UGI INTERNATIONAL, LLC
AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the three months ended December 31, 2021 and 2020
(Unaudited)

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

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UGI INTERNATIONAL, LLC AND SUBSIDIARIES
GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this document are defined below:

UGI International and Related Entities

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

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

Company - UGI International and its consolidated subsidiaries collectively

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

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

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

UGI - UGI Corporation

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

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

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

Other Terms and Abbreviations

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

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

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

2021 Annual Report - UGI International's audited financial statements and related notes, along with Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended September 30, 2021

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

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

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

ASU - Accounting Standards Update

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

CDC - Centers for Disease Control and Prevention

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

Euribor - Euro Interbank Offered Rate

FASB - Financial Accounting Standards Board

Fiscal 2019 - The fiscal year ended September 30, 2019

Fiscal 2020 - The fiscal year ended September 30, 2020

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ending September 30, 2022

GAAP - U.S. generally accepted accounting principles

IT - Information technology

LPG - Liquefied petroleum gas

NPNS - Normal purchase and normal sale

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

U.S. - United States of America

USD - U.S. dollar

WHO - World Health Organization

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)
(Millions of dollars)

	December 31, 2021	September 30, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	$ 194	$ 606	$ 302
Restricted cash	2	1	2
Accounts receivable (less allowances for doubtful accounts of $16, $16 and $14, respectively)	713	430	465
Inventories	182	145	98
Derivative instruments	471	500	51
Prepaid expenses and other current assets	88	81	85
Total current assets	1,650	1,763	1,003
Property, plant and equipment, (less accumulated depreciation of $958, $933 and $946, respectively)	1,047	1,071	1,153
Goodwill	976	993	1,043
Intangible assets, net	150	156	202
Derivative instruments	211	277	26
Other assets	153	161	137
Total assets	$ 4,187	$ 4,421	$ 3,564
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 1	$ 21	$ 1
Short-term borrowings	55	—	1
Accounts payable	393	370	290
Employee compensation and benefits accrued	54	60	46
Derivative instruments	29	28	7
Other current liabilities	260	208	226
Total current liabilities	792	687	571
Long-term debt	790	749	811
Deferred income taxes	396	463	239
Derivative instruments	22	16	16
Customer tank and cylinder deposits	288	296	312
Other noncurrent liabilities	94	98	92
Total liabilities	2,382	2,309	2,041
Commitments and contingencies (Note 7)			
Equity:			
Member's equity	1,795	2,103	1,514
Noncontrolling interests	10	9	9
Total equity	1,805	2,112	1,523
Total liabilities and equity	$ 4,187	$ 4,421	$ 3,564

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(Millions of dollars)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Revenues	$ 1,052	$ 700
Costs and expenses:		
Cost of sales	1,005	277
Operating and administrative expenses	158	157
Operating and administrative expenses - related parties	3	2
Depreciation and amortization	31	33
Other operating income, net	(14)	(7)
	1,183	462
Operating (loss) income	(131)	238
Loss on extinguishment of debt	(11)	—
Other non-operating income (expense), net	10	(19)
Interest expense	(7)	(7)
(Loss) income before income taxes	(139)	212
Income tax benefit (expense)	2	(58)
Net (loss) income including noncontrolling interests	(137)	154
Deduct net income attributable to noncontrolling interests	(1)	—
Net (loss) income attributable to UGI International, LLC	$ (138)	$ 154

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(Millions of dollars)

	Three Months Ended December 31,	
	2021	2020
Net (loss) income including noncontrolling interests	$ (137)	$ 154
Other comprehensive (loss) income:		
Foreign currency adjustments (net of tax of $(4) and $12, respectively)	(32)	63
Other comprehensive (loss) income	(32)	63
Comprehensive (loss) income including noncontrolling interests	(169)	217
Deduct comprehensive income attributable to noncontrolling interests	(1)	—
Comprehensive (loss) income attributable to UGI International, LLC	$ (170)	$ 217

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(Millions of dollars)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income including noncontrolling interests	$ (137)	$ 154
Adjustments to reconcile net (loss) income including noncontrolling interests to net cash (used) provided by operating activities:		
Depreciation and amortization	31	33
Deferred income tax (benefit) expense, net	(60)	30
Changes in unrealized gains and losses on derivative instruments	203	(86)
Loss on extinguishment of debt	11	—
Other, net	(12)	(5)
Net change in:		
Accounts receivable	(292)	(133)
Inventories	(40)	(25)
Accounts payable	31	102
Derivative instruments collateral (paid) received	(132)	13
Other current assets	(7)	(23)
Other current liabilities	52	43
Net cash (used) provided by operating activities	(352)	103
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(23)	(29)
Acquisitions of businesses and assets, net of cash acquired	—	(12)
Settlement of net investment hedge	13	—
Other, net	14	8
Net cash provided (used) by investing activities	4	(33)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	55	—
Issuances of long-term debt, net of issuance costs	444	
Distributions paid	(138)	—
Capital contribution received	—	5
Repayments of long-term debt and finance leases, including redemption premiums	(419)	—
Net cash (used) provided by financing activities	(58)	5
Foreign exchange effect on cash, cash equivalents and restricted cash	(5)	7
Cash, cash equivalents and restricted cash (decrease) increase	$ (411)	$ 82
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash, cash equivalents and restricted cash at end of period	$ 196	$ 304
Cash, cash equivalents and restricted cash at beginning of period	607	222
Cash, cash equivalents and restricted cash (decrease) increase	$ (411)	$ 82

See accompanying notes to condensed consolidated financial statements.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

(Millions of dollars)

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2021	$ 2,103	$ 9	$ 2,112
Net (loss) income	(138)	1	(137)
Cash distributions	(138)	—	(138)
Other comprehensive loss	(32)	—	(32)
Balance at December 31, 2021	$ 1,795	$ 10	$ 1,805

	Member's Equity	Noncontrolling Interests	Total
Balance at September 30, 2020	$ 1,302	$ 9	$ 1,311
Net income	154	—	154
Cash contribution	5	—	5
Distribution related to common control transaction (Note 11)	(9)	—	(9)
Other comprehensive income	63	—	63
Other	(1)	—	(1)
Balance at December 31, 2020	$ 1,514	$ 9	$ 1,523

See accompanying notes to condensed consolidated financial statements.

(Currency in millions, except where indicated otherwise)

Note 1 — Nature of Operations

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

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

Note 2 — Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with GAAP. They include all adjustments that we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2021, Condensed Consolidated Balance Sheet was derived from audited financial statements but does not include all footnote disclosures from the annual financial statements.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 2021 Annual Report. Due to the seasonal nature of our businesses, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

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

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 194	$ 302
Restricted cash	2	2
Cash, cash equivalents and restricted cash	$ 196	$ 304

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

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

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

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 9.

(Currency in millions, except where indicated otherwise)

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

Reclassifications. For purposes of comparability, certain prior-year amounts have been reclassified to conform to current-year presentation.

Subsequent Events. Management has evaluated the impact of subsequent events through February 3, 2022, the date these condensed consolidated financial statements were issued and the effects, if any, of such evaluation have been reflected in the condensed consolidated financial statements and related disclosures.

Note 3 — Accounting Changes

New Accounting Standard Adopted in Fiscal 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.

Note 4 — Revenue from Contracts with Customers

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

Revenue Disaggregation

The following table presents our disaggregated revenues:

	Three Months Ended December 31,	
	2021	2020
Revenues from contracts with customers:		
LPG:		
Retail	$ 604	$ 483
Wholesale	84	40
Energy Marketing	333	155
Other	20	16
Total revenues from contracts with customers	1,041	694
Other revenues (a)	11	6
Total revenues	$ 1,052	$ 700

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

(Currency in millions, except where indicated otherwise)

Contract Balances

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

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company's obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $36, $52 and $39 at December 31, 2021, September 30, 2021 and December 31, 2020, respectively, and are included in "Other current liabilities" on the Condensed Consolidated Balance Sheets. Revenues recognized for the three months ended December 31, 2021 and 2020, from the amounts included in contract liabilities at September 30, 2021 and 2020, were $33 and $40, respectively.

Remaining Performance Obligations

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

Note 5 — Debt

UGI International. On December 7, 2021, UGI International, LLC issued, in an underwritten private placement, €400 principal amount of the 2.50% Senior Notes due December 1, 2029. The 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 2.50% Senior Notes were used (1) to repay all of the 3.25% Senior Notes due November 1, 2025 and associated fees and expenses and (2) for general corporate purposes. We have designated the 2.50% Senior Notes as a net investment hedge. In connection with this early repayment of debt, UGI International recognized a pre-tax loss of $11, which is reflected in "Loss on extinguishment of debt" on the Condensed Consolidated Statements of Income, and primarily comprises the write-off of unamortized debt issuance costs and early redemption premiums.

Note 6 — Inventories

Inventories comprise the following:

	December 31, 2021	September 30, 2021	December 31, 2020
LPG	$ 89	$ 65	$ 54
Natural gas	21	16	7
Energy certificates	59	51	1
Other, principally materials & supplies	13	13	36
Total inventories	$ 182	$ 145	$ 98

Note 7 — Commitments and Contingencies

Contingencies

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

(Currency in millions, except where indicated otherwise)

Note 8 — Fair Value Measurements

Derivative Instruments

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

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
December 31, 2021				
Assets:				
Commodity contracts	$ 265	$ 584	$ —	$ 849
Foreign currency contracts	$ —	$ 29	$ —	$ 29
Liabilities:				
Commodity contracts	$ (45)	$ (7)	$ —	$ (52)
Foreign currency contracts	$ —	$ (7)	$ —	$ (7)
Interest rate contracts	$ —	$ (1)	$ —	$ (1)
September 30, 2021				
Assets:				
Commodity contracts	$ 269	$ 802	$ —	$ 1,071
Foreign currency contracts	$ —	$ 38	$ —	$ 38
Liabilities:				
Commodity contracts	$ (44)	$ (4)	$ —	$ (48)
Foreign currency contracts	$ —	$ (8)	$ —	$ (8)
Interest rate contracts	$ —	$ (1)	$ —	$ (1)
December 31, 2020				
Assets:				
Commodity contracts	$ 22	$ 54	$ —	$ 76
Foreign currency contracts	$ —	$ 14	$ —	$ 14
Liabilities:				
Commodity contracts	$ (2)	$ (1)	$ —	$ (3)
Foreign currency contracts	$ —	$ (25)	$ —	$ (25)
Interest rate contracts	$ —	$ (2)	$ —	$ (2)

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

(Currency in millions, except where indicated otherwise)

Other Financial Instruments

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

	December 31, 2021	September 30, 2021	December 31, 2020
Carrying amount	$ 798	$ 775	$ 818
Estimated fair value	$ 793	$ 782	$ 833

Financial instruments other than derivative financial instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in major U.S. and international financial institutions. The credit risk from trade accounts receivable is limited because we have a large customer base, which extends across many different markets and several foreign countries. For information regarding concentrations of credit risk associated with our derivative financial instruments, see Note 9.

Note 9 — Derivative Instruments and Hedging Activities

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

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

Commodity Price Risk

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

Interest Rate Risk

Certain of our long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. In order to fix the underlying short-term market interest rates, we may enter into pay-fixed, receive-variable interest rate swap agreements and designate such swaps as cash flow hedges. The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions.

Foreign Currency Exchange Rate Risk

Forward Foreign Currency Exchange Contracts

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

Net Investment Hedges

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

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

Our euro-denominated long-term debt has also been designated as net investment hedges, representing a portion of our euro-denominated net investment. We recognized pre-tax gains (losses) associated with these net investment hedges in the cumulative translation adjustment component in AOCI of $13 and $(32) during the three months ended December 31, 2021 and 2020, respectively.

Quantitative Disclosures Related to Derivative Instruments

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at December 31, 2021, September 30, 2021 and December 31, 2020 and the final settlement dates of the Company's open derivative contracts as of December 31, 2021, excluding those derivatives that qualified for the NPNS exception:

			Notional Amounts (in millions)		
Type	Units	Settlements Extending Through	December 31, 2021	September 30, 2021	December 31, 2020
Commodity Price Risk:					
LPG swaps	Gallons	September 2024	408	378	323
Natural gas forward and futures contracts	Dekatherms	September 2026	43	45	39
Electricity forward and futures contracts	Kilowatt hours	January 2026	3,265	3,277	3,578
Interest Rate Risk:					
Interest rate swaps	Euro	October 2022	€ 300	€ 300	€ 300
Foreign Currency Exchange Rate Risk:					
Forward foreign exchange contracts	USD	September 2024	$ 415	$ 509	$ 457
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 486	€ 173	€ 173

Derivative Instrument Credit Risk

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

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on and ongoing basis. As of December 31, 2021, 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 $878. 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 December 31, 2021 the Company had received cash collateral from derivative instrument counterparties totaling $187. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

Offsetting Derivative Assets and Liabilities

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

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

(Currency in millions, except where indicated otherwise)

Fair Value of Derivative Instruments

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

	December 31, 2021	September 30, 2021	December 31, 2020
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	$ 10	$ 20	$ 8
Derivatives not designated as hedging instruments:			
Commodity contracts	849	1,071	76
Foreign currency contracts	19	18	6
	868	1,089	82
Total derivative assets - gross	878	1,109	90
Gross amounts offset in balance sheet	(9)	(10)	(7)
Cash collateral received	(187)	(322)	(6)
Total derivative assets - net	$ 682	$ 777	$ 77
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Interest rate contracts	$ (1)	$ (1)	$ (2)
Foreign currency contracts	(3)	—	—
	(4)	(1)	(2)
Derivatives not designated as hedging instruments:			
Commodity contracts	(52)	(48)	(3)
Foreign currency contracts	(4)	(8)	(25)
	(56)	(56)	(28)
Total derivative liabilities - gross	(60)	(57)	(30)
Gross amounts offset in balance sheet	9	10	7
Cash collateral pledged	—	3	—
Total derivative liabilities - net	$ (51)	$ (44)	$ (23)

(Currency in millions, except where indicated otherwise)

Effects of Derivative Instruments

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

Three Months Ended December 31,

	Gain (Loss) Recognized in AOCI	
Net Investment Hedges:	2021	2020
Foreign currency contracts	$ —	$ (8)

	Gain (Loss) Recognized in Income		
Derivatives Not Designated as Hedging Instruments:	2021	2020	Location of Gain (Loss) Recognized in Income
Commodity contracts	$ 3	$ —	Revenues
Commodity contracts	(165)	110	Cost of sales
Foreign currency contracts	8	(20)	Other non-operating income (expense), net
Total	$ (154)	$ 90	

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

Note 10 — Accumulated Other Comprehensive Income (Loss)

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

Three Months Ended December 31, 2021	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2021	$ (1)	$ —	$ (91)	$ (92)
Other comprehensive loss before reclassification adjustments	—	—	(32)	(32)
Other comprehensive loss	—	—	(32)	(32)
AOCI — December 31, 2021	$ (1)	$ —	$ (123)	$ (124)

Three Months Ended December 31, 2020	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2020	$ (2)	$ (1)	$ (68)	$ (71)
Other comprehensive income before reclassification adjustments	—	—	63	63
Other comprehensive income	—	—	63	63
AOCI — December 31, 2020	$ (2)	$ (1)	$ (5)	$ (8)

Note 11 — Related Party Transactions

UGI provides certain financial and administrative services to the Company. UGI bills the Company for all direct expenses incurred or paid on behalf of the Company and the Company reimburses UGI for such direct expenses. The Company is billed for its allocated share of UGI indirect corporate expenses. This allocated share is based upon a weighted, three-component formula comprising revenues, operating expenses and net assets employed and considers the Company's relative percentage of such items to the total of such items for all UGI Corporation operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable. The amounts of UGI allocated indirect corporate expenses billed to the Company during the three months ended December 31, 2021 and 2020, have been included in "Operating and administrative expenses - related parties" on the Condensed Consolidated Statements of Income.

Pursuant to a Platform Contribution Agreement, on October 1, 2020, the Company purchased the right to use certain business strategies, models, technology and other similar proprietary information from AmeriGas OLP for $9. Because these entities are under common control, the transaction was considered an equity transaction and the excess of the amount paid over the carrying value has been recorded as a distribution in the Condensed Consolidated Statements of Changes in Equity.

Note 12 — Business Transformation Initiatives

Beginning in Fiscal 2019, we began executing a multi-year business transformation initiative. This initiative is designed to improve long-term operational performance by, among other things, reducing costs and improving efficiency in the areas of sales and marketing, supply and logistics, operations, purchasing, and administration. In addition, this business transformation initiative also focuses on enhancing the customer experience through, among other things, enhanced sales and marketing initiatives and an improved digital customer experience. During the three months ended December 31, 2020, we incurred $3 of costs principally comprising consulting, advisory, marketing and employee-related costs. These costs are primarily reflected in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income. This previously announced business transformation initiative is substantially complete.

Note 13 — Impact of Global Pandemic

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

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

Non-GAAP Financial Measures

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

Because the Company does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP, volatility in net income attributable to UGI International can occur as a result of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on unsettled commodity and certain foreign currency derivative instruments that economically hedge anticipated future purchases or sales of energy commodities, or in the case of certain foreign currency derivatives, reduce volatility in anticipated future earnings associated with our foreign operations. These financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

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

(Millions of dollars)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Adjusted total margin:		
Revenues	$ 1,052	$ 700
Cost of sales	(1,005)	(277)
Total margin	47	423
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	209	(106)
Adjusted total margin	$ 256	$ 317
Adjusted operating income:		
Operating (loss) income	$ (131)	$ 238
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	209	(106)
Business transformation expenses	—	3
Adjusted operating income	$ 78	$ 135
Adjusted income before income taxes:		
(Loss) income before income taxes	$ (139)	$ 212
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	209	(106)
Unrealized (gains) losses on foreign currency derivative instruments	(6)	20
Loss on extinguishment of debt	11	—
Business transformation expenses	—	3
Adjusted income before income taxes	$ 75	$ 129
Adjusted net income attributable to UGI International:		
Net (loss) income attributable to UGI International, LLC	$ (138)	$ 154
Net losses (gains) on commodity derivative instruments not associated with current-period transactions	190	(76)
Unrealized (gains) losses on foreign currency derivative instruments	(6)	15
Loss on extinguishment of debt	11	—
Business transformation expenses	—	2
Adjusted net income attributable to UGI International	$ 57	$ 95

Executive Overview

Recent Developments

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

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

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

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

Net loss attributable to UGI International was $138 million in the 2021 three-month period compared to net income of $154 million in the prior-year period. These results reflect after-tax net unrealized losses on commodity derivative instruments not associated with current-period transactions and certain foreign currency derivative instruments of $184 million in the 2021 three-month period compared to after-tax net unrealized gains of $61 million in the prior-year period. Net income attributable to UGI International also reflects an after-tax loss on extinguishment of debt of $11 million in the 2021 three-month period and expenses related to business transformation initiatives of $2 million in the 2020 three-month period.

Adjusted net income attributable to UGI International was $57 million in the 2021 three-month period compared to $95 million in the prior-year period. The decrease in the 2021 three-month period principally reflecting lower total margin from our energy marketing business, lower average LPG unit margins associated with increased commodity costs, and higher distribution and packaging costs associated with higher LPG retail volumes. This decrease was partially offset by colder weather resulting in higher retail LPG volumes sold, as well as, higher other operating income associated with the sale of assets.

UGI INTERNATIONAL, LLC AND SUBSIDIARIES

Analysis of Results of Operations

Three Months Ended December 31,	2021		2020		Increase (Decrease)		
(Dollars in millions)							
Revenues	$	1,052	$	700	$	352	50 %
Total margin (a)	$	47	$	423	$	(376)	(89)%
Operating and administrative expenses	$	161	$	159	$	2	1 %
Operating (loss) income	$	(131)	$	238	$	(369)	(155)%
(Loss) income before income taxes	$	(139)	$	212	$	(351)	(166)%
Net (loss) income attributable to UGI International	$	(138)	$	154	$	(292)	(190)%
Non-GAAP financial measures (b):							
Adjusted total margin	$	256	$	317	$	(61)	(19)%
Adjusted operating income	$	78	$	135	$	(57)	(42)%
Adjusted income before income taxes	$	75	$	129	$	(54)	(42)%
Adjusted net income attributable to UGI International	$	57	$	95	$	(38)	(40)%
LPG retail gallons sold (millions)		249		236		13	6 %
Degree days – % colder (warmer) than normal (c)		5.0 %		(2.0)%		—	—

(a) Total margin represents revenues less cost of sales. Total margin for the 2021 and 2020 three-month periods includes the impact of net unrealized (losses) gains of $(209) million and $106 million, respectively, on commodity derivative instruments not associated with current-period transactions.

(b) These financial measures are non-GAAP financial measures and are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not a substitute for, the comparable GAAP measures. See “Non-GAAP Financial Measures” above.

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

Average temperatures during the 2021 three-month period were 5.0% colder than normal and 6.6% colder than the prior-year period. Total LPG retail gallons sold during the 2021 three-month period increased 6% compared to the prior-year period largely attributable to the colder weather which positively impacted heating-related bulk volumes, favorable crop drying campaigns and the recovery of certain autogas volumes that were negatively impacted by COVID-19. Average wholesale prices for propane and butane during the 2021 three-month period in northwest Europe were approximately 100% and 97% higher, respectively, compared with the prior-year period.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2021 and 2020 three-month periods, the average unweighted euro-to-dollar translation rates were approximately $1.14 and $1.19, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately $1.35 and $1.32, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The net effect of changes in foreign currency exchange rates on UGI International’s earnings before interest expense and income taxes resulted in a net loss of $4 million in the 2021 three-month period. However, the impact of these changes is mitigated by the effects of forward foreign currency exchange contracts entered into over a multi-year period intended to substantially offset this volatility. These forward foreign currency exchange contracts resulted in realized net gains of $4 million and $1 million in the 2021 and 2020 three-month periods, respectively.

Revenues and cost of sales in the 2021 and 2020 three-month periods include net unrealized (losses) gains of $(209) million and $106 million, respectively, on commodity derivative instruments not associated with current-period transactions. Excluding these effects, revenues increased $349 million during the 2021 three-month period principally reflecting the effects of higher average butane and propane selling prices compared to the prior-year period and the impact of significant increases and volatility in natural gas and power prices on our energy marketing business. These increases were partially offset by the translation effects of weaker foreign currencies (approximately $37 million). Energy marketing activities also contributed to the increased revenues and cost of sales during the 2021 three-month period largely related to higher natural gas volumes and prices. Excluding the effects of the previously mentioned commodity instruments, cost of sales increased $410 million during the 2021 three-month period largely attributable to the effects of higher average butane and propane product costs compared to the prior-year period and the impact of significant increases and volatility in natural gas and power prices on our energy marketing business. These increases were partially offset by the translation effects of weaker foreign currencies (approximately $26 million).

Total margin (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions) increased $376 million. Adjusted total margin increased $61 million during the 2021 three-month period primarily reflecting lower total margin from our energy marketing business and lower average LPG unit margins which reflect the effects of higher costs of energy conservation certificates, higher product costs and a higher concentration of low margin medium and large bulk volumes compared to the prior-year period. The lower total margin from our energy marketing business is largely due to the impact of increasing commodity costs associated with higher-than-anticipated volumes purchased by certain customers through fixed price sales contracts. Portions of this margin decrease will be recovered in future periods as their effect was amplified by the significant commodity price volatility experienced within the 2021 three-month period. These impacts were partially mitigated by the translation effects of weaker foreign currencies (approximately $11 million).

Operating income (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions and business transformation expenses) increased $369 million compared to the prior-year period. Adjusted operating income increased $57 million principally reflects the previously mentioned decrease in total adjusted margin and higher operating and administrative expenses (excluding the effects of business transformation initiatives) partially offset by higher other operating income associated with gains on the sale of assets. The increase in operating and administrative expenses is primarily attributable to distribution and packaging costs associated with higher retail LPG volumes sold.

Income before income taxes (which includes the effects of the previously mentioned commodity derivative instruments not associated with current-period transactions, certain foreign currency contracts and business transformation expenses) increased $351 million compared with the prior-year period. Adjusted income before income taxes was $54 million higher than the prior-year period principally reflecting the $57 million decrease in adjusted operating income partially offset by higher realized gains on foreign currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates ($3 million).

Interest Expense and Income Taxes

Interest expense in the 2021 three-month period was comparable to the prior-year period. The decrease in the Company's effective income tax rate for the 2021 three-month period was principally related to the impact of significant losses on commodity derivative instruments compared to the prior-year period and a decrease in the concentration of foreign earnings reflecting foreign statutory tax rates that exceed the U.S. statutory rate. These factors were partially offset by the absence of a benefit under the CARES Act during the 2021 three-month period.

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

Liquidity and Capital Resources

The Company expects to have sufficient liquidity in the forms of cash and available credit facility borrowings to continue to support long-term commitments and ongoing operations despite uncertainties associated with the outbreak and continued spread of COVID-19. The Company does not have any near-term senior note or term loan maturities. While the Company's operations and financial performance has been impacted by COVID-19, it is a rapidly evolving situation and the Company cannot predict the ultimate impact that COVID-19 will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. The Company was in compliance with its debt covenants as of December 31, 2021.

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

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

Our cash and cash equivalents totaled $194 million at December 31, 2021, compared with $606 million at September 30, 2021. A substantial portion of this cash is located outside of the United States. The significant decrease in cash and cash equivalents since September 30, 2021 is primarily attributable to commodity price volatility experienced in the 2021 three-month period and the seasonality of our business as further described in “Cash Flows” below.

Long-term debt and credit facility

UGI International's debt outstanding at December 31, 2021 totaled $791 million (including current maturities of long-term debt of $1 million). UGI International's debt outstanding at September 30, 2021, totaled $770 million (including current maturities of long-term debt of $21 million). Total long-term debt outstanding at December 31, 2021, including current maturities, comprises $455 million of 2.50% Senior Notes, a $341 million variable-rate term loan, and $2 million of other long-term debt, and is net of $7 million of unamortized debt issuance costs.

On December 7, 2021, UGI International, LLC issued, in an underwritten private placement, €400 million principal amount of the 2.50% Senior Notes due December 1, 2029. The 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 2.50% Senior Notes were used (1) to repay all of the 3.25% Senior Notes due November 1, 2025 and associated fees and expenses and (2) for general corporate purposes.

At December 31, 2021 and 2020 there were no borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility. The average daily and peak short-term borrowings outstanding under the UGI International Credit Facilities Agreement multicurrency revolving facility for the three months ended December 31, 2021 were €13 million ($15 million) and €40 million ($45 million), respectively. At December 31, 2021, the Company's available borrowing capacity under the UGI International Credit Facilities Agreement multicurrency revolving facility was €300 million. In January 2022, UGI International, LLC borrowed €250 million under this multicurrency revolving credit facility to support short-term liquidity targets associated with its operating subsidiaries.

Cash Flows

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

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

Operating Activities. Cash flow used by operating activities was $352 million in the 2021 three-month period compared to cash provided by operating activities of $103 million in the prior-year period. Cash flow from operating activities before changes in operating working capital was $36 million in the 2021 three-month period compared to $126 million in the prior-year period. The lower cash flow from operating activities before changes in working capital reflects, in large part, lower operating results for the 2021 three-month period. Cash used to fund changes in operating working capital totaled $388 million in the 2021 three-month period compared $23 million in the 2021 three-month period. Changes in operating working capital during the 2021 three-month period reflect, among other things, increases in cash used to fund accounts receivable, inventory, accounts payable and other current liabilities, principally due to increases in commodity prices during the 2021 three-month period. Additionally, the 2021 three-month period includes $132 million of cash collateral repaid to derivative counterparties as compared to $13 million of cash collateral received in the prior-year period. The impact of commodity price volatility and increasing supply chain costs are pervasive throughout these changes in working capital.

Investing Activities. Cash flow provided by investing activities was $4 million in the 2021 three-month period compared to $33 million of cash flow used by investing activities in the prior-year period. Capital expenditures for property, plant and equipment totaled $23 million in the 2021 three-month period compared with $29 million in the prior-year period. Cash used for acquisitions of businesses and assets in the 2020 three-month period reflects UGI International's acquisition of an LPG retail business in Europe. Cash inflows associated with investing activities during the 2021 three-month period includes cash received from the termination of a forward foreign currency contract previously designated at a net investment hedge associated with the UGI International 3.25% Senior Notes.

Financing Activities. Cash flow used to fund financing activities was $58 million in the 2021 three-month period compared to $5 million cash flow provided by financing activities in the prior-year period. Cash flows used to fund financing activities during the 2021 three-month period includes the issuance of the 2.50% Senior Notes and concurrent repayment of the 3.25% Senior Notes. UGI International paid $138 million in cash distributions during the 2021 three-month period.

Qualitative and Quantitative Disclosures About Market Risk

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

Commodity Price Risk

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

To addition, the Company from time to time enters into diesel swap contracts for a portion of diesel volumes expected to be used in the operation of vehicles and equipment. December 31, 2021, volumes associated with diesel swap contracts were not material.

Interest Rate Risk

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows. Our variable-rate debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI International has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying euribor interest rate on such borrowings for a significant portion of their tenor. We have designated such interest rate swaps as cash flow hedges. At December 31, 2021, combined borrowings outstanding under variable-rate debt agreements, excluding UGI International's effectively fixed-rate debt, totaled $55 million.

Foreign Currency Exchange Rate Risk

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our substantial net investments in foreign (non U.S. based) operations, a 10% decline in the value of the foreign currencies versus the U.S. dollar would reduce their aggregate net book value at December 31, 2021, by approximately $120 million, which amount would be reflected in other comprehensive income. We have designated our euro-denominated loan borrowings as net investment hedges.

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

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2021, 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 $878 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 December 31, 2021 the Company had received cash collateral from derivative instrument counterparties totaling $187 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at December 31, 2021 and changes in fair values due to market risks.

	Asset (Liability)	
(Millions of dollars)	Fair Value	Change in Fair Value
December 31, 2021		
Commodity price risk (1)	$ 797	$ (165)
Interest rate risk (2)	$ (1)	$ —
Foreign currency exchange rate risk (3)	$ 22	$ (40)

(1) Change in fair value represents a 10% adverse change in the market prices of certain commodities.
(2) Change in fair value represents a 50 basis point adverse change in prevailing market interest rates.
(3) Change in fair value represents a 10% adverse change in the value of the Euro and the British pound sterling versus the U.S. dollar.