

SERVICE

**Q3**

PERFORMANCE

EFFICIENCY

2019 THIRD QUARTER  
REPORT TO  
SHAREHOLDERS

**THE POWER  
OF TRUST**

SOLUTIONS

CONNECTED

INNOVATION

PARTNERSHIP





## Highlights of operations for the three months ended December 31, 2018 included:

- ◆ Base EBITDA of \$58.2 million for the third quarter increased 11% year-over-year due to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.
- ◆ Gross margin increased 10% to \$188.5 million from the prior year, primarily driven by improved pricing power in North America and margin expansion from the suite of value-added products and services, partially offset by risk management costs.
- ◆ Embedded gross margin of \$2.3 billion increased \$366.9 million, or 19%, compared to the same period one year ago. The increase was primarily due to improved pricing power in North America. The embedded gross margin includes \$46.0 million from Filter Group Inc. ("Filter Group"), which was acquired on October 1, 2018.
- ◆ Base FFO decreased 15% in the quarter to \$32.1 million as a result of the increase in financing costs, which offset the improvements in Base EBITDA.
- ◆ The payout ratio on Base FFO for the quarter was 67%, compared with 57% in the prior comparable quarter of last year and 85% one quarter ago. The payout ratio for the trailing 12 months was 86%, compared with 90% for the trailing 12 months one year ago.
- ◆ Administrative expenses increased by \$5.7 million year-over-year, or 11%, due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion, including the transaction costs to acquire Filter Group, and foreign exchange fluctuations. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities.
- ◆ Selling and marketing expenses increased \$1.7 million year-over-year, or 3%, as a result of the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expenses.
- ◆ Finance costs of \$22.8 million increased by 72% from the comparable quarter last year as a result of higher collateral related costs associated with Texas electricity markets, supplier credit term extension, interest expense from higher debts, and higher interest rates.
- ◆ Customer count increased 2% year-over-year to 1.6 million, including 27,000 distinct customers from Filter Group's water filter subscriptions.
- ◆ Total RCEs of 4.1 million declined 1% sequentially and remained consistent from one year ago. During the quarter, gross RCE additions were 238,000 and net RCE additions were negative 31,000.
- ◆ The Company reaffirms its fiscal 2019 Base EBITDA guidance range of \$200 million to \$220 million, including the implementation of IFRS 15. This represents approximately 10% year-over-year Base EBITDA growth at the midpoint of guidance over an adjusted fiscal 2018 Base EBITDA.

# Message from the Chief Executive Officer

Dear fellow shareholders,

Our strong performance in the third quarter of fiscal 2019 further exemplified the success of our ongoing transformation strategy to become a leading consumer company focused on essential needs. Our core business remains strong, and our accomplishments are demonstrating the initial success of our transformation strategy. Our commitment to growing the business through strategic margin enhancement actions and expanding our offering of value-added products and services, including a strong start to our recently acquired water filtration business, has significantly increased our customer profitability profile. The collective efforts to improve profitability and attract and retain strong-fit customers is evident in our ability to maintain record-level embedded gross margin on our existing book of business while our core commodity business continues to meet and surpass our expectations.

In the third fiscal quarter, we achieved 6% growth in sales, which drove a 10% rise in our gross margin from the prior year. We continue to focus on controlling costs, while recognizing the rising costs of acquiring and servicing our customers, without sacrificing the quality of service they deserve and have come to expect. We formally announced our insurance wrap program, which will help us mitigate future events. We believe we have one of the best hedging programs in place, and this additional layer of protection will provide greater stability and predictability in our future performance.

At our Investor Day in September, we outlined our commitment to providing customers with unique solutions to address their health and well-being, utility conservation and essential needs. We believe our growing suite of value-added services and products is essential in retaining high value customers for whom Just Energy is a critical component in their homes. On October 1, 2018, we completed our acquisition of Filter Group, a leading provider of subscription-based home water filtration systems to residential customers in Canada and the United States, bringing 27,000 distinct customers under the Just Energy roof. In its first three months, Filter Group has generated meaningful margin expansion in our Consumer business and furthered our resolve to understand our customers' needs.

We expect that our ongoing commitment to faster execution will drive performance beyond historical levels and support our ability to achieve fiscal year guidance and drive earnings growth well into the future. Our healthy core business, combined with the expanded offering of value-added products and services, will generate significant capital to support not only future dividend payments, but also the pursuit of growth opportunities that support our strategic shift to being a consumer-focused company.

While I am pleased and encouraged by the success of our initiatives, there is much more we can do to accelerate the transformation of Just Energy. I wish to extend my sincerest gratitude to our talented employees, our strategic partners, our loyal customers, our Board of Directors and, finally, our shareholders for their belief in our mission.

Yours truly,

/s/ Patrick McCullough

**Patrick McCullough**  
Chief Executive Officer

# Management's discussion and analysis – February 6, 2019

The following Management's Discussion and Analysis ("MD&A") is a review of the financial condition and operating results of Just Energy Group Inc. ("Just Energy" or the "Company") for the three and nine months ended December 31, 2018. This MD&A has been prepared with all information available up to and including February 6, 2019. This MD&A should be read in conjunction with Just Energy's unaudited interim condensed consolidated financial statements for the three and nine months ended December 31, 2018. The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. All dollar amounts are expressed in Canadian dollars unless otherwise noted. Quarterly reports, the annual report and supplementary information can be found on Just Energy's corporate website at [www.justenergygroup.com](http://www.justenergygroup.com). Additional information can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

## Company overview

Just Energy is a leading consumer company focused on essential needs, including electricity and natural gas commodities; on health and well-being, through products such as water quality and filtration devices; and on utility conservation, bringing energy efficient solutions and renewable energy options to consumers. Currently operating in the United States ("U.S."), Canada, the United Kingdom ("U.K."), Germany, Ireland and Japan, Just Energy serves both residential and commercial customers. Just Energy is the parent company of Amigo Energy, EdgePower Inc., Filter Group Inc., Green Star Energy, Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy and terrapass.



For a more detailed description of Just Energy's business operations, refer to the "Operations overview" section on page 8 of this MD&A.

## Forward-looking information

This MD&A may contain forward-looking statements and information, including guidance for Base EBITDA for the fiscal year ending March 31, 2019. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, general economic, business and market conditions, the ability of management to execute its business plan, levels of customer natural gas and electricity consumption, extreme weather conditions, rates of customer additions and renewals, rates of customer attrition, fluctuations in natural gas and electricity prices, interest and exchange rates, actions taken by governmental authorities including energy marketing regulation, increases in taxes and changes in government regulations and incentive programs, changes in regulatory regimes, results of litigation and decisions by regulatory authorities, competition, the performance of acquired companies and dependence on certain suppliers. Additional information on these and other factors that could affect Just Energy's operations, financial results or dividend levels is included in Just Energy's Annual Information Form and other reports on file with Canadian securities regulatory authorities which can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com) or by visiting the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

## Key terms

"5.75% convertible debentures" refers to the \$100 million in convertible debentures issued by Just Energy to finance the purchase of Fulcrum Retail Holdings, LLC, the parent company of Amigo Energy and Tara Energy, issued in September 2011. The convertible debentures had a maturity date of September 30, 2018, but were redeemed on March 27, 2018. See "Debt and financing for operations" on page 29 for further details.

"6.5% convertible bonds" refers to the US\$150 million in convertible bonds issued in January 2014, which mature on July 29, 2019. Net proceeds were used to redeem Just Energy's outstanding \$90 million convertible debentures and pay down Just Energy's credit facility. As at December 31, 2018, US\$45.6 million were tendered, resulting in a balance of US\$104.4 million outstanding. See "Debt and financing for operations" on page 29 for further details.

"6.75% \$160M convertible debentures" refers to the \$160 million in convertible debentures issued in October 2016, which have a maturity date of December 31, 2021. Net proceeds were used to redeem Just Energy's outstanding senior unsecured notes on October 5, 2016 and \$225 million of its 6.0% convertible debentures on November 7, 2016. See "Debt and financing for operations" on page 29 for further details.

"6.75% \$100M convertible debentures" refers to the \$100 million in convertible debentures issued in February 2018, which have a maturity date of March 31, 2023. Net proceeds were used to redeem the 5.75% convertible debentures on March 27, 2018. See "Debt and financing for operations" on page 29 for further details.

"8.75% loan" refers to the US\$250 million non-revolving multi-draw senior unsecured term loan facility entered into on September 12, 2018, which has a maturity date of September 12, 2023. US\$97 million was drawn as of December 31, 2018. Net proceeds were used to fund a tender offer for Just Energy's outstanding 6.5% convertible bonds due July 29, 2019, and for general corporate purposes, including to pay down the Company's credit facility. See "Debt and financing for operations" on page 29 for further details.

"Active asset" means an asset (product) that has been installed and not cancelled.

"Active MRR" refers to monthly recurring revenue ("MRR") from active assets (i.e., subscriptions). It represents the expected recurring revenue as at the reporting date.

"Commodity RCE attrition" means energy customers whose contracts were terminated prior to the end of the term either at the option of the customer or by Just Energy.

"Customer count" refers to an individual customer with a distinct address rather than to an RCE (see key term below).

"Failed to renew" means customers who did not renew expiring contracts at the end of their term.

"Filter Group Financing" refers to the outstanding loan balance between Home Trust Company ("HTC") and Filter Group Inc. acquired by the Company on October 1, 2018. The loan bears an annual interest rate of 8.99%. See "Debt and financing for operations" on page 29 for further details.

"Gross margin per RCE" refers to the energy gross margin realized on Just Energy's RCE customer base, including gains/losses from the sale of excess commodity supply.

"LDC" means a local distribution company; the natural gas or electricity distributor for a regulatory or governmentally defined geographic area.

"Maintenance capital expenditures" means the necessary capital expenditures required to maintain existing operations at functional levels.

"Preferred shares" refers to the 8.50%, fixed-to-floating rate, cumulative, redeemable, perpetual preferred shares that were initially issued at a price of US\$25.00 per preferred share in February 2017. The cumulative feature means that preferred shareholders are entitled to receive dividends at a rate of 8.50% on the initial offer price, as and if declared by our Board of Directors.

"RCE" means residential customer equivalent, which is a unit of measurement equivalent to a customer using, as regards natural gas 2,815 m<sup>3</sup> (or 106 GJs or 1,000 Therms or 1,025 CCFs) of natural gas on an annual basis and, as regards electricity, 10 MWh (or 10,000 kWh) of electricity on an annual basis, which represents the approximate amount of gas and electricity, respectively, used by a typical household in Ontario, Canada.

## Non-IFRS financial measures

Just Energy's unaudited interim condensed consolidated financial statements are prepared in accordance with IFRS. The financial measures that are defined below do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flow from operating activities and other measures of financial performance as determined in accordance with IFRS; however, the Company believes that these measures are useful in providing relative operational profitability of the Company's business.

### EBITDA

"EBITDA" refers to earnings before finance costs, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure that reflects the operational profitability of the business.

**BASE EBITDA**

"Base EBITDA" refers to EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from IFRS requirements for derivative financial instruments, as well as reflecting an adjustment for share-based compensation, non-controlling interest and amortization of sales commissions with respect to value-added products (see below). This measure reflects operational profitability as the non-cash share-based compensation expense is treated as an equity issuance for the purposes of this calculation, since it will be settled in common shares; the mark to market gains (losses) are associated with supply already sold in the future at fixed prices; and the mark to market gains (losses) of weather derivatives are not yet realized.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under current IFRS, the customer contracts are not marked to market; however, there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing. Management believes that these short-term mark to market gains (losses) do not impact the long-term financial performance of Just Energy, and management has therefore excluded them from the Base EBITDA calculation.

Included in Base EBITDA are gains (losses) from the Company's portfolio of equity investments and acquisitions which are presented in the Company's unaudited interim condensed consolidated statement of income. The impact from fair value adjustments of contingent consideration liabilities that are related solely to performance are included in Base EBITDA, while any impact from fair value adjustments of contingent consideration liabilities relating to changes in Just Energy's share price are excluded from Base EBITDA. Management believes that volatility in share price does not impact the financial performance of Just Energy as the contingent consideration is settled in shares.

Just Energy recognizes the incremental acquisition costs of obtaining a customer contract as an asset since these costs would not have been incurred if the contract had not been obtained and these costs are recovered through the consideration collected from the contract. Commissions and incentives paid for commodity contracts and value-added product contracts are capitalized and amortized over the term of the contract. Amortization of these costs with respect to commodity contracts is included in the calculation of Base EBITDA (as selling and marketing expenses). On the contrary, the amortization of incremental acquisition costs on value-added product contracts is excluded from the Base EBITDA calculation as value-added products are considered to be a lease asset akin to a fixed asset whereby the amortization or depreciation expenses are excluded from Base EBITDA.

**FUNDS FROM OPERATIONS**

Funds from Operations ("FFO") refers to the cash flow generated by current operations. FFO is calculated by Just Energy as gross margin adjusted for cash items including administrative expenses, selling and marketing expenses, bad debt expenses, finance costs, corporate taxes, capital taxes and other cash items. FFO also includes a seasonal adjustment for the gas markets in Ontario, Quebec, Manitoba and Michigan in order to include cash received from LDCs for gas not yet consumed by end customers.

**BASE FUNDS FROM OPERATIONS**

Base Funds from Operations ("Base FFO") refers to FFO reduced by capital expenditures incurred to maintain productive capacity. Capital expenditures to maintain productive capacity represent the capital spend relating to capital and intangible assets.

**BASE FUNDS FROM OPERATIONS PAYOUT RATIO**

The payout ratio for Base FFO means dividends declared and paid as a percentage of Base FFO.

**EMBEDDED GROSS MARGIN**

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted energy and product gross margin. The commodity embedded gross margin is the difference between existing energy customer contract prices and the cost of supply for the remainder of the term, with appropriate assumptions for commodity RCE attrition and renewals. The product gross margin is the difference between existing value-added product customer contract prices and the cost of sales on a five-year or ten-year undiscounted basis for such customer contracts, with appropriate assumptions for value-added product attrition and renewals. It is assumed that expiring contracts will be renewed at target margin renewal rates.

Embedded gross margin indicates the margin expected to be realized from existing customers. It is intended only as a directional measure for future gross margin. It is not discounted to present value nor is it intended to take into account administrative and other costs necessary to realize this margin.

## Financial highlights

For the three months ended December 31  
(thousands of dollars, except where indicated and per share amounts)

|   | Fiscal 2019 | % increase<br>(decrease) | Fiscal 2018 |
|---|-------------|--------------------------|-------------|
| Sales   | \$ 966,653  | 6%                       | \$ 912,203  |
| Gross margin  | 188,513     | 10%                      | 171,305     |
| Administrative expenses                                 | 56,031      | 11%                      | 50,389      |
| Selling and marketing expenses                          | 57,255      | 3%                       | 55,547      |
| Finance costs   | 22,762      | 72%                      | 13,266      |
| Profit for the period <sup>1</sup>                      | 27,025      | NMF <sup>3</sup>         | 208,415     |
| Profit per share available to shareholders – basic      | 0.17        |                          | 1.40        |
| Profit per share available to shareholders – diluted    | 0.16        |                          | 1.06        |
| Dividends/distributions                                 | 21,434      | -                        | 21,501      |
| Base EBITDA <sup>2</sup>                                | 58,216      | 11%                      | 52,507      |
| Base Funds from Operations <sup>2</sup>                 | 32,059      | (15)%                    | 37,539      |
| Payout ratio on Base Funds from Operations <sup>2</sup> | 67%         |                          | 57%         |

1 Profit includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand as well as weather hedge contracts as part of the risk management practice. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.

2 See "Non-IFRS financial measures" on page 4.

3 Not a meaningful figure.

Just Energy's gross margin increased 10% to \$188.5 million in the quarter ended December 31, 2018, mainly due to improved pricing power in North America, enabled by the Company's unique customer value enhancing product offerings coupled with loyalty rewards offered through a multi-channel approach, and margin expansion from a suite of value-added products and services, partially offset by risk management costs. Sales revenue increased 6% to \$966.7 million during the three months ended December 31, 2018.

Base EBITDA was \$58.2 million, an increase of 11% as compared to the third quarter of fiscal 2018 due to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Administrative expenses increased 11% due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including the transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses increased 3% compared to the prior comparable quarter due to the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expense.

Finance costs increased by 72% in the third quarter, as compared to the prior comparable quarter, primarily driven by higher collateral related costs associated with Texas electricity markets, supplier credit term extension, interest expense from higher debts and higher interest rates.



## Financial highlights

For the nine months ended December 31  
(thousands of dollars, except where indicated and per share amounts)

|   | Fiscal 2019         | % increase<br>(decrease) | Fiscal 2018  |
|---|---------------------|--------------------------|--------------|
| Sales   | <b>\$ 2,799,953</b> | <b>7%</b>                | \$ 2,611,836 |
| Gross margin  | <b>515,384</b>      | <b>9%</b>                | 471,531      |
| Administrative expenses                                     | <b>170,221</b>      | <b>17%</b>               | 145,826      |
| Selling and marketing expenses                              | <b>164,547</b>      | <b>(4)%</b>              | 172,200      |
| Finance costs   | <b>59,225</b>       | <b>57%</b>               | 37,777       |
| Profit (loss) for the period <sup>1</sup>                   | <b>(35,848)</b>     | <b>NMF<sup>3</sup></b>   | 252,801      |
| Profit (loss) per share available to shareholders – basic   | <b>(0.28)</b>       |                          | 1.60         |
| Profit (loss) per share available to shareholders – diluted | <b>(0.28)</b>       |                          | 1.32         |
| Dividends/distributions                                     | <b>66,026</b>       | <b>2%</b>                | 64,752       |
| Base EBITDA <sup>2</sup>                                    | <b>122,757</b>      | <b>16%</b>               | 105,564      |
| Base FFO <sup>2</sup>                                       | <b>76,396</b>       | <b>16%</b>               | 65,730       |
| Payout ratio on Base FFO <sup>2</sup>                       | <b>86%</b>          |                          | 99%          |
| Embedded gross margin <sup>2</sup>                          | <b>2,322,900</b>    | <b>19%</b>               | 1,956,000    |
| Customer count  | <b>1,647,000</b>    | <b>2%</b>                | 1,607,000    |
| Total ending RCEs   | <b>4,133,000</b>    | <b>-</b>                 | 4,114,000    |

1 Profit (loss) includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand as well as weather hedge contracts as part of the risk management practice. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.

2 See "Non-IFRS financial measures" on page 4.

3 Not a meaningful figure.

For the nine months ended December 31, 2018, sales were \$2.8 billion and gross margin was \$515.4 million, 7% and 9% higher, respectively, than the prior comparable period. Base EBITDA amounted to \$122.8 million, an increase of 16% from the first nine months of fiscal 2018. The growth in Base EBITDA was largely attributable to the significant improvement in gross margin driven by the enhanced pricing power, partially offset by higher bad debts and an increase in administrative expenses to support growth initiatives.

Administrative expenses increased 17% from the prior comparable period due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including the transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses decreased 4% compared to the prior comparable period as a result of the capitalization of upfront commission expense and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels. Finance costs increased 57%, primarily driven by the premium and fees associated with the partial redemption of the 6.5% convertible bonds, higher collateral related costs associated with financing supply transactions in the Texas electricity markets, and interest expense and fees from the increased utilization of the credit facility and higher interest rates.

Embedded gross margin amounted to \$2,322.9 million as of December 31, 2018, an increase of 19% compared to the embedded gross margin as of December 31, 2017, as the Company realizes improved pricing power over a broader customer base. The embedded gross margin includes \$46.0 million from value-added products, including Filter Group. The Filter Group business was acquired by Just Energy on October 1, 2018. See "Acquisition of Filter Group Inc." on page 30 for further details.

## Operations overview

### CONSUMER DIVISION

The sale of gas and electricity to customers with annual consumption equivalent to 15 RCEs or less is undertaken by the Consumer division. Marketing of the energy products of this division is primarily done through retail, online and door-to-door marketing. Consumer customers make up 42% of Just Energy's RCE base, which is currently focused on longer-term price-protected, flat-bill and variable rate product offerings as well as JustGreen products. To the extent that certain markets are better served by shorter-term or enhanced variable rate products, the Consumer division's sales channels also offer these products.

Developments in connectivity and convergence and changes in customer preferences have created an opportunity for Just Energy to provide value-added products and service bundles connected to energy. As a conservation solution, smart thermostats are offered as a value-added product with commodity contracts, but were also sold previously as a stand-alone unit. The smart thermostats are manufactured and distributed by ecobee Inc., a company in which Just Energy holds a 7.9% fully diluted equity interest. In addition, Just Energy has also expanded its product offering in some markets to include LED light bulbs. On October 1, 2018, Just Energy added home water filtration systems to its line of consumer products and service offerings, through the acquisition of Filter Group. See "Acquisition of Filter Group Inc." on page 30 for further details.

### COMMERCIAL DIVISION

Customers with annual consumption equivalent to over 15 RCEs are served by the Commercial division. These sales are made through three main channels: brokers; door-to-door commercial independent contractors; and inside commercial sales representatives. Commercial customers make up 58% of Just Energy's RCE base. Products offered to Commercial customers can range from standard fixed-price offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These products can be fixed or floating rate or a blend of the two, and normally have a term of less than five years. Gross margin per RCE for this division is lower than it is for the Consumer division, but customer aggregation costs and ongoing customer care costs per RCE are lower as well. Commercial customers also have significantly lower attrition rates than Consumer customers.

In addition, the Commercial division also provides value-added products and services which include LED lighting, smart building controls, monitoring and alerts, bill audits, smart thermostats, tariff analysis, energy insights and energy procurement.

### ABOUT THE ENERGY MARKETS

Just Energy offers products and services to address customers' essential needs, including electricity and natural gas commodities; health and well-being products such as water quality and filtration devices; and utility conservation products which bring energy efficient solutions and renewable energy options to consumers.

#### Natural gas

Just Energy offers natural gas customers a variety of products ranging from month-to-month variable-price contracts to five-year fixed-price contracts. Gas supply is purchased from market counterparties based on forecasted Consumer and small Commercial RCEs. For larger Commercial customers, gas supply is generally purchased concurrently with the execution of a contract. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Flat-bill products offer customers the ability to pay a fixed amount per period regardless of usage or changes in the price of the commodity.

The LDCs provide historical customer usage which, when normalized to average weather, enables Just Energy to purchase the expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the gas portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to successfully mitigate weather effects is limited by the degree to which weather conditions deviate from normal. To the extent that balancing requirements are outside the forecasted purchase, Just Energy bears the financial responsibility for fluctuations in customer usage. To the extent that supply balancing is not fully covered through active management or the options employed, Just Energy's realized customer gross margin may be reduced or increased depending upon market conditions at the time of balancing.

| Territory  | Gas delivery method   |
|--|---|
| Ontario, Quebec, Manitoba and Michigan   | The volumes delivered for a customer typically remain constant throughout the year. Sales are not recognized until the customer actually consumes the gas. During the winter months, gas is consumed at a rate that is greater than delivery, resulting in accrued gas receivables, and, in the summer months, deliveries to LDCs exceed customer consumption, resulting in gas delivered in excess of consumption. Just Energy receives cash from the LDCs as the gas is delivered, which is even throughout the year. |
| Alberta, British Columbia, New York, Illinois, Indiana, Ohio, California, Georgia, Maryland, New Jersey, Pennsylvania, Saskatchewan, the U.K., Germany and Ireland | The volume of gas delivered is based on the estimated consumption and storage requirements for each month. Therefore, the amount of gas delivered in the winter months is higher than in the spring and summer months. Consequently, cash flow received from most of these markets is greatest during the third and fourth (winter) quarters, as cash is normally received from the LDCs in the same period as customer consumption.  |

### Electricity

Just Energy services various territories in Canada, the U.S., the U.K., Germany, Ireland and Japan with electricity. A variety of electricity solutions are offered, including fixed-price, flat-bill and variable-price products on both short-term and longer-term electricity contracts. Some of these products provide customers with price-protection programs for the majority of their electricity requirements. Just Energy uses historical usage data for all enrolled customers to predict future customer consumption and to help with long-term supply procurement decisions. Flat-bill products offer a consistent price regardless of usage.

Just Energy purchases power supply from market counterparties for residential and small Commercial customers based on forecasted customer aggregation. Power supply is generally purchased concurrently with the execution of a contract for larger Commercial customers. Historical customer usage is obtained from LDCs, which, when normalized to average weather, provides Just Energy with expected normal customer consumption. Furthermore, Just Energy mitigates exposure to weather variations through active management of the power portfolio, which involves, but is not limited to, the purchase of options, including weather derivatives.

Just Energy's ability to successfully mitigate weather effects is limited by the degree to which weather conditions deviate from normal. To the extent that balancing power purchases are outside the acceptable forecast, Just Energy bears the financial responsibility for excess or short supply caused by fluctuations in customer usage. Any supply balancing not fully covered through customer pass-throughs, active management or the options employed may impact Just Energy's gross margin depending upon market conditions at the time of balancing.

### JustGreen

Customers also have the ability to choose an appropriate JustGreen program to supplement their natural gas and electricity contracts, providing an effective method to offset their carbon footprint associated with the respective commodity consumption.

JustGreen programs for gas customers involve the purchase of carbon offsets from carbon capture and reduction projects. JustGreen's electricity product offers customers the option of having all or a portion of the volume of their electricity usage sourced from renewable green sources such as wind, solar, hydropower or biomass, via power purchase agreements and renewable energy certificates. Additional green products allow customers to offset their carbon footprint without buying energy commodity products and can be offered in all states and provinces without being dependent on energy deregulation.

Just Energy currently sells JustGreen gas and electricity in eligible markets across North America. Of all Consumer customers who contracted with Just Energy in the trailing 12 months, 34% purchased JustGreen for some or all of their energy needs. On average, these customers elected to purchase 66% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended December 31, 2017, 31% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 72% of their consumption. As of December 31, 2018, JustGreen makes up 8% of the Consumer gas portfolio, compared to 11% a year ago. JustGreen makes up 13% of the Consumer electricity portfolio, compared to 12% a year ago.

**Value-added products and services ("VAP")**

In addition to JustGreen, Just Energy also provides energy management as well as health and wellness solutions in the form of value-added products and services. These products and services may be sold in a bundle with natural gas or electricity, or on a stand-alone basis.

Just Energy's Commercial energy management solutions include LED lighting as well as monitoring and control solutions for lighting and HVAC systems. These solutions include custom design, procurement, utility rebate management, and management of installation services that may be purchased outright or financed through third parties.

Energy management for the Consumer business focuses on energy efficient and energy conserving products. Just Energy has strategic partnerships to facilitate the purchase and support of smart thermostats and home warranty products. Customers may also redeem points earned through Just Energy's Perks loyalty program for a wide variety of free or discounted energy saving products.

Through the Filter Group business acquired by Just Energy on October 1, 2018, Just Energy provides subscription-based home water filtration systems to residential customers in Canada and the United States, including under-counter and whole-home water filtration solutions.

**ADOPTION OF NEW STANDARDS****Adoption of IFRS 15, Revenue from Contracts with Customers**

On April 1, 2018, Just Energy adopted an accounting policy that provides a standardized guideline for entities to account for revenue arising from contracts with customers. Following the terms of this standardization, Just Energy has applied IFRS 15 using the modified retrospective method. As such, transition adjustments have been recognized through equity as at April 1, 2018.

Upon the adoption of IFRS 15, incremental costs to obtain a contract with a customer within the Consumer business in North America are capitalized if these costs are expected to be recovered. Similar costs pertaining to other segments have been capitalized in the past. Accordingly, Just Energy has changed its accounting policy to allow for capitalizing all upfront-sales commissions, incentives, and third party verification costs paid based on customer acquisitions that met the criteria for capitalization. Just Energy has elected, under the practical expedient, to recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year. These expenses are deferred and amortized over the average customer relationship period (which is estimated to be between two and five years based on historical blended attrition rates, inclusive of expected renewal periods by region).

The adjustments to Just Energy's current year financial statements included an increase of \$28.4 million in the opening balance of customer acquisition costs that was capitalized – an increase in deferred income tax liabilities of \$7.6 million and an opening retained earnings adjustment of \$20.8 million. The year to date fiscal year 2019 impact of the new standard increased net earnings by approximately \$26.9 million pre-tax.

This new accounting standard has no impact on the economics of our business. That being said, the implementation of IFRS 15 will result in a change in the timing of the recognition of commission expense but has no effect on the cash flows of Just Energy. Historically, FFO was more aligned to the recognition of operating cash flow. IFRS 15 disconnects these two, with operating cash flow lagging behind FFO, as incremental customer acquisition costs are paid upfront and capitalized.

For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended December 31, 2018.

**Adoption of IFRS 9, Financial Instruments**

Effective April 1, 2018, Just Energy adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces a new expected lifetime credit loss impairment model which replaces the existing incurred loss impairment model under IAS 39.

Under the previous accounting standard, IAS 39, a collective allowance for losses was recorded on trade receivables when a loss event had occurred as at, or prior to, the balance sheet date. An incurred loss event provides objective evidence to establish an allowance for loss against these receivables. IAS 39 did not allow the recognition of any allowance for losses expected in the future if a loss event had not yet occurred on the balance sheet date.

Under IFRS 9, Just Energy is required to apply a lifetime expected credit loss model, where credit losses that are expected to transpire in future years, irrespective of whether a loss event has occurred or not, as at the balance sheet date, are provided for. The expected lifetime credit loss is calculated based on the weighted average expected cash collected shortfall against the carrying value of the receivable and unbilled revenue and considers reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that may impact the credit profile of the receivables.

IFRS 9 requires that forward-looking indicators are considered when determining the impact on credit risk and measuring lifetime expected credit losses and are incorporated in the risk parameters as relevant. Based on the analysis performed by Just Energy, it was determined that the following forward-looking indicators could have an impact on the credit performance of the receivables, and they were considered in the calculation of the allowance for losses:

- Interest rates;
- Unemployment rates;
- Commodity prices; and
- The Consumer Price Index.

IFRS 9 does not require the restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Just Energy made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on April 1, 2018, through an adjustment to opening retained earnings, net of deferred tax implications.

In Alberta, Texas, Illinois, California, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and JustGreen U.S., Just Energy has customer credit risk, and therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. Just Energy's bad debt expense as a percentage of revenue for these markets, as determined under IAS 39, for the three months ended December 31, 2017, was 2.1%.

Similarly, under IFRS 9, for the quarter ended December 31, 2018, the same metric was determined to be 2.4%. This increase in bad debt expense as a percentage of revenue was not indicative of a change in the expected recovery value of the underlying consumer debts receivable but rather a function of extending the allowance for expected lifetime credit losses to provide for expected future losses over a longer future time frame as required under IFRS 9. The standard required that a provision for expected lifetime credit losses be calculated for unbilled revenues, as they meet the definition of a contract asset under IFRS 15, whereas previously, under IAS 39, these receivables would not have a provision under the incurred loss model.

In the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from Just Energy's customers for a fee. Management believes that the risk of LDCs failing to deliver payment to Just Energy is minimal.

The following table summarizes the transition adjustment that was required to adopt IFRS 9 as at April 1, 2018 for the markets above:

| (thousands of dollars) | IAS 39          | Transition  | IFRS 9          |
|------------------------|-----------------|-------------|-----------------|
|                        | carrying amount |             | carrying amount |
|                        | as at           | adjustment  | as at           |
|                        | March 31, 2018  |             | April 1, 2018   |
| Trade receivables      | \$ 395,730      | \$ (11,237) | \$ 384,493      |
| Unbilled revenues      | \$ 301,577      | \$ (12,399) | \$ 289,178      |

Due to the transition from an incurred loss model to a future expected lifetime credit loss model as required under IFRS 9, if forecast of events or change of economic condition are expected to give rise to change of the credit loss, the bad debt expenses will be changed prior to the occurrence of the future event. This would theoretically result in a greater bad debt expense and a corresponding decrease in reported net income when compared to net income reported under IAS 39 in situations where the future expected event leads to deterioration of the credit loss.

## EBITDA

For the three months ended December 31  
(thousands of dollars)

|   | <b>Fiscal 2019</b> | Fiscal 2018       |
|---|--------------------|-------------------|
| <b>Reconciliation to interim condensed consolidated statement of income</b> |                    |                   |
| Profit for the period   | \$ 27,025          | \$ 208,415        |
| Add (subtract):   |                    |                   |
| Finance costs   | 22,762             | 13,266            |
| Provision for (recovery of) income taxes                                    | (9,088)            | 5,613             |
| Depreciation and amortization   | 9,069              | 7,267             |
| <b>EBITDA</b>   | <b>\$ 49,768</b>   | <b>\$ 234,561</b> |
| Add (subtract):   |                    |                   |
| Change in fair value of derivative instruments and other                    | 1,515              | (183,759)         |
| Contingent consideration revaluation  | 5,462              | -                 |
| Share-based compensation  | 1,437              | 1,665             |
| Loss attributable to non-controlling interest                               | 34                 | 40                |
| <b>Base EBITDA</b>  | <b>\$ 58,216</b>   | <b>\$ 52,507</b>  |
| Gross margin per interim condensed consolidated financial statements        | \$ 188,513         | \$ 171,305        |
| Add (subtract):   |                    |                   |
| Administrative expenses   | (56,031)           | (50,389)          |
| Selling and marketing expenses  | (57,255)           | (55,547)          |
| Bad debt expense  | (20,205)           | (13,056)          |
| Amortization included in cost of sales                                      | 591                | 787               |
| Other income (expenses)   | 2,569              | (633)             |
| Loss attributable to non-controlling interest                               | 34                 | 40                |
| <b>Base EBITDA</b>  | <b>\$ 58,216</b>   | <b>\$ 52,507</b>  |

## EBITDA

For the nine months ended December 31  
(thousands of dollars)

|   | Fiscal 2019       | Fiscal 2018       |
|---|-------------------|-------------------|
| <b>Reconciliation to interim condensed consolidated statement of income</b> |                   |                   |
| Profit (loss) for the period  | \$ (35,848)       | \$ 252,801        |
| Add:  |                   |                   |
| Finance costs   | 59,225            | 37,777            |
| Provision for income taxes  | 5,285             | 10,577            |
| Depreciation and amortization   | 21,779            | 18,586            |
| <b>EBITDA</b>   | <b>\$ 50,441</b>  | <b>\$ 319,741</b> |
| Add (subtract):   |                   |                   |
| Change in fair value of derivative instruments and other                    | 62,003            | (223,453)         |
| Contingent consideration revaluation  | 5,462             | -                 |
| Share-based compensation  | 4,706             | 18,628            |
| Loss (profit) attributable to non-controlling interest                      | 145               | (9,352)           |
| <b>Base EBITDA</b>  | <b>\$ 122,757</b> | <b>\$ 105,564</b> |
| Gross margin per interim condensed consolidated financial statements        | \$ 515,384        | \$ 471,531        |
| Add (subtract):   |                   |                   |
| Administrative expenses   | (170,221)         | (145,826)         |
| Selling and marketing expenses  | (164,547)         | (172,200)         |
| Bad debt expense  | (65,389)          | (42,091)          |
| Amortization included in cost of sales                                      | 2,103             | 2,333             |
| Other income  | 5,282             | 1,169             |
| Loss (profit) attributable to non-controlling interest                      | 145               | (9,352)           |
| <b>Base EBITDA</b>  | <b>\$ 122,757</b> | <b>\$ 105,564</b> |

For the three months ended December 31, 2018, Base EBITDA amounted to \$58.2 million, an increase of 11% from \$52.5 million in the prior comparable quarter, due to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Sales increased by 6% for the quarter ended December 31, 2018. Gross margin was up 10% to \$188.5 million due to improved pricing power in North America, enabled by the Company's unique customer value enhancing product offerings coupled with loyalty rewards offered through a multi-channel approach, and margin expansion from a suite of value-added products and services, partially offset by risk management costs. Administrative expenses increased by 11% due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including the transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses for the three months ended December 31, 2018 were \$57.3 million, up from \$55.5 million reported in the prior comparable quarter, due to the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expense.

Finance costs were \$22.8 million, an increase of 72% from the prior comparable quarter, primarily driven by higher collateral related costs associated with Texas electricity markets, supplier credit term extension, interest expense from higher debts and higher interest rates.

Bad debt expense was \$20.2 million for the three months ended December 31, 2018, an increase of 55% from \$13.1 million recorded for the prior comparable quarter. For the nine months ended December 31, 2018, the bad debt expense was \$65.4 million, an increase of 55% compared with the prior comparable period. The increase for the three and nine months ended December 31, 2018 was partially driven by higher revenue. Bad debt expense represents approximately 2.4% of revenue in the jurisdictions where the Company bears the credit risk, up from 2.1% of revenue reported for the three months ended December 31, 2017.

For the nine months ended December 31, 2018, sales increased by 7% to \$2.8 billion and gross margin increased by 9% to \$515.4 million. Base EBITDA amounted to \$122.8 million for the first nine months of fiscal 2019, an increase of 16% from \$105.6 million in the prior comparable period. The growth in Base EBITDA is largely attributable to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Administrative expenses increased by 17% from \$145.8 million to \$170.2 million during the nine months ended December 31, 2018 due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including the transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. The Company continues its effort to reduce its administrative costs through greater automation and consolidation of support activities. For the nine months ended December 31, 2018, selling and marketing expenses decreased by 4% from the prior comparable period as a result of the capitalization of upfront commission expense and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels.

For more information on the changes in the results from operations, please refer to "Gross margin" on page 23 and "Administrative expenses" and "Selling and marketing expenses", which are further explained on page 25.

### EMBEDDED GROSS MARGIN

Management's estimate of the future embedded gross margin is as follows:

(millions of dollars)

|                                 | <b>As at<br/>Dec. 31,<br/>2018</b> | As at<br>Sept. 30,<br>2018 | Dec. 31 vs.<br>Sept. 30<br>variance | As at<br>Dec. 31,<br>2017 | 2018 vs.<br>2017<br>variance |
|---------------------------------|------------------------------------|----------------------------|-------------------------------------|---------------------------|------------------------------|
| Commodity embedded gross margin | <b>\$ 2,276.9</b>                  | \$ 2,291.0                 | (1)%                                | \$ 1,956.0                | 16%                          |
| VAP embedded gross margin       | <b>46.0</b>                        | 45.2                       | 2%                                  | -                         | -                            |
| Total embedded gross margin     | <b>\$ 2,322.9</b>                  | \$ 2,336.2                 | (1)%                                | \$ 1,956.0                | 16%                          |

Management's estimate of the future embedded gross margin within its customer contracts amounted to \$2,322.9 million as of December 31, 2018, an increase of 19% compared to the embedded gross margin as of December 31, 2017, primarily due to the improved pricing power in North America. The embedded gross margin remains stable at record highs compared to the embedded gross margin reported as of September 30, 2018.

The embedded gross margin includes \$46.0 million from Filter Group, which was acquired by Just Energy on October 1, 2018, on a five-year undiscounted basis. On a ten-year undiscounted basis, the embedded gross margin for Filter Group is \$82.3 million.

Embedded gross margin indicates the margin expected to be realized over the next five years from existing customers. It is intended only as a directional measure for future gross margin. It is not discounted to present value nor is it intended to take into account administrative and other costs necessary to realize this margin. As our mix of customers continues to reflect a higher proportion of Commercial volume, the embedded gross margin may, depending on currency rates, grow at a slower pace than customer growth; however, the underlying costs necessary to realize this margin will also decline.



## Funds from Operations

For the three months ended December 31  
(thousands of dollars)

|  | Fiscal 2019       | Fiscal 2018 |
|--|-------------------|-------------|
| <b>Cash inflow from operating activities</b>                         | <b>\$ 17,136</b>  | \$ 28,659   |
| Add (subtract):  |                   |             |
| Changes in working capital   | <b>12,245</b>     | 7,538       |
| Change in fair value of Filter Group contingent consideration        | <b>5,462</b>      | -           |
| Loss attributable to non-controlling interest                        | <b>34</b>         | 40          |
| Tax adjustment   | <b>(834)</b>      | 6,883       |
| <b>Funds from Operations</b>   | <b>\$ 34,043</b>  | \$ 43,120   |
| Less: Maintenance capital expenditures                               | <b>(1,984)</b>    | (5,581)     |
| <b>Base Funds from Operations</b>                                    | <b>\$ 32,059</b>  | \$ 37,539   |
| Gross margin per interim condensed consolidated financial statements | <b>\$ 188,513</b> | \$ 171,305  |
| Add (subtract):  |                   |             |
| Administrative expenses  | <b>(56,031)</b>   | (50,389)    |
| Selling and marketing expenses                                       | <b>(57,255)</b>   | (55,547)    |
| Bad debt expense   | <b>(20,205)</b>   | (13,056)    |
| Current income tax (expense) recovery                                | <b>(4,540)</b>    | 4,105       |
| Adjustment required to reflect net cash receipts from gas sales      | <b>(1,236)</b>    | (2,780)     |
| Amortization included in cost of sales                               | <b>591</b>        | 787         |
| Other income (expenses)  | <b>2,569</b>      | (633)       |
| Financing charges, non-cash  | <b>4,393</b>      | 2,647       |
| Finance costs  | <b>(22,762)</b>   | (13,266)    |
| Other non-cash adjustments   | <b>6</b>          | (53)        |
| <b>Funds from Operations</b>   | <b>\$ 34,043</b>  | \$ 43,120   |
| Less: Maintenance capital expenditures                               | <b>(1,984)</b>    | (5,581)     |
| <b>Base Funds from Operations</b>                                    | <b>\$ 32,059</b>  | \$ 37,539   |
| <b>Base Funds from Operations payout ratio</b>                       | <b>67%</b>        | 57%         |
| <b>Dividends/distributions</b>                                       |                   |             |
| Dividends on common shares   | <b>\$ 18,662</b>  | \$ 18,357   |
| Dividends on preferred shares  | <b>2,477</b>      | 2,842       |
| Distributions for share-based awards                                 | <b>295</b>        | 302         |
| <b>Total dividends/distributions</b>                                 | <b>\$ 21,434</b>  | \$ 21,501   |

## Funds from Operations

For the nine months ended December 31  
(thousands of dollars)

|   | Fiscal 2019        | Fiscal 2018 |
|---|--------------------|-------------|
| <b>Cash inflow from operating activities</b>                    | <b>\$ (62,370)</b> | \$ 58,454   |
| Add (subtract):   |                    |             |
| Changes in working capital                                      | <b>128,967</b>     | 12,424      |
| Change in fair value of Filter Group contingent consideration   | <b>5,462</b>       | -           |
| Loss (profit) attributable to non-controlling interest          | <b>145</b>         | (9,352)     |
| Tax adjustment  | <b>12,045</b>      | 18,190      |
| <b>Funds from Operations</b>                                    | <b>\$ 84,249</b>   | \$ 79,716   |
| Less: Maintenance capital expenditures                          | <b>(7,853)</b>     | (13,986)    |
| <b>Base Funds from Operations</b>                               | <b>\$ 76,396</b>   | \$ 65,730   |
| Gross margin per consolidated financial statements              | <b>\$ 515,384</b>  | \$ 471,531  |
| Add (subtract):   |                    |             |
| Administrative expenses   | <b>(170,221)</b>   | (145,826)   |
| Selling and marketing expenses                                  | <b>(164,547)</b>   | (172,200)   |
| Bad debt expense  | <b>(65,389)</b>    | (42,091)    |
| Current income tax recovery                                     | <b>(1,508)</b>     | (379)       |
| Adjustment required to reflect net cash receipts from gas sales | <b>8,470</b>       | 4,750       |
| Amortization included in cost of sales                          | <b>2,103</b>       | 2,333       |
| Other income  | <b>5,282</b>       | 1,169       |
| Financing charges, non-cash                                     | <b>13,838</b>      | 7,835       |
| Finance costs   | <b>(59,225)</b>    | (37,777)    |
| Other non-cash adjustments                                      | <b>62</b>          | (9,629)     |
| <b>Funds from Operations</b>                                    | <b>\$ 84,249</b>   | \$ 79,716   |
| Less: Maintenance capital expenditures                          | <b>(7,853)</b>     | (13,986)    |
| <b>Base Funds from Operations</b>                               | <b>\$ 76,396</b>   | \$ 65,730   |
| <b>Base Funds from Operations payout ratio</b>                  | <b>86%</b>         | 99%         |
| <b>Dividends/distributions</b>                                  |                    |             |
| Dividends on common shares                                      | <b>\$ 55,868</b>   | \$ 55,081   |
| Dividends on preferred shares                                   | <b>8,895</b>       | 8,658       |
| Distributions for share-based awards                            | <b>1,263</b>       | 1,013       |
| <b>Total dividends/distributions</b>                            | <b>\$ 66,026</b>   | \$ 64,752   |

Base FFO for the three months ended December 31, 2018 was \$32.1 million, a decrease of 15% compared with Base FFO of \$37.5 million for the prior comparable quarter, driven by the increase in financing costs which offset the improvements in EBITDA.

For the nine months ended December 31, 2018, Base FFO was \$76.4 million, an increase of 16% from the prior comparable period when Base FFO was \$65.7 million. The increase in Base FFO is largely attributable to the significant improvements in EBITDA as a result of the improved pricing power.

Dividends and distributions for the three months ended December 31, 2018 were \$21.4 million, consistent with the prior comparable quarter. For the nine months ended December 31, 2018, dividends and distributions were \$66.0 million, a slight increase of 2% compared to \$64.8 million reported for the nine months ended December 31, 2017. The payout ratio on Base FFO was 67% for the three months ended December 31, 2018, compared to 57% reported in the third quarter of fiscal 2018. For the nine months ended December 31, 2018, the payout ratio on Base FFO was 86%, compared with 99% in the prior comparable period. The decline for the nine months ended December 31, 2018 is primarily a result of the higher Base FFO described above. For the trailing 12 months ended December 31, 2018, the payout ratio was 86%, compared with a payout ratio of 90% for the trailing 12 months ended December 31, 2017.

## Summary of quarterly results for operations

(thousands of dollars, except per share amounts)

|  | Q3<br>Fiscal 2019 | Q2<br>Fiscal 2019 | Q1<br>Fiscal 2019 | Q4<br>Fiscal 2018 |
|--|-------------------|-------------------|-------------------|-------------------|
| Sales  | \$ 966,653        | \$ 956,843        | \$ 876,457        | \$ 1,014,734      |
| Gross margin                                     | 188,513           | 173,339           | 153,532           | 169,396           |
| Administrative expenses                          | 56,031            | 58,508            | 55,682            | 48,873            |
| Selling and marketing expenses                   | 57,255            | 56,749            | 50,543            | 60,840            |
| Finance costs                                    | 22,762            | 20,123            | 16,340            | 18,195            |
| Profit (loss) for the period                     | 27,025            | (21,450)          | (41,423)          | 265,773           |
| Profit (loss) for the period per share – basic   | 0.17              | (0.16)            | (0.29)            | 1.80              |
| Profit (loss) for the period per share – diluted | 0.16              | (0.16)            | (0.29)            | 1.40              |
| Dividends/distributions paid                     | 21,434            | 22,330            | 22,261            | 21,555            |
| Base EBITDA                                      | 58,216            | 37,261            | 27,280            | 68,876            |
| Base Funds from Operations                       | 32,059            | 26,223            | 18,114            | 25,472            |
| Payout ratio on Base Funds from Operations       | 67%               | 85%               | 123%              | 85%               |

|  | Q3<br>Fiscal 2018 | Q2<br>Fiscal 2018 | Q1<br>Fiscal 2018 | Q4<br>Fiscal 2017 |
|--|-------------------|-------------------|-------------------|-------------------|
| Sales  | \$ 912,203        | \$ 851,927        | \$ 847,706        | \$ 947,281        |
| Gross margin                                     | 171,305           | 142,663           | 157,563           | 175,412           |
| Administrative expenses                          | 50,389            | 46,806            | 48,631            | 32,448            |
| Selling and marketing expenses                   | 55,547            | 58,577            | 58,076            | 53,727            |
| Finance costs                                    | 13,266            | 12,521            | 11,990            | 16,745            |
| Profit (loss) for the period                     | 208,415           | (64,923)          | 109,309           | (38,220)          |
| Profit (loss) for the period per share – basic   | 1.40              | (0.48)            | 0.69              | (0.30)            |
| Profit (loss) for the period per share – diluted | 1.12              | (0.48)            | 0.52              | (0.30)            |
| Dividends/distributions paid                     | 21,501            | 21,468            | 21,783            | 20,344            |
| Base EBITDA                                      | 52,507            | 20,548            | 32,509            | 75,018            |
| Base Funds from Operations                       | 37,539            | 7,683             | 20,508            | 28,588            |
| Payout ratio on Base Funds from Operations       | 57%               | 279%              | 106%              | 71%               |

Just Energy's results reflect seasonality, as electricity consumption is slightly greater in the first and second quarters (summer quarters) and gas consumption is significantly greater during the third and fourth quarters (winter quarters). Electricity and gas customers currently represent 74% and 26%, respectively, of the commodity customer base. Since consumption for each commodity is influenced by weather, annual quarter over quarter comparisons are more relevant than sequential quarter comparisons.

## Analysis of the third quarter

Sales increased 6% to \$966.7 million for the three months ended December 31, 2018 from \$912.2 million recorded in the third quarter of fiscal 2018. The gross margin was \$188.5 million, an increase of 10% from the prior comparable quarter, primarily due to improved pricing power in North America, enabled by the Company's unique customer value enhancing product offerings coupled with loyalty rewards offered through a multi-channel approach, and margin expansion from a suite of value-added products and services, partially offset by risk management costs.

Administrative expenses for the three months ended December 31, 2018 increased 11% due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion including the transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. The Company will continue its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Selling and marketing expenses for the three months ended December 31, 2018 increased by 3% to \$57.3 million as a result of the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expenses.

Finance costs for the three months ended December 31, 2018 amounted to \$22.8 million, an increase of 72% from \$13.3 million reported for the three months ended December 31, 2017, primarily driven by higher collateral related costs associated with Texas electricity markets, supplier credit term extension, interest expense from higher debts and higher interest rates.

The change in fair value of derivative instruments and other resulted in a loss of \$1.5 million for the three months ended December 31, 2018, compared to a gain of \$183.8 million in the prior comparable quarter, as market prices relative to Just Energy's future electricity supply contracts increased by an average of \$1.06/MWh, while future gas contracts decreased by an average of \$0.20/GJ. Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under current IFRS, the customer contracts are not marked to market; however, there is a requirement to mark to market the future supply contracts.

The profit for the three months ended December 31, 2018 was \$27.0 million, representing earnings per share of \$0.17 and \$0.16 on a basic and diluted basis, respectively. For the prior comparable quarter, the profit was \$208.4 million, representing earnings per share of \$1.40 and \$1.12 on a basic and diluted basis, respectively.

Base EBITDA was \$58.2 million, an increase of 11% as compared to the prior comparable quarter due to significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support growth initiatives.

Base FFO was \$32.1 million for the third quarter of fiscal 2019, down 15% compared to \$37.5 million in the prior comparable quarter as a result of the increase in financing costs which offset the improvements in EBITDA.

Dividends and distributions paid were \$21.4 million, consistent with the prior comparable quarter. The payout ratio on Base FFO for the quarter ended December 31, 2018 was 67%, compared with 57% in the prior comparable quarter. The payout ratio for the trailing 12 months ended December 31, 2018 was 86%, compared with 90% for the trailing 12 months ended December 31, 2017.

## Segmented Base EBITDA<sup>1</sup>

For the three months ended December 31  
(thousands of dollars)

|   | Fiscal 2019          |                        |  |                  |
|---|----------------------|------------------------|--|------------------|
|   | Consumer<br>division | Commercial<br>division | Corporate and<br>shared services<br>division | Consolidated     |
| Sales   | \$ 615,997           | \$ 350,656             | \$ -   | \$ 966,653       |
| Cost of sales                                 | (470,130)            | (308,010)              | -  | (778,140)        |
| Gross margin                                  | 145,867              | 42,646                 | -  | 188,513          |
| Add (subtract):                               |                      |                        |  |                  |
| Administrative expenses                       | (21,817)             | (10,565)               | (23,649)                                     | (56,031)         |
| Selling and marketing expenses                | (39,106)             | (18,149)               | -  | (57,255)         |
| Bad debt expense                              | (18,401)             | (1,804)                | -  | (20,205)         |
| Amortization included in cost of sales        | 591                  | -                      | -  | 591              |
| Other income                                  | 2,550                | 19                     | -  | 2,569            |
| Loss attributable to non-controlling interest | 34                   | -                      | -  | 34               |
| <b>Base EBITDA from operations</b>            | <b>\$ 69,718</b>     | <b>\$ 12,147</b>       | <b>\$ (23,649)</b>                           | <b>\$ 58,216</b> |

  

|   | Fiscal 2018          |                        |  |                  |
|---|----------------------|------------------------|--|------------------|
|   | Consumer<br>division | Commercial<br>division | Corporate and<br>shared services<br>division | Consolidated     |
| Sales   | \$ 579,968           | \$ 332,235             | \$ -   | \$ 912,203       |
| Cost of sales                                 | (447,161)            | (293,737)              | -  | (740,898)        |
| Gross margin                                  | 132,807              | 38,498                 | -  | 171,305          |
| Add (subtract):                               |                      |                        |  |                  |
| Administrative expenses                       | (18,765)             | (8,373)                | (23,251)                                     | (50,389)         |
| Selling and marketing expenses                | (39,127)             | (16,420)               | -  | (55,547)         |
| Bad debt expense                              | (12,276)             | (780)                  | -  | (13,056)         |
| Amortization included in cost of sales        | 787                  | -                      | -  | 787              |
| Other expenses                                | (230)                | (403)                  | -  | (633)            |
| Loss attributable to non-controlling interest | 40                   | -                      | -  | 40               |
| <b>Base EBITDA from operations</b>            | <b>\$ 63,236</b>     | <b>\$ 12,522</b>       | <b>\$ (23,251)</b>                           | <b>\$ 52,507</b> |

<sup>1</sup> The segment definitions are provided on page 8.

## Segmented Base EBITDA<sup>1</sup>

For the nine months ended December 31  
(thousands of dollars)

|   | Fiscal 2019          |                        |  |                   |
|---|----------------------|------------------------|--|-------------------|
|   | Consumer<br>division | Commercial<br>division | Corporate and<br>shared services<br>division | Consolidated      |
| Sales   | \$ 1,751,783         | \$ 1,048,170           | \$ -   | \$ 2,799,953      |
| Cost of sales                                 | (1,361,905)          | (922,664)              | -  | (2,284,569)       |
| Gross margin                                  | 389,878              | 125,506                | -  | 515,384           |
| Add (subtract):                               |                      |                        |  |                   |
| Administrative expenses                       | (65,218)             | (31,737)               | (73,266)                                     | (170,221)         |
| Selling and marketing expenses                | (109,310)            | (55,237)               | -  | (164,547)         |
| Bad debt expense                              | (58,804)             | (6,585)                | -  | (65,389)          |
| Amortization included in cost of sales        | 2,103                | -                      | -  | 2,103             |
| Other income                                  | 5,201                | 81                     | -  | 5,282             |
| Loss attributable to non-controlling interest | 145                  | -                      | -  | 145               |
| <b>Base EBITDA from operations</b>            | <b>\$ 163,995</b>    | <b>\$ 32,028</b>       | <b>\$ (73,266)</b>                           | <b>\$ 122,757</b> |

|   | Fiscal 2018          |                        |  |                   |
|---|----------------------|------------------------|--|-------------------|
|   | Consumer<br>division | Commercial<br>division | Corporate and<br>shared services<br>division | Consolidated      |
| Sales   | \$ 1,571,439         | \$ 1,040,397           | \$ -   | \$ 2,611,836      |
| Cost of sales                                   | (1,215,740)          | (924,565)              | -  | (2,140,305)       |
| Gross margin                                    | 355,699              | 115,832                | -  | 471,531           |
| Add (subtract):                                 |                      |                        |  |                   |
| Administrative expenses                         | (52,081)             | (26,784)               | (66,961)                                     | (145,826)         |
| Selling and marketing expenses                  | (118,759)            | (53,441)               | -  | (172,200)         |
| Bad debt expense                                | (40,801)             | (1,290)                | -  | (42,091)          |
| Amortization included in cost of sales          | 2,333                | -                      | -  | 2,333             |
| Other income (expenses)                         | (681)                | 1,850                  | -  | 1,169             |
| Profit attributable to non-controlling interest | (9,352)              | -                      | -  | (9,352)           |
| <b>Base EBITDA from operations</b>              | <b>\$ 136,358</b>    | <b>\$ 36,167</b>       | <b>\$ (66,961)</b>                           | <b>\$ 105,564</b> |

<sup>1</sup> The segment definitions are provided on page 8.

Base EBITDA for the three months ended December 31, 2018 was \$58.2 million, up from \$52.5 million recorded in the prior comparable quarter. Consumer Energy contributed \$69.7 million to Base EBITDA for the three months ended December 31, 2018, an increase of 10% from \$63.2 million in the prior comparative quarter. The increase in Base EBITDA for Consumer Energy is attributable to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives. Commercial Energy contributed \$12.1 million to Base EBITDA, a decrease of 3% from the prior comparable quarter, when the segment contributed \$12.5 million.

For the nine months ended December 31, 2018, Base EBITDA was \$122.8 million, an increase of 16% from \$105.6 million recorded in the prior comparable period. The Consumer division contributed \$164.0 million to Base EBITDA for the nine months ended December 31, 2018, an increase of 20% from \$136.4 million reported for the nine months ended December 31, 2017. The Commercial division contributed \$32.0 million to Base EBITDA, an 11% decrease from the prior comparable period, when the segment contributed \$36.2 million. The increase in Base EBITDA of the Consumer division is attributable to the significant improvement in gross margin, partially offset by higher bad debts and an increase in administrative expenses to support the growth initiatives. The decrease in Base EBITDA of the Commercial division is attributable to higher bad debts and higher administrative expenses.

## Customer aggregation

### CUSTOMER SUMMARY

|                             | <b>As at<br/>Dec. 31,<br/>2018</b> | As at<br>Dec. 31,<br>2017 | % increase<br>(decrease) |
|-----------------------------|------------------------------------|---------------------------|--------------------------|
| Commodity                   | <b>1,432,000</b>                   | 1,530,000                 | (6)%                     |
| VAP                         | <b>69,000</b>                      | 25,000                    | 176%                     |
| Commodity and VAP bundle    | <b>146,000</b>                     | 52,000                    | 181%                     |
| <b>Total customer count</b> | <b>1,647,000</b>                   | 1,607,000                 | 2%                       |

As at December 31, 2018, the total customer count grew by 2% to 1,647,000 as compared to the prior period. The customer count captures customers with a distinct service address. These customers can have multiple products contracted with Just Energy, multiple active assets installed by Just Energy as well as holdings of Just Energy Perk points. The total VAP customer count also includes 27,000 distinct customers from Filter Group's water filter subscriptions, with 33,000 active assets. Just Energy's customer base also includes 76,000 smart thermostat customers.

### COMMODITY RCE SUMMARY

|                          | Oct. 1,<br>2018 | Additions | Attrition | Failed to<br>renew | <b>Dec. 31,<br/>2018</b> | %    | Dec. 31,<br>2017 | % increase<br>(decrease) |
|--------------------------|-----------------|-----------|-----------|--------------------|--------------------------|------|------------------|--------------------------|
| <b>Consumer Energy</b>   |                 |           |           |                    |                          |      |                  |                          |
| Gas                      | 621,000         | 34,000    | (24,000)  | (15,000)           | <b>616,000</b>           | (1)% | 617,000          | -                        |
| Electricity              | 1,163,000       | 81,000    | (81,000)  | (25,000)           | <b>1,138,000</b>         | (2)% | 1,171,000        | (3)%                     |
| Total Consumer RCEs      | 1,784,000       | 115,000   | (105,000) | (40,000)           | <b>1,754,000</b>         | (2)% | 1,788,000        | (2)%                     |
| <b>Commercial Energy</b> |                 |           |           |                    |                          |      |                  |                          |
| Gas                      | 454,000         | 16,000    | (11,000)  | (8,000)            | <b>451,000</b>           | (1)% | 365,000          | 24%                      |
| Electricity              | 1,926,000       | 107,000   | (41,000)  | (64,000)           | <b>1,928,000</b>         | -    | 1,961,000        | (2)%                     |
| Total Commercial RCEs    | 2,380,000       | 123,000   | (52,000)  | (72,000)           | <b>2,379,000</b>         | -    | 2,326,000        | 2%                       |
| Total RCEs               | 4,164,000       | 238,000   | (157,000) | (112,000)          | <b>4,133,000</b>         | (1)% | 4,114,000        | -                        |

Just Energy's total RCE base is currently at 4.1 million. Gross RCE additions for the quarter ended December 31, 2018 were 238,000, a decrease of 22% compared to RCEs added in the third quarter of fiscal 2018, reflecting the transition from a purely RCE driven focus to a greater focus on attracting and retaining strong-fit customers that will drive greater profitability. Net additions were negative 31,000 for the third quarter of fiscal 2019, compared with a positive 27,000 net RCE additions in the third quarter of fiscal 2018.

Consumer RCE additions amounted to 115,000 for the three months ended December 31, 2018, a 10% increase from 105,000 gross RCE additions recorded in the prior comparable quarter, primarily driven by winning new customers through the annual Ohio gas standard choice offer auction, offset by failed to renew U.K. residential aggregation customers. As of December 31, 2018, the U.S., Canadian and U.K. segments accounted for 68%, 17% and 15% of the Consumer RCE base, respectively.

Commercial RCE additions were 123,000 for the three months ended December 31, 2018, a 38% decrease over the prior comparable quarter due to significant additions in the prior quarter coming from large commercial and industrial customers and Interactive Energy Group totalling 69,000 RCEs. The Commercial failed to renew RCEs for the three months ended December 31, 2018 improved by 42%, decreasing from 125,000 RCEs to 72,000 RCEs. As of December 31, 2018, the U.S., Canadian and U.K. segments accounted for 69%, 25% and 6% of the Commercial RCE base, respectively.

For the three months ended December 31, 2018, 52% of the total Consumer and Commercial RCE additions were generated through commercial brokers, 30% from online and other sales channels, 10% from retail channels and 8% from door-to-door sales. In the prior comparable quarter, 44% of RCE additions were generated from retail, online and other sales channels, 39% from commercial brokers, and 17% from door-to-door sales.

Overall, as of December 31, 2018, the U.S., Canadian and U.K. segments accounted for 69%, 21% and 10% of the RCE base, respectively. At December 31, 2017, the U.S., Canadian and U.K. segments represented 68%, 22% and 10% of the RCE base, respectively.

### COMMODITY RCE ATTRITION

|                        | <b>Trailing<br/>12 months<br/>ended<br/>Dec. 31,<br/>2018</b> | Trailing<br>12 months<br>ended<br>Dec. 31,<br>2017 |
|------------------------|---|--|
| Consumer               | <b>20%</b>  | 22%  |
| Commercial             | <b>6%</b>   | 5%   |
| <b>Total attrition</b> | <b>13%</b>  | 13%  |

The combined attrition rate for Just Energy was 13% for the trailing 12 months ended December 31, 2018, consistent with the prior comparable 12 months. The Consumer attrition rate decreased two percentage points to 20% from a year ago while the Commercial attrition rate increased one percentage point to 6%. The decrease in the Consumer attrition rate is a result of Just Energy's focus on margin optimization while becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty. The increase in the Commercial attrition rate reflected a very competitive market for Commercial renewals with competitors pricing aggressively, and Just Energy's focus on improving retained customers' profitability rather than pursuing low margin growth.

### COMMODITY RCE RENEWALS

|                       | <b>Trailing<br/>12 months<br/>ended<br/>Dec. 31,<br/>2018</b> | Trailing<br>12 months<br>ended<br>Dec. 31,<br>2017 |
|-----------------------|---|--|
| Consumer              | <b>72%</b>  | 72%  |
| Commercial            | <b>48%</b>  | 48%  |
| <b>Total renewals</b> | <b>58%</b>  | 58%  |

The Just Energy renewal process is a multifaceted program that aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance, allowing a customer to renew for an additional period. Overall, the renewal rate was 58% for the trailing 12 months ended December 31, 2018, consistent with the prior comparable period. The Consumer renewal rate stands at 72%, and the Commercial renewal rate at 48%, also consistent with the prior comparable period.

### ENERGY CONTRACT RENEWALS

This table shows the customers up for renewal in the following fiscal periods:

|                   | Consumer    |             | Commercial  |             |
|-------------------|-------------|-------------|-------------|-------------|
|                   | Gas         | Electricity | Gas         | Electricity |
| Remainder of 2019 | 11%         | 6%          | 5%          | 6%          |
| 2020              | 25%         | 26%         | 27%         | 33%         |
| 2021              | 21%         | 31%         | 20%         | 20%         |
| 2022              | 20%         | 19%         | 19%         | 18%         |
| Beyond 2022       | 23%         | 18%         | 29%         | 23%         |
| <b>Total</b>      | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Note: All month-to-month customers, who represent 743,000 RCEs, are excluded from the table above.



## Gross margin

For the three months ended December 31  
(thousands of dollars)

|             | Fiscal 2019       |                  |                   | Fiscal 2018 |            |            |
|-------------|-------------------|------------------|-------------------|-------------|------------|------------|
|             | Consumer          | Commercial       | Total             | Consumer    | Commercial | Total      |
| Gas         | \$ 52,611         | \$ 8,397         | \$ 61,008         | \$ 55,510   | \$ 5,318   | \$ 60,828  |
| Electricity | 89,861            | 32,215           | 122,076           | 77,297      | 33,012     | 110,309    |
| VAP         | 3,395             | 2,034            | 5,429             | -           | 168        | 168        |
|             | <b>\$ 145,867</b> | <b>\$ 42,646</b> | <b>\$ 188,513</b> | \$ 132,807  | \$ 38,498  | \$ 171,305 |
| Increase    | <b>10%</b>        | <b>11%</b>       | <b>10%</b>        |             |            |            |

For the nine months ended December 31  
(thousands of dollars)

|             | Fiscal 2019       |                   |                   | Fiscal 2018 |            |            |
|-------------|-------------------|-------------------|-------------------|-------------|------------|------------|
|             | Consumer          | Commercial        | Total             | Consumer    | Commercial | Total      |
| Gas         | \$ 111,229        | \$ 17,240         | \$ 128,469        | \$ 104,150  | \$ 10,168  | \$ 114,318 |
| Electricity | 274,360           | 103,388           | 377,748           | 251,549     | 105,417    | 356,966    |
| VAP         | 4,289             | 4,878             | 9,167             | -           | 247        | 247        |
|             | <b>\$ 389,878</b> | <b>\$ 125,506</b> | <b>\$ 515,384</b> | \$ 355,699  | \$ 115,832 | \$ 471,531 |
| Increase    | <b>10%</b>        | <b>8%</b>         | <b>9%</b>         |             |            |            |

### CONSUMER ENERGY

Gross margin for the three months ended December 31, 2018 for the Consumer division was \$145.9 million, an increase of 10% from \$132.8 million recorded in the prior comparable quarter. For the nine months ended December 31, 2018, gross margin for the Consumer division was \$389.9 million, an increase of 10% from \$355.7 million recorded for the nine months ended December 31, 2017.

Average realized gross margin for the Consumer division for the trailing 12 months ended December 31, 2018 was \$241/RCE, representing a 3% decrease from \$248/RCE reported in the prior comparable period. The decrease is primarily attributable to the significant increase in bad debt expense in fiscal 2019. The gross margin/RCE values include an appropriate allowance for bad debt expense in applicable markets.

#### Gas

Gross margin from gas customers in the Consumer division was \$52.6 million for the three months ended December 31, 2018, a decrease of 5% from \$55.5 million recorded in the prior comparable quarter. For the nine months ended December 31, 2018, the gross margin contribution from the gas markets increased by 7% over the prior comparable period to \$111.2 million as a result of the improved pricing power, continued risk management of the weather derivative costs and a positive foreign exchange impact as a result of the weakening Canadian dollar.

#### Electricity

Gross margin from electricity customers in the Consumer division was \$89.9 million for the three months ended December 31, 2018, a 16% increase from \$77.3 million recorded in the prior comparable quarter. This was primarily the result of the improved pricing power, continued risk management of weather derivative costs and a positive foreign exchange impact. For the nine months ended December 31, 2018, gross margin from electricity markets increased 9% to \$274.4 million.

### COMMERCIAL ENERGY

Gross margin for the Commercial division was \$42.6 million for the three months ended December 31, 2018, an increase of 11% from \$38.5 million recorded in the prior comparable quarter. For the nine months ended December 31, 2018, gross margin for the Commercial division was \$125.5 million, an increase of 8% from \$115.8 million recorded for the nine months ended December 31, 2017.

Average realized gross margin for the trailing 12 months ended December 31, 2018 was \$86/RCE, a decrease of 2% from the \$88/RCE reported in the prior comparable period. The gross margin/RCE values include an appropriate allowance for bad debt expense in markets where Just Energy has customer credit risk.

## Gas

Gas gross margin for the Commercial division was \$8.4 million for the three months ended December 31, 2018, an increase of 58% from \$5.3 million recorded in the prior comparable quarter. For the nine months ended December 31, 2018, the gross margin contribution from the gas markets increased by 70% from the prior comparable period to \$17.2 million. The increase in gross margin for the three and nine months ended December 31, 2018 was driven by the improvement resulting from the gross margin initiatives.

## Electricity

The Commercial division's electricity gross margin for the three months ended December 31, 2018 was \$32.2 million, a decrease of 2% from \$33.0 million recorded in the prior comparable quarter. Gross margin from the Commercial electricity markets for the nine months ended December 31, 2018 was \$103.4 million, a decrease of 2% from \$105.4 million recorded in the nine months ended December 31, 2017. The gross margin for both the three and nine months ended December 31, 2018 decreased from the prior comparable periods due to favourable resettlement costs realized in fiscal 2018 that were not realized in fiscal 2019.

## VAP

The Consumer division's VAP gross margin for the three months ended December 31, 2018 was \$3.4 million. For the nine months ended December 31, 2018, the Consumer division's VAP gross margin was \$4.3 million. The increase is due to the margin generated from the newly acquired Filter Group and the increase in ecobee unit sales from the prior comparable periods.

The Commercial division's VAP gross margin was \$2.0 million for the three months ended December 31, 2018, compared to \$0.2 million recorded in the prior comparable quarter. For the nine months ended December 31, 2018, VAP gross margin increased from \$0.2 million in the prior comparable period to \$4.9 million. The significant increase is a result of the acquisition of EdgePower at the end of fiscal 2018, as well as the ramp-up of business in Just Energy Advanced Solutions after its acquisition in June 2017.

## GROSS MARGIN ON NEW AND RENEWING CUSTOMERS

The table below depicts the annual margins on contracts for Consumer and Commercial customers signed during the quarter. This table reflects the gross margin (sales price less costs of associated supply and allowance for bad debt) earned on new additions and renewals, including both brown commodities and JustGreen supply.

### Annual gross margin per RCE

|  | Q3 Fiscal<br>2019 | Number of<br>RCEs | Q3 Fiscal<br>2018 | Number of<br>RCEs |
|--|-------------------|-------------------|-------------------|-------------------|
| Consumer customers added or renewed                | \$ 347            | 177,000           | \$ 225            | 183,000           |
| Consumer customers lost                            | 309               | 156,000           | 189               | 120,000           |
| Commercial customers added or renewed <sup>1</sup> | 80                | 175,000           | 73                | 239,000           |
| Commercial customers lost                          | 70                | 113,000           | 77                | 157,000           |

<sup>1</sup> Annual gross margin per RCE excludes margins from Interactive Energy Group and large Commercial and Industrial customers.

For the three months ended December 31, 2018, the average gross margin per RCE for the customers added or renewed by the Consumer division was \$347/RCE, an increase of 54% from \$225/RCE in the prior comparable period. The average gross margin per RCE for the Consumer customers lost during the three months ended December 31, 2018 was \$309/RCE, an increase from \$189/RCE for customers lost in the prior comparable period. The increase in gross margin is attributed to the improved pricing power and continued risk management of the weather derivative costs.

For the Commercial division, the average gross margin per RCE for the customers signed during the three months ended December 31, 2018 was \$80/RCE, an increase of 10% from \$73/RCE in the prior comparable period. Customers lost through attrition and failure to renew during the three months ended December 31, 2018 were at an average gross margin of \$70/RCE, a decrease from \$77/RCE reported in the prior comparable period. Management continues to focus on margin optimization by focusing on small and medium-sized customers and retaining our larger margin customers.

## Overall consolidated results

### ADMINISTRATIVE EXPENSES

(thousands of dollars)

|                                      | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | %          | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 | %          |
|--------------------------------------|---|---|------------|--|--|------------|
|                                      |   |   | increase   |  |  | increase   |
| Consumer                             | \$ 21,817   | \$ 18,765                                 | 16%        | \$ 65,218  | \$ 52,081                                | 25%        |
| Commercial                           | 10,565  | 8,373                                     | 26%        | 31,737   | 26,784                                   | 18%        |
| Corporate and shared services        | 23,649  | 23,251                                    | 2%         | 73,266   | 66,961                                   | 9%         |
| <b>Total administrative expenses</b> | <b>\$ 56,031</b>                                    | <b>\$ 50,389</b>                          | <b>11%</b> | <b>\$ 170,221</b>                                  | <b>\$ 145,826</b>                        | <b>17%</b> |

Administrative expenses increased by 11% from \$50.4 million to \$56.0 million. The Consumer division's administrative expenses were \$21.8 million for the three months ended December 31, 2018, an increase of 16% from \$18.8 million recorded in the prior comparable quarter. The Commercial division's administrative expenses were \$10.6 million for the third quarter of fiscal 2019, a 26% increase from \$8.4 million reported for the prior comparable quarter. Corporate expenses increased 2% to \$23.6 million for the three months ended December 31, 2018.

Administrative expenses increased by 17% to \$170.2 million for the nine months ended December 31, 2018 from \$145.8 million recorded in the prior comparative period. Consumer and Commercial administrative expenses for the nine months ended December 31, 2018 were \$65.2 million and \$31.7 million, an increase of 25% and 18% over the prior comparable period, respectively. Overall, administrative expenses increased due to upfront costs relating to process and operational efficiency improvement activities, ongoing support for business expansion, acquisition transaction costs to acquire Filter Group and unfavourable foreign exchange fluctuations. Corporate expenses increased 9% to \$73.3 million for the nine months ended December 31, 2018 to support talent acquisition and retention. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities.

### SELLING AND MARKETING EXPENSES

(thousands of dollars)

|   | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | %         | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 | % increase<br>(decrease) |
|---|---|---|-----------|--|--|--------------------------|
|   |   |   | increase  |  |  |                          |
| Consumer                                    | \$ 39,106   | \$ 39,127                                 | -         | \$ 109,310   | \$ 118,759                               | (8)%                     |
| Commercial                                  | 18,149  | 16,420                                    | 11%       | 55,237   | 53,441                                   | 3%                       |
| <b>Total selling and marketing expenses</b> | <b>\$ 57,255</b>                                    | <b>\$ 55,547</b>                          | <b>3%</b> | <b>\$ 164,547</b>                                  | <b>\$ 172,200</b>                        | <b>(4)%</b>              |

Selling and marketing expenses, which consist of commissions paid to internal and external sales agents, brokers and sales and marketing partners, as well as sales-related corporate costs, were \$57.3 million in the three months ended December 31, 2018, up by 3% from \$55.5 million in the third quarter of fiscal 2018. This increase is a result of the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expenses.

The selling and marketing expenses for the Consumer division were \$39.1 million in the three months ended December 31, 2018, consistent with the prior comparable quarter.

The Commercial division's expenses were \$18.1 million for the three months ended December 31, 2018, up 11% from \$16.4 million recorded in the prior comparable quarter.

For the nine months ended December 31, 2018, selling and marketing expenses were \$164.5 million, a 4% decrease as compared to \$172.2 million in the prior comparable period. The Consumer division's selling and marketing expenses were down 8% to \$109.3 million compared to \$118.8 million for the nine months ended December 31, 2017 as a result of IFRS 15 implementation in the current year. Selling and marketing expenses for the Commercial division were \$55.2 million for the nine months ended December 31, 2018, up 3% from \$53.4 million recorded in the prior comparable period due to the increased commission costs to acquire new customers, offset by capitalization of certain upfront incremental customer acquisition costs and a decrease in non-commission selling expenses.

The aggregation costs per customer for the last 12 months for Consumer customers signed by sales agents and Commercial customers signed by brokers were as follows:

|            | <b>Trailing<br/>12 months<br/>ended Dec. 31,<br/>2018</b> | Trailing<br>12 months<br>ended Dec. 31,<br>2017 |
|------------|---|---|
| Consumer   | <b>\$222/RCE</b>  | \$178/RCE                                       |
| Commercial | <b>\$48/RCE</b>   | \$42/RCE  |

The average aggregation cost for the Consumer division was \$222/RCE for the trailing 12 months ended December 31, 2018, an increase from \$178/RCE reported in the prior comparable period. The increase in cost in the current 12-month period over the prior year is a result of the shift in the Company's sales channels from door-to-door to retail stores, online broker and other non-door-to-door sales channels, resulting in an increase in the customer acquisition cost paid per RCE.

The \$48 average aggregation cost for Commercial division customers is based on the expected average annual cost for the respective customer contracts. It should be noted that commercial broker contracts are paid further commissions averaging \$48 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately \$86 (1.8 x \$48) to the year's average aggregation cost reported above. As at December 31, 2017, the average aggregation cost for commercial brokers was \$42/RCE. The lower cost in the prior comparable quarter is a function of broker commissions being a percentage of lower margins.

#### **BAD DEBT EXPENSE**

In Alberta, Texas, Illinois, California, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and JustGreen U.S., Just Energy assumes the credit risk associated with the collection of customer accounts. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above-noted markets.

Bad debt expense is included in the interim condensed consolidated statement of income under other operating expenses. Bad debt expense was \$20.2 million for the three months ended December 31, 2018, an increase of 55% from \$13.1 million recorded for the prior comparable quarter. For the nine months ended December 31, 2018, bad debt expense was \$65.4 million, an increase of 55% from \$42.1 million recorded for the prior comparable period. The increase is a result of the growth of revenues within Texas and in the U.K. For the three months ended December 31, 2018, bad debt expense represents 2.4% of relevant revenue, up from 2.1% reported in the prior comparable quarter.

#### **FINANCE COSTS**

Finance costs for the three months ended December 31, 2018 amounted to \$22.8 million, an increase of 72% from \$13.3 million recorded during fiscal 2018. For the nine months ended December 31, 2018, finance costs amounted to \$59.2 million, an increase of 57% from \$37.8 million recorded during fiscal 2018. The increase in finance costs during the year was primarily driven by the premium and fees associated with the partial redemption of the 6.5% convertible bonds, higher collateral related costs associated with Texas electricity markets, and interest expense and fees from the increased utilization of the credit facility and higher interest rates.

#### **FOREIGN EXCHANGE**

Just Energy has an exposure to U.S. dollar, U.K. pound and European euro exchange rates as a result of its international operations. Any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income. For the three and nine months ended December 31, 2018, a foreign exchange unrealized loss of \$18.2 million and \$13.6 million, respectively, was reported in other comprehensive income, versus an unrealized loss of \$4.5 million and gain of \$8.1 million, respectively, reported in fiscal 2018. This fluctuation is a result of the significant increase in the mark to market liability position of the Company's derivative financial instruments.

Overall, the positive impact from the translation of the U.S. and U.K.-based operations resulted in an increase of \$0.4 million and \$1.3 million on Base EBITDA for the three and nine months ended December 31, 2018, respectively.

Just Energy retains sufficient funds in its foreign subsidiaries to support ongoing growth; surplus cash is deployed in Canada, and hedges for cross border cash flow are placed. Just Energy hedges between 50% and 90% of the next 12 months of cross border cash flows depending on the level of certainty of the cash flow.

**PROVISION FOR (RECOVERY OF) INCOME TAXES**

(thousands of dollars)

|  | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|--|---|---|--|--|
| Current income tax expense (recovery)    | \$ 4,540  | \$ (4,105)                                | \$ 1,508   | \$ 379                                   |
| Deferred income tax expense (recovery)   | <b>(13,628)</b>                                     | 9,718                                     | <b>3,777</b>                                       | 10,198                                   |
| Provision for (recovery of) income taxes | <b>\$ (9,088)</b>                                   | \$ 5,613                                  | <b>\$ 5,285</b>                                    | \$ 10,577                                |

Just Energy recorded a current income tax expense of \$4.5 million for the three months ended December 31, 2018, versus a \$4.1 million current income tax recovery in the prior comparable quarter. For the nine months ended December 31, 2018, the current income tax expense amounted to \$1.5 million, compared to the expense of \$0.4 million reported for the nine months ended December 31, 2017, which is largely due to the capitalization of upfront commission costs in the current year and results in higher taxable income.

During the three months ended December 31, 2018, a deferred tax recovery of \$13.6 million was recorded, primarily relating to mark to market loss from financial instruments. For the same period in fiscal 2018, a deferred tax expense of \$9.7 million was recorded, primarily due to mark to market gain from derivative financial instruments. A deferred tax expense of \$3.8 million and \$10.2 million was recorded for the nine months ended December 31, 2018 and December 31, 2017, respectively. The variance year-over-year is primarily due to the movement in derivative financial instruments.

**Liquidity and capital resources****SUMMARY OF CASH FLOWS**

(thousands of dollars)

|  | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|--|---|---|--|--|
| Operating activities                             | \$ 17,136   | \$ 28,659                                 | \$ (62,370)  | \$ 58,454                                |
| Investing activities                             | <b>(18,264)</b>                                     | 13,516                                    | <b>(39,686)</b>                                    | (4,696)                                  |
| Financing activities, excluding dividends        | <b>13,170</b>                                       | 20,768                                    | <b>127,999</b>                                     | 52,005                                   |
| Effect of foreign currency translation           | <b>1,047</b>  | 1,390                                     | <b>71</b>  | 373                                      |
| Increase in cash before dividends                | <b>13,089</b>                                       | 64,333                                    | <b>26,014</b>                                      | 106,136                                  |
| Dividends (cash payments)                        | <b>(21,414)</b>                                     | (21,490)                                  | <b>(65,975)</b>                                    | (64,719)                                 |
| Increase (decrease) in cash                      | <b>(8,325)</b>                                      | 42,843                                    | <b>(39,961)</b>                                    | 41,417                                   |
| Cash and cash equivalents – beginning of period  | <b>17,225</b>                                       | 55,950                                    | <b>48,861</b>                                      | 57,376                                   |
| <b>Cash and cash equivalents – end of period</b> | <b>\$ 8,900</b>                                     | \$ 98,793                                 | <b>\$ 8,900</b>                                    | \$ 98,793                                |

**OPERATING ACTIVITIES**

Cash flow from operating activities for the three months ended December 31, 2018 was an inflow of \$17.1 million, compared to an inflow of \$28.7 million in the prior comparable quarter. For the nine months ended December 31, 2018, cash flow from operating activities was an outflow of \$62.4 million, compared to an inflow of \$58.5 million reported for the prior comparable period as a result of the changes in working capital.

**INVESTING ACTIVITIES**

Investing activities for the three months ended December 31, 2018 included purchases of property, plant and equipment and intangible assets totalling \$1.5 million and \$13.7 million, respectively, compared with \$1.0 million and \$11.3 million, respectively, in fiscal 2018.

Investing activities for the nine months ended December 31, 2018 included purchases of property, plant and equipment and intangible assets totalling \$4.1 million and \$32.6 million, respectively, compared with \$3.9 million and \$23.8 million, respectively, in fiscal 2018.

## FINANCING ACTIVITIES

Financing activities, excluding dividends, relate primarily to the issuance and repayment of long-term debt. During the third quarter of fiscal 2019, Just Energy added the HTC loan from the acquisition of Filter Group. During the nine months ended December 31, 2018, Just Energy entered into the 8.75% loan, offset by the partial redemption of the 6.5% convertible bonds. Also during the nine months ended December 31, 2018, Just Energy issued an additional \$10.4 million in preferred shares and drew an additional \$57.3 million on its credit facility, offset by the equity swap payout of \$10.0 million.

Just Energy's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. The elapsed period between the time a customer is signed and receipt of the first payment from the customer varies with each market. The time delays per market are approximately two to nine months. These periods reflect the time required by the various LDCs to enroll, flow the commodity, bill the customer and remit the first payment to Just Energy. In Alberta, Texas, Illinois, California, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and JustGreen U.S., Just Energy receives payment directly.

## DIVIDENDS AND DISTRIBUTIONS

During the three months ended December 31, 2018, Just Energy paid cash dividends to its common and preferred shareholders and distributions to holders of share-based awards in the amount of \$21.4 million, consistent with the prior comparable quarter. For the nine months ended December 31, 2018, Just Energy paid \$66.0 million, compared to \$64.7 million paid for the comparable period of fiscal 2018.

Just Energy's annual dividend rate on its common shares is currently set at \$0.50 per common share paid quarterly. The current dividend set by the Board provides that common shareholders of record on the 15th day of March, June, September and December, or the first business day thereafter, receive dividends at the end of that month. The Board reviews the dividend each quarter and it is subject to Board approval. Neither the payment of the dividend nor the amount of the dividend is guaranteed.

Preferred shareholders are entitled to receive dividends at a rate of 8.50% on the initial offer price of US\$25.00 per preferred share when, as and if declared by our Board of Directors, out of funds legally available for the payment of dividends, on the applicable dividend payment date. As the preferred shares are cumulative, dividends on preferred shares will accrue even if they are not paid. Common shareholders will not receive dividends until the preferred share dividends in arrears are paid. Dividend payment dates are quarterly on the last day of each of March, June, September and December. The dividend payment on December 31, 2018 was US\$0.53125 per preferred share.

## Balance sheet as at December 31, 2018, compared to March 31, 2018

Total cash and short-term investments decreased from \$48.9 million as at March 31, 2018 to \$8.9 million as at December 31, 2018. The decrease in cash is primarily attributable to the Company's significant investment in upfront customer acquisition costs and risk management activities. As at December 31, 2018, the Company has \$58.4 million of the credit facility remaining and an undrawn facility of US\$153.0 million from the second and third tranches of the 8.75% loan.

As of December 31, 2018, trade receivables and unbilled revenue amounted to \$463.9 million and \$323.0 million, respectively, compared to March 31, 2018, when the trade receivables and unbilled revenue amounted to \$395.7 million and \$301.6 million, respectively. Trade payables and other increased from \$621.1 million reported at March 31, 2018 to \$754.3 million as of December 31, 2018 as a result of extending days payable outstanding to match the days receivable outstanding from customers.

Fair value of derivative financial assets and fair value of financial liabilities relate entirely to the financial derivatives, including weather hedge contracts as part of the risk management practice. The mark to market gains and losses can result in significant changes in profit and, accordingly, shareholders' equity from year to year due to commodity price volatility. Given that Just Energy has purchased this supply to cover future customer usage at fixed prices, management believes that these changes do not impact the long-term financial performance of Just Energy.

Total debt increased from \$543.5 million as at March 31, 2018 to \$716.1 million as at December 31, 2018. This increase is a result of the issuance of the 8.75% loan, increased drawdown of the credit facility and the Filter Group Financing, offset by the partial redemption of the 6.5% convertible bonds. The book value of net debt was 3.7x for Base EBITDA, higher than the 2.8x reported for March 31, 2018.

The following table shows selected data from the interim condensed consolidated statements of financial position as at the following periods:

|  | <b>As at<br/>Dec. 31,<br/>2018</b> | As at<br>March 31,<br>2018 | As at<br>Dec. 31,<br>2017 |
|--|------------------------------------|----------------------------|---------------------------|
| <b>Assets</b>  |                                    |                            |                           |
| Cash and short-term investments                      | \$ 8,900                           | \$ 48,861                  | \$ 98,793                 |
| Trade and other receivables                          | 786,852                            | 697,307                    | 665,687                   |
| Total fair value of derivative financial assets      | 249,321                            | 283,431                    | 38,605                    |
| <b>Liabilities</b>                                   |                                    |                            |                           |
| Trade payables and other                             | 754,296                            | 621,148                    | 596,213                   |
| Total fair value of derivative financial liabilities | 91,237                             | 138,159                    | 154,166                   |
| Total long-term debt                                 | 716,133                            | 543,504                    | 564,749                   |
| Total other liabilities                              | 8,940                              | 7,304                      | 7,750                     |

## Debt and financing for operations

(thousands of dollars)

|                                     | <b>As at<br/>Dec. 31,<br/>2018</b> | As at<br>March 31,<br>2018 | As at<br>Dec. 31,<br>2017 |
|-------------------------------------|------------------------------------|----------------------------|---------------------------|
| Credit facility                     | \$ 198,380                         | \$ 122,115                 | \$ 138,288                |
| Filter Group Financing              | 19,390                             | -                          | -                         |
| 8.75% loan                          | 123,002                            | -                          | -                         |
| 6.75% \$100M convertible debentures | 86,898                             | 85,760                     | -                         |
| 6.75% \$160M convertible debentures | 150,215                            | 148,146                    | 147,477                   |
| 6.5% convertible bonds              | 140,832                            | 188,147                    | 182,091                   |
| 5.75% convertible debentures        | -                                  | -                          | 97,955                    |

The various debt instruments are described as follows:

- A \$352.5 million credit facility expiring on September 1, 2020, supported by guarantees and secured by, among other things, a general security agreement and an asset pledge excluding, primarily, the U.K., Japan, Ireland and Germany operations. Credit facility withdrawals amounted to \$198.4 million as of December 31, 2018, compared with \$122.1 million as of March 31, 2018. In addition, total letters of credit outstanding as at December 31, 2018 amounted to \$95.7 million (March 31, 2018 – \$113.4 million).
- An 8.99% outstanding loan between HTC and Filter Group. The loan is a result of factoring receivables. Payments on the loan are made monthly as Just Energy receives payment from the customer and will continue up to the end date of the customer contract term on the factored receivable.
- An 8.75% US\$250 million non-revolving multi-draw senior unsecured term loan facility with a maturity date of September 2023 was entered into during the second quarter of fiscal 2019, which bears interest at a rate of 8.75% per annum payable semi-annually in arrears on June 30 and December 31 plus applicable fees. US\$97 million was drawn as at September 30, 2018.
- A 6.75% \$160M senior unsecured subordinated debenture with a maturity date of December 31, 2021 was issued during the third quarter of fiscal 2017 for which interest is payable semi-annually in arrears on June 30 and December 31, at a rate of 6.75% per annum.
- A 6.75% \$100M senior unsecured subordinated debenture with a maturity date of March 31, 2023 was issued during the fourth quarter of fiscal 2018 for which interest is payable semi-annually in arrears on March 31 and September 30, at a rate of 6.75% per annum.
- A 6.5% European-focused senior unsecured convertible bond with a maturity date of July 29, 2019 and interest payable semi-annually in arrears on January 29 and July 29, at a rate of 6.5% per annum. As at September 20, 2018, US\$45.6 million was tendered and extinguished.
- A 5.75% convertible extendible unsecured subordinated debenture maturing September 30, 2018 with interest payable semi-annually on March 31 and September 30, at a rate of 5.75% per annum. The debt under this instrument was fully redeemed on March 27, 2018.

See Note 10 of the interim condensed consolidated financial statements for further details regarding the nature of each debt agreement.

## Acquisition of businesses

### ACQUISITION OF EDGEPOWER, INC.

On February 28, 2018, Just Energy completed the acquisition of the issued and outstanding shares of EdgePower, Inc. ("EdgePower"), a privately held energy monitoring and management company operating out of Aspen, Colorado. EdgePower provides lighting and HVAC controls, as well as enterprise monitoring, in hundreds of commercial buildings in North America. Just Energy acquired 100% of the equity interests of EdgePower for the purposes of integrating their lighting and HVAC controls with the commercial business. The fair value of the total consideration transferred is US\$14.9 million, of which US\$7.5 million was paid in cash and US\$7.4 million was settled through the issuance of 1,415,285 Just Energy common shares. The goodwill that was acquired as part of this acquisition relates primarily to the EdgePower workforce and synergies between Just Energy and EdgePower.

In addition, the former shareholders of EdgePower are entitled to a payment of up to a maximum of US\$6.0 million, payable in cash, subject to continuing employment and the achievement of certain annual and cumulative performance thresholds of the EdgePower business. The payment is calculated as 20% of EBITDA for the EdgePower business for the years of 2019–2021 with minimum thresholds that must be met. The management remuneration recognized since the acquisition date is \$nil.

For an allocated breakdown of the purchase price to identified assets and liabilities acquired in the acquisition, see Note 9 of the interim condensed consolidated financial statements for the three and nine months ended December 31, 2018.

### ACQUISITION OF FILTER GROUP INC.

On October 1, 2018, Just Energy acquired Filter Group Inc., a leading provider of subscription-based home water filtration systems to residential customers in Canada and the United States. Headquartered in Toronto, Ontario, Filter Group currently provides under-counter and whole-home water filtration solutions to residential markets in the provinces of Ontario and Manitoba and the states of Nevada, California, Arizona, Michigan and Illinois.

Just Energy acquired all of the issued and outstanding shares of Filter Group and the shareholder loan owing by Filter Group. In addition, Filter Group had approximately \$22 million of third party Filter Group debt. The aggregate consideration payable by Just Energy under the Purchase Agreement is comprised of: (i) \$15 million in cash, fully payable within 180 days of closing; and (ii) earn-out payments of up to 9.5 million Just Energy common shares (with up to an additional 2.4 million Just Energy common shares being issuable to satisfy dividends that otherwise would have been paid in cash on the Just Energy shares issuable pursuant to the earn-out payments (the "DRIP Shares")), subject to customary closing adjustments. The earn-out payments are contingent on the achievement by Filter Group of certain performance-based milestones specified in the Purchase Agreement in each of the first three years following the closing of the acquisition. In addition, the earn-out payments may be paid 50% in cash and the DRIP Shares 100% in cash, at the option of Just Energy.

The CEO of Filter Group is the son of the Executive Chair of Just Energy. As such, this is a related party transaction under IAS 24 – Related Party Disclosure, but not under securities law. Just Energy's Executive Chair recused herself from the negotiations and the decision-making processes with respect to the acquisition. The transaction was reviewed by the Strategic Initiatives Committee and it received a fairness opinion from National Bank Financial on the transaction.

For an allocated breakdown of the purchase price to identified assets and liabilities acquired in the acquisition, see Note 9 of the interim condensed consolidated financial statements for the three and nine months ended December 31, 2018.

During the three months ended December 31, 2018, Filter Group contributed \$1.1 million in EBITDA to the overall results. Total sales added during the third quarter of fiscal 2019 was \$3.1 million, of which \$2.8 million is recurring. As the Filter Group business applies operating lease accounting, the majority of the sales earned goes directly to gross margin, with a gross margin percentage at 92% for the three months ending December 31, 2018. The trailing 12 months attrition rate for the Filter Group business was 13%, consistent with the attrition rate for Just Energy's commodity markets. On Filter Group's 33,000 active assets, there was active MRR of \$0.9 million.



## Contractual obligations

In the normal course of business, Just Energy is obligated to make future payments for contracts and other commitments that are known and non-cancellable.

### PAYMENTS DUE BY PERIOD

(thousands of dollars)

|  | Less than 1 year | 1-3 years   | 4-5 years  | After 5 years | Total        |
|--|------------------|-------------|------------|---------------|--------------|
| Trade and other payables                     | \$ 754,296       | \$ -        | \$ -       | \$ -          | \$ 754,296   |
| Interest payments                            | 30,077           | 69,836      | 33,152     | -             | 133,065      |
| Premises and equipment leasing               | 1,543            | 7,669       | 6,825      | 7,171         | 23,208       |
| Gas, electricity and non-commodity contracts | 633,606          | 2,388,039   | 448,570    | 126,658       | 3,596,873    |
|  | \$ 1,419,522     | \$2,465,544 | \$ 488,547 | \$ 133,829    | \$ 4,507,442 |

On August 1, 2017, Just Energy announced that it reached an agreement with its joint venture partner, Red Ventures LLC, to end the exclusive relationship for online sales of the Just Energy brand in North America. To facilitate the transaction, Just Energy acquired the outstanding 50% interest of each of Just Ventures LLC in the United States and Just Ventures L.P. in Canada. Under the terms of the agreement, the purchase price is a function of go-forward earnings based on the current client base and is payable in quarterly installments over five years estimated at \$99.8 million. As at December 31, 2018, the current liabilities amount to \$24.0 million and long-term liabilities amount to \$49.8 million.

### OTHER OBLIGATIONS

In the opinion of management, Just Energy has no material pending actions, claims or proceedings that have not been included either in its accrued liabilities or in the interim condensed consolidated financial statements. In the normal course of business, Just Energy could be subject to certain contingent obligations that become payable only if certain events were to occur. The inherent uncertainty surrounding the timing and financial impact of any events prevents any meaningful measurement, which is necessary to assess any material impact on future liquidity. Such obligations include potential judgments, settlements, fines and other penalties resulting from actions, claims or proceedings.

## Transactions with related parties

Under IAS 24 - Related Party Disclosure, the acquisition of Filter Group gives rise to a related party transaction as the CEO of Filter Group is the son of the Executive Chair of Just Energy. For details relating to the related party transaction, reference "Acquisition of Filter Group Inc." on page 30. Other than the transaction discussed, Just Energy does not have any other material transactions with any individuals or companies that are not considered independent of Just Energy or any of its subsidiaries and/or affiliates.

## Off balance sheet items

The Company has issued letters of credit under its credit facility totalling \$95.7 million (March 31, 2018 - \$113.4 million) to various counterparties, primarily utilities in the markets where it operates, as well as suppliers.

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, Berkley Insurance Company, Fidelity and Deposit Company of Maryland and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at December 31, 2018 were \$70.3 million (March 31, 2018 - \$56.5 million).

## Critical accounting estimates

The interim condensed consolidated financial statements of Just Energy have been prepared in accordance with IFRS. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, selling and marketing expenses, and administrative expenses. Estimates are based on historical experience, current information and various other assumptions that are believed to be reasonable under the circumstances. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of critical accounting estimates is not meant to be exhaustive. Just Energy might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

## RECEIVABLES AND LIFETIME EXPECTED CREDIT LOSSES

The lifetime expected credit loss reflects Just Energy's best estimate of losses on the accounts receivable and unbilled revenue balances. Just Energy determines the lifetime expected credit loss by using historical loss rates and forward-looking factors if applicable. Just Energy is exposed to customer credit risk on its continuing operations in Alberta, Texas, Illinois, California, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and JustGreen U.S. Credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all of the above markets.

Revenues related to the sale of energy are recorded when energy is delivered to customers. The determination of energy sales to individual customers is based on systematic readings of customer meters generally on a monthly basis. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and corresponding unbilled revenue is recorded. The measurement of unbilled revenue is affected by the following factors: daily customer usage, losses of energy during delivery to customers and applicable customer rates.

Increases in volumes delivered to the utilities' customers and favourable rate mix due to changes in usage patterns in the period could be significant to the calculation of unbilled revenue. Changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the measurement of unbilled revenue; however, total operating revenues would remain materially unchanged.

## USEFUL LIFE OF KEY PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Each significant component is depreciated over its estimated useful life. A component can be separately identified as an asset and is expected to provide a benefit of greater than one year. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence and regulations. The useful lives of property, plant and equipment and depreciation rates used are reviewed at least annually to ensure they continue to be appropriate.

Depreciation and amortization expense from operations for the three and nine months ended December 31, 2018, recorded in the interim condensed consolidated financial statements of cash flows, was \$8.5 million and \$19.7 million, respectively, compared with \$6.5 million and \$16.3 million, respectively, for the three and nine months ended December 31, 2017.

## FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Just Energy has entered into a variety of derivative financial instruments as part of the business of purchasing and selling gas, electricity and JustGreen supply and as part of the risk management practice. In addition, Just Energy also uses derivative financial instruments to manage foreign exchange, interest rate and other risks.

Just Energy enters into contracts with customers to provide electricity and gas at fixed prices and provide comfort to certain customers that a specified amount of energy will be derived from green generation or carbon destruction. These customer contracts expose Just Energy to changes in market prices to supply these commodities. To reduce its exposure to commodity market price changes, Just Energy uses derivative financial and physical contracts to secure fixed-price commodity supply to cover its estimated fixed-price delivery or green commitment. Certain derivative contracts were purchased to manage Electricity Reliability Council of Texas ("ERCOT") collateral requirements.

Just Energy's objective is to minimize commodity risk, other than consumption changes, usually attributable to weather. Accordingly, it is Just Energy's policy to hedge the estimated fixed-price requirements of its customers with offsetting hedges of natural gas and electricity at fixed prices for terms equal to those of the customer contracts. The cash flow from these supply contracts is expected to be effective in offsetting Just Energy's price exposure and serves to fix acquisition costs of gas and electricity to be delivered under the fixed-price or price-protected customer contracts. Just Energy's policy is not to use derivative instruments for speculative purposes.

Just Energy uses a forward interest rate curve along with a volume weighted average share price to value its share swap. The conversion feature on the 6.5% convertible bonds is valued using an option pricing model.

Just Energy's U.S., U.K., Germany and Ireland operations introduce foreign exchange-related risks. Just Energy enters into foreign exchange forwards in order to hedge its exposure to fluctuations in cross border cash flows.

The interim condensed consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IFRS 9, Financial Instruments; and IFRS 7, Financial Instruments: Disclosure. Due to commodity volatility and to the size of Just Energy, the swings in mark to market on these positions will increase the volatility in Just Energy's earnings.

The Company's financial instruments are valued based on the following fair value ("FV") hierarchy:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities;

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

**Level 3** – Inputs that are not based on observable market data.

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. For a sensitivity analysis of these forward curves, see Note 8 of the interim condensed consolidated financial statements for the quarter ended December 31, 2018. Other inputs, including volatility and correlations, are driven off historical settlements.

## Just Energy common and preferred shares

As at February 6, 2019, there were 149,517,830 common shares and 4,662,165 preferred shares of Just Energy outstanding.

In May 2017, Just Energy announced it has entered into an at-the-market issuance ("ATM offering") sales agreement pursuant to which Just Energy may, at its discretion and from time to time, offer and sell in the United States preferred shares having an aggregate offering price of up to US\$150 million. As at February 6, 2019, Just Energy has issued a cumulative 338,865 preferred shares in fiscal 2019 for an aggregate total gross proceeds of \$10.4 million under the ATM offering.

## Normal course issuer bid

Just Energy has the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding 6.75% convertible debentures as well as the Just Energy common shares. Under each NCIB, Just Energy may purchase debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2018, up to daily and total limits. These shares may be purchased during the year starting March 19, 2018 and ending March 15, 2019. For the three months ended December 31, 2018, Just Energy had purchased \$nil of common shares and debentures through the NCIB program, consistent with the prior comparable period.

Just Energy believes that the debentures and common shares may trade in a range that may not fully reflect their value. As a result, Just Energy believes that the purchase of the debentures and common shares from time to time can be undertaken at prices that make the acquisition of such securities an appropriate use of Just Energy's available funds. In addition, purchases under each of the NCIBs may increase the liquidity of the debentures and common shares and will enable Just Energy to deleverage its balance sheet. Just Energy intends to continue to buy back debentures and common shares when the circumstances present themselves in a way that maximizes value for Just Energy.

## Critical accounting policies and estimates

Refer to the 2018 Annual MD&A and the 2018 Annual Audited Consolidated Financial Statements and Notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations.

## New accounting pronouncements adopted in 2018

Just Energy adopted new amendments to the following accounting standards effective for the Company's interim condensed and annual consolidated financial statements commencing April 1, 2018.

### IFRS 15

Effective April 1, 2018, Just Energy adopted IFRS 15 using the modified retrospective method. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers; the exceptions include certain contracts accounted for under other IFRS. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The treatment of costs incurred in acquiring customer contracts is affected as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into selling and marketing expenses over time. Previously, such costs relating to North American residential customers were expensed as incurred.

Significant judgment is needed in determining the costs that are incremental to obtaining a contract with a customer.

Just Energy has applied IFRS 15 using the practical expedient in paragraph C5(c) under which Just Energy reflects the aggregate effect of all modifications on the date of initial application. Accordingly, transition adjustments have been recognized through equity as at April 1, 2018. For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended December 31, 2018.

The application of IFRS 15 will not affect Just Energy's cash flows from operating, investing or financing activities.

### IFRS 9

Effective April 1, 2018, Just Energy has adopted IFRS 9. IFRS 9 introduced revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Just Energy has not restated the comparatives.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. In addition, the expected loss allowance calculated using the lifetime credit loss approach will be applied to contract assets under IFRS 15. In order to comply with the requirement of IFRS 9, a decrease before tax of \$11.4 million to accounts receivable, a decrease of \$12.4 million to unbilled revenues and a corresponding decrease to retained earnings of \$23.8 million were recognized as at April 1, 2018. For a further description of the impact of the accounting policy change, refer to the interim condensed consolidated financial statements for the period ended December 31, 2018.

## Legal proceedings

Just Energy's subsidiaries are party to a number of legal proceedings. Other than as set out below, Just Energy believes that each proceeding constitutes a routine legal matter incidental to the business conducted by Just Energy and that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

In March 2012, Davina Hurt and Dominic Hill filed a lawsuit against Commerce Energy Inc. ("Commerce"), Just Energy Marketing Corp. and the Company (collectively referred to as "Just Energy") in the Ohio Federal Court claiming entitlement to payment of minimum wage and overtime under Ohio wage claim laws and the federal Fair Labor Standards Act ("FLSA") on their own behalf and similarly situated door-to-door sales representatives who sold for Commerce in certain regions of the United States. The Court granted the plaintiffs' request to certify the lawsuit as a class action. Approximately 1,800 plaintiffs opted into the federal minimum wage and overtime claims, and approximately 8,000 plaintiffs were certified as part of the Ohio state overtime claims. On October 6, 2014, the jury refused to find a willful violation but concluded that certain individuals were not properly classified as outside salespeople in order to qualify for an exemption under the minimum wage and overtime requirements. On September 28, 2018, the Court issued a final judgment, opinion and order. Just Energy filed its appeal to the Court of Appeals for the Sixth Circuit on October 25, 2018. Just Energy strongly believes it complied with the law which is consistent with the recent findings in *Encino Motorcars, LLC v. Navarro*, 138 S. Ct. 1134, 1142 (2018) and *Kevin Flood, et al. v. Just Energy Marketing Group, et al.* 2d Circular No. 17-0546.

In August 2013, Levonna Wilkins, a former door-to-door independent contractor for Just Energy Marketing Corp. ("JEMC"), filed a lawsuit against Just Energy Illinois Corp., Commerce Energy Inc., JEMC and the Company (collectively referred to as "Just Energy") in the Illinois Federal District Court claiming entitlement to payment of minimum wage and overtime under Illinois wage claim laws and the FLSA on her own behalf and similarly situated door-to-door sales representatives who sold in Illinois. On March 13, 2015, the Court certified the class of Illinois sales representatives who sold for Just Energy Illinois and Commerce, and on June 16, 2016, the Court granted Just Energy's motion for reconsideration which revised the class definition to exclude sales representatives who sold for Commerce. On September 24, 2018, Just Energy filed its second motion for decertification based on recent decisions in the *Encino Motorcars, LLC v. Navarro*, 138 S. Ct. 1134, 1142 (2018) and *Kevin Flood, et al. v. Just Energy Marketing Group, et al.* 2d Cir., No. 17-0546 cases, and the motion is pending and under review with the Court. The Court has not yet set a briefing schedule in this matter. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

In May 2015, Kia Kordestani, a former door-to-door independent contractor ("IC") sales representative for Just Energy Corp., filed a lawsuit against Just Energy Corp., Just Energy Ontario L.P. and the Company (collectively referred to as "Just Energy") in the Superior Court of Justice, Ontario, claiming status as an employee and seeking benefits and protections of the Employment Standards Act, 2000 such as minimum wage, overtime pay, and vacation and public holiday pay on his own behalf and similarly situated door-to-door sales representatives who sold in Ontario. On Just Energy's request, Mr. Kordestani was removed as a plaintiff but replaced with Haidar Omarali, also a former door-to-door sales representative. On July 27, 2016, the Court granted Omarali's request for certification, refused to certify Omarali's request for damages on an aggregate basis, and refused to certify Omarali's request for punitive damages. On September 5, 2018, Omarali filed his motion for summary judgment and set a hearing date of June 11-13, 2019. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

## Controls and procedures

### DISCLOSURE CONTROLS AND PROCEDURES

Both the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures which provide reasonable assurance that: i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO are assisted in this responsibility by a Disclosure Committee composed of senior management. The Disclosure Committee has established procedures so that it becomes aware of any material information affecting Just Energy to evaluate and communicate this information to management, including the CEO and CFO as appropriate, and determine the appropriateness and timing of any required disclosure.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Both the CEO and CFO have designed, or caused to be designed under their supervision, the Company's Internal Control over Financial Reporting ("ICFR") which has been effected by the Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the nine months ended December 31, 2018, there were no changes that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

### INHERENT LIMITATIONS

A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that its objectives are met. Due to these inherent limitations in such systems, no evaluation of controls can provide absolute assurance that all control issues within any company have been detected. Accordingly, Just Energy's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the Company's disclosure control and procedure objectives are met.

## Corporate governance

Just Energy is committed to maintaining transparency in its operations and ensuring its approach to governance meets all recommended standards. Full disclosure of Just Energy's compliance with existing corporate governance rules is available at [www.justenergygroup.com](http://www.justenergygroup.com) and is included in Just Energy's Management Proxy Circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

## Outlook

Just Energy is executing a strategic shift from a retail energy provider to a consumer company focused on differentiated value-add products, unparalleled customer satisfaction and profitable customer growth. Just Energy's strategic transformation from an era of price-based commodities sold through third parties to a future as a more customer-centric consumer company is well underway. The Company's near-term success starts with its core business. The core commodity business continues to perform well and the embedded gross margin on its existing book of business remains at a Company record high of \$2.3 billion. Just Energy's unique offering of value-added products and services seeks to address its customers' concerns around their families' health and well-being, utility conservation and essential energy needs in their homes. To achieve profitability and optimize growth in the remainder of fiscal 2019 and beyond, Just Energy will drive sales, gross margin and high quality customer growth through its multi-channel strategy by aggressively promoting these three product growth categories, while developing additional strategic, alternative channels. Just Energy will also deploy a consistent value-creation product strategy across the consumer business.

Just Energy has undertaken several initiatives in fiscal 2019 to attract higher margin customers in conjunction with implementing margin enhancement actions across the organization. To further drive profitability, Just Energy implemented cost cutting initiatives and will continue its efforts to reduce administrative expenses through greater automation and consolidation of support activities. Just Energy expects to see the results of these actions continue to contribute in the fiscal fourth quarter, driving performance beyond historical levels and supporting guidance for the current fiscal year and earnings growth into the future.

Just Energy's core business is healthy and growing, as profitability per customer is improving and the strategic shift to a consumer-focused company is on track. The Company is focused on a manageable set of strategic initiatives that will build on the current momentum and continue contributing to the Company's profitability.

As a result, management reaffirms its guidance for fiscal 2019 Base EBITDA in the range of \$200 million to \$220 million. This expectation reflects the implementation of IFRS 15 for the full fiscal year.

Just Energy's balance sheet remains strong and the Company remains fully committed to returning capital to shareholders through dividend distributions.

# Interim condensed consolidated statements of financial position

(in thousands of Canadian dollars)

|   | Notes | As at<br>Dec. 31, 2018<br>(Unaudited) | As at<br>March 31, 2018<br>(Audited) |
|---|-------|---------------------------------------|--------------------------------------|
| <b>ASSETS</b>                                     |       |                                       |                                      |
| <b>Current assets</b>                             |       |                                       |                                      |
| Cash and cash equivalents                         |       | \$ 8,900                              | \$ 48,861                            |
| Restricted cash                                   |       | 4,361                                 | 3,515                                |
| Trade and other receivables                       | 6     | 786,852                               | 697,307                              |
| Gas in storage                                    |       | 36,458                                | 11,812                               |
| Fair value of derivative financial assets         | 8     | 197,202                               | 218,769                              |
| Income taxes recoverable                          |       | 17,775                                | 5,617                                |
| Other current assets                              | 7     | 152,359                               | 109,697                              |
|   |       | <b>1,203,907</b>                      | <b>1,095,578</b>                     |
| <b>Non-current assets</b>                         |       |                                       |                                      |
| Investments                                       | 8     | 36,981                                | 36,314                               |
| Property, plant and equipment                     |       | 25,114                                | 18,893                               |
| Intangible assets                                 |       | 488,775                               | 401,926                              |
| Fair value of derivative financial assets         | 8     | 52,119                                | 64,662                               |
| Deferred tax asset                                |       | 7,513                                 | 9,449                                |
| Other non-current assets                          | 7     | 51,839                                | 19,987                               |
|   |       | <b>662,341</b>                        | <b>551,231</b>                       |
| <b>TOTAL ASSETS</b>                               |       | <b>\$1,866,248</b>                    | <b>\$ 1,646,809</b>                  |
| <b>LIABILITIES</b>                                |       |                                       |                                      |
| <b>Current liabilities</b>                        |       |                                       |                                      |
| Trade and other payables                          |       | \$ 754,296                            | \$ 621,148                           |
| Deferred revenue                                  |       | 76,862                                | 41,684                               |
| Income taxes payable                              |       | 8,940                                 | 7,304                                |
| Fair value of derivative financial liabilities    | 8     | 51,375                                | 86,288                               |
| Current portion of long-term debt                 | 10    | 150,050                               | 121,451                              |
|   |       | <b>1,041,523</b>                      | <b>877,875</b>                       |
| <b>Non-current liabilities</b>                    |       |                                       |                                      |
| Long-term debt                                    | 10    | 566,083                               | 422,053                              |
| Fair value of derivative financial liabilities    | 8     | 39,862                                | 51,871                               |
| Deferred tax liability                            |       | 9,970                                 | 6,918                                |
| Other non-current liabilities                     |       | 47,985                                | 57,349                               |
|   |       | <b>663,900</b>                        | <b>538,191</b>                       |
| <b>TOTAL LIABILITIES</b>                          |       | <b>1,705,423</b>                      | <b>1,416,066</b>                     |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                                       |                                      |
| Shareholders' capital                             | 12    | 1,234,491                             | 1,215,826                            |
| Equity component of convertible debentures        |       | 13,029                                | 13,029                               |
| Contributed deficit                               |       | (25,994)                              | (22,693)                             |
| Deficit   |       | (1,147,949)                           | (1,066,931)                          |
| Accumulated other comprehensive income            |       | 87,663                                | 91,934                               |
| Non-controlling interest                          |       | (415)                                 | (422)                                |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |       | <b>160,825</b>                        | <b>230,743</b>                       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>\$1,866,248</b>                    | <b>\$ 1,646,809</b>                  |

Commitments and Guarantees (Note 17)

See accompanying notes to the interim condensed consolidated financial statements

# Interim condensed consolidated statements of income (loss)

(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

|   | Notes | Three months ended<br>Dec. 31,<br>2018 | Three months ended<br>Dec. 31,<br>2017 | Nine months ended<br>Dec. 31,<br>2018 | Nine months ended<br>Dec. 31,<br>2017 |
|---|-------|--|--|---------------------------------------|---------------------------------------|
| <b>Sales</b>  | 13    | \$ 966,653                             | \$ 912,203                             | \$ 2,799,953                          | \$ 2,611,836                          |
| <b>Cost of sales</b>  |       | <b>778,140</b>                         | 740,898                                | <b>2,284,569</b>                      | 2,140,305                             |
| <b>GROSS MARGIN</b>   |       | <b>188,513</b>                         | 171,305                                | <b>515,384</b>                        | 471,531                               |
| <b>EXPENSES</b>   |       |  |  |                                       |                                       |
| Administrative  |       | 56,031                                 | 50,389                                 | 170,221                               | 145,826                               |
| Selling and marketing   |       | 57,255                                 | 55,547                                 | 164,547                               | 172,200                               |
| Other operating expenses                                      | 14(a) | 30,120                                 | 21,201                                 | 89,771                                | 76,972                                |
|   |       | <b>143,406</b>                         | 127,137                                | <b>424,539</b>                        | 394,998                               |
| <b>Operating profit before the following</b>                  |       | <b>45,107</b>                          | 44,168                                 | <b>90,845</b>                         | 76,533                                |
| Finance costs   | 10    | (22,762)                               | (13,266)                               | (59,225)                              | (37,777)                              |
| Change in fair value of derivative instruments and other      | 8     | (1,515)                                | 183,759                                | (62,003)                              | 223,453                               |
| Change in fair value of Filter Group contingent consideration |       | (5,462)                                | -                                      | (5,462)                               | -                                     |
| Other income (loss)   |       | 2,569                                  | (633)                                  | 5,282                                 | 1,169                                 |
| <b>Profit (loss) before income taxes</b>                      |       | <b>17,937</b>                          | 214,028                                | <b>(30,563)</b>                       | 263,378                               |
| Provision for (recovery of) income taxes                      | 11    | (9,088)                                | 5,613                                  | 5,285                                 | 10,577                                |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                           |       | <b>\$ 27,025</b>                       | \$ 208,415                             | <b>\$ (35,848)</b>                    | \$ 252,801                            |
| <b>Attributable to:</b>                                       |       |  |  |                                       |                                       |
| Shareholders of Just Energy                                   |       | \$ 27,059                              | \$ 208,455                             | \$ (35,703)                           | \$ 243,449                            |
| Non-controlling interest                                      |       | (34)                                   | (40)                                   | (145)                                 | 9,352                                 |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                           |       | <b>\$ 27,025</b>                       | \$ 208,415                             | <b>\$ (35,848)</b>                    | \$ 252,801                            |
| <b>Earnings (loss) per share available to shareholders</b>    | 15    |  |  |                                       |                                       |
| Basic   |       | \$ 0.17                                | \$ 1.40                                | \$ (0.28)                             | \$ 1.60                               |
| Diluted   |       | \$ 0.16                                | \$ 1.06                                | \$ (0.28)                             | \$ 1.32                               |

See accompanying notes to the interim condensed consolidated financial statements

# Interim condensed consolidated statements of comprehensive income (loss)

(unaudited in thousands of Canadian dollars)

|   | Three months<br>ended<br>Dec. 31,<br>2018 | Three months<br>ended<br>Dec. 31,<br>2017 | Nine months<br>ended<br>Dec. 31,<br>2018 | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---|---|---|--|--|
| <b>PROFIT (LOSS) FOR THE PERIOD</b>   | <b>\$ 27,025</b>                          | \$ 208,415                                | <b>\$ (35,848)</b>                       | \$ 252,801                               |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: |   |   |  |  |
| Unrealized loss (gain) on translation of foreign operations                                   | <b>18,205</b>                             | 4,507                                     | <b>13,592</b>                            | (8,054)                                  |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>                           | <b>\$ 45,230</b>                          | \$ 212,922                                | <b>\$ (22,256)</b>                       | \$ 244,747                               |
| <b>Total comprehensive income (loss) attributable to:</b>                                     |   |   |  |  |
| Shareholders of Just Energy   | <b>\$ 45,264</b>                          | \$ 212,962                                | <b>\$ (22,111)</b>                       | \$ 235,395                               |
| Non-controlling interest  | <b>(34)</b>                               | (40)                                      | <b>(145)</b>                             | 9,352                                    |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>                           | <b>\$ 45,230</b>                          | \$ 212,922                                | <b>\$ (22,256)</b>                       | \$ 244,747                               |

See accompanying notes to the interim condensed consolidated financial statements



# Interim condensed consolidated statements of changes in shareholders' equity (deficiency)

(unaudited in thousands of Canadian dollars)

|  | Three months<br>ended<br>Dec. 31,<br>2018 | Three months<br>ended<br>Dec. 31,<br>2017 | Nine months<br>ended<br>Dec. 31,<br>2018 | Nine months<br>ended<br>Dec. 31,<br>2017 |
|--|---|---|--|--|
| <b>ATTRIBUTABLE TO THE SHAREHOLDERS</b>                      |   |   |  |  |
| <b>Accumulated earnings</b>                                  |   |   |  |  |
| Accumulated earnings, beginning of period                    | \$ 726,796                                | \$ 294,565                                | \$ 768,847                               | \$ 259,571                               |
| Adjustment for adoption of IFRS 9 and IFRS 15                | -   | -   | 20,711                                   | -  |
| Profit (loss) for the period, attributable to shareholders   | 27,059                                    | 208,455                                   | 35,703                                   | 243,449                                  |
| <b>Accumulated earnings, end of period</b>                   | <b>753,855</b>                            | <b>503,020</b>                            | <b>753,855</b>                           | <b>503,020</b>                           |
| <b>DIVIDENDS AND DISTRIBUTIONS</b>                           |   |   |  |  |
| Dividends and distributions, beginning of period             | (1,880,370)                               | (1,792,722)                               | (1,835,778)                              | (1,749,471)                              |
| Dividends and distributions declared and paid                | 16 (21,434)                               | (21,501)                                  | (66,026)                                 | (64,752)                                 |
| <b>Dividends and distributions, end of period</b>            | <b>(1,901,804)</b>                        | <b>(1,814,223)</b>                        | <b>(1,901,804)</b>                       | <b>(1,814,223)</b>                       |
| <b>DEFICIT</b>   | <b>\$ 1,147,949</b>                       | <b>\$ (1,311,203)</b>                     | <b>\$ 1,147,949</b>                      | <b>\$ (1,311,203)</b>                    |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>                |   |   |  |  |
| Accumulated other comprehensive income, beginning of period  | \$ 69,458                                 | \$ 57,800                                 | \$ 91,934                                | \$ 70,361                                |
| Adjustment for adoption of IFRS 9 and IFRS 15                | -   | -   | (17,863)                                 | -  |
| Other comprehensive income (loss)                            | 18,205                                    | 4,507                                     | 13,592                                   | (8,054)                                  |
| <b>Accumulated other comprehensive income, end of period</b> | <b>\$ 87,663</b>                          | <b>\$ 62,307</b>                          | <b>\$ 87,663</b>                         | <b>\$ 62,307</b>                         |
| <b>SHAREHOLDERS' CAPITAL</b>                                 |   |   |  |  |
| <b>Common shares</b>   |   |   |  |  |
| Common shares, beginning of period                           | \$ 1,085,991                              | \$ 1,068,809                              | \$ 1,079,055                             | \$ 1,070,076                             |
| Share-based units exercised                                  | 1,535                                     | 341                                       | 8,471                                    | 11,015                                   |
| Repurchase and cancellation of shares                        | -   | -   | -  | (11,941)                                 |
| <b>Common shares, end of period</b>                          | <b>\$ 1,087,526</b>                       | <b>\$ 1,069,150</b>                       | <b>\$ 1,087,526</b>                      | <b>\$ 1,069,150</b>                      |
| <b>Preferred shares</b>                                      |   |   |  |  |
| Preferred shares, beginning of period                        | \$ 146,984                                | \$ 132,908                                | \$ 136,771                               | \$ 128,363                               |
| Shares issued  | -   | -   | 10,447                                   | 5,195                                    |
| Shares issuance costs  | (19)                                      | -   | (253)                                    | (650)                                    |
| <b>Preferred shares, end of period</b>                       | <b>146,965</b>                            | <b>132,908</b>                            | <b>146,965</b>                           | <b>132,908</b>                           |
| <b>SHAREHOLDERS' CAPITAL</b>                                 | <b>\$ 1,234,491</b>                       | <b>\$ 1,202,058</b>                       | <b>\$ 1,234,491</b>                      | <b>\$ 1,202,058</b>                      |
| <b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>            |   |   |  |  |
| Balance, beginning of period                                 | \$ 13,029                                 | \$ 13,508                                 | \$ 13,029                                | \$ 13,508                                |
| Balance, end of period                                       | \$ 13,029                                 | \$ 13,508                                 | \$ 13,029                                | \$ 13,508                                |
| <b>CONTRIBUTED SURPLUS (DEFICIT)</b>                         |   |   |  |  |
| Balance, beginning of period                                 | \$ (25,186)                               | \$ (43,222)                               | \$ (22,693)                              | \$ 58,266                                |
| Add: Share-based compensation expense                        | 1,437                                     | 1,665                                     | 4,706                                    | 18,628                                   |
| Non-cash deferred share grant distributions                  | 20  | 11  | 51                                       | 33                                       |
| Less: Purchase of non-controlling interest                   | 77  | (495)                                     | 1,493                                    | (102,793)                                |
| Share-based units exercised                                  | (1,535)                                   | (341)                                     | (8,471)                                  | (11,015)                                 |
| Share-based compensation adjustment                          | (807)                                     | (3)                                       | (1,080)                                  | (5,504)                                  |
| <b>Balance, end of period</b>                                | <b>\$ (25,994)</b>                        | <b>\$ (42,385)</b>                        | <b>\$ (25,994)</b>                       | <b>\$ (42,385)</b>                       |
| <b>NON-CONTROLLING INTEREST</b>                              |   |   |  |  |
| Balance, beginning of period                                 | \$ (399)                                  | \$ -                                      | \$ (422)                                 | \$ -                                     |
| Distributions to non-controlling shareholders                | -   | 40  | -  | (9,352)                                  |
| Foreign exchange impact on non-controlling interest          | 18  | -   | 152                                      | -  |
| Profit (loss) attributable to non-controlling interest       | (34)                                      | (40)                                      | (145)                                    | 9,352                                    |
| <b>Balance, end of period</b>                                | <b>\$ (415)</b>                           | <b>\$ -</b>                               | <b>\$ (415)</b>                          | <b>\$ -</b>                              |
| <b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>               | <b>\$ 160,825</b>                         | <b>\$ (75,715)</b>                        | <b>\$ 160,825</b>                        | <b>\$ (75,715)</b>                       |

See accompanying notes to the interim condensed consolidated financial statements

# Interim condensed consolidated statements of cash flows

(unaudited in thousands of Canadian dollars)

|   | Notes | Three months ended<br>Dec. 31,<br>2018 | Three months ended<br>Dec. 31,<br>2017 | Nine months ended<br>Dec. 31,<br>2018 | Nine months ended<br>Dec. 31,<br>2017 |
|---|-------|--|--|---------------------------------------|---------------------------------------|
| <b>Net inflow (outflow) of cash related to the following activities</b> |       |  |  |                                       |                                       |
| <b>OPERATING</b>  |       |  |  |                                       |                                       |
| Profit (loss) before income taxes                                       |       | \$ 17,937                              | \$ 214,028                             | \$ (30,563)                           | \$ 263,378                            |
| <b>Items not affecting cash</b>   |       |  |  |                                       |                                       |
| Amortization of intangible assets                                       | 14(a) | 7,307                                  | 5,439                                  | 16,647                                | 13,230                                |
| Depreciation of property, plant and equipment                           | 14(a) | 1,171                                  | 1,041                                  | 3,029                                 | 3,023                                 |
| Amortization included in cost of sales                                  |       | 591                                    | 787                                    | 2,103                                 | 2,333                                 |
| Share-based compensation  | 14(a) | 1,437                                  | 1,665                                  | 4,706                                 | 18,628                                |
| Financing charges, non-cash portion                                     |       | 4,393                                  | 2,647                                  | 13,838                                | 7,835                                 |
| Other   |       | (29)                                   | (93)                                   | (83)                                  | (277)                                 |
| Change in fair value of derivative instruments                          | 8     | 1,515                                  | (183,759)                              | 62,003                                | (223,453)                             |
| Adjustment required to reflect net cash receipts from gas sales         |       | (1,236)                                | (2,780)                                | 8,470                                 | 4,750                                 |
| Net change in working capital balances                                  |       | (12,245)                               | (7,538)                                | (128,967)                             | (12,424)                              |
| Income taxes paid   |       | (3,705)                                | (2,778)                                | (13,553)                              | (18,569)                              |
| <b>Cash inflow (outflow) from operating activities</b>                  |       | <b>17,136</b>                          | <b>28,659</b>                          | <b>(62,370)</b>                       | <b>58,454</b>                         |
| <b>INVESTING</b>  |       |  |  |                                       |                                       |
| Purchase of property, plant and equipment                               |       | (1,548)                                | (951)                                  | (4,107)                               | (3,910)                               |
| Purchase of intangible assets   |       | (13,716)                               | (11,250)                               | (32,579)                              | (23,772)                              |
| Acquisition of businesses   |       | (3,000)                                | -                                      | (3,000)                               | (2,546)                               |
| Short-term investments  |       | -                                      | 25,717                                 | -                                     | 25,532                                |
| <b>Cash inflow (outflow) from investing activities</b>                  |       | <b>(18,264)</b>                        | <b>13,516</b>                          | <b>(39,686)</b>                       | <b>(4,696)</b>                        |
| <b>FINANCING</b>  |       |  |  |                                       |                                       |
| Dividends paid  |       | (21,414)                               | (21,490)                               | (65,975)                              | (64,719)                              |
| Repayment of long-term debt   | 10    | (2,221)                                | -                                      | (61,794)                              | -                                     |
| Issuance of long-term debt  | 10    | -                                      | -                                      | 119,662                               | -                                     |
| Share swap payout   | 8     | -                                      | -                                      | (10,000)                              | -                                     |
| Debt issuance costs   | 10    | (3,575)                                | -                                      | (6,229)                               | -                                     |
| Credit facilities withdrawal  | 10    | 18,985                                 | 20,768                                 | 76,265                                | 70,030                                |
| Issuance of preferred shares  |       | -                                      | -                                      | 10,447                                | 5,195                                 |
| Preferred shares issuance costs   |       | (19)                                   | -                                      | (352)                                 | (1,676)                               |
| Shares repurchase   |       | -                                      | -                                      | -                                     | (11,941)                              |
| Distributions to non-controlling interest                               |       | -                                      | -                                      | -                                     | (9,603)                               |
| <b>Cash inflow (outflow) from financing activities</b>                  |       | <b>(8,244)</b>                         | <b>(722)</b>                           | <b>62,024</b>                         | <b>(12,714)</b>                       |
| <b>Effect of foreign currency translation on cash balances</b>          |       | <b>1,047</b>                           | <b>1,390</b>                           | <b>71</b>                             | <b>373</b>                            |
| <b>Net cash inflow (outflow)</b>  |       | <b>(8,325)</b>                         | <b>42,843</b>                          | <b>(39,961)</b>                       | <b>41,417</b>                         |
| Cash and cash equivalents, beginning of period                          |       | 17,225                                 | 55,950                                 | 48,861                                | 57,376                                |
| <b>Cash and cash equivalents, end of period</b>                         |       | <b>\$ 8,900</b>                        | <b>\$ 98,793</b>                       | <b>\$ 8,900</b>                       | <b>\$ 98,793</b>                      |
| <b>Supplemental cash flow information:</b>                              |       |  |  |                                       |                                       |
| Interest paid   |       | \$ 12,428                              | \$ 7,938                               | \$ 38,873                             | \$ 26,833                             |

See accompanying notes to the interim condensed consolidated financial statements

# Notes to the interim condensed consolidated financial statements

For the nine months ended December 31, 2018  
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

## 1 ORGANIZATION

Just Energy Group Inc. ("Just Energy") is a corporation established under the laws of Canada to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates. The registered office of Just Energy is First Canadian Place, 100 King Street West, Toronto, Ontario, Canada. The unaudited interim condensed consolidated financial statements ("Interim Financial Statements") consist of Just Energy and its subsidiaries and affiliates. The Interim Financial Statements were approved by the Board of Directors on February 6, 2019.

## 2 OPERATIONS

Just Energy is a leading consumer company focused on essential needs, including electricity and natural gas commodities; on health and well-being, through products such as water quality and filtration devices; and on utility conservation, bringing energy efficient solutions and renewable energy options to consumers. Currently operating in the United States ("U.S."), Canada, the United Kingdom ("U.K."), Germany, Ireland and Japan, Just Energy serves residential and commercial customers. Just Energy is the parent company of Amigo Energy, EdgePower Inc., Filter Group Inc., Green Star Energy, Hudson Energy, Interactive Energy Group, Just Energy Advanced Solutions, Tara Energy and terrapass.

By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Flat-bill products allow customers to pay a flat rate each month regardless of usage. Just Energy derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the related price at which it purchases the associated volumes from its suppliers.

Through the Filter Group business acquired by Just Energy on October 1, 2018, Just Energy provides subscription-based home water filtration systems to residential customers, including under-counter and whole-home water filtration solutions. In addition, Just Energy markets smart thermostats, offering the thermostats as a stand-alone unit or bundled with certain commodity products. The smart thermostats are manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds a 7.9% fully diluted equity interest. Just Energy also offers green products through its JustGreen program. The JustGreen electricity product offers customers the option of having all or a portion of their electricity sourced from renewable green sources such as wind, solar, hydropower or biomass. The JustGreen gas product offers carbon offset credits that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. Additional green products allow customers to offset their carbon footprint without buying energy commodity products and can be offered in all states and provinces without being dependent on energy deregulation. Just Energy also provides energy management solutions to both Consumer and Commercial customers in the form of value-added products and services which include, but are not limited to, smart irrigation controllers, LED retrofit lighting and HVAC controls, as well as enterprise monitoring.

## 3 FINANCIAL STATEMENT PREPARATION

### (a) Statement of compliance with IFRS

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), utilizing the accounting policies Just Energy outlined in its March 31, 2018 annual audited consolidated financial statements. Accordingly, certain information and footnote disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

### (b) Basis of presentation and interim reporting

These Interim Financial Statements should be read in conjunction with and follow the same accounting policies and methods of application as those used in the annual audited consolidated financial statements for the years ended March 31, 2018 and 2017 except for the adoption of IFRS 9 and 15 as discussed in Note 5.

The Interim Financial Statements are presented in Canadian dollars, the functional currency of Just Energy, and all values are rounded to the nearest thousand, except where otherwise indicated. The Interim Financial Statements are prepared on a going concern basis under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

The interim operating results are not necessarily indicative of the results that may be expected for the full year ending March 31, 2019, due to seasonal variations resulting in fluctuations in quarterly results. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June.

**(c) Principles of consolidation**

The Interim Financial Statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at December 31, 2018. Subsidiaries and affiliates are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries and affiliates are prepared for the same reporting period as Just Energy, using consistent accounting policies. All intercompany balances, sales, expenses and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

**4 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**IFRS 16, Leases ("IFRS 16")**, was issued by the IASB in January 2016. This guidance brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Furthermore, per the standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method like IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less, and on a lease-by-lease basis. IFRS 16 supersedes IAS 17, Leases, and its related interpretations, and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), has also been applied. Just Energy has not yet assessed the impact of this standard. Just Energy will adopt IFRS 16 beginning April 1, 2019.

IFRIC 23, Uncertainty over Income Tax Treatments, was issued by the IASB in June 2017. This interpretation provides guidance to be applied in the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation is effective for annual periods beginning on or after January 1, 2019. Just Energy has not yet assessed the impact of this standard.

**5 ACCOUNTING POLICIES AND NEW STANDARDS ADOPTED**

**IFRS 15, Revenue from Contracts with Customers**

Just Energy has adopted IFRS 15, as issued by the IASB in July 2014, effective January 1, 2018. The new accounting policies have been applied from April 1, 2018 and, in accordance with the transitional provisions in IFRS 15, comparative figures have not been restated. Just Energy adopted IFRS 15 using the modified retrospective method, applying the practical expedient in paragraph C5(c) under which the aggregate effect of all modifications on the date of initial application is reflected. Accordingly, transition adjustments have been recognized through equity as at April 1, 2018.

IFRS 15 replaces the provisions of IAS 18, Revenue, that relates to all revenue from contracts from customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

**Accounting policies**

The following accounting policies are applicable to the accounting for all revenue arising from contracts with customers, unless those contracts are in the scope of other standards in the quarter ended April 1, 2018 and onwards. Please refer to the accounting policies outlined in the March 31, 2018 annual audited consolidated financial statements for details on accounting policies applicable to comparative amounts.

**Gas and electricity**

**Sales**

Just Energy historically recognized revenue based on consumption of the commodity by the customer. Oftentimes, the billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes. Gas and electricity that have been consumed by a customer, but not yet billed to that customer, are estimated on an accrual basis and included in revenue during the period in which they were consumed. These accrual amounts result in contract assets and are presented as unbilled revenues under IFRS 15. Unbilled revenues are assessed for impairment in accordance with IFRS 9.

Upon the adoption of IFRS 15, there is no change in the revenue recognition for gas and electricity sales. Just Energy has identified that the material performance obligation is the provision of gas and electricity to customers, which is satisfied over time throughout the contract term. Just Energy utilizes the output method to recognize revenue based on the units of gas and electricity delivered and billed to the customer each month. Just Energy has elected to adopt the practical expedient to recognize revenue in the amount to which the entity has a right to invoice, as the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance to date.

**Expenses**

Historically, North American residential sales commissions and incentives paid to brokers, employees or third parties for acquiring new contracts with customers were recognized as selling expenses as they were incurred.

Upon the adoption of IFRS 15, incremental costs to obtain a contract with a customer are capitalized if expected to be recovered. As such, Just Energy commenced capitalizing all upfront sales commissions, incentives and third party verification costs that meet the criteria for capitalization. These expenses are deferred and amortized over the average customer relationship period, which is estimated to be between two and five years, based on historical blended attrition rates, including expected renewal periods by region. Just Energy has elected under the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred if the contract length is one year or less.

**Impact on financial statements**

The cumulative effect of changes made to the April 1, 2018 interim condensed consolidated statement of financial position for the adoption of IFRS 15 was as follows, and had a deferred tax liability effect of \$7,493:

|                                     | Carrying amount    |                |
|-------------------------------------|--------------------|----------------|
|                                     | Original<br>IAS 18 | New<br>IFRS 15 |
| <b>Current assets</b>               |                    |                |
| Customer acquisition costs          | \$ 31,852          | \$ 43,152      |
| <b>Non-current financial assets</b> |                    |                |
| Customer acquisition costs          | \$ 17,101          | \$ 34,162      |

The following table shows the effect of IFRS 15 adoption on the interim condensed consolidated statement of financial position as at December 31, 2018:

|                                     | As at<br>Dec. 30,<br>2018<br>(reported) | Balances<br>without<br>adoption<br>of IFRS 15 | Effect<br>of change<br>higher (lower) |
|-------------------------------------|---|---|---------------------------------------|
| <b>Current assets</b>               |   |   |                                       |
| Customer acquisition costs          | \$ 69,012                               | \$ 30,996                                     | \$ 38,016                             |
| <b>Non-current financial assets</b> |   |   |                                       |
| Customer acquisition costs          | \$ 44,212                               | \$ 18,128                                     | \$ 26,084                             |

The following table shows the effect of the adoption of IFRS 15 on the interim condensed consolidated statements of comprehensive income (loss) for the three and nine months ended December 31, 2018:

|  | <b>For the<br/>three months<br/>ended<br/>Dec. 31,<br/>2018<br/>(reported)</b> | Balances<br>without<br>adoption<br>of IFRS 15 | Effect of<br>change<br>higher<br>(lower) | <b>For the<br/>nine months<br/>ended<br/>Dec. 31,<br/>2018<br/>(reported)</b> | Balances<br>without<br>adoption<br>of IFRS 15 | Effect of<br>change<br>higher<br>(lower) |
|--|--|---|--|---|---|--|
| <b>Sales</b>   | <b>\$ 966,653</b>  | \$ 966,653                                    | \$ -                                     | <b>\$ 2,799,953</b>   | \$ 2,799,953                                  | \$ -                                     |
| Cost of sales  | <b>778,140</b>   | 778,140                                       | -  | <b>2,284,569</b>  | 2,284,569                                     | -  |
| Gross margin   | <b>188,513</b>   | 188,513                                       | -  | <b>515,384</b>  | 515,384                                       | -  |
| <b>Expenses</b>  |  |   |  |   |   |  |
| Administrative   | <b>56,031</b>  | 56,031  | -  | <b>170,221</b>  | 170,221                                       | -  |
| Selling and marketing  | <b>57,255</b>  | 64,769  | (7,514)                                  | <b>164,547</b>  | 191,436                                       | (26,889)                                 |
| Other operating expenses   | <b>30,120</b>  | 30,120  | -  | <b>89,771</b>   | 89,771  | -  |
|  | <b>143,406</b>   | 150,920                                       | (7,514)                                  | <b>424,539</b>  | 451,428                                       | (26,889)                                 |
| <b>Operating profit before<br/>the following</b>                 | <b>45,107</b>  | 37,593  | 7,514                                    | <b>90,845</b>   | 63,956  | 26,889                                   |
| Finance costs  | <b>(22,762)</b>  | (22,762)                                      | -  | <b>(59,225)</b>   | (59,225)                                      | -  |
| Change in fair value of derivative<br>instruments and other      | <b>(1,515)</b>   | (1,515)                                       | -  | <b>(62,003)</b>   | (62,003)                                      | -  |
| Change in fair value of Filter<br>Group contingent consideration | <b>(5,462)</b>   | (5,462)                                       | -  | <b>(5,462)</b>  | (5,462)                                       | -  |
| Other income   | <b>2,569</b>   | 2,569   | -  | <b>5,282</b>  | 5,282   | -  |
| <b>Profit (loss) before income taxes</b>                         | <b>17,937</b>  | 10,423  | 7,514                                    | <b>(35,563)</b>   | 57,452  | 26,889                                   |
| <b>Provision for (recovery of)<br/>income taxes</b>              | <b>(9,088)</b>   | (9,088)                                       | -  | <b>5,285</b>  | 5,285   | -  |
| <b>Profit (loss) for the period</b>                              | <b>\$ 27,025</b>   | \$ 19,511                                     | \$ 7,514                                 | <b>\$ (35,848)</b>  | \$ 62,737                                     | \$ 26,889                                |
| Attributable to:   |  |   |  |   |   |  |
| Shareholders of Just Energy                                      | <b>\$ 27,059</b>   | \$ 19,545                                     | \$ 7,514                                 | <b>\$ (35,703)</b>  | \$ 62,592                                     | \$ 26,889                                |
| Non-controlling interest   | <b>(34)</b>  | (34)  | -  | <b>(145)</b>  | (145)   | -  |
| <b>Profit (loss) for the period</b>                              | <b>\$ 27,025</b>   | \$ 19,511                                     | \$ 7,514                                 | <b>\$ (35,848)</b>  | \$ 62,737                                     | \$ 26,889                                |
| <b>Profit (loss) per share available<br/>to shareholders</b>     |  |   |  |   |   |  |
| Basic  | <b>\$ 0.17</b>   | \$ 0.12                                       | \$ 0.05                                  | <b>\$ (0.28)</b>  | \$ 0.46                                       | \$ 0.18                                  |
| Diluted  | <b>\$ 0.16</b>   | \$ 0.12                                       | \$ 0.04                                  | <b>\$ (0.28)</b>  | \$ 0.46                                       | \$ 0.18                                  |

IFRS 15 did not impact any revenue amounts related to historical or current revenue recognition. The key factors driving revenue segmentation are related to differentiation between the business divisions, which are disclosed in Note 13.

The majority of Just Energy's customer contracts meet IFRS 15's B16 practical expedient where Just Energy has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date. While there is no change in revenue recognition upon the adoption of IFRS 15 for flat-bill customer contracts, they do not meet the B16 practical expedient and therefore require the following disclosure for the contracts that have a duration of one year or more:

The aggregate of contractual amounts allocated to performance obligations related to flat-bill contracts that are unsatisfied as at December 31, 2018 is \$97,938.

Just Energy expects to recognize revenue on these flat-bill contracts in the amounts of:

|   | January 1,<br>2019 to<br>March 31,<br>2019 | April 1,<br>2019 to<br>March 31,<br>2020 | April 1,<br>2020 to<br>March 31,<br>2021 | April 1,<br>2021 to<br>March 31,<br>2022 | Years<br>thereafter | Total     |
|---|--|--|--|--|---------------------|-----------|
| Gas and electricity flat-bill contracts | \$ 8,698                                   | \$ 34,205                                | \$ 25,780                                | \$ 15,259                                | \$ 13,996           | \$ 97,938 |

### IFRS 9, Financial Instruments

Just Energy has adopted IFRS 9, Financial Instruments ("IFRS 9"), as issued by the IASB in July 2014, effective April 1, 2018. The new accounting policies have been applied from April 1, 2018 and, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Just Energy has adopted IFRS 9 retrospectively, and accordingly, transition adjustments have been recognized through equity as at April 1, 2018.

IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, Financial Instruments: Disclosures.

#### (a) Accounting policy for financial instruments under IFRS 9

The following accounting policy is applicable to the accounting for financial instruments in the quarter ended April 1, 2018 and onwards. Please refer to the accounting policies Just Energy outlined in its March 31, 2018 annual audited consolidated financial statements for details on the financial instruments accounting policies applicable to comparative amounts.

#### Financial assets

##### (i) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade date, being the date on which Just Energy commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Just Energy has transferred substantially all the risks and rewards of ownership.

##### (ii) Classification

From April 1, 2018, Just Energy classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (loss) ("OCI") or through profit or loss); and
- Those to be measured at amortized cost.

The measurement category classification of financial assets depends on Just Energy's business objectives for managing the financial assets and whether contractual terms of the cash flow are considered solely payments of principal and interest. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income (loss) depending upon the business objective.

Just Energy reclassifies debt instruments when and only when its business objective for managing those assets changes.

##### (iii) Measurement

At initial recognition, Just Energy measures a financial asset at its fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset are included in measurement at initial recognition. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on Just Energy's business objective for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which Just Energy classifies its debt instruments:

**Amortized cost:** Assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Cash and cash equivalents, restricted cash, trade and other receivables are included in this category.

**Fair value through other comprehensive income ("FVOCI"):** Assets held to achieve a particular business objective, by collecting contractual cash flows and selling financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Just Energy has not classified any investments in this category.

Fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss. Just Energy classifies its derivatives and its investments in equity securities at FVTPL due to the fact that they do not meet the criteria for classification at amortized cost as the contractual cash flows are not solely payments of principal and interest.

Just Energy's equity instruments are carried at FVTPL, and gains and losses are recorded in profit or loss.

**(iv) Impairment**

Just Energy assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized cost, including other receivables. For trade and other receivables only, Just Energy applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Trade receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off.

ECL are measured as the difference in the present value of the contractual cash flows that are due to Just Energy under the contract, and the cash flows that Just Energy expects to receive. Just Energy assesses all information available, including past due status, credit ratings, the existence of third party insurance and forward-looking macroeconomic factors in the measurement of the ECL associated with its assets carried at amortized cost. Just Energy measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

**(b) New classification categories of financial instruments on adoption of IFRS 9**

As at April 1, 2018, the date of initial application, Just Energy's financial instruments and new classification categories under IFRS 9 were as follows:

|  | Classification category     |                |
|--|-----------------------------|----------------|
|  | Original IAS 39             | New IFRS 9     |
| <b>Current financial assets</b>          |                             |                |
| Cash and cash equivalents                | Loans and receivables       | Amortized cost |
| Restricted cash                          | Loans and receivables       | Amortized cost |
| Trade and other receivables              | Loans and receivables       | Amortized cost |
| Derivative assets                        | FVTPL                       | FVTPL          |
| <b>Non-current financial assets</b>      |                             |                |
| Investments                              | FVOCI and FVTPL             | FVTPL          |
| Derivative assets                        | FVTPL                       | FVTPL          |
| <b>Current financial liabilities</b>     |                             |                |
| Trade and other payables                 | Other financial liabilities | Amortized cost |
| Derivative liabilities                   | FVTPL                       | FVTPL          |
| Current portion of long-term debt        | Other financial liabilities | Amortized cost |
| <b>Non-current financial liabilities</b> |                             |                |
| Long-term debt                           | Other financial liabilities | Amortized cost |
| Derivative liabilities                   | FVTPL                       | FVTPL          |

Upon adoption of IFRS 9, the investment in ecobee is classified as FVTPL instead of available-for-sale, resulting in a movement of \$17,863 relating to the unrealized gain on revaluation of investments, net of tax from OCI to accumulated earnings on April 1, 2018.



**(c) Reconciliation of lifetime expected credit loss balance from IAS 39 to IFRS 9**

The following table reconciles the closing lifetime expected credit loss for financial assets and contract assets in accordance with IAS 39 as at March 31, 2018 to the opening allowance for credit losses as at April 1, 2018.

|                             | Impairment allowance under IAS 39 as at March 31, 2018 | Remeasurement | Lifetime expected credit loss under IFRS 9 as at April 1, 2018 |
|-----------------------------|--|---------------|--|
| Trade and other receivables | \$ 60,121  | \$ 11,237     | \$ 71,358  |
| Unbilled revenues           | \$ -   | \$ 12,399     | \$ 12,399  |

**(d) Impairment of financial assets**

Just Energy has two types of financial assets subject to IFRS 9's new ECL model: (i) trade and other receivables and (ii) unbilled revenues. Just Energy was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade and other receivables, Just Energy applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and unbilled revenues. Measurement of ECL resulted in an increase to the provision for trade receivables and unbilled revenues of \$23,636, which was recorded as at April 1, 2018. This was before the tax impact of \$5,616, which reduced the deferred tax liability, as at April 1, 2018.

**(e) Derivatives and hedging activities**

Just Energy did not apply hedge accounting under IAS 39, nor under IFRS 9.

**6 TRADE AND OTHER RECEIVABLES**

|                                | As at Dec. 31, 2018 | As at March 31, 2018 |
|--------------------------------|---------------------|----------------------|
| Trade account receivables, net | \$ 422,512          | \$ 332,083           |
| Accrued gas receivables        | 5,519               | 15,893               |
| Unbilled revenues              | 323,000             | 301,577              |
| Other                          | 35,821              | 47,754               |
|                                | <b>\$ 786,852</b>   | <b>\$ 697,307</b>    |

**7 OTHER CURRENT AND NON-CURRENT ASSETS****(a) Other current assets**

|  | As at Dec. 31, 2018 | As at March 31, 2018 |
|--|---------------------|----------------------|
| Prepaid expenses and deposits          | \$ 37,156           | \$ 32,561            |
| Customer acquisition costs             | 69,012              | 31,852               |
| Green certificates                     | 33,746              | 42,230               |
| Gas delivered in excess of consumption | 9,895               | 2,715                |
| Inventory                              | 2,550               | 339                  |
|  | <b>\$ 152,359</b>   | <b>\$ 109,697</b>    |

**(b) Other non-current assets**

|                            | As at Dec. 31, 2018 | As at March 31, 2018 |
|----------------------------|---------------------|----------------------|
| Customer acquisition costs | \$ 44,212           | \$ 17,101            |
| Income taxes recoverable   | 4,009               | 2,336                |
| Other long-term assets     | 3,618               | 550                  |
|                            | <b>\$ 51,839</b>    | <b>\$ 19,987</b>     |

## 8 FINANCIAL INSTRUMENTS

### (a) Fair value of derivative financial instruments and other

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Management has estimated the value of financial swaps, physical forwards and option contracts for electricity, natural gas, carbon and renewable energy certificates, and generation and transmission capacity contracts using a discounted cash flow method, which employs market forward curves that are either directly sourced from third parties or developed internally based on third party market data. These curves can be volatile, thus leading to volatility in the mark to market with no immediate impact to cash flows. Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded options. Management periodically uses non-exchange traded swap agreements based on cooling degree days ("CDDs") and heating degree days ("HDDs") measured in its utility service territories to reduce the impact of weather volatility on Just Energy's electricity volumes, commonly referred to as "weather derivatives". The fair value of these swaps on a given measurement station indicated in the derivative contract are determined by calculating the difference between the agreed strike and expected variable observed at the same station.

The following table illustrates gains (losses) related to Just Energy's derivative financial instruments classified as FVTPL and recorded on the interim condensed consolidated statements of financial position as fair value of derivative financial assets and fair value of derivative financial liabilities, with their offsetting values recorded in change in fair value of derivative instruments and other on the interim condensed consolidated statements of income (loss).

#### Change in fair value of derivative instruments and other

|   | Three months<br>ended<br>Dec. 31,<br>2018 | Three months<br>ended<br>Dec. 31,<br>2017 | Nine months<br>ended<br>Dec. 31,<br>2018 | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---|---|---|--|--|
| Physical forward contracts and options (i)                          | \$ (13,989)                               | \$ 143,575                                | \$ (71,192)                              | \$ 159,922                               |
| Financial swap contracts and options (ii)                           | 9,160                                     | 36,847                                    | 47,206                                   | 52,871                                   |
| Foreign exchange forward contracts                                  | 3,843                                     | (689)                                     | 4,710                                    | (2,754)                                  |
| Share swap  | 3,073                                     | (3,957)                                   | (2,488)                                  | (5,764)                                  |
| Unrealized foreign exchange on 6.5% convertible bond and 8.75% loan | (15,487)                                  | (898)                                     | (15,700)                                 | 11,199                                   |
| 6.5% convertible bond conversion feature                            | -   | 2,840                                     | 247                                      | 7,740                                    |
| Weather derivatives (iii)   | (4,224)                                   | -   | (34,405)                                 | -  |
| Other derivative options  | 16,109                                    | 6,041                                     | 9,619                                    | 239                                      |
| <b>Change in fair value of derivative instruments and other</b>     | <b>\$ (1,515)</b>                         | <b>\$ 183,759</b>                         | <b>\$ (62,003)</b>                       | <b>\$ 223,453</b>                        |

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statement of financial position as at December 31, 2018:

|  | Financial<br>assets<br>(current) | Financial<br>assets<br>(non-current) | Financial<br>liabilities<br>(current) | Financial<br>liabilities<br>(non-current) |
|--|----------------------------------|--------------------------------------|---------------------------------------|---|
| Physical forward contracts and options (i) | \$ 145,955                       | \$ 34,831                            | \$ 25,206                             | \$ 25,068                                 |
| Financial swap contracts and options (ii)  | 25,984                           | 6,372                                | 13,710                                | 14,141                                    |
| Foreign exchange forward contracts         | (94)                             | 3,232                                | -                                     | -   |
| Share swap                                 | -                                | -                                    | 10,888                                | -   |
| Weather derivatives (iii)                  | 9,430                            | -                                    | -                                     | -   |
| Other derivative options                   | 15,927                           | 7,684                                | 1,571                                 | 653                                       |
| <b>As at December 31, 2018</b>             | <b>\$ 197,202</b>                | <b>\$ 52,119</b>                     | <b>\$ 51,375</b>                      | <b>\$ 39,862</b>                          |

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statement of financial position as at March 31, 2018:

|  | Financial<br>assets<br>(current) | Financial<br>assets<br>(non-current) | Financial<br>liabilities<br>(current) | Financial<br>liabilities<br>(non-current) |
|--|----------------------------------|--------------------------------------|---------------------------------------|---|
| Physical forward contracts and options   | \$ 198,891                       | \$ 60,550                            | \$ 32,451                             | \$ 29,003                                 |
| Financial swap contracts and options     | 8,133                            | 1,342                                | 34,369                                | 22,117                                    |
| Foreign exchange forward contracts       | -                                | -                                    | 1,068                                 | 505                                       |
| Share swap                               | -                                | -                                    | 18,400                                | -   |
| 6.5% convertible bond conversion feature | -                                | -                                    | -                                     | 246                                       |
| Other derivative options                 | 11,745                           | 2,770                                | -                                     | -   |
| <b>As at March 31, 2018</b>              | <b>\$ 218,769</b>                | <b>\$ 64,662</b>                     | <b>\$ 86,288</b>                      | <b>\$ 51,871</b>                          |

Below is a summary of the financial instruments classified through profit or loss as at December 31, 2018, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 37,553,624 MWh, a weighted average price of \$51.20/MWh and expiry dates up to September 30, 2028.
- Natural gas contracts with a total remaining volume of 99,308,364 GJs, a weighted average price of \$3.85/GJ and expiry dates up to December 31, 2024.
- Renewable energy certificates ("RECs") and emission-reduction credit contracts with a total remaining volume of 3,561,521 MWh and 196,200 tonnes, respectively, a weighted average price of \$29.12/REC and \$3.28/tonne, respectively, and expiry dates up to December 31, 2028 and December 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 4,352 MWhCap, a weighted average price of \$4,924.08/MWhCap and expiry dates up to October 31, 2022.
- Ancillary contracts with a total remaining volume of 857,880 MWh, a weighted average price of \$23.29/MWh and expiry dates up to December 31, 2020.
- Heat rate contracts with a total remaining volume of 12,400 MWh, a weighted average price of \$28.02/MWh and expiry dates up to January 31, 2019.

(ii) Financial swap contracts and options consist of:

- Electricity contracts with a total remaining volume of 12,427,564 MWh, an average price of \$47.99/MWh and expiry dates up to November 30, 2024.
- Natural gas contracts with a total remaining volume of 132,840,923 GJs, an average price of \$3.73/GJ and expiry dates up to December 31, 2024.
- Electricity generation capacity contracts with a total remaining volume of 99 MWhCap, a weighted average price of \$162,000.44/MWhCap and expiry dates up to October 31, 2020.
- Ancillary contracts with a total remaining volume of 1,468,080 MWh, a weighted average price of \$21.98/MWh and expiry dates up to December 31, 2020.

(iii) Weather derivatives consist of:

- Weather swaps for HDDs with temperature strike values of 25.00–30.00 Fahrenheit and power strike prices of \$100.00/MWh and an expiry date of February 28, 2019.
- HDD collar options with put strike values ranging from 943 to 4,919 HDD and call strike values ranging from 1,143 to 5,119 HDD.
- HDD natural gas swaps with strike prices based on certain natural gas futures contracts in accordance with the Intercontinental Exchange and strike values ranging from 130 to 1,255 HDD.
- HDD natural gas swaps with strike prices ranging from \$1.47 to \$9.05/MmBTU and strike values ranging from 273 to 1,255 HDD.

These derivative financial instruments create a credit risk for Just Energy since they have been transacted with a limited number of counterparties. Should any counterparty be unable to fulfill its obligations under the contracts, Just Energy may not be able to realize the financial assets' balance recognized in the consolidated financial statements.

#### Share swap agreement

Just Energy has entered into a share swap agreement to manage the interim condensed consolidated statements of income (loss) volatility associated with the Company's restricted share grant and deferred share grant plans. The value, on inception, of the 2,500,000 shares under this share swap agreement was approximately \$33,803. On August 22, 2018, Just Energy reduced the notional value of the share swap to \$23,803 through a payment of \$10,000 and renewed the share swap agreement for an additional year. Net monthly settlements received under the share swap agreement are recorded in other income. Just Energy records the fair value of the share swap agreement in the non-current derivative financial liabilities on the interim condensed consolidated statements of financial position. Changes in the fair value of the share swap agreement are recorded through the interim condensed consolidated statements of income (loss) as a change in fair value of derivative instruments and other.

#### Fair value ("FV") hierarchy derivatives

##### Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted unadjusted market prices.

##### Level 2

Fair value measurements that require observable inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, significant inputs must be directly or indirectly observable in the market. Just Energy values its New York Mercantile Exchange ("NYMEX") financial gas fixed-for-floating swaps under Level 2.

##### Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. For the supply contracts, Just Energy uses quoted market prices as per available market forward data and applies a price-shaping profile to calculate the monthly prices from annual strips and hourly prices from block strips for the purposes of mark to market calculations. The profile is based on historical settlements with counterparties or with the system operator and is considered an unobservable input for the purposes of establishing the level in the FV hierarchy. For the natural gas supply contracts, Just Energy uses three different market observable curves: (i) Commodity (predominately NYMEX), (ii) Basis and (iii) Foreign exchange. NYMEX curves extend for over five years (thereby covering the length of Just Energy's contracts); however, most basis curves extend only 12 to 15 months into the future. In order to calculate basis curves for the remaining years, Just Energy uses extrapolation, which leads natural gas supply contracts to be classified under Level 3.

Weather derivatives are non-exchange traded financial instruments used as part of a risk management strategy to mitigate the impact adverse weather conditions have on gross margin. The fair values of the derivatives are determined using an internally developed model that relies upon both observable inputs and significant unobservable inputs. Accordingly, the fair values of these derivatives are classified as Level 3. Market and contractual inputs to these models vary by contract type and would typically include notional amounts, reference weather stations, strike prices, temperature strike values, terms to expiration, historical weather data and historical commodity prices. The historical weather data and commodity prices were utilized to value the expected payouts with respect to weather derivatives and, as a result, are the most significant assumptions contributing to the determination of fair value estimates, and changes in these inputs can result in a significantly higher or lower fair value measurement.

For the share swap, Just Energy uses a forward interest rate curve along with a volume weighted average share price.

Just Energy's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2 or Level 3 during the three and nine months ended December 31, 2018 or the year ended March 31, 2018.

#### Fair value measurement input sensitivity

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. Just Energy provides a sensitivity analysis of these forward curves under the "Market risk" section of this note. Other inputs, including volatility and correlations, are driven off historical settlements.

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at December 31, 2018:

|  | Level 1     | Level 2            | Level 3           | Total             |
|--|-------------|--------------------|-------------------|-------------------|
| Derivative financial assets                      | \$ -        | \$ -               | \$ 249,321        | \$ 249,321        |
| Derivative financial liabilities                 | -           | (11,261)           | (79,976)          | (91,237)          |
| <b>Total net derivative assets (liabilities)</b> | <b>\$ -</b> | <b>\$ (11,261)</b> | <b>\$ 169,345</b> | <b>\$ 158,084</b> |

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at March 31, 2018:

|  | Level 1     | Level 2            | Level 3           | Total             |
|--|-------------|--------------------|-------------------|-------------------|
| Derivative financial assets                      | \$ -        | \$ -               | \$ 283,431        | \$ 283,431        |
| Derivative financial liabilities                 | -           | (21,092)           | (117,067)         | (138,159)         |
| <b>Total net derivative assets (liabilities)</b> | <b>\$ -</b> | <b>\$ (21,092)</b> | <b>\$ 166,364</b> | <b>\$ 145,272</b> |

A key assumption used when determining the significant unobservable inputs included in Level 3 of the FV hierarchy consists of up to 5% price extrapolation to calculate monthly prices that extend beyond the market observable 12- to 15-month forward curve.

The following table illustrates the changes in net fair value of financial assets (liabilities) classified as Level 3 in the FV hierarchy for the following periods:

|                                     | Nine months ended<br>Dec. 31,<br>2018 | Year ended<br>March 31,<br>2018 |
|-------------------------------------|---------------------------------------|---------------------------------|
| <b>Balance, beginning of period</b> | <b>\$ 166,364</b>                     | \$ (315,110)                    |
| Total gains                         | <b>96,401</b>                         | 105,709                         |
| Purchases                           | <b>137,420</b>                        | 207,531                         |
| Sales                               | <b>(71,012)</b>                       | (64,464)                        |
| Settlements                         | <b>(159,828)</b>                      | 232,698                         |
| <b>Balance, end of period</b>       | <b>\$ 169,345</b>                     | \$ 166,364                      |

**(b) Classification of non-derivative financial assets and liabilities**

As at December 31, 2018 and March 31, 2018, the carrying value of cash and cash equivalents, restricted cash, current trade and other receivables, and trade and other payables approximates their fair value due to their short-term nature.

Long-term debt recorded at amortized cost has a fair value as at December 31, 2018 of \$696.7 million (March 31, 2018 – \$570.1 million) and the interest payable on outstanding amounts is at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate, with the exceptions of the 8.75% loan, 6.75% \$100M convertible debentures, 6.75% \$160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures, which are fair valued based on market value. The 6.75% \$100M convertible debentures, 6.75% \$160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures are classified as Level 1 in the FV hierarchy.

Investments in equity instruments have a fair value as at December 31, 2018 of \$37.0 million (March 31, 2018 – \$36.3 million) and are measured based on Level 2 of the fair value hierarchy. Level 2 inputs for non-derivative financial assets include quoted prices for similar assets in active markets, and quoted prices for identical or similar assets that are not active.

No adjustments were made in the quarter in valuing the investment in ecobee or Energy Earth. Movements are related to foreign exchange revaluations.

The following table illustrates the classification of investments in the FV hierarchy as at December 31, 2018:

|                            | Level 1     | Level 2          | Level 3     | Total            |
|----------------------------|-------------|------------------|-------------|------------------|
| Investment in ecobee       | \$ -        | \$ 32,889        | \$ -        | \$ 32,889        |
| Investment in Energy Earth | -           | 4,092            | -           | 4,092            |
| <b>Total investments</b>   | <b>\$ -</b> | <b>\$ 36,981</b> | <b>\$ -</b> | <b>\$ 36,981</b> |

The risks associated with Just Energy's financial instruments are as follows:

**(i) Market risk**

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which Just Energy is exposed are discussed below.

**Foreign currency risk**

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investments in U.S. and international operations.

The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Just Energy's income, as a portion of Just Energy's income is generated in U.S. dollars and is subject to currency fluctuations upon translation to Canadian dollars. Due to its growing operations in the U.S. and Europe, Just Energy expects to have a greater exposure to foreign currency fluctuations in the future than in prior years. Just Energy has economically hedged between 50% and 90% of forecasted cross border cash flows that are expected to occur within the next 12 months and between 0% and 50% of certain forecasted cross border cash flows that are expected to occur within the following 13 to 24 months. The level of economic hedging is dependent on the source of the cash flow and the time remaining until the cash repatriation occurs.

Just Energy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged.

With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the period ended December 31, 2018, assuming that all the other variables had remained constant, loss for the period would have been \$3.2 million lower/higher and OCI would have been \$17.7 million lower/higher.

**Interest rate risk**

Just Energy is only exposed to interest rate fluctuations associated with its floating rate credit facility. Just Energy's current exposure to interest rates does not economically warrant the use of derivative instruments. Just Energy's exposure to interest rate risk is relatively immaterial and temporary in nature. Just Energy does not currently believe that its long-term debt exposes the Company to material interest rate risks but has set out parameters to actively manage this risk within its Risk Management Policy.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) of approximately \$630 in profit before income taxes for the three months ended December 31, 2018 (2017 – \$496).

**Commodity price risk**

Just Energy is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the gas and electricity portfolios which also feed a Value at Risk limit. Should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. Just Energy's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Just Energy enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that shareholder dividends can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of Just Energy to manage and monitor the above market risks could have a material adverse effect on the operations and cash flows of Just Energy. Just Energy mitigates the exposure to variances in customer requirements that are driven by changes in expected weather conditions through active management of the underlying portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the degree to which weather conditions deviate from normal.

**Commodity price sensitivity – all derivative financial instruments**

If all the energy prices associated with derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the three months ended December 31, 2018 would have increased (decreased) by \$252,121 (\$250,095), primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

**Commodity price sensitivity – Level 3 derivative financial instruments**

If the energy prices associated with only Level 3 derivative financial instruments including natural gas, electricity, verified emission-reduction credits and renewable energy certificates had risen (fallen) by 10%, assuming that all of the other variables had remained constant, profit before income taxes for the three months ended December 31, 2018 would have increased (decreased) by \$254,391 (\$252,372), primarily as a result of the change in fair value of Just Energy's derivative financial instruments.

**(ii) Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Just Energy is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

**Customer credit risk**

In Alberta, Texas, Illinois, California, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and JustGreen U.S., Just Energy has customer credit risk and, therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all the above markets.

The aging of the accounts receivable from the above markets was as follows:

|              | <b>Dec. 31,<br/>2018</b> | March 31,<br>2018 |
|--------------|--------------------------|-------------------|
| Current      | <b>\$ 104,685</b>        | \$ 113,786        |
| 1-30 days    | <b>42,416</b>            | 44,374            |
| 31-60 days   | <b>19,007</b>            | 21,241            |
| 61-90 days   | <b>19,310</b>            | 12,686            |
| Over 90 days | <b>113,668</b>           | 69,207            |
|              | <b>\$ 299,086</b>        | \$ 261,294        |

Changes in the expected lifetime credit loss were as follows:

|                                     | <b>Dec. 31,<br/>2018</b> | March 31,<br>2018 |
|-------------------------------------|--------------------------|-------------------|
| <b>Balance, beginning of period</b> | <b>\$ 60,121</b>         | \$ 49,431         |
| Provision for doubtful accounts     | <b>65,389</b>            | 56,300            |
| Bad debts written off               | <b>(40,958)</b>          | (41,802)          |
| Adjustment from IFRS 9 adoption     | <b>23,636</b>            | -                 |
| Foreign exchange                    | <b>421</b>               | (3,808)           |
| <b>Balance, end of period</b>       | <b>\$ 108,609</b>        | \$ 60,121         |

In the remaining markets, the local distribution companies ("LDCs") provide collection services and assume the risk of any bad debts owing from Just Energy's customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to Just Energy is minimal. There is no assurance that the LDCs providing these services will continue to do so in the future.

**Counterparty credit risk**

Counterparty credit risk represents the loss that Just Energy would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in Just Energy replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty limits are established within the Risk Management Policy. Any exceptions to these limits require approval from the Board of Directors of Just Energy. The Risk Department and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flows of Just Energy.

As at December 31, 2018, the estimated counterparty credit risk exposure amounted to \$249,321 (2017 - \$38,605), representing the risk relating to Just Energy's exposure to derivatives that are in an asset position.

**(iii) Liquidity risk**

Liquidity risk is the potential inability to meet financial obligations as they fall due. Just Energy manages this risk by monitoring detailed weekly cash flow forecasts covering a rolling six-week period, monthly cash forecasts for the next 12 months, and quarterly forecasts for the following two-year period to ensure adequate and efficient use of cash resources and credit facilities.

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of Just Energy's financial liabilities:

As at December 31, 2018:

|  | Carrying amount     | Contractual cash flows | Less than 1 year    | 1-3 years           | 4-5 years         | More than 5 years |
|--|---------------------|------------------------|---------------------|---------------------|-------------------|-------------------|
| Trade and other payables                     | \$ 754,296          | \$ 754,296             | \$ 754,296          | \$ -                | \$ -              | \$ -              |
| Long-term debt <sup>1</sup>                  | 716,133             | -                      | -                   | -                   | -                 | -                 |
| Gas, electricity and non-commodity contracts | 91,237              | 3,596,873              | 633,606             | 2,388,039           | 448,570           | 126,658           |
|  | <b>\$ 1,561,666</b> | <b>\$ 4,351,169</b>    | <b>\$ 1,387,902</b> | <b>\$ 2,388,039</b> | <b>\$ 448,570</b> | <b>\$ 126,658</b> |

As at March 31, 2018:

|  | Carrying amount     | Contractual cash flows | Less than 1 year    | 1-3 years           | 4-5 years         | More than 5 years |
|--|---------------------|------------------------|---------------------|---------------------|-------------------|-------------------|
| Trade and other payables                     | \$ 621,148          | \$ 621,148             | \$ 621,148          | \$ -                | \$ -              | \$ -              |
| Long-term debt <sup>1</sup>                  | 543,504             | 575,525                | 122,115             | 193,410             | 260,000           | -                 |
| Gas, electricity and non-commodity contracts | 138,159             | 3,171,037              | 1,867,389           | 1,202,949           | 69,658            | 31,041            |
|  | <b>\$ 1,302,811</b> | <b>\$ 4,367,710</b>    | <b>\$ 2,610,652</b> | <b>\$ 1,396,359</b> | <b>\$ 329,658</b> | <b>\$ 31,041</b>  |

<sup>1</sup> Included in long-term debt are the 6.75% \$100M convertible debentures, 6.75% \$160M convertible debentures, 6.5% convertible bonds and 5.75% convertible debentures, which may be settled through the issuance of shares at the option of the holder or Just Energy upon maturity.

In addition to the amounts noted above, as at December 31, 2018, the contractual net interest payments over the term of the long-term debt with scheduled repayment terms are as follows:

|                   | Less than 1 year | 1-3 years | 4-5 years | More than 5 years |
|-------------------|------------------|-----------|-----------|-------------------|
| Interest payments | \$ 30,077        | \$ 69,836 | \$ 33,152 | \$ -              |

**(iv) Supplier risk**

Just Energy purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Just Energy has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. As at December 31, 2018, Just Energy has applied an adjustment factor to determine the fair value of its financial instruments in the amount of \$10,183 (2017 - \$3,109) to accommodate for its counterparties' risk of default.

**9 ACQUISITION OF BUSINESSES****(a) Acquisition of EdgePower, Inc.**

On February 28, 2018, Just Energy completed the acquisition of the issued and outstanding shares of EdgePower, Inc. ("EdgePower"), a privately held energy monitoring and management company operating out of Aspen, Colorado. EdgePower provides lighting and HVAC controls, as well as enterprise monitoring, in hundreds of commercial buildings in North America. Just Energy acquired 100% of the equity interests of EdgePower for the purposes of integrating their lighting and HVAC controls with the commercial business. The fair value of the total consideration transferred is US\$14.9 million, of which US\$7.5 million was paid in cash and US\$7.4 million was settled through the issuance of 1,415,285 Just Energy common shares. The goodwill that was acquired as part of this acquisition relates primarily to the EdgePower workforce and synergies between Just Energy and EdgePower.

In addition, the former shareholders of EdgePower are entitled to a payment of up to a maximum of US\$6.0 million, payable in cash, subject to continuing employment and the achievement of certain annual and cumulative performance thresholds of the EdgePower business. The payment is calculated as 20% of EBITDA for the EdgePower business for the years of 2019-2021 with minimum thresholds that must be met. As at the acquisition date, the amount recognized for management remuneration was \$nil.



The following is the preliminary purchase price allocation for EdgePower:

**Net assets acquired**

|                            |                  |
|----------------------------|------------------|
| Working capital            | \$ 993           |
| Intangible assets          | 14,198           |
| Goodwill                   | 7,673            |
| Deferred tax liabilities   | (3,820)          |
| <b>Total consideration</b> | <b>\$ 19,044</b> |

|  |                  |
|--|------------------|
| Cash paid, net of working capital adjustment | \$ 9,534         |
| Common shares issued                         | 9,510            |
| <b>Total consideration</b>                   | <b>\$ 19,044</b> |

**(b) Acquisition of Filter Group Inc. ("Filter Group")**

On October 1, 2018, Just Energy acquired Filter Group, a leading provider of subscription-based home water filtration systems to residential customers in Canada and the United States. Headquartered in Toronto, Ontario, Filter Group currently provides under-counter and whole-home water filtration solutions to residential markets in the provinces of Ontario and Manitoba and the states of Nevada, California, Arizona, Michigan and Illinois.

Just Energy acquired all of the issued and outstanding shares of Filter Group and the shareholder loan owing by Filter Group. In addition, Filter Group had approximately \$22 million of third party Filter Group debt. The aggregate consideration payable by Just Energy under the Purchase Agreement is comprised of: (i) \$15 million in cash, fully payable within 180 days of closing; and (ii) earn-out payments of up to 9.5 million Just Energy common shares (with up to an additional 2.4 million Just Energy common shares being issuable to satisfy dividends that otherwise would have been paid in cash on the Just Energy shares issuable pursuant to the earn-out payments (the "DRIP Shares")), subject to customary closing adjustments. The earn-out payments are contingent on the achievement by Filter Group of certain performance-based milestones specified in the Purchase Agreement in each of the first three years following the closing of the acquisition. In addition, the earn-out payments may be paid 50% in cash and the DRIP Shares 100% in cash, at the option of Just Energy.

The contingent consideration relating to the potential earn-out payments over the next three years was valued at approximately \$28 million on October 1, 2018. As it does not meet the definition of equity, it is carried at fair value through profit or loss and is revalued at each reporting period. Significant assumptions affecting the measurement of contingent consideration each quarter include the Just Energy share price and the performance of Filter Group.

The goodwill was calculated as the difference between the fair value of consideration transferred and the preliminary fair value of the assets acquired and liabilities assumed. The goodwill acquired as part of the acquisition primarily represents Filter Group's workforce, operational and strategic management processes and synergies between Just Energy and Filter Group. Goodwill is not amortized for accounting; however, it is deductible for tax purposes.

As of December 31, 2018, Filter Group revenues of \$3.1 million and loss of \$0.4 million were included in the interim condensed consolidated statements of comprehensive income since October 1, 2018. On a pro forma basis, Just Energy's consolidated revenues and earnings for the period ended December 31, 2018 would have been higher by approximately \$5.0 million and lower by \$1.3 million, respectively, had the Filter Group acquisition occurred on April 1, 2018. The contingent consideration relating to the Filter Group acquisition was revalued as at December 31, 2018 to be \$33.3 million, an increase in the provision of \$5.5 million for the October 1, 2018 to December 31, 2018 period.

For the period ended December 31, 2018, Just Energy recorded \$1.2 million of administration expenses associated with the Filter Group acquisition, primarily related to diligence and professional fee expenditures.

The CEO of Filter Group is the son of the Executive Chair of Just Energy. As such, this is a related party transaction. The transaction was reviewed by the Strategic Initiatives Committee and it received a fairness opinion from National Bank Financial on the transaction.

Of the \$15.0 million cash consideration for the acquisition of Filter Group, \$2.0 million relates to the purchase of the shares of Filter Group. The remaining \$13.0 million is for the assumption of a shareholder debt owed to a related party, of which \$3.0 million was already paid on the closing date of October 1, 2018. Therefore, as at December 31, 2018, \$12.0 million of the overall cash consideration payable is included in current trade payables and other of the interim condensed consolidated statements of financial position, of which \$11.8 million is for a related party.

The following is the preliminary purchase price allocation for Filter Group:

**Net assets acquired**

|                               |                  |
|-------------------------------|------------------|
| Working capital               | \$ 927           |
| Property, plant and equipment | 6,154            |
| Intangible assets             | 16,049           |
| Goodwill                      | 40,621           |
| Long-term debt                | (21,611)         |
| <b>Total consideration</b>    | <b>\$ 42,140</b> |

|                            |                  |
|----------------------------|------------------|
| Cash consideration         | \$ 3,000         |
| Payable to shareholders    | 11,314           |
| Contingent consideration   | 27,826           |
| <b>Total consideration</b> | <b>\$ 42,140</b> |

**10 LONG-TERM DEBT AND FINANCING**

|   | Maturity           | Dec. 31,<br>2018  | March 31,<br>2018 |
|---|--------------------|-------------------|-------------------|
| Credit facility (a)                     | September 1, 2020  | <b>\$ 198,380</b> | \$ 122,115        |
| Less: Debt issue costs (a)              |                    | <b>(2,584)</b>    | (664)             |
| Filter Group Financing (b)              |                    | <b>19,390</b>     | -                 |
| 8.75% loan (c)                          | September 12, 2023 | <b>123,002</b>    | -                 |
| 6.75% \$100M convertible debentures (d) | March 31, 2023     | <b>86,898</b>     | 85,760            |
| 6.75% \$160M convertible debentures (e) | December 31, 2021  | <b>150,215</b>    | 148,146           |
| 6.5% convertible bonds (f)              | July 29, 2019      | <b>140,832</b>    | 188,147           |
|   |                    | <b>716,133</b>    | 543,504           |
| Less: Current portion                   |                    | <b>(150,050)</b>  | (121,451)         |
|   |                    | <b>\$ 566,083</b> | \$ 422,053        |

Future annual minimum repayments are as follows:

|   | Less than<br>1 year | 1-3 years         | 4-5 years         | More than<br>5 years | Total             |
|---|---------------------|-------------------|-------------------|----------------------|-------------------|
| Credit facility (a)                     | \$ -                | \$ 198,380        | \$ -              | \$ -                 | \$ 198,380        |
| Filter Group Financing (b)              | 9,217               | 8,987             | 1,186             | -                    | 19,390            |
| 8.75% loan (c)                          | -                   | -                 | 138,944           | -                    | 138,944           |
| 6.75% \$100M convertible debentures (d) | -                   | -                 | 100,000           | -                    | 100,000           |
| 6.75% \$160M convertible debentures (e) | -                   | -                 | 160,000           | -                    | 160,000           |
| 6.5% convertible bonds (f)              | 142,422             | -                 | -                 | -                    | 142,422           |
|   | <b>\$ 151,639</b>   | <b>\$ 207,367</b> | <b>\$ 400,130</b> | <b>\$ -</b>          | <b>\$ 759,186</b> |

The details for long-term debt are as follows:

|   | As at<br>April 1,<br>2018 | Cash inflows/<br>(outflows) | Foreign<br>exchange | Non-cash<br>changes | As at<br>Dec. 31,<br>2018 |
|---|---------------------------|-----------------------------|---------------------|---------------------|---------------------------|
| Credit facility (a)                     | \$ 121,451                | \$ 73,681                   | \$ -                | \$ 664              | \$ 195,796                |
| Filter Group Financing (b)              | -                         | (2,221)                     | -                   | 21,611              | 19,390                    |
| 8.75% loan (c)                          | -                         | 116,016                     | 6,376               | 610                 | 123,002                   |
| 6.75% \$100M convertible debentures (d) | 85,760                    | -                           | -                   | 1,138               | 86,898                    |
| 6.75% \$160M convertible debentures (e) | 148,146                   | -                           | -                   | 2,069               | 150,215                   |
| 6.5% convertible bonds (f)              | 188,147                   | (59,574)                    | 7,751               | 4,508               | 140,832                   |
|   | \$ 543,504                | \$ 127,902                  | \$ 14,127           | \$ 30,600           | \$ 716,133                |
| Less: Current portion                   | (121,451)                 | -                           | -                   | -                   | (150,050)                 |
|   | \$ 422,053                | \$ 127,902                  | \$ 14,127           | \$ 30,600           | \$ 566,083                |

|   | As at<br>April 1,<br>2017 | Cash inflows/<br>(outflows) | Foreign<br>exchange | Non-cash<br>changes | As at<br>March 31,<br>2018 |
|---|---------------------------|-----------------------------|---------------------|---------------------|----------------------------|
| Credit facility (a)                     | \$ 66,001                 | \$ 53,857                   | \$ -                | \$ 1,593            | \$ 121,451                 |
| 6.75% \$100M convertible debentures (d) | -                         | 95,869                      | -                   | (10,109)            | 85,760                     |
| 6.75% \$160M convertible debentures (e) | 145,579                   | -                           | -                   | 2,567               | 148,146                    |
| 6.5% convertible bonds (f)              | 190,486                   | -                           | (6,101)             | 3,761               | 188,147                    |
| 5.75% convertible debentures (g)        | 96,022                    | (100,000)                   | -                   | 3,978               | -                          |
|   | \$ 498,088                | \$ 49,726                   | \$ (6,101)          | \$ 1,790            | \$ 543,504                 |
| Less: Current portion                   | -                         | -                           | -                   | -                   | (121,451)                  |
|   | \$ 498,088                | \$ 49,726                   | \$ (6,101)          | \$ 1,790            | \$ 422,053                 |

Interest is expensed based on the effective interest rate. The following table details the finance costs for the indicated periods:

|   | Three months<br>ended<br>Dec. 31,<br>2018 | Three months<br>ended<br>Dec. 31,<br>2017 | Nine months<br>ended<br>Dec. 31,<br>2018 | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---|---|---|--|--|
| Credit facility (a)                     | \$ 5,469                                  | \$ 3,402                                  | \$ 14,523                                | \$ 8,972                                 |
| Filter Group Financing (b)              | 459                                       | -   | 459                                      | -  |
| 8.75% loan (c)                          | 4,318                                     | -   | 4,318                                    | -  |
| 6.75% \$100M convertible debentures (d) | 1,925                                     | -   | 6,510                                    | -  |
| 6.75% \$160M convertible debentures (e) | 3,399                                     | 3,342                                     | 10,168                                   | 9,404                                    |
| 6.5% convertible bonds (f)              | 3,714                                     | 4,043                                     | 13,490                                   | 11,784                                   |
| 5.75% convertible debentures (g)        | -   | 2,101                                     | -  | 6,246                                    |
| Collateral cost and other               | 3,478                                     | 378                                       | 9,757                                    | 1,371                                    |
|   | \$ 22,762                                 | \$ 13,266                                 | \$ 59,225                                | \$ 37,777                                |

- (a) As of April 18, 2018, the Company has renegotiated an agreement with a syndicate of lenders that includes Canadian Imperial Bank of Commerce ("CIBC"), National Bank of Canada ("National"), HSBC Bank Canada, JPMorgan Chase Bank N.A., Alberta Treasury Branches, Canadian Western Bank and Morgan Stanley Senior Funding, Inc., a subsidiary of Morgan Stanley Bank N.A. The agreement extends Just Energy's credit facility for an additional two years to September 1, 2020. The facility size was increased to \$352.5 million from \$342.5 million, with an accordion for Just Energy to draw up to \$370 million. A certain principal amount outstanding under the credit facility is guaranteed by Export Development Canada under its Account Performance Security Guarantee Program.

Interest is payable on outstanding loans at rates that vary with Bankers' Acceptance rates, LIBOR, Canadian bank prime rate or U.S. prime rate. Under the terms of the operating credit facility, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 3.750%. Prime rate advances are at a rate of bank prime (Canadian bank prime rate or U.S. prime rate) plus 2.750% and letters of credit are at a rate of 3.750%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at December 31, 2018, the Canadian prime rate was 3.95% and the U.S. prime rate was 5.5%. As at December 31, 2018, \$198.4 million has been drawn against the facility and total letters of credit outstanding as of December 31, 2018 amounted to \$95.7 million (September 30, 2018 - \$89.4 million). As at December 31, 2018, Just Energy has \$58.4 million of the facility remaining for future working capital and/or security requirements. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a general security agreement and a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates excluding, primarily, the U.K., Barbados, Ireland, Japan and Germany operations. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at December 31, 2018, the Company was compliant with all of these covenants.

- (b) Filter Group, which was acquired on October 1, 2018, has an outstanding loan payable to Home Trust Company ("HTC"). The loan is a result of factoring receivables to finance the cost of rental equipment over a period of three to five years with HTC and bears interest at 8.99% per annum. Principal and interest are repayable on a monthly basis.
- (c) On September 12, 2018, Just Energy entered into a US\$250 million non-revolving multi-draw senior unsecured term loan facility (the "8.75% loan") with Sagard Credit Partners, LP and certain funds managed by a leading U.S.-based global fixed income asset manager. The 8.75% loan bears interest at 8.75% per annum payable semi-annually in arrears on June 30 and December 31 in each year plus fees, and will mature on September 12, 2023. Warrants totalling 7.5 million were issued to the counterparties at a strike price of \$8.56 each, convertible to one Just Energy common stock. The value of these warrants has been assessed as nominal. As at December 31, 2018, US\$97.0 million was drawn from the 8.75% loan. The 8.75% loan has three tranches. The first tranche is earmarked for general corporate purposes, including to pay down Just Energy's credit facility. The second tranche is earmarked towards the settlement of Just Energy's 6.5% convertible bonds. The third tranche is earmarked for investments and future acquisitions.
- (d) On February 22, 2018, Just Energy issued \$100 million of convertible unsecured senior subordinated debentures (the "6.75% \$100 million convertible debentures"). The 6.75% \$100 million convertible debentures bear interest at an annual rate of 6.75%, payable semi-annually in arrears on March 31 and September 30 in each year, and have a maturity date of March 31, 2023.
- (e) On October 5, 2016, Just Energy issued \$160 million of convertible unsecured senior subordinated debentures (the "6.75% \$160 million convertible debentures"). The 6.75% \$160 million convertible debentures bear interest at an annual rate of 6.75%, payable semi-annually in arrears on June 30 and December 31 in each year, and have a maturity date of December 31, 2021.
- (f) On January 29, 2014, Just Energy issued US\$150 million of European-focused senior unsecured convertible bonds (the "6.5% convertible bonds"). The 6.5% convertible bonds bear interest at an annual rate of 6.5%, payable semi-annually in arrears in equal installments on January 29 and July 29 in each year, and have a maturity date of July 29, 2019. The Company incurred transaction costs of \$5,215 and has shown these costs net of the 6.5% convertible bonds. US\$45.6 million were tendered and extinguished in September 2018, resulting in a loss on redemption of \$1.5 million.
- (g) In September 2011, Just Energy issued \$100 million of convertible unsecured subordinated debentures (the "5.75% convertible debentures"), which was used to fund an acquisition. The 5.75% convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year, and have a maturity date of December 31, 2018. The 5.75% convertible debentures were fully redeemed on March 27, 2018.

**11 INCOME TAXES**

|  | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|--|---|---|--|--|
| Current income tax expense (recovery)    | \$ 4,540  | \$ (4,105)                                | \$ 1,508   | \$ 379                                   |
| Deferred tax expense (recovery)          | <b>(13,628)</b>                                     | 9,718                                     | <b>3,777</b>                                       | 10,198                                   |
| Provision for (recovery of) income taxes | <b>\$ (9,088)</b>                                   | \$ 5,613                                  | <b>\$ 5,285</b>                                    | \$ 10,577                                |

**12 SHAREHOLDERS' CAPITAL**

Just Energy is authorized to issue an unlimited number of common shares and 50,000,000 preference shares issuable in series, both with no par value. Shares outstanding have no preferences, rights or restrictions attached to them.

Just Energy has the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding 6.75% convertible debentures expiring December 31, 2021, as well as the renewal of Just Energy common shares, respectively. Under each NCIB, Just Energy could have purchased debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2018 up to daily and total limits. These shares may be purchased during the year starting March 19, 2018 and ending March 15, 2019. For the three months ended December 31, 2018, Just Energy had purchased \$nil of common shares and the 6.75% debentures through the NCIB program, consistent with the prior comparable period.

Details of issued and outstanding shareholders' capital are as follows:

|                                       | <b>Nine months ended<br/>Dec. 31, 2018</b> |                     | Year ended<br>March 31, 2018 |              |
|---------------------------------------|--|---------------------|------------------------------|--------------|
|                                       | Shares                                     | Amount              | Shares                       | Amount       |
| <b>Common shares:</b>                 |  |                     |                              |              |
| <b>Issued and outstanding</b>         |  |                     |                              |              |
| <b>Balance, beginning of period</b>   | <b>148,394,152</b>                         | <b>\$ 1,079,055</b> | 147,013,538                  | \$ 1,070,076 |
| Share-based awards exercised          | <b>1,118,144</b>                           | <b>8,471</b>        | 1,643,156                    | 11,954       |
| Acquisition of subsidiary             | -  | -                   | 1,415,285                    | 8,966        |
| Repurchase and cancellation of shares | -  | -                   | (1,677,827)                  | (11,941)     |
| <b>Balance, end of period</b>         | <b>149,512,296</b>                         | <b>\$ 1,087,526</b> | 148,394,152                  | \$ 1,079,055 |
| <b>Preferred shares:</b>              |  |                     |                              |              |
| <b>Issued and outstanding</b>         |  |                     |                              |              |
| <b>Balance, beginning of period</b>   | <b>4,323,300</b>                           | <b>\$ 136,771</b>   | 4,040,000                    | \$ 128,363   |
| Shares issued for cash                | <b>338,865</b>                             | <b>10,447</b>       | 283,300                      | 9,260        |
| Preferred shares issuance cost        | -  | <b>(253)</b>        | -                            | (852)        |
| <b>Balance, end of period</b>         | <b>4,662,165</b>                           | <b>\$ 146,965</b>   | 4,323,300                    | \$ 136,771   |
| <b>Shareholders' capital</b>          | <b>154,174,461</b>                         | <b>\$ 1,234,491</b> | 152,717,452                  | \$ 1,215,826 |

**13 REPORTABLE BUSINESS SEGMENTS**

Just Energy's reportable segments include the following: Consumer Energy and Commercial Energy. Just Energy has aggregated the operating segments into these reportable segments on the basis that the operating segments share economic characteristics. These characteristics include the nature of the product and services sold, the distribution methods, and the type of customer class and regulatory environment.

Transactions between operating segments are in the normal course of operations and are recorded at the exchange amount. Allocations made between segments for shared assets or allocated expenses are based on the number of residential customer equivalents in the respective segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Just Energy is not considered to have any key customers.

Corporate and shared services report the costs related to management oversight of the business units, public reporting and filings, corporate governance and other shared services functions.

For the three months ended December 31, 2018:

|   | Consumer<br>division | Commercial<br>division | Corporate<br>and shared<br>services<br>division | Consolidated |
|---|----------------------|------------------------|---|--------------|
| Sales   | \$ 615,997           | \$ 350,656             | \$ -  | \$ 966,653   |
| Gross margin  | 145,867              | 42,646                 | -   | 188,513      |
| Administrative expenses                                       | 21,817               | 10,565                 | 23,649  | 56,031       |
| Selling and marketing expenses                                | 39,106               | 18,149                 | -   | 57,255       |
| Depreciation of property, plant and equipment                 | 1,120                | 51                     | -   | 1,171        |
| Amortization of intangible assets                             | 6,441                | 866                    | -   | 7,307        |
| Other operating expenses                                      | 19,708               | 1,934                  | -   | 21,642       |
| Operating profit (loss) for the period                        | \$ 57,675            | \$ 11,081              | \$ (23,649)                                     | \$ 45,107    |
| Finance costs   |                      |                        |   | (22,762)     |
| Change in fair value of derivative instruments and other      |                      |                        |   | (1,515)      |
| Change in fair value of Filter Group contingent consideration |                      |                        |   | (5,462)      |
| Other income  |                      |                        |   | 2,569        |
| Provision for income taxes                                    |                      |                        |   | 9,088        |
| Profit for the period   |                      |                        |   | \$ 27,025    |
| Capital expenditures  | \$ 13,894            | \$ 1,370               | \$ -  | \$ 15,264    |

For the three months ended December 31, 2017:

|  | Consumer<br>division | Commercial<br>division | Corporate<br>and shared<br>services<br>division | Consolidated |
|--|----------------------|------------------------|---|--------------|
| Sales  | \$ 579,968           | \$ 332,235             | \$ -  | \$ 912,203   |
| Gross margin   | 132,807              | 38,498                 | -   | 171,305      |
| Administrative expenses                                  | 18,765               | 8,373                  | 23,251  | 50,389       |
| Selling and marketing expenses                           | 39,127               | 16,420                 | -   | 55,547       |
| Depreciation of property, plant and equipment            | 956                  | 85                     | -   | 1,041        |
| Amortization of intangible assets                        | 4,954                | 485                    | -   | 5,439        |
| Other operating expenses                                 | 13,662               | 1,059                  | -   | 14,721       |
| Operating profit (loss) for the period                   | \$ 55,343            | \$ 12,076              | \$ (23,251)                                     | \$ 44,168    |
| Finance costs  |                      |                        |   | (13,266)     |
| Change in fair value of derivative instruments and other |                      |                        |   | 183,759      |
| Other expense  |                      |                        |   | (633)        |
| Recovery of income taxes                                 |                      |                        |   | (5,613)      |
| Profit for the period                                    |                      |                        |   | \$ 208,415   |
| Capital expenditures                                     | \$ 8,175             | \$ 4,026               | \$ -  | \$ 12,201    |

For the nine months ended December 31, 2018:

|   | Consumer<br>division | Commercial<br>division | Corporate<br>and shared<br>services<br>division | Consolidated |
|---|----------------------|------------------------|---|--------------|
| Sales   | \$ 1,751,783         | \$ 1,048,170           | \$ -  | \$ 2,799,953 |
| Gross margin  | 389,878              | 125,506                | -   | 515,384      |
| Depreciation of property, plant and equipment                 | 2,876                | 153                    | -   | 3,029        |
| Amortization of intangible assets                             | 15,068               | 1,579                  | -   | 16,647       |
| Administrative expenses                                       | 65,218               | 31,737                 | 73,266  | 170,221      |
| Selling and marketing expenses                                | 109,310              | 55,237                 | -   | 164,547      |
| Other operating expenses                                      | 63,074               | 7,021                  | -   | 70,095       |
| Operating profit (loss) for the period                        | \$ 134,332           | \$ 29,779              | \$ (73,266)                                     | \$ 90,845    |
| Finance costs   |                      |                        |   | (59,225)     |
| Change in fair value of derivative instruments and other      |                      |                        |   | (62,003)     |
| Change in fair value of Filter Group contingent consideration |                      |                        |   | (5,462)      |
| Other income  |                      |                        |   | 5,282        |
| Provision for income taxes                                    |                      |                        |   | (5,285)      |
| Loss for the period   |                      |                        |   | \$ (35,848)  |
| Capital expenditures  | \$ 33,457            | \$ 3,229               | \$ -  | \$ 36,686    |
| As at December 31, 2018                                       |                      |                        |   |              |
| Total goodwill  | \$ 194,021           | \$ 156,164             | \$ -  | \$ 350,185   |
| Total assets  | \$ 1,414,102         | \$ 452,146             | \$ -  | \$ 1,866,248 |
| Total liabilities   | \$ 1,486,561         | \$ 218,862             | \$ -  | \$ 1,705,423 |

For the nine months ended December 31, 2017:

|  | Consumer<br>division | Commercial<br>division | Corporate<br>and shared<br>services<br>division | Consolidated |
|--|----------------------|------------------------|---|--------------|
| Sales  | \$ 1,571,439         | \$ 1,040,397           | \$ -  | \$ 2,611,836 |
| Gross margin   | 355,699              | 115,832                | -   | 471,531      |
| Depreciation of property, plant and equipment            | 2,779                | 244                    | -   | 3,023        |
| Amortization of intangible assets                        | 11,761               | 1,469                  | -   | 13,230       |
| Administrative expenses                                  | 52,081               | 26,784                 | 66,961  | 145,826      |
| Selling and marketing expenses                           | 118,759              | 53,441                 | -   | 172,200      |
| Other operating expenses                                 | 58,531               | 2,188                  | -   | 60,719       |
| Operating profit (loss) for the period                   | \$ 111,788           | \$ 31,706              | \$ (66,961)                                     | \$ 76,533    |
| Finance costs  |                      |                        |   | (37,777)     |
| Change in fair value of derivative instruments and other |                      |                        |   | 223,453      |
| Other income   |                      |                        |   | 1,169        |
| Provision for income taxes                               |                      |                        |   | (10,577)     |
| Profit for the period                                    |                      |                        |   | \$ 252,801   |
| Capital expenditures                                     | \$ 18,547            | \$ 9,135               | \$ -  | \$ 27,682    |
| As at December 31, 2017                                  |                      |                        |   |              |
| Total goodwill   | \$ 148,661           | \$ 142,831             | \$ -  | \$ 291,492   |
| Total assets   | \$ 858,087           | \$ 529,442             | \$ -  | \$ 1,387,529 |
| Total liabilities  | \$ 1,173,471         | \$ 289,773             | \$ -  | \$ 1,463,244 |

**Sales from external customers**

The revenue is based on the location of the customer.

|               | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---------------|---|---|--|--|
| Canada        | \$ 110,853  | \$ 115,966                                | \$ 283,521   | \$ 276,658                               |
| United States | 623,351   | 580,238                                   | 1,957,508  | 1,852,542                                |
| International | 232,449   | 215,999                                   | 558,924  | 482,636                                  |
| <b>Total</b>  | <b>\$ 966,653</b>                                   | <b>\$ 912,203</b>                         | <b>\$ 2,799,953</b>                                | <b>\$ 2,611,836</b>                      |

**Non-current assets**

Non-current assets by geographic segment consist of property, plant and equipment and intangible assets and are summarized as follows:

|               | <b>As at<br/>Dec. 31,<br/>2018</b> | As at<br>March 31,<br>2018 |
|---------------|------------------------------------|----------------------------|
| Canada        | \$ 271,375                         | \$ 201,985                 |
| United States | 227,212                            | 207,147                    |
| International | 15,302                             | 11,687                     |
| <b>Total</b>  | <b>\$ 513,889</b>                  | <b>\$ 420,819</b>          |

**14 OTHER EXPENSES**

**(a) Other operating expenses**

|   | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---|---|---|--|--|
| Amortization of other intangible assets       | \$ 7,307  | \$ 5,439                                  | \$ 16,647  | \$ 13,230                                |
| Depreciation of property, plant and equipment | 1,171   | 1,041                                     | 3,029  | 3,023                                    |
| Bad debt expense                              | 20,205  | 13,056                                    | 65,389   | 42,091                                   |
| Share-based compensation                      | 1,437   | 1,665                                     | 4,706  | 18,628                                   |
| <b>Total</b>                                  | <b>\$ 30,120</b>                                    | <b>\$ 21,201</b>                          | <b>\$ 89,771</b>                                   | <b>\$ 76,972</b>                         |

**(b) Employee benefits expense**

|                                 | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|---------------------------------|---|---|--|--|
| Wages, salaries and commissions | \$ 67,925   | \$ 58,838                                 | \$ 196,452   | \$ 171,456                               |
| Benefits                        | 3,726   | 7,708                                     | 20,299   | 20,211                                   |
| <b>Total</b>                    | <b>\$ 71,651</b>                                    | <b>\$ 66,546</b>                          | <b>\$ 216,751</b>                                  | <b>\$ 191,667</b>                        |



## 15 EARNINGS (LOSS) PER SHARE

|  | <b>Three months<br/>ended<br/>Dec. 31,<br/>2018</b> | Three months<br>ended<br>Dec. 31,<br>2017 | <b>Nine months<br/>ended<br/>Dec. 31,<br/>2018</b> | Nine months<br>ended<br>Dec. 31,<br>2017 |
|--|---|---|--|--|
| <b>BASIC EARNINGS (LOSS) PER SHARE</b>                             |   |   |  |  |
| <b>Profit (loss) as per consolidated statement of income</b>       | <b>\$ 27,059</b>                                    | \$ 208,455                                | <b>\$ (35,703)</b>                                 | \$ 243,449                               |
| <b>Dividend to preferred shareholders - net of tax</b>             | <b>1,821</b>  | 2,842                                     | <b>6,538</b>                                       | 8,658                                    |
| <b>Earnings (loss) available to shareholders</b>                   | <b>25,238</b>                                       | 205,613                                   | <b>(42,241)</b>                                    | 234,791                                  |
| Basic weighted average shares outstanding                          | <b>149,309,905</b>                                  | 146,859,332                               | <b>149,012,066</b>                                 | 146,914,251                              |
| <b>Basic earnings (loss) per share available to shareholders</b>   | <b>\$ 0.17</b>                                      | \$ 1.40                                   | <b>\$ (0.28)</b>                                   | \$ 1.60                                  |
| <b>DILUTED EARNINGS (LOSS) PER SHARE</b>                           |   |   |  |  |
| <b>Earnings (loss) available to shareholders</b>                   | <b>\$ 25,238</b>                                    | \$ 205,613                                | <b>\$ (42,241)</b>                                 | \$ 234,791                               |
| Adjustment for dilutive impact of convertible debentures           | <b>3,913</b>  | 4,884                                     | -  | 14,474                                   |
| <b>Adjusted earnings (loss) available to shareholders</b>          | <b>\$ 29,151</b>                                    | \$ 210,497                                | <b>\$ (42,241)</b>                                 | \$ 249,265                               |
| Basic weighted average shares outstanding                          | <b>149,309,905</b>                                  | 146,859,332                               | <b>149,012,066</b>                                 | 146,914,251                              |
| <b>Dilutive effect of:</b>   |   |   |  |  |
| Restricted share grants  | <b>2,238,518</b>                                    | 2,807,661                                 | <b>2,548,751<sup>1</sup></b>                       | 2,761,033                                |
| Deferred share grants  | <b>151,472</b>                                      | 89,210                                    | <b>134,458<sup>1</sup></b>                         | 94,347                                   |
| Convertible debentures   | <b>28,440,256</b>                                   | 38,804,494                                | <b>39,574,831<sup>1</sup></b>                      | 38,804,494                               |
| Shares outstanding on a diluted basis                              | <b>180,140,151</b>                                  | 188,560,697                               | <b>191,270,106</b>                                 | 188,574,125                              |
| <b>Diluted earnings (loss) per share available to shareholders</b> | <b>\$ 0.16</b>                                      | \$ 1.12                                   | <b>\$ (0.28)</b>                                   | \$ 1.32                                  |

<sup>1</sup> The assumed conversion into shares results in an anti-dilutive position; therefore, these items have not been included in the computation of diluted earnings (loss) per share.

## 16 DIVIDENDS AND DISTRIBUTIONS

For the three months ended December 31, 2018, a dividend of \$0.125 (2017 - \$0.125) per common share was declared by Just Energy. This dividend amounted to \$18,662 (2017 - \$18,357), which was approved by the Board of Directors and paid out during the period. For the nine months ended December 31, 2018, dividends of \$0.375 (2017 - \$0.375) per common share were declared and paid by Just Energy. This amounted to \$55,868 (2017 - \$55,081), which was approved by the Board of Directors and paid out during the period.

For the three months ended December 31, 2018, a distribution of \$0.125 (2017 - \$0.125) per common share for share grants was declared by Just Energy. This distribution amounted to \$295 (2017 - \$302), which was approved by the Board of Directors and distributed during the period. For the nine months ended December 31, 2018, distributions of \$0.375 (2017 - \$0.375) per common share for share grants were declared and paid by Just Energy. This amounted to \$1,263 (2017 - \$1,013), which was approved by the Board of Directors and distributed during the period.

For the three months ended December 31, 2018, a dividend of US\$0.53125 (2017 - US\$0.53125) per preferred share was declared by Just Energy. This dividend amounted to \$2,477 (2017 - \$2,842), which was approved by the Board of Directors and paid out during the period. For the nine months ended December 31, 2018, dividends of US\$1.0625 (2017 - US\$1.59375) per preferred share were declared and paid by Just Energy. This amounted to \$8,895 (2017 - \$8,658), which was approved by the Board of Directors and paid out during the period.

**17 COMMITMENTS AND GUARANTEES**

Commitments for each of the next five years and thereafter are as follows:

As at December 31, 2018

|  | Less than<br>1 year | 1-3 years           | 4-5 years         | More than<br>5 years | Total               |
|--|---------------------|---------------------|-------------------|----------------------|---------------------|
| Premises and equipment leasing               | \$ 1,543            | \$ 7,669            | \$ 6,825          | \$ 7,171             | \$ 23,208           |
| Gas, electricity and non-commodity contracts | 633,606             | 2,388,039           | 448,570           | 126,658              | 3,596,873           |
|  | <u>\$ 635,149</u>   | <u>\$ 2,395,708</u> | <u>\$ 455,395</u> | <u>\$ 133,829</u>    | <u>\$ 3,620,081</u> |

Just Energy has entered into leasing contracts for office buildings and administrative equipment. These leases have a leasing period of between one and eight years. No purchase options are included in any major leasing contracts. Just Energy is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options.

On October 9, 2018, Just Energy announced that it has entered into a Multi-Year Contingent Business Interruption Insurance Agreement (the "Insurance").

The Insurance primarily complements Just Energy's robust risk management program and is intended to mitigate the impacts to the Company due to, among other things, natural disasters, such as Hurricane Harvey and the January 2018 winter freeze in Texas.

The Insurance provides up to US\$25 million of insured limit per event, US\$50 million per year and US\$225 million of limit over an 80-month term, covering risks such as loss of income due to natural perils, sabotage, terrorism including cyber-attack, increased cost of supply from damage to supply and distribution infrastructure, interruption due to damage to customer property, losses in excess of Just Energy's weather derivative program recoveries, and any unforeseen or unplanned weather related loss.

**Guarantees**

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, Berkley Insurance Company and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at December 31, 2018 amounted to \$70.3 million.

As at December 31, 2018, Just Energy had total letters of credit outstanding in the amount of \$95.7 million (Note 10(a)).

**18 COMPARATIVE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Certain figures in the comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's interim condensed consolidated financial statements.





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