of accruals)	\$ 835	\$ —	\$ 128	\$ 107	\$ 38	\$ 562	\$ —
Investments in equity investees	\$ 130	\$ —	\$ —	\$ 20	\$ 109	\$ —	\$ 1

2021

Revenues from external customers	\$ 7,447	\$ —	\$ 2,614	\$ 2,651	\$ 1,182	\$ 1,015	\$ (15)
Intersegment revenues	\$ —	\$ (291) (b)	\$ —	\$ —	\$ 224	\$ 64	\$ 3
Cost of sales	\$ 2,614	\$ (288) (b)	\$ 1,217	\$ 1,598	\$ 1,033	\$ 458	\$ (1,404)
Operating income	\$ 2,350	\$ —	\$ 385	\$ 314	\$ 160	\$ 241	\$ 1,250
(Loss) income from equity investees	(63)	—	—	—	30	—	(93)
Other non-operating income, net	12	—	—	3	—	1	8
Earnings before interest expense and income taxes	2,299	—	385	317	190	242	1,165
Interest expense	(310)	—	(159)	(27)	(42)	(56)	(26)
Income tax expense	(522)	—	(58)	(69)	(41)	(42)	(312)
Net income attributable to UGI	<u>\$ 1,467</u>	<u>\$ —</u>	<u>\$ 168</u>	<u>\$ 221</u>	<u>\$ 107</u>	<u>\$ 144</u>	<u>\$ 827</u>
Depreciation and amortization	\$ 502	\$ —	\$ 173	\$ 134	\$ 76	\$ 119	\$ —
Total assets	\$ 16,723	\$ (241)	\$ 4,485	\$ 4,421	\$ 3,010	\$ 4,859	\$ 189
Short-term borrowings	\$ 367	\$ —	\$ 170	\$ —	\$ —	\$ 197	\$ —
Capital expenditures (including the effects of accruals)	\$ 674	\$ —	\$ 130	\$ 107	\$ 43	\$ 394	\$ —
Investments in equity investees	\$ 174	\$ —	\$ —	\$ 11	\$ 163	\$ —	\$ —

2020

Revenues from external customers	\$ 6,559	\$ —	\$ 2,381	\$ 2,127	\$ 1,065	\$ 983	\$ 3
Intersegment revenues	\$ —	\$ (232) (b)	\$ —	\$ —	\$ 182	\$ 47	\$ 3
Cost of sales	\$ 3,149	\$ (229) (b)	\$ 960	\$ 1,191	\$ 892	\$ 448	\$ (113)
Operating income (loss)	\$ 982	\$ —	\$ 373	\$ 241	\$ 140	\$ 229	\$ (1)
Income from equity investees	27	—	—	—	27	—	—
Other non-operating (expense) income, net	(20)	—	—	18	1	—	(39)
Earnings (loss) before interest expense and income taxes	989	—	373	259	168	229	(40)
Interest expense	(322)	—	(164)	(31)	(42)	(54)	(31)
Income tax (expense) benefit	(135)	—	(53)	(55)	(34)	(39)	46
Net income (loss) attributable to UGI	<u>\$ 532</u>	<u>\$ —</u>	<u>\$ 156</u>	<u>\$ 173</u>	<u>\$ 92</u>	<u>\$ 136</u>	<u>\$ (25)</u>
Depreciation and amortization	\$ 484	\$ —	\$ 178	\$ 125	\$ 75	\$ 105	\$ 1
Total assets	\$ 13,985	\$ (282)	\$ 4,327	\$ 3,123	\$ 2,775	\$ 3,809	\$ 233
Short-term borrowings	\$ 347	\$ —	\$ 186	\$ 1	\$ 19	\$ 141	\$ —
Capital expenditures (including the effects of accruals)	\$ 665	\$ —	\$ 135	\$ 89	\$ 93	\$ 348	\$ —
Investments in equity investees	\$ 200	\$ —	\$ —	\$ 10	\$ 190	\$ —	\$ —

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

(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, for Fiscal 2022, Fiscal 2021 and Fiscal 2020:

	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
2022				
Net gains (losses) on commodity derivative instruments not associated with current-period transactions	Revenues	\$ —	\$ 9	\$ (4)
Net (losses) gains on commodity derivative instruments not associated with current-period transactions	Cost of Sales	\$ (185)	\$ 797	\$ (21)
Net gains on commodity derivative instruments not associated with current-period transactions	Other operating income, net	\$ —	\$ 2	\$ —
Restructuring costs	Operating and administrative expenses	\$ (21)	\$ (9)	\$ (1)
Loss on extinguishment of debt	Loss on extinguishments of debt	\$ —	\$ (11)	\$ —
Unrealized gains on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ 50	\$ —
Impairments of certain equity method investments and assets	Operating and administrative expenses; (Loss) income from equity investees, respectively	\$ —	\$ (5)	\$ (35)
2021				
Net losses on commodity derivative instruments not associated with current-period transactions	Revenues	\$ —	\$ —	\$ (15)
Net gains on commodity derivative instruments not associated with current-period transactions	Cost of sales	\$ 167	\$ 1,065	\$ 173
Unrealized losses on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ 8	\$ —
Business transformation expenses	Operating and administrative expenses	\$ (54)	\$ (33)	\$ —
Impairment of customer relationship intangible	Operating and administrative expenses	\$ —	\$ (20)	\$ —
Impairments associated with certain equity method investments	(Loss) income from equity investees	\$ —	\$ —	\$ (93)
2020				
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	\$ 72	\$ —	\$ 42
Unrealized losses on foreign currency derivative instruments	Other non-operating income (expense), net	\$ —	\$ (36)	\$ —
Acquisition and integration expenses associated with the CMG Acquisition	Operating and administrative expenses	\$ —	\$ —	\$ (2)
Business transformation expenses	Operating and administrative expenses	\$ (44)	\$ (18)	\$ —
Loss on disposals of Conemaugh and HVAC	Loss on disposals of Conemaugh and HVAC	\$ —	\$ —	\$ (54)

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

Note 24 — 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-

UGI Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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

term operational performance by, among other things, reducing costs and improving efficiency in the areas of sales and marketing, supply and logistics, operations, purchasing, and administration. In addition, these business transformation initiatives focus on enhancing the customer experience through, among other things, enhanced customer relationship management and an improved digital customer experience. During Fiscal 2021 and Fiscal 2020 we incurred \$87 and \$62 respectively, of costs principally comprising consulting, advisory, marketing and employee-related costs. These costs are primarily reflected in “Operating and administrative expenses” on the Consolidated Statements of Income. These previously announced business transformation initiatives were substantially complete by the end of Fiscal 2021.

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, during Fiscal 2022 and 2021, we incurred \$9 and \$14, respectively. Amounts in connection with this initiative are reflected in “Operating and administrative expenses” on the Consolidated Statement of Income.

Note 25 — Subsequent Events

Dispositions

UGI International United Kingdom Energy Marketing. In October 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the United Kingdom resulting in a net cash payment to the buyer of \$19 which includes working capital adjustments. The assets and liabilities associated with this business, primarily attributable to the value of unrealized gains and losses on derivative contracts, are classified as held-for-sale on the accompanying Consolidated Balance Sheet as of September 30, 2022. During the fourth quarter of Fiscal 2022, the Company recognized an impairment charge, which was limited to the disposal group’s long-lived assets in accordance with its policy related to assets held for sale. Such impairment in Fiscal 2022 was not material. An incremental pretax loss of approximately \$220 was recognized in the first quarter of Fiscal 2023 in connection with the completed sale, largely attributable to the difference between the net cash payment to the buyer and the fair value of net derivative assets sold along with customer contracts as of the transaction date. The change in the net assets held for sale as of September 30, 2022, and the loss recognized upon disposal in October 2022, was due to the change in the fair value of the net derivative assets subsequent to September 30, 2022.

UGI International France Energy Marketing. In November 2022, the Company announced its intent to sell its energy marketing business located in France, with a definitive agreement expected to be signed in the first quarter of Fiscal 2023. The Company expects to recognize a significant loss on the sale largely attributable to the value of net derivative assets sold along with the related customer contracts. At September 30, 2022, the carrying value of the net assets of the Company’s energy marketing business in France amounted to approximately \$470 with primarily all of that value related to the fair value of the applicable derivative contracts.

UGI CORPORATION
SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

BALANCE SHEETS
(Millions of dollars)

	September 30,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20	\$ 14
Accounts receivable – related parties	24	18
Prepaid expenses and other current assets	20	11
Total current assets	64	43
Property, plant and equipment, net	1	2
Investments in subsidiaries	7,035	6,479
Other assets	97	107
Total assets	\$ 7,197	\$ 6,631
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 125	\$ 70
Accounts and notes payable	20	24
Accrued liabilities	51	62
Total current liabilities	196	156
Long-term debt	889	875
Other noncurrent liabilities	46	78
Total liabilities	1,131	1,109
Commitments and contingencies (Note 1)		
Equity:		
Preferred Stock, without par value (authorized - 5,000,000; issued - 220,000 and 220,000, respectively)	162	213
Common Stock, without par value (authorized – 450,000,000 shares; issued – 210,560,494 and 209,843,296 shares, respectively)	1,483	1,394
Retained earnings	4,841	4,081
Accumulated other comprehensive loss	(380)	(140)
Treasury stock, at cost	(40)	(26)
Total common stockholders' equity	6,066	5,522
Total liabilities and common stockholders' equity	\$ 7,197	\$ 6,631

Note 1 — Commitments and Contingencies:

At September 30, 2022, UGI Corporation had agreed to indemnify the issuers of \$107 of surety bonds issued on behalf of certain UGI subsidiaries. UGI Corporation is authorized to guarantee up to \$475 of obligations to suppliers and customers of Energy Services and subsidiaries of which \$371 of such obligations were outstanding as of September 30, 2022.

Scheduled principal repayments of long-term debt during the next five fiscal years include \$125 in Fiscal 2023, \$377 in Fiscal 2024, and \$515 in Fiscal 2025.

UGI CORPORATION
SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF INCOME
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2022	2021	2020
Revenues	\$ —	\$ —	\$ —
Costs and expenses:			
Operating and administrative expenses	74	94	56
Other operating income, net (a)	(63)	(65)	(54)
	<u>11</u>	<u>29</u>	<u>2</u>
Operating loss	(11)	(29)	(2)
Pension and other postretirement plans non-service expense	(3)	—	—
Interest expense	(35)	(27)	(32)
Loss before income taxes	(49)	(56)	(34)
Income tax expense	—	9	17
Loss before equity in income of unconsolidated subsidiaries	(49)	(65)	(51)
Equity in income of unconsolidated subsidiaries	1,122	1,532	583
Net income attributable to UGI Corporation	<u>\$ 1,073</u>	<u>\$ 1,467</u>	<u>\$ 532</u>
Other comprehensive income (loss)	34	7	(12)
Equity in other comprehensive (loss) income of unconsolidated subsidiaries	(274)	—	82
Comprehensive income attributable to UGI Corporation	<u>\$ 833</u>	<u>\$ 1,474</u>	<u>\$ 602</u>
Earnings per common share attributable to UGI Corporation stockholders:			
Basic	<u>\$ 5.11</u>	<u>\$ 7.02</u>	<u>\$ 2.55</u>
Diluted	<u>\$ 4.97</u>	<u>\$ 6.92</u>	<u>\$ 2.54</u>
Weighted - average common shares outstanding (thousands):			
Basic	<u>209,940</u>	<u>209,063</u>	<u>208,928</u>
Diluted	<u>215,821</u>	<u>212,126</u>	<u>209,869</u>

- (a) UGI provides certain financial and administrative services to certain of its subsidiaries. UGI bills these subsidiaries monthly for all direct expenses incurred by UGI on behalf of its subsidiaries as well as allocated shares of indirect corporate expense incurred or paid with respect to services provided by UGI. The allocation of indirect UGI corporate expenses to certain of its subsidiaries utilizes a weighted, three-component formula comprising revenues, operating expenses, and net assets employed and considers the relative percentage of such items for each subsidiary to the total of such items for all UGI operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable to its subsidiaries. These billed expenses are classified as “Other operating income, net” in the Statements of Income above.

UGI CORPORATION
SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2022	2021	2020
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	\$ 485	\$ 300	\$ 322
CASH FLOWS FROM INVESTING ACTIVITIES:			
Return of capital distributions	175	—	—
Net investments in unconsolidated subsidiaries	(390)	(401)	—
Net cash used by investing activities	(215)	(401)	—
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends on UGI Common Stock	(296)	(282)	(273)
Issuances of debt, net of issuance costs	597	483	60
Repayments of long-term debt	(530)	(385)	(60)
Issuance of preferred stock, net of issuance costs	—	213	—
Issuances of UGI Common Stock	19	19	2
Repurchases of UGI Common Stock	(38)	—	(38)
Payments on Purchase Contracts	(16)	—	—
Net cash (used) provided by financing activities	(264)	48	(309)
Cash and cash equivalents increase (decrease)	<u>\$ 6</u>	<u>\$ (53)</u>	<u>\$ 13</u>
Cash and cash equivalents:			
End of year	\$ 20	\$ 14	\$ 67
Beginning of year	14	67	54
Cash and cash equivalents increase (decrease)	<u>\$ 6</u>	<u>\$ (53)</u>	<u>\$ 13</u>

(a) Includes dividends received from unconsolidated subsidiaries of \$506, \$354 and \$352 for the years ended September 30, 2022, 2021 and 2020, respectively.

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(Millions of dollars)

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year
Year Ended September 30, 2022				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 53	\$ 61	\$ (50) (1)	\$ 64
Other reserves:				
Deferred tax assets valuation allowance	\$ 138	\$ (14)	\$ 17 (2)	\$ 141
Year Ended September 30, 2021				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 42	\$ 36	\$ (25) (1)	\$ 53
Other reserves:				
Deferred tax assets valuation allowance	\$ 105	\$ 23	\$ 10 (2)	\$ 138
Year Ended September 30, 2020				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 32	\$ 32	\$ (22) (1)	\$ 42
Other reserves:				
Deferred tax assets valuation allowance	\$ 91	\$ —	\$ 14 (2)	\$ 105

- (1) Uncollectible accounts written off, net of recoveries.
(2) Primarily a notional interest deduction valuation allowance adjustment.

CERTIFICATION

I, Roger Perreault, certify that:

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

Date: November 21, 2022

/s/ Roger Perreault

Roger Perreault

President and Chief Executive Officer of
UGI Corporation

CERTIFICATION

I, Ted J. Jastrzebski, certify that:

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

Date: November 21, 2022

/s/ Ted J. Jastrzebski

Ted J. Jastrzebski

Chief Financial Officer of UGI Corporation

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

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

- (1) The Company’s annual report on Form 10-K for the period ended September 30, 2022 (the “Form 10-K”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

/s/Roger Perreault
Roger Perreault

/s/ Ted J. Jastrzebski
Ted J. Jastrzebski

Date: November 21, 2022

Date: November 21, 2022

Corporate Information

Annual Meeting

The Annual Meeting of Shareholders will be held virtually at 9:00 a.m. Eastern Standard Time on Friday, January 27, 2023. Interested parties may listen to the audio webcast at www.virtualshareholdermeeting.com/UGI2023

Investor Services

Transfer Agent and Registrar

Shareholder communications regarding transfer of shares, book-entry shares, lost certificates, lost dividend checks or changes of address should be directed to:

By Mail:	By Overnight Delivery:
Computershare Investor Services	Computershare Investor Services
P.O. Box 43006	150 Royall St., Suite 101
Providence, RI 02940-3066	Canton, MA 02021

800-850-1774 (U.S. and Canada), 312-360-5100 (other countries)

Shareholders can also view real-time account information and request transfer agent services online at the Computershare Investor Services website: www.computershare.com/investor. Computershare Investor Services can be accessed through telecommunications devices for the hearing impaired by calling: 800-822-2794 (U.S. and Canada), 312-588-4110 (other countries)

Dividend Reinvestment and Direct Stock Purchase Plan

The plan is sponsored and administered by Computershare, N.A. and provides investors with a simple and convenient method to purchase shares of UGI Common Stock. Shareholders may use all or any part of the dividends they receive to purchase shares of Common Stock. The plan also permits participants to make monthly cash purchases of Common Stock not exceeding \$75,000 per year. Investors may become participants by making an initial cash investment of at least \$1,000 but not more than \$75,000. All such purchases are without brokerage commissions or service charges. For information about the Plan, write or call:

By Mail:	By Overnight Delivery:
Computershare Investor Services	Computershare Investor Services
P.O. Box 43006	150 Royall St., Suite 101
Providence, RI 02940-3066	Canton, MA 02021

800-850-1774 (U.S. and Canada), 312-360-5100 (other countries)

Plan information is also available on the Computershare Investor Services website: www.computershare.com/investor

Investor Relations

Securities analysts, portfolio managers and other members of the professional investment community should direct inquiries about the Company to:

Senior Director, Investor Relations
UGI Corporation
P.O. Box 858
Valley Forge, PA 19482
610-337-1000

News, Earnings, Financial Reports and Governance Documents

Comprehensive news, webcast events, governance documents and other information about UGI is available via the internet at <https://www.ugicorp.com>.

You can request reports filed with the SEC and corporate governance documents, including the Company's Code of Business Conduct and Ethics, Principles of Corporate Governance, and the charters for the Company's Board Committees, free of charge by writing to Senior Director, Investor Relations, UGI Corporation, at the address above.

Officers

Roger Perreault

President and Chief Executive Officer, UGI Corporation

Ted J. Jastrzebski

Chief Financial Officer, UGI Corporation

Robert F. Beard

Chief Operating Officer, UGI Corporation

Monica M. Gaudiosi

Vice President, General Counsel and Secretary, UGI Corporation

John Koerwer

Chief Information Officer, UGI Corporation

Judy Zagorski

Chief Human Resources Officer, UGI Corporation

Jean Felix Tematio Dontsop

Vice President, Chief Accounting Officer and Corporate Controller, UGI Corporation

Hans G. Bell

President, UGI Utilities, Inc.

Laurence Broseta

President, UGI International, LLC

Joseph L. Hartz

President, UGI Energy Services, LLC

Paul M. Ladner

President, AmeriGas Propane, Inc.

C. David Lokant

President, Mountaineer Gas Company

Board of Directors

Frank S. Hermance

Chair of the Board since January 2020; Director since September 2011

John L. Walsh

Director since April 2005

M. Shawn Bort

Director since January 2009

James B. Stallings Jr.

Director since September 2015

Theodore A. Dosch

Director since July 2017

Alan N. Harris

Director since March 2018

Kelly A. Romano

Director since January 2019

William J. Marrasso

Director since September 2019

Mario Longhi

Director since April 2020

Cindy J. Miller

Director since September 2020

Roger Perreault

Director since June 2021



P.O. Box 858
Valley Forge, PA 19482

You can obtain news and other information about
UGI Corporation at www.ugicorp.com