

Kosan Gas A/S

Hasselager Centervej 19-21, 8260 Viby J

CVR no. 17 99 09 77

Annual report

for the year 1 October 2022 - 30 September 2023

Approved at the Company's annual general meeting on 28 February 2024

Chair of the meeting:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Kosan Gas A/S for the financial year 1 October 2022 - 30 September 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2023 and of the results of the Company's operations for the financial year 1 October 2022 - 30 September 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 28 February 2024
Executive Board:

Bradley Glenn Steadman

Board of Directors:



Megan Mattern
Chairman

Bradley Glenn Steadman

Nuno Miguel Laurentino
Ferreira

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Bradley Glenn Steadman

Board of Directors:

Megan Mattern
Chairman

Bradley Glenn Steadman


Nuno Miguel Laurentino
Ferreira

Independent auditor's report

To the shareholders of Kosan Gas A/S

Opinion

We have audited the financial statements of Kosan Gas A/S for the financial year 1 October 2022 - 30 September 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2023 and of the results of the Company's operations for the financial year 1 October 2022 - 30 September 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 28 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085

Management's review

Company details

Name	Kosan Gas A/S
Address, Postal code, City	Hasselager Centervej 19-21, 8260 Viby J
CVR no.	17 99 09 77
Established	25 June 1945
Registered office	Aarhus
Financial year	1 October 2022 - 30 September 2023
Website	www.kosangas.dk
Telephone	+45 89 48 77 00
Board of Directors	Megan Mattern, Chairman Bradley Glenn Steadman Nuno Miguel Laurentino Ferreira
Executive Board	Bradley Glenn Steadman
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Danske Bank
Lawyer	Kromann & Reumert Rådhuspladsen 3, 8000 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2022/23	2021/22	2020/21	2019/20	2018/19
Key figures					
Revenue	622,202	413,375	340,589	293,378	297,770
Operating profit/loss	27,703	37,601	28,735	41,990	18,768
Net financials	14,062	6,942	-113	-3,139	141
Profit for the year	36,981	36,842	94,884	68,016	14,487
Total assets					
Total assets	533,209	392,942	443,599	441,242	365,773
Investments in property, plant and equipment	53,219	32,739	42,237	38,720	34,503
Equity	323,377	243,107	303,957	323,920	251,888
Financial ratios					
Operating margin	4.4%	9.3%	8.4%	14.6%	6.4%
Return on assets	6.0%	9.0%	6.5%	10.4%	5.4%
Equity ratio	60.6%	61.9%	68.5%	73.4%	68.9%
Return on equity	13.1%	13.5%	30.2%	23.6%	5.9%
Average number of full-time employees					
Average number of full-time employees	68	61	59	58	61

For terms and definitions, please see the accounting policies.

In the 2022/23 financial year, a vertical merger was carried out between Kosan Gas A/S and Viking Energi A/S. As Viking Energi A/S was acquired in the same financial year, no restatement of the comparative figures was made in connection with the vertical merger.

Management's review

Business review

Kosan Gas A/S is a subsidiary of the American Group, UGI Corporation, which is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. The mission of UGI Corporation is to be the preeminent energy distribution company in our targeted markets by providing a superior range of clean and sustainable energy solutions to our customers.

Kosan Gas A/S purchases and sells gas and gas consuming equipment in Denmark.

Financial review

The income statement for 2022/23 shows a profit of DKK 36,981 thousand against a profit of DKK 36,842 thousand last year, and the balance sheet at 30 September 2023 shows equity of DKK 323,377 thousand.

Revenue in 2022/2023 amounted to DKK 622,202 thousand compared to DKK 413,375 thousand in 2021/2022.

Total investments in property, plant and equipment in the year amounted to DKK 53,219 thousand compared to DKK 32,739 thousand in the previous year.

Kosan Gas A/S is a well-consolidated company with a consolidation ratio of 62% and an equity of DKK 336,550 thousand at 30 September 2022.

The profit for the year exceeded expectations, primarily due to cost adjustments.

In the 2022/23 financial year, a vertical merger was carried out between Kosan Gas A/S and Viking Energi A/S. As Viking Energi A/S was acquired in the same financial year, no restatement of the comparative figures was made in connection with the vertical merger.

In the financial report 2021/22 management expected profit in the range between DKK 15,000-20,000 thousand. The profit is above the expected profit, which is due to the merger with Viking Energi A/S and the increasing activity during the year. In addition, the company had focus on profit throughout the year.

The company receives deposits in some cases in connection with cylinder sale which by misstate has been incorrectly classified under other debts in 2021/22. The amount of 30.5 million DKK has been reclassified from other debts to deposits.

Financial risks and use of financial instruments

Due to its solvency and financial resources, the Company is only to a limited extent exposed to interest rate changes.

Price risks

The Company's revenue is primarily generated through the sale of gas, where cost is based on market prices. The Company's market price risk is mainly hedged through customer agreements, which are concluded based on market prices, but also by the hedging of costs relating to gas consumption.

Currency risks

The Company's purchases of goods are primarily made in USD, and the Company is therefore exposed to fluctuations in this currency. In common with the sales prices following the market prices on gas, invoicing of the customers is predominantly made based on the current USD exchange rates, which is a contributing factor in hedging the Company's currency risk.

Management's review

Business model

Kosan Gas A/S is a subsidiary of the American Group UGI Corporation whose mission is to be the preeminent energy distribution company in our targeted markets by providing a superior range of clean and sustainable energy solutions to our customers. The Group believe that safe, reliable, affordable, and sustainable energy solutions are a necessity for our customers and communities. We strive to deliver this fundamental need through best-in-class safety, operations, products, and services while enhancing the quality of life of our employees, customers, and the communities we serve.

All employees follow the Group's values;

Safety: Safety is a way of life for us. We take the time to be safe, safeguard one another and make safety a priority in our interactions with our colleagues, customers and communities.

Respect: We embrace the diversity and uniqueness of individuals and cultures and the varied perspectives they provide.

Integrity: We do the right thing and act with honesty. We are ethical and trustworthy in all of our relationships.

Sustainability: We are committed to responsible business practices and growing the Company in an environmentally responsible way.

Excellence: We are committed to achieving exceptional performance through disciplined growth, execution and continuous improvement. Our goal is to deliver the best value for investors as a high-performing investment, for customers as a best-in-class service provider, for employees as a great place to work and for communities as a valued neighbor.

Reliability: We are a reliable service provider with a long-standing history in our community. We recognize that our customers and communities rely on the products and services we provide.

Impact on the external environment

Kosan Gas A/S places much focus on safety and the environment and has a well established system to safeguard and manage all issues in relation to these areas. Each year, considerable resources are spent in this respect.

The green transition is in full swing in society. Kosan Gas has undertaken to support the transition in our industry, and to help our customers transitioning to a fossil-free future. We acknowledge the challenges in balancing green ambitions with the current energy demands in the parts of society that we supply.

We are aware that entities must keep the wheels turning, while green solutions of the future are created for the areas which are not that easily transitioned.

Conventional LPG (Liquefied Petroleum Gas) is a natural by-product, which is extracted when refining crude oil and/or natural gas. LPG is a less polluting alternative to entities as LPG discharges far less CO₂ than coal and oil.

In an effort to achieve a fossil-free future, the UGI Group and Kosan Gas are continuously working to develop and produce renewable liquefied gas, including through a by-product of biofuel, extracted from food waste and other fossil-free fuels.

Statutory CSR report

Kosan Gas A/S is a subsidiary of the American Group UGI Corporation whose mission is to be the preeminent energy distribution company in our targeted markets by providing a superior range of clean and sustainable energy solutions to our customers. The Group believe that safe, reliable, affordable, and sustainable energy solutions are a necessity for our customers and communities. We strive to deliver this fundamental need through best-in-class safety, operations, products, and services while enhancing the quality of life of our employees, customers, and the communities we serve.

Management's review

Climate and environment

Policy: Kosan Gas A/S markets and sells LPG, which is a fossil fuel, which may cause severe damage to the environment and our surroundings in general. Kosan Gas A/S' operations cover the process from the gas leaving the refinery until the gas is transferred to the customer's plant, or alternative bottled at the Company's filling station in Esbjerg and delivered to the Company's bottled gas dealers. Kosan Gas considers the Company's environmental and climate impact an important part of the Company's social responsibility and always strives for ensuring a more sustainable future for customers, employees and society. Kosan Gas focuses on an ongoing basis on climate challenges in the Group's products and processes and is continuously working to reduce the Company's and the customers' CO₂ emission and the emission of other harmful substances, including through the development of more green products and in cooperation with the customers to choose more environmentally friendly alternatives.

Kosan Gas A/S complies with all current environmental laws and rules and to the extent possible strives to do more than required by law. The Company is constantly focusing on complying with all security rules for handling, transporting and disposing hazardous waste. Any environmental problems in the form of leaks, spillage or dumping of such waste must be reported immediately, and there is a general request for all employees to reuse and reduce their own consumption of water, energy and other resources to the extent possible.

We have identified energy consumption and the resulting emissions of CO₂ to be the most significant risk of negatively affecting the climate.

Kosan Gas A/S has not identified any accidents, which have had any environmental consequences in the financial year 2022/23 or in the period after the financial year end.

In future, we are expected to reduce our environmental and climate footprint as we optimize our energy usage and recycling of material and waste.

Social and employee matters

Policy: Kosan Gas A/S complies with all local working legislation, labour contracts and rules. Kosan Gas wishes to maintain a respectful and tolerant workplace with room for diversity and equality and to maintain a good and sound working environment. Employees' satisfaction, both physically and mentally is a continuous focal point. Forced labour, harassment and discrimination of employees of any kind are unacceptable. Should such take place, the Group's code of conduct clearly states how to report on such matters.

Kosan Gas considers its protection of the employees against workplace accidents and occupational diseases an important and continuous task, and targets zero workplace accidents. Security is high on the agenda at all information meetings and meetings in general.

The main risk that Kosan Gas A/S faces in relation to social and employee matters is the risk of accidents occurring.

In the financial year 2022/23, Kosan Gas A/S passed 1,500 days with no workplace accidents.

In the next financial year, all new employees will attend a course in well-being and work-life balance.

Human rights

UGI recognizes our responsibility to respect human rights and avoid causing or contributing to human rights infringements through our business activities. We support principles aimed at protecting internationally recognized human rights, and we expect our employees to be strong ethical community partners by fostering positive relationships wherever we do business.

Our Human Rights Policy outlines UGI's commitment to respect human rights and includes expectations related to workplace discrimination, diversity and inclusion, workplace conditions and freedom of association. Our commitment applies to all employees and others working on UGI's behalf. UGI strives to respect human rights through our supply chain by partnering with suppliers that share our corporate values in the areas of human rights and labor, respectful treatment, equal opportunity, anticorruption, and environmental sustainability.

Recognizing our responsibility for greater accountability of our suppliers, UGI developed its Supplier Code of Business Conduct and Ethics (the "Supplier Code") in fiscal 2020. The Supplier Code outlines our expectations of and requirements for third parties.

Although UGI spend a lot of resources to ensure that our suppliers respect human rights, there is always a risk that human rights are not respected in the part of the supply chain, over which we have no visibility."

During the current accounting period, all new employees have been informed about the Company's human rights policy.

In the current financial period, there were no human rights violations. In future, UGI continues with the annual human rights training.

Management's review

Anti-corruption matters

Policy: The Company has a zero-tolerance policy for corruption and bribery. No employee is therefore allowed to offer or accept illegal pecuniary gifts or other types of payments to secure business or personal advantages or benefits from any customers. **Risks, actions and results:** The Company's suppliers and business partners are mainly located in areas where there is limited risk of corruption and bribery. All employees have read the UGI Group's Code of Conduct and provided sign-off. At the same time, all employees were informed where to report violations of the Company's Code of Conduct for ethical behavior anonymously.

In 2022/23, all UGI employees have participated in training in relation to the different elements of the Group's Code of Conduct, and as a part of this also anti-corruption matters. UGI will continue to communicate our guidelines and expectations regarding anti-corruption to employees and business relations through our Code of Conduct in future.

The Company acknowledges that when working across countries and cultures, there is a risk that the employees can be exposed to situations involving corruption, bribery or questions about facilitation payment.

Account of the gender composition of Management

Kosan Gas A/S believes that diversity among its employees, including gender balance at all levels of the Company, contributes positively to the work environment and strengthens the Group's performance and competitiveness.

The current gender composition among the members of the Board of Directors appointed by the general meeting is 1 women and 2 man. The Company has set a target of 67% cfr 33% women or men on the Board of Directors. The Company has also set a target for equal gender distribution at other levels of management. By management means people with employee responsibilities. The target for other levels of management is 40/60, and the current distribution of men and women is 67/33 counted as headcounts.

To ensure that the Company still complies with section 99b of the Danish Financial Statements Act, the target for equal gender distribution is maintained. To actively increase the recruitment of the underrepresented gender, Kosan Gas A/S has taken several specific measures in respect of our recruitment efforts. A more structured recruitment process is being established to ensure that job openings appeal to both genders. The policy also requires a representation of both genders by relevant candidates for consideration by the hiring manager whenever possible.

Data ethics

Data accountability

At Kosan Gas A/S, it is highly emphasized that our use of IT systems and personal data is done in a responsible manner. Protection of personal data about our employees and customers create trust in us as a workplace and supplier. We therefore ensure that Kosan Gas A/S processes personal data about employees, customers, and other persons in accordance with the legislation on personal data protection and IT security requirements.

Policy on data ethics

Kosan Gas A/S does not find it relevant to draw up a policy for data ethics. In that connection, the Company emphasizes that the Company only to a limited extent collects and processes data, does not apply new technologies for the Company's principal activities and does not make specific data analyses, evaluations or segmentations single-handedly or through external suppliers.

Events after the balance sheet date

No additional events have occurred after the balance sheet date that materially affect the assessment of the financial statements.

Outlook

There is a general uncertainty regarding economic developments. However, the Company expects a profit in the range between DKK 15,000 - 20,000 thousand for 2023/24.

Financial statements 1 October 2022 - 30 September 2023

Income statement

Note	DKK'000	2022/23	2021/22
2	Revenue	622,202	413,375
16,3	Production costs	-388,819	-256,081
	Gross profit	233,383	157,294
	Distribution costs	-78,992	-50,911
16,3,4	Administrative expenses	-126,688	-68,781
	Operating profit	27,703	37,602
	Other operating income	3	772
	Other operating expenses	-162	-41
	Profit before net financials	27,544	38,333
	Income from investments in group entities	15,880	7,008
5	Financial income	969	435
6	Financial expenses	-2,787	-501
	Profit before tax	41,606	45,275
7	Tax for the year	-4,625	-8,433
	Profit for the year	36,981	36,842

Financial statements 1 October 2022 - 30 September 2023

Balance sheet

Note	DKK'000	2022/23	2021/22
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Acquired intangible assets	9,208	0
	Goodwill	22,973	0
		<u>32,181</u>	<u>0</u>
9	Property, plant and equipment		
	Land and buildings	25,708	10,176
	Plant and machinery	25,703	16,799
	Other fixtures and fittings, tools and equipment	138,286	120,186
	Leasehold improve-ments	1,235	396
	Property, plant and equipment in progress	2,073	200
		<u>193,005</u>	<u>147,757</u>
10	Investments		
	Investments in group entities	68,364	68,364
		<u>68,364</u>	<u>68,364</u>
	Total fixed assets	<u>293,550</u>	<u>216,121</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	35,801	33,790
		<u>35,801</u>	<u>33,790</u>
	Receivables		
	Trade receivables	151,586	115,352
	Income taxes receivable	3,111	4,108
	Other receivables	2,666	1,065
11	Prepayments	5,501	5,187
		<u>162,864</u>	<u>125,712</u>
	Cash	40,994	17,319
	Total non-fixed assets	<u>239,659</u>	<u>176,821</u>
	TOTAL ASSETS	<u><u>533,209</u></u>	<u><u>392,942</u></u>

Financial statements 1 October 2022 - 30 September 2023

Balance sheet

Note	DKK'000	2022/23	2021/22
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	117,801	117,800
	Hedging reserve	-1,906	-20,856
	Retained earnings	137,482	116,163
	Dividend proposed for the year	70,000	30,000
	Total equity	323,377	243,107
	Provisions		
13	Deferred tax	23,086	20,166
14	Total provisions	23,086	20,166
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Payables to former shareholders and management	7,500	0
		7,500	0
	Current liabilities other than provisions		
	Trade payables	36,849	28,460
	Payables to group entities	53,134	30,953
	Income taxes payable	6,658	4,698
	Deposits	40,809	30,492
	Other payables	40,908	34,368
15	Deferred income	888	698
		179,246	129,669
	Total liabilities other than provisions	186,746	129,669
	TOTAL EQUITY AND LIABILITIES	533,209	392,942

- 1 Accounting policies
- 17 Contractual obligations and contingencies, etc.
- 18 Collateral
- 19 Related parties
- 20 Appropriation of profit

Financial statements 1 October 2022 - 30 September 2023

Statement of changes in equity

Note	DKK'000	Share capital	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
		117,800	16,836	109,321	60,000	303,957
20	Equity at 1 October 2021	0	0	6,842	30,000	36,842
	Transfer, see "Appropriation of profit"	0	-37,692	0	0	-37,692
	Hedging	0	0	0	0	0
	Dividend distributed	0	0	0	-60,000	-60,000
	Equity at 1 October 2022	117,800	-20,856	116,163	30,000	243,107
	Additions on merger / corporate acquisition	0	0	-5,291	0	-5,291
	Capital increase	1	0	59,629	0	59,630
20	Transfer, see "Appropriation of profit"	0	0	-33,019	70,000	36,981
	Hedging	0	18,950	0	0	18,950
	Dividend distributed	0	0	0	-30,000	-30,000
	Equity at 30 September 2023	117,801	-1,906	137,482	70,000	323,377

The Company hedges gas prices on future purchases.

As per 30 September 2023, the Company entered into hedging contracts for 37,833 tonnes of LPG. The fair values of these contracts amount to a payable of DKK 2,447 thousand before tax. After tax, fair value amounts DKK -1,906 thousand.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies

The annual report of Kosan Gas A/S for 2022/23 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The company receives deposits in some cases in connection with cylinder sale which by misstate has been incorrectly classified under other debts in 2021/22. The amount of 30.5 million has been reclassified from other debts to deposits.

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements of Kosan Gas A/S and its group entities are part of the consolidated financial statements of UGI Corporation.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, UGI Corporation.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the group actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new entities of which the group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from disposal of group entities which result in loss of control are calculated as the difference between, on the one hand, the fair value of the selling price less selling expenses and, on the other hand, the carrying amount of net assets.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

For vertical and downstream intra-group mergers the group method is applied for the combination of the entities. Thereby, the entities are combined at the revaluation value recognised in the consolidated financial statements or which would have been recognised in the consolidated financial statements for the parent company included in the merger. The group method is applied as if the entities had been combined from the date when the parent company acquired the equity investments in the entities included in the merger, and therefore, the comparative figures were restated.

In the 2022/23 financial year, a vertical merger was carried out between Kosan Gas A/S and Viking Energi A/S. As Viking Energi A/S was acquired in the same financial year, no restatement of the comparative figures was made in connection with the vertical merger.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, comprising sale of LPG is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation. Sales and marketing costs are recognised in the income statement when the Company obtains control of the sales or marketing product.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Staff costs

Include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill and acquired intangible assets are amortised on a straight-line basis over the amortisation period, which is 10 years. The amortisation period is based on Management's assessment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	10 years
Goodwill	10 years

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	20-40 years
Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improve-ments	5-20 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Profit/loss from investments in group entities

The item includes dividend received from group entities in so far as the dividend does not exceed the accumulated earnings in the group entity in the period of ownership.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in group entities

Investments in group entities and associates are measured at cost. Dividends received that exceed the accumulated earnings in the group entity or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of fixed assets

Intangible assets, property, plant and equipment and investments in subsidiaries and associates are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or group of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

Equity

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	$\frac{\text{Profit/loss before net financials +/-Other operating income and other operating expenses}}{\text{Revenue}} \times 100$
Operating margin	$\frac{\text{Operating profit/loss (EBIT)}}{\text{Revenue}} \times 100$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Equity ratio	$\frac{\text{Equity, year-end}}{\text{Total equity and liabilities, year-end}} \times 100$
Return on equity	$\frac{\text{Profit/loss after tax}}{\text{Average equity}} \times 100$

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

	DKK'000	2022/23	2021/22
2	Segment information		
	Breakdown of revenue by geographical segment:		
	Nordic countries	622,202	413,375
		<u>622,202</u>	<u>413,375</u>
	DKK'000	2022/23	2021/22
3	Amortisation/depreciation of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	3,576	0
	Depreciation of property, plant and equipment	28,560	23,403
		<u>32,136</u>	<u>23,403</u>
	Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:		
	Production costs	11,898	10,719
	Administrative expenses	20,237	12,684
		<u>32,135</u>	<u>23,403</u>
4	Fee to the auditors appointed in general meeting		
	Total fees to EY	1,309,886	578,515
		<u>1,309,886</u>	<u>578,515</u>
	Statutory audit	1,110,475	563,200
	Assurance engagements	182,211	0
	Other assistance	17,200	15,315
		<u>1,309,886</u>	<u>578,515</u>

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

DKK'000	2022/23	2021/22
5 Financial income		
Other financial income	969	435
	<u>969</u>	<u>435</u>
6 Financial expenses		
Interest expenses, group entities	2,258	0
Other financial expenses	529	501
	<u>2,787</u>	<u>501</u>
7 Tax for the year		
Estimated tax charge for the year	2,465	8,083
Deferred tax adjustments in the year	2,160	350
	<u>4,625</u>	<u>8,433</u>

8 Intangible assets

DKK'000	Acquired intangible assets	Goodwill	Total
Additions on merger / corporate acquisition	10,231	25,526	35,757
Cost at 30 September 2023	10,231	25,526	35,757
Amortisation in the year	1,023	2,553	3,576
Impairment losses and amortisation at 30 September 2023	1,023	2,553	3,576
Carrying amount at 30 September 2023	<u>9,208</u>	<u>22,973</u>	<u>32,181</u>

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment in progress	Total
Cost at 1 October 2022	23,081	83,403	265,027	8,164	200	379,875
Additions on merger / corporate acquisition	0	18,611	15,063	0	0	33,674
Additions in the year	16,518	5,308	28,330	990	2,073	53,219
Disposals on demerger and sale of other enterprise	-17	0	0	0	0	-17
Disposals in the year	0	-12,784	-18,629	0	0	-31,413
Transfer from other accounts	0	200	0	0	-200	0
Cost at 30 September 2023	<u>39,582</u>	<u>94,738</u>	<u>289,791</u>	<u>9,154</u>	<u>2,073</u>	<u>435,338</u>
Impairment losses and depreciation at 1 October 2022	12,905	66,604	144,841	7,768	0	232,118
Accumulated impairment losses and depreciation of additions through mergers and business combinations	0	8,473	2,434	0	0	10,907
Depreciation in the year	986	4,772	22,651	151	0	28,560
Amortisation/depreciation and impairment of disposals in the year	-17	-10,814	-18,421	0	0	-29,252
Impairment losses and depreciation at 30 September 2023	<u>13,874</u>	<u>69,035</u>	<u>151,505</u>	<u>7,919</u>	<u>0</u>	<u>242,333</u>
Carrying amount at 30 September 2023	<u>25,708</u>	<u>25,703</u>	<u>138,286</u>	<u>1,235</u>	<u>2,073</u>	<u>193,005</u>

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

10 Investments

DKK'000	Investments in group entities
Cost at 1 October 2022	120,281
Additions on acquisition	67,671
Disposals in the year due to merger	-67,671
Cost at 30 September 2023	120,281
Value adjustments at 1 October 2022	-51,917
Value adjustments at 30 September 2023	-51,917
Carrying amount at 30 September 2023	68,364

Group entities

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Kosan Gas Norge AS	AS	Norway	100.00%	33,394	20,146
Kosan Gas Finland Oy	Oy	Finland	100.00%	32,600	639
Kosan Gas Sverige AB	AB	Sweden	100.00%	25,989	-19,985

Above equity and profit/loss are according to the most recent financial statements (2021/22). Since the annual reports for 2021/22 there have been paid 25 mio. NOK from Kosan Gas Norge AS.

In the 2022/23 financial year, a vertical merger was carried out between Kosan Gas A/S and Viking Energi A/S. As Viking Energi A/S was acquired in the same financial year, no restatement of the comparative figures was made in connection with the vertical merger.

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies and subscriptions.

DKK'000	2022/23	2021/22
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12 Share capital

Analysis of the share capital:

117,801 shares of DKK 1,000.00 nominal value each	117,801	117,800
	117,801	117,800

Analysis of changes in the share capital over the past 5 years:

DKK'000	2022/23	2021/22	2020/21	2019/20	2018/19
Opening balance	117,800	117,800	117,800	117,800	117,800
Capital increase	1	0	0	0	0
	117,801	117,800	117,800	117,800	117,800

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

DKK'000	2022/23	2021/22
13 Deferred tax		
Deferred tax at 1 October	20,166	19,816
Change in the P/L for the year	2,920	350
Deferred tax at 30 September	<u>23,086</u>	<u>20,166</u>
Deferred tax relates to:		
Property, plant and equipment	<u>23,086</u>	<u>20,166</u>
	<u>23,086</u>	<u>20,166</u>

14 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

15 Deferred income

Deferred income comprises payments received which cannot be recognised as revenue until the subsequent financial year.

DKK'000	2022/23	2021/22
16 Staff costs		
Wages/salaries	50,853	38,396
Pensions	5,889	4,754
Other social security costs	812	845
	<u>57,554</u>	<u>43,995</u>

Staff costs are recognised as follows in the financial statements:

Production costs	11,366	10,163
Administrative expenses	46,188	33,832
	<u>57,554</u>	<u>43,995</u>
Average number of full-time employees	<u>68</u>	<u>61</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

17 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2022/23	2021/22
Guarantee commitments	2,221	8,621
	<u>2,221</u>	<u>8,621</u>

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	16,791	10,015
	<u>16,791</u>	<u>10,015</u>

18 Collateral

The Company has provided suretyship as security for subsidiaries' debt to credit institutions. As of 30 September 2023 this amounts to 0 DKK.

19 Related parties

Kosan Gas A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
UGI Corporation	USA	Ultimate patent company
Flaga GmbH	Austria	Parent company

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
UGI Corporation	USA	https://www.ugicorp.com/investors/financial-reports/annual-reports

Related party transactions

Kosan Gas A/S was engaged in the below related party transactions:

DKK'000	2022/23	2021/22
Sale of goods to group entities	0	303
Purchase of goods from group entities	11,875	28,728
Sale of services to group entities	21,252	17,854
Purchase of services and goods from parent company and other affiliated companies	10,949	12,209
Hedging received from group entities	37,665	25,660
Rents, royalties and license fee paid to group entities	18,356	3,654
Payables to group entities	53,149	30,953

Financial statements 1 October 2022 - 30 September 2023

Notes to the financial statements

19 Related parties (continued)

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Flaga GmbH	Austria

DKK'000	2022/23	2021/22
20 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	70,000	30,000
Retained earnings/accumulated loss	-33,019	6,842
	36,981	36,842