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2019 SECOND QUARTER
REPORT TO
SHAREHOLDERS

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Highlights of operations for the three months ended September 30, 2018 included:

- Gross margin of $173.3 million for the second quarter increased 22% from the prior year, mainly due to improved pricing power in North America and increased international sales activities.
- Base EBITDA of $37.3 million for the second quarter increased 81% due to the significant improvement in gross margin driven by improved pricing power, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.
- Embedded gross margin reached a company record of $2.3 billion, increasing $721.2 million or 45% compared to the prior comparable period, as a result of pricing optimization actions during the quarter. The embedded gross margin includes $45.2 million from Filter Group Inc., which was acquired on October 1, 2018.
- Base FFO increased 241% to $26.2 million year-over-year, driven by the significant improvements in Base EBITDA.
- The payout ratio on Base FFO for the second quarter was 85%, compared with 279% in the prior comparable quarter. The payout ratio for the trailing 12 months was 82%, compared with 106% for the trailing 12 months one year ago.
- Administrative expenses increased by $11.7 million, or 25%, to support talent acquisition and retention, investment in process improvements and operational efficiencies, and ongoing business acquisition activities. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities.
- Selling and marketing expenses decreased $1.8 million, or 3%, for the three months ended September 30, 2018 due to the capitalization of upfront commission expenses and the reduction of non-commission selling expenses as a result of the consolidation of regional sales offices and diversification of sales channels.
- Finance costs of $20.1 million increased by 61% in the second quarter, 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 from the increased utilization of the credit facility and higher interest rates.
- Customer count increased 3% to 1.6 million, which includes 27,230 distinct customers from Filter Group Inc.'s water filter subscriptions. Filter Group Inc. has 32,488 home water filtration systems installed throughout Canada and the U.S.
- Total RCEs of 4.2 million improved 2% year-over-year. During the second quarter, gross RCE additions were 290,000 and net RCE additions were a negative 9,000.
- The Company reaffirms its fiscal 2019 Base EBITDA guidance range of $200 million to $220 million, reflecting 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 second quarter of fiscal 2019 accomplishments demonstrated solid progress toward achieving our fiscal year financial goals while also demonstrating our resolve and commitment to faster execution within the organization. In the quarter, our swift pricing optimization actions successfully expanded to a broader audience, and our risk management discipline neutralized the impact of summer weather on supply costs. These actions are also evident in our record-level embedded gross margin from our existing book of business, as our core commodity business continues to perform well. We expect to see these actions continue to contribute in the fiscal year's third and fourth quarters, driving performance beyond historical levels and supporting guidance for the current fiscal year and earnings growth into the future.

In addition to our fiscal second quarter financial accomplishments, our resolve and commitment to faster execution was well evidenced, as we recently secured a credit facility renewal to support our debt refinancing and near-term growth opportunities. Furthermore, we added to our growing suite of value-added products with the acquisition of Filter Group Inc., and we strengthened our risk management capability with the addition of the insurance wrap protection, just to name a few exciting developments.

On September 13, we hosted many of you in person in New York, and via webcast, at our Investor Day, in which our senior leadership team outlined our strategy for, and progress to date on, transforming Just Energy from a retail energy provider to a consumer-centric company. The event provided an opportunity to demonstrate our unique offering of value-added products and services, while speaking to the growth opportunities related to our customers' concerns around their families' health and well-being, utility conservation and essential energy needs in their homes. In addition, we highlighted the strength and opportunity in our core retail energy book of business. The core business will continue to generate significant profit and cash flow to support our dividend, risk management and future growth as we continue our transformation to a consumer-focused company and pursue our long-term financial objectives outlined at the event.

We believe we have the right strategy and people in place to drive profitability and optimize growth in the remainder of fiscal 2019 and beyond. Just Energy will drive sales, gross margin and customer growth through our existing channels by aggressively promoting high growth products and services, while also developing additional strategic, alternative channels.

Our business is strong, our balance sheet is strong and we remain fully committed to generating returns for our loyal shareholders through profitable growth and dividend distributions. We are confident we will achieve our fiscal 2019 guidance and enter fiscal 2020 a stronger company that is positioned for new levels of growth.

While there is still much work to be done, we will continue to bring a new resolve and commitment to faster execution to everything we do for the Company. I want to thank our Board of Directors for their leadership and counsel; our 1,600+ employees for their hard work; our customers who have welcomed our products and services into their homes; and our long-term shareholders for their support.

Yours truly,

/s/ Patrick McCullough

Patrick McCullough
Chief Executive Officer

Management's discussion and analysis – November 7, 2018

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 six months ended September 30, 2018. This MD&A has been prepared with all information available up to and including November 7, 2018. This MD&A should be read in conjunction with Just Energy's unaudited interim condensed consolidated financial statements ("Interim Financial Statements") for the three and six months ended September 30, 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. Additional information can be found on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission's website at www.sec.gov.

Company overview

Founded in Canada in 1997, 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, Canada, the United Kingdom, 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.

For a more detailed description of Just Energy's business operations, refer to the "Operations overview" section on page 7 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 through the SEDAR website at www.sedar.com or by visiting EDGAR on the SEC's website at 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, issued in September 2011. The convertible debentures were fully redeemed on March 27, 2018. See "Debt and financing for operations" on page 26 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 line of credit. See "Debt and financing for operations" on page 26 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 26 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 26 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. Net proceeds were used to fund a tender offer for Just Energy's outstanding 6.5% convertible bonds due July 2019, and for general corporate purposes, including to pay down the Company's credit facility. See "Debt and financing for operations" on page 26 for further details.

"Attrition" means 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 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.

"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 cash 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^3 (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, including commercial brokerage sales.

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 and non-controlling interest. 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, as it will be settled in 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. Also included in Base EBITDA are gains and losses from the Company's portfolio of equity investments and acquisitions which are presented in the Company's unaudited interim condensed consolidated statements of income.

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.

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 purchased 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 energy marketing 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 RCE attrition and renewals. The product gross margin is the difference between existing value-added product customer contract prices and the cost of sales. 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 September 30
(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2019	**% increase (decrease)**	Fiscal 2018
Sales	**$ 956,843**	**12%**	$ 851,927
Gross margin	**173,339**	**22%**	142,663
Administrative expenses	**58,508**	**25%**	46,806
Selling and marketing expenses	**56,749**	**(3)%**	58,577
Finance costs	**20,123**	**61%**	12,521
Loss[1]	**(21,450)**	**67%**	(64,923)
Loss per share available to shareholders – basic and diluted	**(0.16)**		(0.48)
Dividends/distributions	**22,330**	**4%**	21,468
Base EBITDA[2]	**37,261**	**81%**	20,548
Base Funds from Operations[2]	**26,223**	**241%**	7,683
Payout ratio on Base Funds from Operations[2]	**85%**		279%

1 Loss includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand. 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.

Just Energy's gross margin increased 22% to $173.3 million in the quarter ended September 30, 2018, mainly due to improved pricing power in North America and increased international sales activities. Sales revenue increased 12% to $956.8 million during the three months ended September 30, 2018.

Base EBITDA was $37.3 million, an increase of 81% as compared to the second quarter of fiscal 2018 due to the significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Administrative expenses increased 25% to support talent acquisition and retention, investment in process improvements and operational efficiencies, and ongoing business acquisition activities. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018. Selling and marketing expenses decreased 3% compared to the prior comparable quarter due to the capitalization of upfront commission expenses and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels.

Finance costs increased by 61% in the second quarter, as compared to the prior comparable quarter, 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 from the increased utilization of the credit facility and higher interest rates.

Financial highlights

For the six months ended September 30
(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2019	**% increase (decrease)**	Fiscal 2018
Sales	**$1,833,300**	**8%**	$ 1,699,633
Gross margin	**326,871**	**9%**	300,226
Administrative expenses	**114,190**	**20%**	95,437
Selling and marketing expenses	**107,292**	**(8)%**	116,653
Finance costs	**36,463**	**49%**	24,511
Profit (loss) for the period[1]	**(62,873)**	**(242)%**	44,386
Profit (loss) per share available to shareholders – basic	**(0.45)**		0.21
Profit (loss) per share available to shareholders – diluted	**(0.45)**		0.17
Dividends/distributions	**44,592**	**3%**	43,251
Base EBITDA[2]	**64,541**	**22%**	53,057
Base FFO[2]	**44,337**	**57%**	28,191
Payout ratio on Base FFO[2]	**101%**		153%
Embedded gross margin[2]	**2,336,200**	**45%**	1,615,000
Customer count	**1,633,000**	**3%**	1,580,000
Total ending RCEs	**4,164,000**	**2%**	4,087,000
Total gross RCE additions	**619,000**	**12%**	555,000
Total net RCE additions (reductions)	**1,000**	**NMF[3]**	(124,000)

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. 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 six months ended September 30, 2018, sales were $1.8 billion and gross margin was $326.9 million, 8% and 9% higher, respectively, than the prior comparable period. Base EBITDA amounted to $64.5 million, an increase of 22% from the first six months of fiscal 2018. The growth in Base EBITDA was largely attributable to the significant improvement in gross margin driven by improved pricing power, offset by higher bad debt provisions and an increase in administrative expenses to support growth initiatives.

Administrative expenses increased 20% from the prior comparable period. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018. Selling and marketing expenses decreased 8% compared to the prior comparable period as a result of the capitalization of upfront commission expenses and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels. Finance costs increased 49%, 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 from the increased utilization of the credit facility and higher interest rates.

Embedded gross margin amounted to $2,336.2 million as of September 30, 2018, an increase of 45% compared to the embedded gross margin as of September 30, 2017, as pricing optimization efforts expanded to a broader customer base. The embedded gross margin includes $45.2 million from Filter Group Inc., which was acquired by Just Energy on October 1, 2018.

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 marketing and door-to-door marketing. Consumer customers make up 43% 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 7.8% fully diluted equity interest. In addition, Just Energy has also expanded its product offering in some markets to include air filters, LED light bulbs and residential smart irrigation controllers. 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 Inc.

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 57% 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 either 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 have significantly lower attrition rates than those of 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

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 United Kingdom, 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 their electricity 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, 38% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 73% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended September 30, 2017, 30% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 75% of their consumption. As of September 30, 2018, JustGreen now makes up 9% of the Consumer gas portfolio, compared to 13% a year ago. JustGreen makes up 13% of the Consumer electricity portfolio, compared to 14% a year ago.

Value-added products and services

In addition to JustGreen, Just Energy also provides energy management solutions to both Consumer and Commercial customers 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. The 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 products. Just Energy has strategic partnerships to facilitate the purchase and support of smart thermostats, air filter replacements, home warranty products, and smart irrigation controllers. Customers may also redeem points earned through Just Energy's Perks loyalty program for a wide variety of free or discounted energy saving products.

As of October 1, 2018, Just Energy announced the closing of the acquisition of Filter Group Inc. As a result, Just Energy will add home water filtration systems to its line of consumer product and service offerings.

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 the 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 meet 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 $19.4 million pre-tax.

The new accounting standard has no impact on the economics of our business. That being stated, the implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses 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 September 30, 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 its calculation of the allowance for losses:

- Interest rate;
- Unemployment;
- Commodity prices; and
- 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, Michigan, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and Just Green 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 September 30, 2017, was 2.2%.

Similarly, under IFRS 9, for the period ended September 30, 2018, the same metric was determined to be 2.75%. This increase in the 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 required to adopt IFRS 9 as at April 1, 2018 for the markets above.

(thousands of dollars)	IAS 39 carrying amount as at March 31, 2018	Transition adjustment	IFRS 9 carrying amount as at 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 September 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Reconciliation to interim condensed consolidated statements of income		
Loss for the period	**$ (21,450)**	$ (64,923)
Add (subtract):		
Finance costs	**20,123**	12,521
Provision for (recovery of) income taxes	**6,412**	(1,833)
Depreciation and amortization	**6,685**	6,085
EBITDA	**$ 11,770**	$ (48,150)
Add (subtract):		
Change in fair value of derivative instruments and other	**23,932**	70,923
Share-based compensation	**1,494**	1,716
Loss (profit) attributable to non-controlling interest	**65**	(3,941)
Base EBITDA	**$ 37,261**	$ 20,548
Gross margin per interim condensed consolidated financial statements	**$ 173,339**	$ 142,663
Add (subtract):		
Administrative expenses	**(58,508)**	(46,806)
Selling and marketing expenses	**(56,749)**	(58,577)
Bad debt expense	**(24,384)**	(13,763)
Amortization included in cost of sales	**730**	769
Other income	**2,768**	203
Loss (profit) attributable to non-controlling interest	**65**	(3,941)
Base EBITDA	**$ 37,261**	$ 20,548

EBITDA

For the six months ended September 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Reconciliation to interim condensed consolidated statements of income		
Profit (loss) for the period	**$ (62,873)**	$ 44,386
Add:		
Finance costs	**36,463**	24,511
Provision for income taxes	**14,373**	4,964
Depreciation and amortization	**12,710**	11,319
EBITDA	**$ 673**	$ 85,180
Add (subtract):		
Change in fair value of derivative instruments and other	**60,488**	(39,694)
Share-based compensation	**3,269**	16,963
Loss (profit) attributable to non-controlling interest	**111**	(9,392)
Base EBITDA	**$ 64,541**	$ 53,057
Gross margin per interim condensed consolidated statements of income	**$ 326,871**	$ 300,226
Add (subtract):		
Administrative expenses	**(114,190)**	(95,437)
Selling and marketing expenses	**(107,292)**	(116,653)
Bad debt expense	**(45,184)**	(29,035)
Amortization included in cost of sales	**1,512**	1,546
Other income	**2,713**	1,802
Loss (profit) attributable to non-controlling interest	**111**	(9,392)
Base EBITDA	**$ 64,541**	$ 53,057

For the three months ended September 30, 2018, Base EBITDA amounted to $37.3 million, an increase of 81% from $20.5 million in the prior comparable quarter due to the significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Sales increased by 12% for the quarter ended September 30, 2018. Gross margin was up 22% to $173.3 million due to improved pricing power in North America and increased international sales activities. Administrative expenses increased by 25% to support talent acquisition and retention, investment in process improvements and operational efficiencies, and ongoing business acquisition activities. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018. Selling and marketing expenses for the three months ended September 30, 2018 were $56.7 million, down from $58.6 million reported in the prior comparable quarter as a result of the capitalization of upfront commission expenses and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels.

Finance costs were $20.1 million, an increase of 61% from the prior comparable quarter, 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 from the increased utilization of the credit facility and higher interest rates.

Bad debt expense was $24.4 million for the three months ended September 30, 2018, an increase of 77% from $13.8 million recorded for the prior comparable quarter. For the six months ended September 30, 2018, the bad debt expense was $45.2 million, an increase of 56% compared with the prior comparable period. The increase for the three and six months ended September 30, 2018 was partially driven by higher revenue. Bad debt expense represents approximately 2.5% of revenue in the jurisdictions where the Company bears the credit risk, up from the 2.2% of revenue reported for the three months ended September 30, 2017.

For the six months ended September 30, 2018, sales increased by 8% to $1.8 billion and the gross margin increased by 9% to $326.9 million. Base EBITDA amounted to $64.5 million for the first six months of fiscal 2019, an increase of 22% from $53.1 million in the prior comparable period. The growth in Base EBITDA is largely attributable to the significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives.

Administrative expenses increased by 20%, from $95.4 million to $114.2 million, during the six months ended September 30, 2018. The Company continues its effort to reduce its administrative costs through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018. For the six months ended September 30, 2018, selling and marketing expenses decreased by 8% from the prior comparable period as a result of the capitalization of upfront commission expenses 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 20 and "Administrative expenses" and "Selling and marketing expenses", which are further explained on pages 22 and 23.

EMBEDDED GROSS MARGIN

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

(millions of dollars)

	As at Sept. 30, 2018	As at June 30, 2018	Sept. 30 vs. June 30 variance	As at Sept. 30, 2017	2018 vs. 2017 variance
Future embedded gross margin	**$ 2,336.2**	$ 1,963.6	19%	$ 1,615.0	45%

Management's estimate of the future embedded gross margin within its customer contracts amounted to $2,336.2 million as of September 30, 2018, an increase of 19% compared to the embedded gross margin as of June 30, 2018, resulting from Just Energy's pricing optimization efforts, offset by a negative foreign exchange impact of $27.6 million from the weakening U.S. dollar on the exchange rate assumptions. The embedded gross margin increased 45% from $1,615.0 million reported as of September 30, 2017, as pricing optimization efforts expanded to a broader customer base.

The embedded gross margin includes $45.2 million from Filter Group Inc., which was acquired by Just Energy on October 1, 2018.

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 September 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Cash inflow from operating activities	**$ (66,960)**	$ 9,186
Add (subtract):		
Changes in working capital	**93,698**	5,442
Loss (profit) attributable to non-controlling interest	**65**	(3,941)
Tax adjustment	**1,930**	821
Funds from Operations	**$ 28,733**	$ 11,508
Less: Maintenance capital expenditures	**(2,510)**	(3,825)
Base Funds from Operations	**$ 26,223**	$ 7,683
Gross margin per interim condensed consolidated financial statements	**$ 173,339**	$ 142,663
Add (subtract):		
Administrative expenses	**(58,508)**	(46,806)
Selling and marketing expenses	**(56,749)**	(58,577)
Bad debt expense	**(24,384)**	(13,763)
Current income tax provision	**520**	(3,893)
Adjustment required to reflect net cash receipts from gas sales	**5,125**	4,881
Amortization included in cost of sales	**730**	769
Other income	**2,768**	203
Financing charges, non-cash	**5,978**	2,585
Finance costs	**(20,123)**	(12,521)
Other non-cash adjustments	**37**	(4,033)
Funds from Operations	**$ 28,733**	$ 11,508
Less: Maintenance capital expenditures	**(2,510)**	(3,825)
Base Funds from Operations	**$ 26,223**	$ 7,683
Base Funds from Operations payout ratio	**85%**	279%
Dividends/distributions		
Dividends on common shares	**$ 18,657**	$ 18,349
Dividends on preferred shares	**3,230**	2,806
Distributions for share-based awards	**443**	313
Total dividends/distributions	**$ 22,330**	$ 21,468

Funds from Operations

For the six months ended September 30
(thousands of dollars)

	Fiscal 2019	Fiscal 2018
Cash inflow from operating activities	**$ (79,506)**	$ 29,795
Add (subtract):		
Changes in working capital	**116,722**	4,886
Loss (profit) attributable to non-controlling interest	**111**	(9,392)
Tax adjustment	**12,879**	11,307
Funds from Operations	**$ 50,206**	$ 36,596
Less: Maintenance capital expenditures	**(5,869)**	(8,405)
Base Funds from Operations	**$ 44,337**	$ 28,191
Gross margin per consolidated financial statements	**$ 326,871**	$ 300,226
Add (subtract):		
Administrative expenses	**(114,190)**	(95,437)
Selling and marketing expenses	**(107,292)**	(116,653)
Bad debt expense	**(45,184)**	(29,035)
Current (recovery of) income tax provision	**3,032**	(4,484)
Adjustment required to reflect net cash receipts from gas sales	**9,706**	7,530
Amortization included in cost of sales	**1,512**	1,546
Other income	**2,713**	1,802
Financing charges, non-cash	**9,445**	5,188
Finance costs	**(36,463)**	(24,511)
Other non-cash adjustments	**56**	(9,576)
Funds from Operations	**$ 50,206**	$ 36,596
Less: Maintenance capital expenditures	**(5,869)**	(8,405)
Base Funds from Operations	**$ 44,337**	$ 28,191
Base Funds from Operations payout ratio	**101%**	153%
Dividends/distributions		
Dividends on common shares	**$ 37,206**	$ 36,725
Dividends on preferred shares	**6,418**	5,815
Distributions for share-based awards	**968**	711
Total dividends/distributions	**$ 44,592**	$ 43,251

Base FFO for the three months ended September 30, 2018 was $26.2 million, an increase of 241% compared with Base FFO of $7.7 million for the prior comparable quarter, driven by the significant improvements in EBITDA as a result of the improved pricing power.

For the six months ended September 30, 2018, Base FFO was $44.3 million, an increase of 57% from the prior comparable period when Base FFO was $28.2 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 September 30, 2018 were $22.3 million, an increase of 4% from the prior comparable quarter in fiscal 2018, resulting from the issuance of preferred shares. For the six months ended September 30, 2018, dividends and distributions were $44.6 million, an increase of 3% compared to $43.3 million reported for the six months ended September 30, 2017. The payout ratio on Base FFO was 85% for the three months ended September 30, 2018, compared to 279% reported in the second quarter of fiscal 2018. The improvement in Q2 fiscal 2019 is primarily a result of the higher Base FFO described above. For the six months ended September 30, 2018, the payout ratio on Base FFO was 101%, compared with 153% in the prior comparable period. For the trailing 12 months ended September 30, 2018, the payout ratio was 82%, compared with a payout ratio of 106% for the trailing 12 months ended September 30, 2017.

Summary of quarterly results for operations

(thousands of dollars, except per share amounts)

	Q2 Fiscal 2019	Q1 Fiscal 2019	Q4 Fiscal 2018	Q3 Fiscal 2018
Sales	**$ 956,843**	$ 876,457	$ 1,014,734	$ 912,203
Gross margin	**173,339**	153,532	169,396	171,305
Administrative expenses	**58,508**	55,682	48,873	50,389
Selling and marketing expenses	**56,749**	50,543	60,840	55,547
Finance costs	**20,123**	16,340	18,195	13,266
Profit (loss) for the period	**(21,450)**	(41,423)	265,773	208,415
Profit (loss) for the period per share – basic	**(0.16)**	(0.29)	1.80	1.42
Profit (loss) for the period per share – diluted	**(0.16)**	(0.29)	1.40	1.13
Dividends/distributions paid	**22,330**	22,261	21,555	21,501
Base EBITDA	**37,261**	27,280	68,876	52,507
Base Funds from Operations	**26,223**	18,114	25,472	37,539
Payout ratio on Base Funds from Operations	**85%**	123%	85%	57%

	Q2 Fiscal 2018	Q1 Fiscal 2018	Q4 Fiscal 2017	Q3 Fiscal 2017
Sales	$ 851,927	$ 847,706	$ 947,281	$ 918,536
Gross margin	142,663	157,563	175,412	174,353
Administrative expenses	46,806	48,631	32,448	44,567
Selling and marketing expenses	58,577	58,076	53,727	55,337
Finance costs	12,521	11,990	16,745	25,477
Profit (loss) for the period	(64,923)	109,309	(38,220)	188,041
Profit (loss) for the period per share – basic	(0.48)	0.69	(0.30)	1.22
Profit (loss) for the period per share – diluted	(0.48)	0.52	(0.30)	0.98
Dividends/distributions paid	21,468	21,783	20,344	18,800
Base EBITDA	20,548	32,509	75,018	51,489
Base Funds from Operations	7,683	20,508	28,588	20,940
Payout ratio on Base Funds from Operations	279%	106%	71%	90%

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 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 second quarter

Sales increased 12% to $956.8 million for the three months ended September 30, 2018 from $851.9 million recorded in the second quarter of fiscal 2018. The gross margin was $173.3 million, an increase of 22% from the prior comparable quarter, primarily due to improved pricing power in North America and increased international sales activities.

Administrative expenses for the three months ended September 30, 2018 increased 25% as a result of the costs to support talent acquisition and retention, investment in process improvements and operational efficiencies, and ongoing business acquisition activities. The Company will continue its efforts to reduce administrative expenses through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018. Selling and marketing expenses for the three months ended September 30, 2018 decreased by 3% to $56.7 million as a result of the capitalization of upfront commission expenses and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels.

Finance costs for the three months ended September 30, 2018 amounted to $20.1 million, an increase of 61% from $12.5 million reported for the three months ended September 30, 2017, 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 from the increased utilization of the credit facility and higher interest rates.

The change in fair value of derivative instruments and other resulted in a loss of $23.9 million for the three months ended September 30, 2018, compared to a loss of $70.9 million in the prior comparable quarter, as market prices relative to Just Energy's future electricity supply contracts decreased by an average of $0.10/MWh, while future gas contracts increased by an average of $0.14/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 loss for the three months ended September 30, 2018 was $21.5 million, representing a loss per share of $0.16 on both a basic and diluted basis. For the prior comparable quarter, the loss was $64.9 million, representing a loss per share of $0.48 on a basic and diluted basis.

Base EBITDA was $37.3 million, an increase of 81% as compared to the prior comparable quarter due to significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses to support growth initiatives.

Base FFO was $26.2 million for the second quarter of fiscal 2019, up 241% compared to $7.7 million in the prior comparable quarter as a result of higher Base EBITDA in the current quarter.

Dividends and distributions paid were $22.3 million, an increase of 4% compared to $21.5 million paid in the second quarter of fiscal 2018 as a result of dividends paid to preferred shareholders, which amounted to $3.2 million as compared to $2.8 million paid in the prior comparable quarter. The payout ratio on Base FFO for the quarter ended September 30, 2018 was 85%, compared with 279% in the prior comparable quarter. The payout ratio for the trailing 12 months ended September 30, 2018 was 82%, compared with 106% for the trailing 12 months ended September 30, 2017.

Segmented Base EBITDA[1]

For the three months ended September 30
(thousands of dollars)

				Fiscal 2019
	Consumer division	**Commercial division**	**Corporate and shared services division**	**Consolidated**
Sales	**$ 593,608**	**$ 363,235**	**$ –**	**$ 956,843**
Cost of sales	**(468,362)**	**(315,142)**	**–**	**(783,504)**
Gross margin	**125,246**	**48,093**	**–**	**173,339**
Add (subtract):				
Administrative expenses	**(23,254)**	**(11,659)**	**(23,595)**	**(58,508)**
Selling and marketing expenses	**(36,516)**	**(20,233)**	**–**	**(56,749)**
Bad debt expense	**(21,612)**	**(2,772)**	**–**	**(24,384)**
Amortization included in cost of sales	**730**	**–**	**–**	**730**
Other income	**2,732**	**36**	**–**	**2,768**
Loss attributable to non-controlling interest	**65**	**–**	**–**	**65**
Base EBITDA from operations	**$ 47,391**	**$ 13,465**	**$ (23,595)**	**$ 37,261**

				Fiscal 2018
	Consumer division	Commercial division	Corporate and shared services division	Consolidated
Sales	$ 504,705	$ 347,222	$ –	$ 851,927
Cost of sales	(397,318)	(311,946)	–	(709,264)
Gross margin	107,387	35,276	–	142,663
Add (subtract):				
Administrative expenses	(18,072)	(10,446)	(18,287)	(46,806)
Selling and marketing expenses	(40,643)	(17,934)	–	(58,577)
Bad debt expense	(18,073)	2,413	–	(13,763)
Amortization included in cost of sales	769	–	–	769
Other income (expenses)	(296)	499	–	203
Profit attributable to non-controlling interest	(3,941)	–	–	(3,941)
Base EBITDA from operations	$ 29,027	$ 9,808	$ (18,287)	$ 20,548

Segmented Base EBITDA[1]

For the six months ended September 30
(thousands of dollars)

				Fiscal 2019
	Consumer division	**Commercial division**	**Corporate and shared services division**	**Consolidated**
Sales	**$ 1,135,786**	**$ 697,514**	**$ –**	**$ 1,833,300**
Cost of sales	**(891,775)**	**(614,654)**	**–**	**(1,506,429)**
Gross margin	**244,011**	**82,860**	**–**	**326,871**
Add (subtract):				
Administrative expenses	**(43,400)**	**(21,171)**	**(49,619)**	**(114,190)**
Selling and marketing expenses	**(70,204)**	**(37,088)**	**–**	**(107,292)**
Bad debt expense	**(40,403)**	**(4,781)**	**–**	**(45,184)**
Amortization included in cost of sales	**1,512**	**–**	**–**	**1,512**
Other income	**2,652**	**61**	**–**	**2,713**
Loss attributable to non-controlling interest	**111**	**–**	**–**	**111**
Base EBITDA from operations	**$ 94,279**	**$ 19,881**	**$ (49,619)**	**$ 64,541**

				Fiscal 2018
	Consumer division	Commercial division	Corporate and shared services division	Consolidated
Sales	$ 991,471	$ 708,162	$ –	$ 1,699,633
Cost of sales	(768,579)	(630,828)	–	(1,399,407)
Gross margin	222,892	77,334	–	300,226
Add (subtract):				
Administrative expenses	(33,316)	(18,411)	(43,710)	(95,437)
Selling and marketing expenses	(79,632)	(37,021)	–	(116,653)
Bad debt expense	(28,525)	(510)	–	(29,035)
Amortization included in cost of sales	1,546	–	–	1,546
Other income (expenses)	(450)	2,252	–	1,802
Profit attributable to non-controlling interest	(9,392)	–	–	(9,392)
Base EBITDA from operations	$ 73,123	$ 23,644	$ (43,710)	$ 53,057

1 The segment definitions are provided on page 7.

Consumer Energy contributed $47.4 million to Base EBITDA for the three months ended September 30, 2018, an increase of 63% from $29.0 million in the prior comparative quarter. The increase in Base EBITDA for Consumer Energy is attributable to the significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses to support the growth initiatives. Commercial Energy contributed $13.5 million to Base EBITDA, an increase of 37% from the prior comparable quarter, when the segment contributed $9.8 million. The increase in Base EBITDA for Commercial Energy is also attributable to the significant improvement in gross margin, offset by higher bad debts and an increase in administrative expenses.

For the six months ended September 30, 2018, Base EBITDA was $64.5 million, an increase of 22% from $53.1 million recorded in the prior comparable period. The Consumer division contributed $94.3 million to Base EBITDA for the six months ended September 30, 2018, an increase of 29% from $73.1 million reported for the six months ended September 30, 2017. The Commercial division contributed $19.9 million to Base EBITDA, a 16% decrease from the prior comparable period, when the segment contributed $23.6 million.

Customer aggregation

RCE SUMMARY

	July 1, 2018	Additions	Attrition	Failed to renew	**Sept. 30, 2018**	% increase (decrease)	Sept. 30, 2017	% increase (decrease)
Consumer Energy								
Gas	637,000	30,000	(27,000)	(19,000)	**621,000**	(3)%	627,000	(1)%
Electricity	1,189,000	102,000	(85,000)	(43,000)	**1,163,000**	(2)%	1,168,000	–
Total Consumer RCEs	1,826,000	132,000	(112,000)	(62,000)	**1,784,000**	(2)%	1,795,000	(1)%
Commercial Energy								
Gas	421,000	47,000	(10,000)	(4,000)	**454,000**	8%	337,000	35%
Electricity	1,926,000	111,000	(39,000)	(72,000)	**1,926,000**	–	1,955,000	(1)%
Total Commercial RCEs	2,347,000	158,000	(49,000)	(76,000)	**2,380,000**	1%	2,292,000	4%
Total RCEs	4,173,000	290,000	(161,000)	(138,000)	**4,164,000**	–	4,087,000	2%

Just Energy's total RCE base is currently at 4.2 million. Gross RCE additions for the quarter ended September 30, 2018 were 290,000, a decrease of 6% compared to RCEs added in the second quarter of fiscal 2018. Net additions were negative 9,000 for the second quarter of fiscal 2019, compared with a positive 11,000 net RCE additions in the second quarter of fiscal 2018.

Consumer RCE additions amounted to 132,000 for the three months ended September 30, 2018, a 22% decrease from 169,000 gross RCE additions recorded in the prior comparable quarter, primarily driven by the significant increase in U.K. residential adds from switching sites in the prior comparable quarter. As of September 30, 2018, the U.S., Canadian and U.K. segments accounted for 67%, 17% and 16% of the Consumer RCE base, respectively.

Commercial RCE additions were 158,000 for the three months ended September 30, 2018, a 12% increase over the prior comparable quarter due to an increase in the U.S. Commercial electricity RCEs as well as the addition of one large Commercial customer in the U.K. Net RCE additions for the Commercial division improved to positive 33,000 for the three months ended September 30, 2018, compared with positive 26,000 reported in the prior comparable quarter. The Commercial failed to renew RCEs for the three months ended September 30, 2017 included failed renewals for the Sears bankruptcy, but still improved, decreasing from 88,000 failed to renew RCEs to 76,000 failed to renew RCEs at the end of the second quarter. As of September 30, 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 September 30, 2018, 40% of the total Consumer and Commercial RCE additions were generated through commercial brokers, 37% from online and other non-door-to-door sales channels, 13% from retail channels and 10% from door-to-door sales. In the prior comparable quarter, 51% of RCE additions were generated from retail, online and other non-door-to-door sales channels, 33% from commercial brokers, and 16% using door-to-door sales.

Just Energy's geographical footprint continues to diversify outside of North America. The U.K. operations RCE base is 439,000 RCEs as at September 30, 2018. As of September 30, 2018, the U.S., Canadian and U.K. segments accounted for 68%, 22% and 10% of the RCE base, respectively. At September 30, 2017, the U.S., Canadian and U.K. segments represented 67%, 22% and 11% of the RCE base, respectively.

The Company's launch of the new retail consumer sales channel continued to meet expectations during the second quarter. The retail channel added 34,000 new RCEs during the second quarter through retail partnerships across North America, for a total of 78,000 new RCEs, the highest growth to date for the six months ended September 30, 2018. Just Energy currently has access to sell products and services today in over 700 retail locations. Beyond retail and as part of the sales growth strategy, the Company is working with well-known brands and strategic partners to launch its indirect sales channel.

CUSTOMER SUMMARY

	As at Sept. 30, 2018	As at Sept. 30, 2017	% increase
Consumer	**1,519,000**	1,468,000	3%
Commercial	**114,000**	112,000	2%
Total customer count	**1,633,000**	1,580,000	3%

With the diversification of product offerings to include more than commodities, Just Energy anticipates that the number of customers will become an increasingly relevant measure. As at September 30, 2018, the total customer count grew by 3% to 1,633,000 as compared to the prior period.

Just Energy's customer base includes 79,000 smart thermostat customers. These smart thermostats are sold as value-added product and service solutions and are currently offered in Canada and the United States. Further expansion of the energy management solutions to meet customers' preference for utility conservation and health and well-being is a key driver of the continued growth and long-term success for Just Energy.

The total customer count also includes 27,230 distinct customers from Filter Group Inc.'s water filter subscriptions. Filter Group Inc. has 32,488 home water filtration systems installed throughout Canada and the U.S. Just Energy closed the acquisition of Filter Group Inc. on October 1, 2018.

ATTRITION

	Trailing 12 months ended Sept. 30, 2018	Trailing 12 months ended Sept. 30, 2017
Consumer	**20%**	23%[1]
Commercial	**5%**	5%
Total attrition	**13%**	13%[1]

1 The attrition rate for the Consumer division for the trailing 12 months ended September 30, 2017 was updated to 23% compared to 22% reported in the Q2 fiscal 2018 MD&A. The total consolidated attrition rate for the trailing 12 months ended September 30, 2017 was updated to 13% compared to 11% in the Q2 fiscal 2018 MD&A. The change is a result of an update of a more accurate reporting system implemented in Q3 of the prior year, which automatically calculates the percentage based on daily loaded data at the contract level. The new attrition percentages for the prior comparable 12 months were updated using the calculations obtained from the new reporting system. The update was made to reflect more accurate changes between the two trailing 12-month rates.

The combined attrition rate for Just Energy was 13% for the trailing 12 months ended September 30, 2018, consistent with the prior comparable 12 months. The Consumer attrition rate decreased three percentage points to 20% while the Commercial attrition rate remained the same as a year ago. 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.

RENEWALS

	Trailing 12 months ended Sept. 30, 2018	Trailing 12 months ended Sept. 30, 2017
Consumer	**71%**	73%
Commercial	**47%**	52%
Total renewals	**57%**	61%

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 57% for the trailing 12 months ended September 30, 2018, a decrease of four percentage points compared to 61% as at September 30, 2017. The Consumer renewal rate decreased by two percentage points to 71%, and the Commercial renewal rate decreased by five percentage points to 47%. The decline in the Commercial renewal 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. Although the renewals have improved over the past six months, the renewal rate is depressed for the trailing 12 months due to lower renewal rates from Q3 and Q4 of fiscal 2018.

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%	12%	14%	15%
2020	24%	27%	25%	31%
2021	22%	30%	17%	18%
2022	17%	16%	14%	15%
Beyond 2022	26%	15%	30%	21%
Total	100%	100%	100%	100%

Note: All month-to-month customers, which represent 694,000 RCEs, are excluded from the table above.

Gross margin

For the three months ended September 30
(thousands of dollars)

	Fiscal 2019			Fiscal 2018		
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 24,858**	**$ 4,001**	**$ 28,859**	$ 20,985	$ 2,314	$ 23,299
Electricity	**100,388**	**44,092**	**144,480**	86,401	32,963	119,364
	$ 125,246	**$ 48,093**	**$ 173,339**	$ 107,386	$ 35,277	$ 142,663
Increase	**17%**	**36%**	**22%**			

For the six months ended September 30
(thousands of dollars)

	Fiscal 2019			Fiscal 2018		
	Consumer	**Commercial**	**Total**	Consumer	Commercial	Total
Gas	**$ 58,618**	**$ 8,843**	**$ 67,461**	$ 48,640	$ 4,850	$ 53,490
Electricity	**185,393**	**74,017**	**259,410**	174,252	72,484	246,736
	$ 244,011	**$ 82,860**	**$ 326,871**	$ 222,892	$ 77,334	$ 300,226
Increase	**9%**	**7%**	**9%**			

CONSUMER ENERGY

Gross margin for the three months ended September 30, 2018 for the Consumer division was $125.2 million, an increase of 17% from $107.4 million recorded in the prior comparable quarter. For the six months ended September 30, 2018, gross margin for the Consumer division was $244.0 million, an increase of 9% from $222.9 million recorded for the six months ended September 30, 2017.

Average realized gross margin for the Consumer division for the rolling 12 months ended September 30, 2018 was $237/RCE, representing a 6% decrease from $253/RCE reported in the prior comparable quarter. The decrease is primarily attributable to the North American arctic blast in January 2018, where the gross margin was negatively impacted by higher wholesale costs resulting from the upfront purchasing of gas commodity to meet the increased consumption demands. Accordingly, the GM/RCE improvements seen in Q1 and Q2 of fiscal 2019 were depressed by the reduced GM/RCE in Q4 of fiscal 2018. The gross margin/RCE value includes an appropriate allowance for bad debt expense in applicable markets.

Gas

Gross margin from gas customers in the Consumer division was $24.9 million for the three months ended September 30, 2018, an increase of 18% from $21.0 million recorded in the prior comparable quarter. For the six months ended September 30, 2018, the gross margin contribution from the gas markets increased by 21% over the prior comparable period to $58.6 million as a result of the improved pricing power, the adoption of risk management practices to neutralize the impact of summer weather on supply 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 $100.4 million for the three months ended September 30, 2018, a 16% increase from $86.4 million recorded in the prior comparable quarter. This was primarily the result of the improved pricing power and a positive foreign exchange impact. For the six months ended September 30, 2018, gross margin from electricity markets increased 6% to $185.4 million.

COMMERCIAL ENERGY

Gross margin for the Commercial division was $48.1 million for the three months ended September 30, 2018, an increase of 36% from $35.3 million recorded in the prior comparable quarter. For the six months ended September 30, 2018, gross margin for the Commercial division was $82.9 million, an increase of 7% from $77.3 million recorded for the six months ended September 30, 2017.

Average realized gross margin for the rolling 12 months ended September 30, 2018 was $85/RCE, a decrease of 3% from the $88/RCE reported in the prior comparable period. The gross margin per RCE value includes an appropriate allowance for bad debt expense in Illinois, Texas, Georgia, Michigan and California.

Gas

Gas gross margin for the Commercial division was $4.0 million for the three months ended September 30, 2018, an increase of 73% from $2.3 million recorded in the prior comparable quarter. For the six months ended September 30, 2018, the gross margin contribution from the gas markets increased by 82% from the prior comparable period to $8.8 million. The increase in gross margin for the three and six months ended September 30, 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 September 30, 2018 was $44.1 million, an increase of 34% from $33.0 million recorded in the prior comparable quarter. Gross margin from the Commercial electricity markets for the six months ended September 30, 2018 was $74.0 million, an increase of 2% from $72.5 million recorded in the six months ended September 30, 2017. The Commercial electricity margin increase for the three and six months ended September 30, 2018 was attributable to the improvement resulting from the gross margin initiatives.

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

	Q2 Fiscal 2019	**Number of customers**	Q2 Fiscal 2018	Number of customers
Consumer customers added or renewed	**$ 333**	**257,000**	$ 197	285,000
Consumer customers lost	**210**	**174,000**	201	186,000
Commercial customers added or renewed[1]	**96**	**230,000**	88	180,000
Commercial customers lost	**82**	**125,000**	78	112,000

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

For the three months ended September 30, 2018, the average gross margin per RCE for the customers added or renewed by the Consumer division was $333/RCE, an increase from $197/RCE in the prior comparable period. The average gross margin per RCE for the Consumer customers lost during the three months ended September 30, 2018 was $210/RCE, an increase from $201/RCE margin lost on customers in the prior comparable period. The increase in gross margin is attributed to the improved pricing power.

For the Commercial division, the average gross margin per RCE for the customers signed during the three months ended September 30, 2018 was $96/RCE, an increase from $88/RCE in the prior comparable period. Customers lost through attrition and failure to renew during the three months ended September 30, 2018 were at an average gross margin of $82/RCE, an increase from $78/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)

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	% increase	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017	% increase
Consumer Energy	**$ 23,254**	$ 18,073	29%	**$ 43,400**	$ 33,316	30%
Commercial Energy	**11,659**	10,446	12%	**21,171**	18,411	15%
Corporate and shared services costs	**23,595**	18,287	29%	**49,619**	43,710	14%
Total administrative expenses	**$ 58,508**	$ 46,806	25%	**$ 114,190**	$ 95,437	20%

Administrative expenses increased by 25% from $46.8 million to $58.5 million. The Consumer division's administrative expenses were $23.3 million for the three months ended September 30, 2018, an increase of 29% from $18.1 million recorded in the prior comparable quarter. The Commercial division's administrative expenses were $11.7 million for the second quarter of fiscal 2019, a 12% increase from $10.4 million reported for the prior comparable quarter. Corporate expenses increased 29% to $23.6 million for the three months ended September 30, 2018.

Administrative expenses increased by 20% to $114.2 million for the six months ended September 30, 2018 from $95.4 million recorded in the prior comparative period. Consumer and Commercial administrative expenses for the six months ended September 30, 2018 were $43.4 million and $21.2 million, an increase of 30% and 15% over the prior comparable period, respectively, to support talent acquisition and retention, investment in process improvements and operational efficiencies, and ongoing business acquisition activities. Corporate expenses increased 14% to $49.6 million for the six months ended September 30, 2018. The Company continues its efforts to reduce administrative expenses through greater automation and consolidation of support activities. A recent decision made by the lower court on the Kevin Flood, et al. v. Just Energy Marketing Group, et al. case confirmed that the Company is not legally liable for the claims against it, which resulted in a reversal of $4.0 million in legal expenses for the three months ended September 30, 2018.

SELLING AND MARKETING EXPENSES

(thousands of dollars)

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	% increase (decrease)	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017	% decrease
Consumer Energy	**$ 36,516**	$ 40,643	(10)%	**$ 70,204**	$ 79,632	(12)%
Commercial Energy	**20,233**	17,934	13%	**37,088**	37,021	–
Total selling and marketing expenses	**$ 56,749**	$ 58,577	(3)%	**$ 107,292**	$ 116,653	(8)%

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 $56.7 million in the three months ended September 30, 2018, down by 3% from $58.6 million in the second quarter of fiscal 2018. This decrease is a result of the capitalization of upfront commission expenses and the reduction of non-commission selling expenses due to the consolidation of regional sales offices and diversification of sales channels.

The selling and marketing expenses for the Consumer division were $36.5 million in the three months ended September 30, 2018, a 10% decrease as compared to the prior comparable quarter due to the capitalization of upfront commission expenses.

The selling and marketing expenses for the Commercial division were $20.2 million for the three months ended September 30, 2018, up 13% from $17.9 million recorded in the prior comparable quarter.

For the six months ended September 30, 2018, selling and marketing expenses were $107.3 million, an 8% decrease as compared to $116.7 million in the prior comparable period. The Consumer division's selling and marketing expenses were down 12% to $70.2 million compared to $79.6 million for the six months ended September 30, 2017 as a result of IFRS 15 implementation in the current year. Selling and marketing expenses for the Commercial division were $37.1 million for the six months ended September 30, 2018, consistent with the prior comparable period.

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:

	Trailing 12 months ended Sept. 30, 2018	Trailing 12 months ended Sept. 30, 2017
Consumer	**$218/RCE**	$180/RCE
Commercial	**$45/RCE**	$42/RCE

The average aggregation cost for the Consumer division was $218/RCE for the trailing 12 months ended September 30, 2018, an increase from $180/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 online broker and other non-door-to-door sales channels, resulting in an increase in the customer acquisition cost paid per RCE.

The $45 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 $45 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $81 (1.8 x $45) to the year's average aggregation cost reported above. As at September 30, 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, Michigan, Delaware, Ohio, Georgia, the U.K. and Ireland, as well as for Interactive Energy Group and Just Green 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 $24.4 million for the three months ended September 30, 2018, an increase of 77% from $13.8 million recorded for the prior comparable quarter. For the six months ended September 30, 2018, bad debt expense was $45.2 million, an increase of 56% from $29.0 million recorded for the prior comparable quarter. The increase is a result of the growth of revenues within Texas and in the U.K. For the six months ended September 30, 2018, the bad debt expense represents 2.5% of relevant revenue, up from 2.2% reported in the prior comparable quarter.

FINANCE COSTS

Finance costs for the three months ended September 30, 2018 amounted to $20.1 million, an increase of 61% from $12.5 million recorded during fiscal 2018. For the six months ended September 30, 2018, finance costs amounted to $36.5 million, an increase of 49% from $24.5 million recorded during fiscal 2018. The increase in finance costs 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 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 six months ended September 30, 2018, a foreign exchange unrealized loss of $8.4 million and $4.6 million, respectively, was reported in other comprehensive income, versus an unrealized loss of $7.8 million and $12.6 million, respectively, reported in fiscal 2018. This fluctuation is a result of the significant decrease 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.-based operations resulted in an increase of $1.4 million and $0.4 million on Base EBITDA for the three and six months ended September 30, 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)

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Current income tax expense (recovery)	**$ (520)**	$ 3,893	**$ (3,032)**	$ 4,484
Deferred income tax expense (recovery)	**6,932**	(5,726)	**17,405**	480
Provision for (recovery of) income taxes	**$ 6,412**	$ (1,833)	**$ 14,373**	$ 4,964

Just Energy recorded a current income tax recovery of $0.5 million for the three months ended September 30, 2018, versus a $3.9 million current tax expense in the prior comparable quarter. For the six months ended September 30, 2018, the current income tax recovery amounted to $3.0 million, compared to the income tax expense of $4.5 million reported for the six months ended September 30, 2017, which corresponds to the increase in deductible expenses such as financing costs in the three and six months ended September 30, 2018.

During the three months ended September 30, 2018, a deferred tax expense of $6.9 million was recorded, primarily relating to mark to market gains from financial instruments. In the same period in fiscal 2018, a deferred tax recovery of $5.7 million was recorded, primarily due to mark to market losses from derivative financial instruments. A deferred tax expense of $17.4 million and $0.5 million was recorded for the six months ended September 30, 2018 and September 30, 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)

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Operating activities	**$ (66,960)**	$ 9,186	**$ (79,506)**	$ 29,795
Investing activities	**(11,567)**	(7,799)	**(21,422)**	(18,212)
Financing activities, excluding dividends	**75,678**	20,635	**114,828**	31,237
Effect of foreign currency translation	**302**	266	**(975)**	(1,017)
Increase in cash before dividends	**(2,547)**	22,288	**12,925**	41,803
Dividends (cash payments)	**(22,312)**	(21,458)	**(44,561)**	(43,229)
Increase (decrease) in cash	**(24,859)**	830	**(31,636)**	(1,426)
Cash and cash equivalents – beginning of period	**42,084**	55,120	**48,861**	57,376
Cash and cash equivalents – end of period	**$ 17,225**	$ 55,950	**$ 17,225**	$ 55,950

OPERATING ACTIVITIES

Cash flow from operating activities for the three months ended September 30, 2018 was an outflow of $67.0 million, compared to an inflow of $9.2 million in the prior comparable quarter. For the six months ended September 30, 2018, cash flow from operating activities was an outflow of $79.5 million, compared to an inflow of $29.8 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 September 30, 2018 included purchases of property, plant and equipment and intangible assets totalling $0.6 million and $10.9 million, respectively, compared with $1.8 million and $5.7 million, respectively, in fiscal 2017.

Investing activities for the six months ended September 30, 2018 included purchases of property, plant and equipment and intangible assets totalling $2.6 million and $18.9 million, respectively, compared with $3.0 million and $12.5 million, respectively, in fiscal 2017.

FINANCING ACTIVITIES

Financing activities, excluding dividends, relate primarily to the issuance and repayment of long-term debt. During the three months ended September 30, 2018, Just Energy entered into the 8.75% loan, offset by the partial redemption of the 6.5% convertible bonds. During the six months ended September 30, 2018, Just Energy issued an additional $10.4 million in preferred shares and withdrew 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, British Columbia, California, Michigan, Delaware, Ohio, Georgia and the United Kingdom, Just Energy receives payment directly.

DIVIDENDS AND DISTRIBUTIONS

During the three months ended September 30, 2018, Just Energy paid cash dividends to its common and preferred shareholders and distributions to holders of share-based awards in the amount of $22.3 million, compared to $21.5 million paid in the prior comparable quarter. For the six months ended September 30, 2018, Just Energy paid $44.6 million, compared to $43.2 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 payments 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 September 30, 2018 was US$0.53125 per preferred share.

Balance sheet as at September 30, 2018, compared to March 31, 2018

Total cash and short-term investments decreased from $48.9 million as at March 31, 2018 to $17.2 million as at September 30, 2018. The decrease in cash is primarily attributable to the Company's significant investment in upfront customer acquisition costs and risk management activities.

As of September 30, 2018, trade receivables and unbilled revenue amounted to $443.9 million and $250.6 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, which include gas and electricity commodity payables of $215.5 million, increased from $616.4 million to $636.8 million during the quarter as a result of the effective risk management of the commodity cost.

In certain markets, more gas has been delivered to LDCs than consumed by customers, resulting in gas delivered in excess of consumption and a deferred revenue position of $10.3 million and $14.6 million, respectively, as of September 30, 2018. These amounts increased from $2.7 million and $1.5 million, respectively, as of March 31, 2018. The remainder of the deferred revenue balance primarily relates to the U.K. which amounted to $55.0 million as at September 30, 2018, compared to $40.2 million at March 31, 2018. As at September 30, 2018, more gas was consumed by customers than Just Energy had delivered to the LDCs in Ontario and Manitoba, and as a result, Just Energy recognized, within trade and other receivables and trade and other payables, accrued gas receivable and accrued gas payable of $4.7 million and $3.3 million, respectively, down from $7.9 million and $6.9 million, respectively, as of March 31, 2018. These changes represent the normal seasonality of gas storage. Total other assets increased from $129.7 million at March 31, 2018 to $194.4 million as of September 30, 2018.

Fair value of derivative financial assets and fair value of financial liabilities relate entirely to the financial derivatives. 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 non-cash changes are not meaningful and will not be experienced as future costs or cash outflows.

Total debt increased from $543.5 million as at March 31, 2018 to $661.3 million as at September 30, 2018. This increase is a result of the issuance of the 8.75% loan, offset by the partial redemption of the 6.5% convertible bonds. The book value of net debt was 3.5x 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:

	As at Sept. 30, 2018	As at March 31, 2018	As at Sept. 30, 2017
Assets			
Cash and short-term investments	**$ 17,225**	$ 48,861	$ 81,202
Trade and other receivables	**694,479**	697,307	583,842
Total other assets	**194,447**	129,684	110,954
Total fair value of derivative financial assets	**227,787**	283,431	24,227
Liabilities			
Trade payables and other	**637,405**	621,148	535,424
Deferred revenue	**69,612**	41,684	70,311
Total fair value of derivative financial liabilities	**94,779**	138,159	321,525
Total long-term debt	**661,335**	543,504	540,437
Total other liabilities	**6,616**	7,304	5,796

Debt and financing for operations

(thousands of dollars)

	As at Sept. 30, 2018	As at March 31, 2018	As at Sept. 30, 2017
Credit facility	**$ 179,395**	$ 122,115	$ 117,520
8.75% loan	**115,623**	–	–
6.75% $100M convertible debentures	**86,276**	85,760	–
6.75% $160M convertible debentures	**149,515**	148,146	146,834
6.5% convertible bonds	**132,898**	188,147	180,251
5.75% convertible debentures	**–**	–	97,292

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 $179.4 million as of September 30, 2018, compared with $122.1 million as of March 31, 2018. In addition, total letters of credit outstanding as at September 30, 2018 amounted to $89.4 million (March 31, 2018 – $113.4 million).
- 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. 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 5.75% convertible extendible unsecured subordinated debenture maturing on 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.
- 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.

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 months ended September 30, 2018.

ACQUISITION OF FILTER GROUP INC.

On October 1, 2018, Just Energy announced the closing of the acquisition of 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, with over 30,000 home water filtration systems installed to date.

Just Energy acquired all of the issued and outstanding shares of Filter Group and the shareholder loan owing by Filter Group. In addition to the assumption of 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.

Daniel MacDonald, the CEO of Filter Group Inc., is the son of the Executive Chair of Just Energy. Accordingly, although the Executive Chair does not have any direct or indirect interest in Filter Group, Just Energy's Executive Chair recused herself from the negotiations and the decision-making process with respect to the acquisition. The transaction was reviewed by the Strategic Initiatives Committee and it received a fairness opinion on the transaction.

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	$ 636,767	$ –	$ –	$ –	$ 636,767
Long-term debt	135,146	179,395	391,845	–	706,386
Interest payments	29,437	68,061	37,547	–	135,045
Premises and equipment leasing	2,618	7,773	7,775	7,700	25,866
Gas, electricity and non-commodity contracts	1,026,658	1,747,709	326,348	99,395	3,200,110
	$ 1,830,626	$ 2,002,938	$ 763,515	$ 107,095	$ 4,704,174

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 September 30, 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

Just Energy does not have any 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 in accordance with its credit facility totalling $89.4 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 September 30, 2018 were $57.9 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, 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, Ohio, Delaware, California, Michigan, Georgia, the U.K., Ireland, Interactive Energy Group, Just Green U.S. and commercial direct-billed accounts in British Columbia. 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.

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.

DEFERRED TAXES

In accordance with IFRS, Just Energy uses the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized on the differences between the carrying amounts of assets and liabilities and their respective income tax basis.

The tax effects of these differences are reflected in the interim condensed consolidated statements of financial position as deferred income tax assets and liabilities. An assessment must be made to determine the likelihood that our future taxable income will be sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, deferred income tax assets must be reduced. The reduction of the deferred income tax asset can be reversed if the estimated future taxable income

improves. No assurances can be given as to whether any reversal will occur or as to the amount or timing of any such reversal. Management must exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation to ensure deferred income tax assets and liabilities are complete and fairly presented. Assessments and applications differing from our estimates could materially impact the amount recognized for deferred income tax assets and liabilities.

Deferred income tax assets of $3.0 million and $9.4 million have been recorded on the interim condensed consolidated statements of financial position as at September 30, 2018 and March 31, 2018, respectively. The reduction in the deferred tax assets is largely caused by the mark to market gains on our derivative financial instruments in Canada. Management believes there will be sufficient taxable income that will permit the use of these future tax assets in the tax jurisdictions where they exist.

When evaluating the future tax position, Just Energy assesses its ability to use deferred tax assets based on expected taxable income in future periods and other taxable temporary differences such as the book gain on fair value of derivative financial instruments. As at September 30, 2018, no net deferred tax assets were recognized in the U.S.

Deferred income tax liabilities of $17.3 million and $6.9 million have been recorded on the interim condensed consolidated statements of financial position as at September 30, 2018 and March 31, 2018, respectively. The increase in the deferred tax liabilities is primarily due to mark to market gains on the derivative financial instruments in the U.K.

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 six months ended September 30, 2018 recorded in the interim condensed consolidated financial statements of cash flows was $6.0 million and $11.2 million, respectively, compared with $5.3 million and $9.8 million, respectively, for the three and six months ended September 30, 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. 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.

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

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'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. All the mark to market changes on Just Energy's derivative instruments are recorded on a single line on the interim condensed consolidated statements of income. 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 September 30, 2018. Other inputs, including volatility and correlations, are driven off historical settlements.

Just Energy common and preferred shares

As at November 7, 2018, there were 149,256,095 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 November 7, 2018, Just Energy has issued a cumulative 333,966 preferred shares for aggregate total gross proceeds of $10.3 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 September 30, 2018, Just Energy had purchased $nil of common shares through the NCIB program, compared to $11.9 million purchased in 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. The Company's current priority is the repurchase of debentures at attractive prices.

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

Just Energy adopted IFRS 15. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, Revenue ("IAS 18") and IFRIC 13, Customer Loyalty Programmes ("IFRIC 13").

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 modified retrospective method, 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 September 30, 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 ("FVOCI"), and fair value through profit and loss ("FVTPL").

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 September 30, 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., 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 decisions, 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 March 2015, Kevin Flood, a former door-to-door independent contractor for Just Energy Marketing Corp., filed a lawsuit against JEMC, Just Energy New York Corp. and the Company (collectively referred to as "Just Energy") in New York Federal District Court (Southern District) claiming entitlement to payment of minimum wage and overtime under New York wage claim laws and the FLSA on his own behalf and similarly situated door-to-door sales representatives who sold in New York. On January 25, 2016, the Court certified the FLSA lawsuit as a class action of New York sales representatives who sold for Just Energy New York, and approximately 167 individuals opted in to the FLSA class. Flood also filed a request to certify the lawsuit as a class action for alleged violations of the New York wage claim laws. On January 20, 2017, the Court denied Flood's request, and granted Just Energy's motion for summary judgment dismissing Flood's claims. On February 16, 2017, Flood and opt-in plaintiffs appealed the dismissal of the Federal District Court's order to the Court of Appeals for the Second Circuit. Appellate oral argument was held on February 20, 2018 and, on September 19, 2018, the Court of Appeals for the Second Circuit affirmed the District Court's order.

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 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. Examinations were held during 2018 and undertakings from examinations are ongoing. 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 in order 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 six months ended September 30, 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 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-added 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. Just Energy's unique offering of value-added products and services seeks to address its customers' concerns around their family's 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 customer growth through its retail and other primary channels 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 the first half of fiscal 2019 to attract higher margin customers in conjunction with implementing a price optimization strategy company-wide. To further drive profitability, Just Energy has 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 year's third and fourth quarters, driving performance beyond historical levels and supporting guidance for the current fiscal year and earnings growth into the future.

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. Upon achieving the stated guidance range for fiscal 2019, the Company will achieve a dividend payout ratio of approximately 75%, which is well within management's expectations and offers support for the dividend moving forward.

Interim condensed consolidated statements of financial position

(in thousands of Canadian dollars)

	Notes	As at Sept. 30, 2018 (Unaudited)	As at March 31, 2018 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**$ 17,225**	$ 48,861
Restricted cash		**3,537**	3,515
Trade and other receivables	6	**694,479**	697,307
Gas in storage		**42,916**	11,812
Fair value of derivative financial assets	8	**204,360**	218,769
Income tax recoverable		**16,508**	5,617
Other current assets	7	**148,777**	109,697
		1,127,802	1,095,578
Non-current assets			
Investments	8	**36,329**	36,314
Property, plant and equipment		**19,775**	18,893
Intangible assets		**414,006**	401,926
Fair value of derivative financial assets	8	**23,427**	64,662
Deferred tax asset		**2,971**	9,449
Other non-current assets	7	**45,670**	19,987
		542,178	551,231
TOTAL ASSETS		**$ 1,669,980**	$ 1,646,809
LIABILITIES			
Current liabilities			
Trade payables and other		**$ 637,405**	$ 621,148
Deferred revenue		**69,612**	41,684
Income taxes payable		**6,616**	7,304
Fair value of derivative financial liabilities	8	**40,835**	86,288
Current portion of long-term debt	10	**132,898**	121,451
		887,366	877,875
Non-current liabilities			
Long-term debt	10	**528,437**	422,053
Fair value of derivative financial liabilities	8	**53,944**	51,871
Deferred tax liability		**17,272**	6,918
Other non-current liabilities		**46,658**	57,349
		646,311	538,191
TOTAL LIABILITIES		**1,533,677**	1,416,066
SHAREHOLDERS' EQUITY			
Shareholders' capital	12	**1,232,975**	1,215,826
Equity component of convertible debentures		**13,029**	13,029
Contributed deficit		**(25,186)**	(22,693)
Deficit		**(1,153,574)**	(1,066,931)
Accumulated other comprehensive income		**69,458**	91,934
Non-controlling interest		**(399)**	(422)
TOTAL SHAREHOLDERS' EQUITY		**136,303**	230,743
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,669,980**	$ 1,646,809

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 Sept. 30, 2018**	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Sales	13	**$ 956,843**	$ 851,927	**$ 1,833,300**	$ 1,699,633
Cost of sales		**783,504**	709,264	**1,506,429**	1,399,407
GROSS MARGIN		**173,339**	142,663	**326,871**	300,226
EXPENSES					
Administrative		**58,508**	46,806	**114,190**	95,437
Selling and marketing		**56,749**	58,577	**107,292**	116,653
Other operating expenses	14(a)	**31,833**	20,795	**59,651**	55,771
		147,090	126,178	**281,133**	267,861
Operating profit before the following		**26,249**	16,485	**45,738**	32,365
Finance costs	10	**(20,123)**	(12,521)	**(36,463)**	(24,511)
Change in fair value of derivative instruments and other	8	**(23,932)**	(70,923)	**(60,488)**	39,694
Other income		**2,768**	203	**2,713**	1,802
Profit (loss) before income taxes		**(15,038)**	(66,756)	**(48,500)**	49,350
Provision for (recovery of) income taxes	11	**6,412**	(1,833)	**14,373**	4,964
PROFIT (LOSS) FOR THE PERIOD		**$ (21,450)**	$ (64,923)	**$ (62,873)**	$ 44,386
Attributable to:					
Shareholders of Just Energy		**$ (21,385)**	$ (68,864)	**$ (62,762)**	$ 34,994
Non-controlling interest		**(65)**	3,941	**(111)**	9,392
PROFIT (LOSS) FOR THE PERIOD		**$ (21,450)**	$ (64,923)	**$ (62,873)**	$ 44,386
Earnings (loss) per share available to shareholders	15				
Basic		**$ (0.16)**	$ (0.48)	**$ (0.45)**	$ 0.21
Diluted		**$ (0.16)**	$ (0.48)	**$ (0.45)**	$ 0.17

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of comprehensive income (loss)

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

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
PROFIT (LOSS) FOR THE PERIOD	**$ (21,450)**	$ (64,923)	**$ (62,873)**	$ 44,386
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Unrealized loss on translation of foreign operations	**(8,363)**	(7,793)	**(4,613)**	(12,561)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$ (29,813)**	$ (72,716)	**$ (67,486)**	$ 31,825
Total comprehensive income (loss) attributable to:				
Shareholders of Just Energy	**$ (29,748)**	$ (76,657)	**$ (67,375)**	$ 22,433
Non-controlling interest	**(65)**	3,941	**(111)**	9,392
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**$ (29,813)**	$ (72,716)	**$ (67,486)**	$ 31,825

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)

	Notes	**Three months ended Sept. 30, 2018**	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
ATTRIBUTABLE TO THE SHAREHOLDERS					
Accumulated earnings					
Accumulated earnings, beginning of period		**$ 748,181**	$ 363,429	**$ 768,847**	$ 259,571
Adjustment for adoption of IFRS 9 and 15		**–**	–	**20,711**	–
Profit (loss) for the period, attributable to shareholders		**(21,385)**	(68,864)	**(62,762)**	34,994
Accumulated earnings, end of period		**726,796**	294,565	**726,796**	294,565
DIVIDENDS AND DISTRIBUTIONS					
Dividends and distributions, beginning of period		**(1,858,040)**	(1,771,254)	**(1,835,778)**	(1,749,471)
Dividends and distributions declared and paid	16	**(22,330)**	(21,468)	**(44,592)**	(43,251)
Dividends, end of period		**(1,880,370)**	(1,792,722)	**(1,880,370)**	(1,792,722)
DEFICIT		**$ (1,153,574)**	$ (1,498,157)	**$ (1,153,574)**	$ (1,498,157)
ACCUMULATED OTHER COMPREHENSIVE INCOME					
Accumulated other comprehensive income, beginning of period		**$ 77,821**	$ 65,593	**$ 91,934**	$ 70,361
Adjustment for adoption of IFRS 9 and 15		**–**	–	**(17,863)**	–
Other comprehensive loss		**(8,363)**	(7,793)	**(4,613)**	(12,561)
Accumulated other comprehensive income, end of period		**$ 69,458**	$ 57,800	**$ 69,458**	$ 57,800
SHAREHOLDERS' CAPITAL	12				
Common shares					
Common shares, beginning of period		**$ 1,084,034**	$ 1,068,778	**$ 1,079,055**	$ 1,070,076
Share-based units exercised		**1,957**	529	**6,936**	10,674
Repurchase and cancellation of shares		**–**	(498)	**–**	(11,941)
Common shares, end of period		**1,085,991**	1,068,809	**1,085,991**	1,068,809
Preferred shares					
Preferred shares, beginning of period		**$ 146,983**	$ 132,266	**$ 136,771**	$ 128,363
Shares issued		**–**	834	**10,447**	5,195
Shares issuance costs		**1**	(192)	**(234)**	(650)
Preferred shares, end of period		**146,984**	132,908	**146,984**	132,908
SHAREHOLDERS' CAPITAL		**$ 1,232,975**	$ 1,201,717	**$ 1,232,975**	$ 1,201,717
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES					
Balance, beginning of period		**$ 13,029**	$ 13,508	**$ 13,029**	$ 13,508
Balance, end of period		**$ 13,029**	$ 13,508	**$ 13,029**	$ 13,508
CONTRIBUTED SURPLUS (DEFICIT)					
Balance, beginning of period		**$ (24,590)**	$ 57,861	**$ (22,693)**	$ 58,266
Add: Share-based compensation expense	14(a)	**1,494**	1,716	**3,269**	16,963
Non-cash deferred share grant distributions		**17**	10	**31**	22
Less: Purchase of non-controlling interest		**(150)**	(102,298)	**1,416**	(102,298)
Share-based units exercised	12	**(1,957)**	(529)	**(6,936)**	(10,674)
Share-based compensation adjustment		**–**	18	**(273)**	(5,501)
Balance, end of period		**$ (25,186)**	$ (43,222)	**$ (25,186)**	$ (43,222)
NON-CONTROLLING INTEREST					
Balance, beginning of period		**$ (408)**	$ –	**$ (422)**	$ –
Distributions to non-controlling shareholders		**–**	(3,941)	**–**	(9,392)
Foreign exchange impact on non-controlling interest		**74**	–	**134**	–
Profit (loss) attributable to non-controlling interest		**(65)**	3,941	**(111)**	9,392
Balance, end of period		**$ (399)**	$ –	**$ (399)**	$ –
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**$ 136,303**	$ (268,354)	**$ 136,303**	$ (268,354)

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 Sept. 30, 2018	Three months ended Sept. 30, 2017	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2017
Net inflow (outflow) of cash related to the following activities					
OPERATING					
Profit (loss) before income taxes		**$ (15,038)**	$ (66,756)	**$ (48,500)**	$ 49,350
Items not affecting cash					
Amortization of intangible assets	14(a)	**4,995**	4,331	**9,340**	7,791
Depreciation of property, plant and equipment	14(a)	**960**	985	**1,858**	1,982
Amortization included in cost of sales		**730**	769	**1,512**	1,546
Share-based compensation	14(a)	**1,494**	1,716	**3,269**	16,963
Financing charges, non-cash portion		**5,978**	2,585	**9,445**	5,188
Other		**(29)**	(92)	**(55)**	(184)
Change in fair value of derivative instruments		**23,932**	70,923	**60,488**	(39,694)
Adjustment required to reflect net cash receipts from gas sales		**5,125**	4,881	**9,706**	7,530
Net change in working capital balances		**(93,698)**	(5,442)	**(116,722)**	(4,886)
Income taxes paid		**(1,409)**	(4,714)	**(9,847)**	(15,791)
Cash inflow (outflow) from operating activities		**(66,960)**	9,186	**(79,506)**	29,795
INVESTING					
Purchase of property, plant and equipment		**(630)**	(1,768)	**(2,559)**	(2,959)
Purchase of intangible assets		**(10,937)**	(5,717)	**(18,863)**	(12,522)
Acquisition of businesses		**–**	–	**–**	(2,546)
Short-term investments		**–**	(314)	**–**	(185)
Cash outflow from investing activities		**(11,567)**	(7,799)	**(21,422)**	(18,212)
FINANCING					
Dividends paid		**(22,312)**	(21,458)	**(44,561)**	(43,229)
Repayment of long-term debt	10	**(59,573)**	–	**(59,573)**	–
Issuance of long-term debt	10	**119,662**	–	**119,662**	–
Share swap payout	8	**(10,000)**	–	**(10,000)**	–
Debt issuance costs	10	**(481)**	–	**(2,654)**	–
Credit facilities withdrawal	10	**26,070**	24,612	**57,280**	49,262
Issuance of preferred shares		**–**	834	**10,447**	5,195
Preferred shares issuance costs		**–**	(215)	**(334)**	(1,676)
Shares repurchase		**–**	(498)	**–**	(11,941)
Distributions to non-controlling interest		**–**	(4,098)	**–**	(9,603)
Cash inflow (outflow) from financing activities		**53,366**	(823)	**70,267**	(11,992)
Effect of foreign currency translation on cash balances		**302**	266	**(975)**	(1,017)
Net cash inflow (outflow)		**(24,859)**	830	**(31,636)**	(1,426)
Cash and cash equivalents, beginning of period		**42,084**	55,120	**48,861**	57,376
Cash and cash equivalents, end of period		**$ 17,225**	$ 55,950	**$ 17,225**	$ 55,950
Supplemental cash flow information:					
Interest paid		**$ 15,220**	$ 11,575	**$ 26,445**	$ 18,896

See accompanying notes to the interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

For the six months ended September 30, 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 November 7, 2018.

2 OPERATIONS

Just Energy is a leading consumer company specializing in electricity and natural gas commodities, energy efficiency solutions and renewable energy options. With offices located across the United States ("U.S."), Canada, the United Kingdom ("U.K."), Germany, Ireland and Japan, Just Energy serves residential and commercial customers, providing homes and businesses with a broad range of energy solutions that deliver comfort, convenience and control. Just Energy is the parent company of Amigo Energy, EdgePower 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.

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 7.8% 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.

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 September 30, 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 relate 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. Often times, 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 met 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 IAS 18	New IFRS 15
Current assets		
Customer acquisition costs	$ 31,852	$ 43,152
Non-current financial assets		
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 September 30, 2018:

	As at Sept. 30, 2018 (reported)	Balances without adoption of IFRS 15	Effect of change higher (lower)
Current assets			
Customer acquisition costs	$ 60,501	$ 36,765	$ 23,736
Non-current financial assets			
Customer acquisition costs	$ 41,117	$ 17,293	$ 23,824

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 six months ended September 30, 2018:

	For the three months ended Sept. 30, 2018 (reported)	Balances without adoption of IFRS 15	Effect of change higher (lower)	**For the six months ended Sept. 30, 2018 (reported)**	Balances without adoption of IFRS 15	Effect of change higher (lower)
Sales	**$ 956,843**	$ 956,843	$ –	**$ 1,833,300**	$ 1,833,300	$ –
Cost of sales	**783,504**	783,504	–	**1,506,429**	1,506,429	–
Gross margin	**173,339**	173,339	–	**326,871**	326,871	–
Expenses						
Administrative	**58,508**	58,508	–	**114,190**	114,190	–
Selling and marketing	**56,749**	66,861	(10,112)	**107,292**	126,667	(19,375)
Other operating expenses	**31,833**	31,833	–	**59,651**	59,651	–
	147,090	157,202	(10,112)	**281,133**	300,508	(19,375)
Operating profit before the following	**26,249**	16,137	10,112	**45,738**	26,363	19,375
Finance costs	**(20,123)**	(20,123)	–	**(36,463)**	(36,463)	–
Change in fair value of derivative instruments and other	**(23,932)**	(23,932)	–	**(60,488)**	(60,488)	–
Other income	**2,768**	2,768	–	**2,713**	2,713	–
Loss before income taxes	**(15,038)**	(25,150)	10,112	**(48,500)**	(67,875)	19,375
Provision for income taxes	**6,412**	6,412	–	**14,373**	14,373	–
Loss for the period	**$ (21,450)**	$ (31,562)	$ 10,112	**$ (62,873)**	$ (82,248)	$ 19,375
Attributable to:						
Shareholders of Just Energy	**$ (21,385)**	$ (31,497)	$ 10,112	**$ (62,762)**	$ (82,137)	$ 19,375
Non-controlling interest	**(65)**	(65)	–	**(111)**	(111)	–
Loss for the period	**$ (21,450)**	$ (31,562)	$ 10,112	**$ (62,873)**	$ (82,248)	$ 19,375
Loss per share available to shareholders						
Basic	**$ (0.16)**	$ (0.23)	$ 0.07	**$ (0.45)**	$ (0.58)	$ 0.13
Diluted	**$ (0.16)**	$ (0.23)	$ 0.07	**$ (0.45)**	$ (0.58)	$ 0.13

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 September 30, 2018 is $90,844.

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

	October 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	Years thereafter	Total
Gas and electricity flat-bill contracts	$ 15,565	$ 29,425	$ 21,614	$ 13,051	$ 11,189	$ 90,844

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, 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 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**
Current financial assets		
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
Non-current financial assets		
Investments	FVOCI and FVTPL	FVTPL
Derivative assets	FVTPL	FVTPL
Current financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative liabilities	FVTPL	FVTPL
Current portion of long-term debt	Other financial liabilities	Amortized cost
Non-current financial liabilities		
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 asset 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 Sept. 30, 2018	As at March 31, 2018
Trade account receivables, net	**$ 376,697**	$ 332,083
Accrued gas receivables	**1,318**	15,893
Unbilled revenues	**250,536**	301,577
Other	**65,928**	47,754
	$ 694,479	$ 697,307

7 OTHER CURRENT AND NON-CURRENT ASSETS

(a) Other current assets

	As at Sept. 30, 2018	As at March 31, 2018
Prepaid expenses and deposits	**$ 40,694**	$ 32,900
Customer acquisition costs	**60,501**	31,852
Green certificates	**37,234**	42,230
Gas delivered in excess of consumption	**10,348**	2,715
	$ 148,777	$ 109,697

(b) Other non-current assets

	As at Sept. 30, 2018	As at March 31, 2018
Customer acquisition costs	**$ 41,117**	$ 17,101
Other long-term assets	**4,553**	2,886
	$ 45,670	$ 19,987

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 are 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 ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Physical forward contracts and options (i)	**$ 41,108**	$ (71,671)	**$ (57,203)**	$ 16,347
Financial swap contracts and options (ii)	**(30,758)**	12,330	**38,046**	16,024
Foreign exchange forward contracts	**(1,437)**	(9,004)	**867**	(2,065)
Share swap	**(2,298)**	300	**(5,561)**	(1,807)
Unrealized foreign exchange on 6.5% convertible bond and 8.75% loan	**3,784**	7,313	**(213)**	12,097
6.5% convertible bond conversion feature	**14**	(728)	**246**	4,900
Weather derivatives	**(30,181)**	–	**(30,181)**	–
Other derivative options	**(4,164)**	(9,463)	**(6,489)**	(5,802)
Change in fair value of derivative instruments and other	**$ (23,932)**	$ (70,923)	**$ (60,488)**	$ 39,694

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 September 30, 2018:

	Financial assets (current)	**Financial assets (non-current)**	**Financial liabilities (current)**	**Financial liabilities (non-current)**
Physical forward contracts and options (i)	**$ 162,194**	**$ 22,698**	**$ 20,037**	**$ 26,949**
Financial swap contracts and options (ii)	**22,900**	**646**	**6,570**	**25,342**
Foreign exchange forward contracts	**–**	**–**	**251**	**455**
Share swap	**–**	**–**	**13,961**	**–**
Weather derivative	**10,356**	**–**	**–**	**–**
Other derivative options	**8,910**	**83**	**16**	**1,198**
As at September 30, 2018	**$ 204,360**	**$ 23,427**	**$ 40,835**	**$ 53,944**

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 assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (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	–	–
As at March 31, 2018	$ 218,769	$ 64,662	$ 86,288	$ 51,871

Below is a summary of the financial instruments classified through profit or loss as at September 30, 2018, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 35,362,864 MWh, a weighted average price of $47.90/MWh and expiry dates up to September 30, 2028.
- Natural gas contracts with a total remaining volume of 102,417,945 GJs, a weighted average price of $3.80/GJ and expiry dates up to December 31, 2024.
- Renewable energy certificates ("RECs") and emission-reduction credit contracts with a total remaining volume of 3,971,389 MWh and 441,750 tonnes, respectively, a weighted average price of $27.01/REC and $2.75/tonne, respectively, and expiry dates up to December 31, 2028 and December 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 3,798 MWCap, a weighted average price of $6,612.89/MWCap and expiry dates up to October 31, 2022.
- Ancillary contracts with a total remaining volume of 1,376,191 MWh, a weighted average price of $16.24/MWh and expiry dates up to December 31, 2020.

(ii) Financial swap contracts and options consist of:

- Electricity contracts with a total remaining volume of 11,930,819 MWh, an average price of $37.43/MWh and expiry dates up to November 30, 2024.
- Natural gas contracts with a total remaining volume of 134,838,027 GJs, an average price of $3.53/GJ and expiry dates up to December 31, 2024.
- Electricity generation capacity contracts with a total remaining volume of 141 MWCap, a weighted average price of $70,972.67/MWCap and expiry dates up to October 31, 2020.
- Ancillary contracts with a total remaining volume of 1,242,514 MWh, a weighted average price of $18.33/MWh and expiry dates up to December 31, 2020.

(iii) Weather derivatives consist of:

- Weather swaps for cooling degree days with temperature strike values of 79.30–89.10 Fahrenheit and power strike prices of $24.00–$32.00/MWh and an expiry date of October 31, 2018.
- Weather swaps for heating degree days 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.

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 profit or 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. Observable 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 and historical weather data. Significant unobservable inputs would include expected weather curves and scenario probabilities. These 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 six months ended September 30, 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 September 30, 2018:

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets	**$ –**	**$ –**	**$ 227,787**	**$ 227,787**
Derivative financial liabilities	**–**	**(13,731)**	**(81,048)**	**(94,779)**
Total net derivative assets (liabilities)	**$ –**	**$ (13,731)**	**$ 146,739**	**$ 133,008**

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)
Total net derivative assets (liabilities)	$ –	$ (21,092)	$ 166,364	$ 145,272

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:

	Six months ended Sept. 30, 2018	Year ended March 31, 2018
Balance, beginning of period	**$ 166,364**	$ (315,110)
Total gains	**103,200**	105,709
Purchases	**145,704**	207,531
Sales	**(63,524)**	(64,464)
Settlements	**(205,005)**	232,698
Balance, end of period	**$ 146,739**	$ 166,364

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

As at September 30, 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 September 30, 2018 of $740.8 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 September 30, 2018 of $36.3 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 September 30, 2018:

	Level 1	Level 2	Level 3	Total
Investment in ecobee	**$ –**	**$ 32,445**	**$ –**	**$ 32,445**
Investment in Energy Earth	**–**	**3,884**	**–**	**3,884**
Total investments	**$ –**	**$ 36,329**	**$ –**	**$ 36,329**

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 next 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 September 30, 2018, assuming that all the other variables had remained constant, loss for the period would have been $3.7 million lower/higher and OCI would have been $10.8 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 $434 in profit before income taxes for the three months ended September 30, 2018 (2017 – $300).

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 September 30, 2018 would have increased (decreased) by $214,025 ($212,185), 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 September 30, 2018 would have increased (decreased) by $216,798 ($214,958), 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, British Columbia, California, Michigan, Delaware, Ohio, Georgia and the U.K., 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:

	Sept. 30, 2018	March 31, 2018
Current	**$ 125,123**	$ 113,786
1–30 days	**42,050**	44,374
31–60 days	**17,818**	21,241
61–90 days	**13,372**	12,686
Over 90 days	**60,413**	69,207
	$ 258,776	$ 261,294

Changes in the expected lifetime credit loss were as follows:

	Sept. 30, 2018	March 31, 2018
Balance, beginning of period	**$ 60,121**	$ 49,431
Provision for doubtful accounts	**45,184**	56,300
Bad debts written off	**(38,902)**	(41,802)
Adjustment from IFRS 9 adoption	**23,636**	–
Foreign exchange	**(3,744)**	(3,808)
Balance, end of period	**$ 86,295**	$ 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 September 30, 2018, the estimated counterparty credit risk exposure amounted to $227,787 (2017 – $24,228), 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 September 30, 2018:

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**1–3 years**	**4–5 years**	**More than 5 years**
Trade and other payables	**$ 636,767**	**$ 636,767**	**$ 636,767**	**$ –**	**$ –**	**$ –**
Long-term debt[1]	**661,335**	**706,386**	**135,146**	**179,395**	**391,845**	**–**
Gas, electricity and non-commodity contracts	**94,779**	**3,200,110**	**1,026,658**	**1,747,709**	**326,348**	**99,395**
	$ 1,392,881	**$ 4,543,263**	**$ 1,798,571**	**$ 1,927,104**	**$ 718,193**	**$ 99,395**

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	$ 616,434	$ 616,434	$ 616,434	$ –	$ –	$ –
Long-term debt[1]	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
	$ 1,298,097	$ 4,362,996	$ 2,605,938	$ 1,396,359	$ 329,658	$ 31,041

1 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 September 30, 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	$ 29,437	$ 68,061	$ 37,547	$ –

(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 September 30, 2018, Just Energy has applied an adjustment factor to determine the fair value of its financial assets in the amount of $6,626 (2017 – $5,562) 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)
Total consideration	$ 19,044
Cash paid, net of working capital adjustment	$ 9,534
Common shares issued	9,510
Total consideration	$ 19,044

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

On October 1, 2018, Just Energy announced the closing of the acquisition of 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, with over 30,000 home water filtration systems installed to date.

Just Energy acquired all of the issued and outstanding shares of Filter Group and the shareholder loan owing by Filter Group. In addition to the assumption of 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.

Daniel MacDonald, the CEO of Filter Group, is the son of the Executive Chair of Just Energy. The transaction was reviewed by the Strategic Initiatives Committee and it received a fairness opinion on the transaction.

10 LONG-TERM DEBT AND FINANCING

	Maturity	**Sept. 30, 2018**	March 31, 2018
Credit facility (a)	September 1, 2020	**$ 179,395**	$ 122,115
Less: Debt issue costs (a)		**(2,372)**	(664)
8.75% loan (b)	September 12, 2023	**115,623**	–
6.75% $100M convertible debentures (c)	March 31, 2023	**86,276**	85,760
6.75% $160M convertible debentures (d)	December 31, 2021	**149,515**	148,146
6.5% convertible bonds (e)	July 29, 2019	**132,898**	188,147
		661,335	543,504
Less: Current portion		**(132,898)**	(121,451)
		$ 528,437	$ 422,053

Future annual minimum repayments are as follows:

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Credit facility (a)	$ –	$ 179,395	$ –	$ –	$ 179,395
8.75% loan (b)	–	–	131,845	–	131,845
6.75% $100M convertible debentures (c)	–	–	100,000	–	100,000
6.75% $160M convertible debentures (d)	–	–	160,000	–	160,000
6.5% convertible bonds (e)	135,146	–	–	–	135,146
	$ 135,146	$ 179,395	$ 391,845	$ –	$ 706,386

The details for long-term debt are as follows:

	As at April 1, 2018	Cash inflows/ (outflows)	Foreign Exchange	Non-cash changes	**As at Sept. 30, 2018**
Credit facility (a)	$ 121,451	$ 54,909	$ –	$ 663	**$ 177,023**
8.75% loan (b)	–	119,380	(393)	(3,364)	**115,623**
6.75% $100M convertible debentures (c)	85,760	–	–	516	**86,276**
6.75% $160M convertible debentures (d)	148,146	–	–	1,369	**149,515**
6.5% convertible bonds (e)	188,147	(59,574)	606	3,719	**132,898**
	$ 543,504	$ 114,715	$ 213	$ 2,903	**$ 661,335**
Less: Current portion	(121,451)	–	–	–	**(132,898)**
	$ 422,053	$ 114,715	$ 213	$ 2,903	**$ 528,437**

	As at April 1, 2017	Cash inflows/ (outflows)	Foreign Exchange	Non-cash changes	As at March 31, 2018
Credit facility (a)	$ 66,001	$ 53,857	$ –	$ 1,593	$ 121,451
6.75% $100M convertible debentures (c)	–	95,869	–	(10,109)	85,760
6.75% $160M convertible debentures (d)	145,579	–	–	2,567	148,146
6.5% convertible bonds (e)	190,486	–	(6,101)	3,761	188,147
5.75% convertible debentures (f)	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 ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Credit facility (a)	**$ 4,620**	$ 2,932	**$ 9,054**	$ 5,570
6.75% $100M convertible debentures (c)	**2,293**	–	**4,585**	–
6.75% $160M convertible debentures (d)	**3,399**	3,342	**6,769**	6,062
6.5% convertible debentures (e)	**5,629**	3,687	**9,776**	7,741
5.75% convertible debentures (f)	**–**	2,072	**–**	4,145
Collateral cost and other	**4,182**	488	**6,279**	993
	$ 20,123	$ 12,521	**$ 36,463**	$ 24,511

(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. Certain principal amount outstanding under the letters of 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 3.400%. Prime rate advances are at a rate of bank prime (Canadian bank prime rate or U.S. prime rate) plus 2.400% and letters of credit are at a rate of 3.40%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at September 30, 2018, the Canadian prime rate was 3.7% and the U.S. prime rate was 5.25%. As at September 30, 2018, $179.40 million has been drawn against the facility and total letters of credit outstanding as of September 30, 2018, amounted to $89.38 million (June 30, 2018 – $103.85 million). As at September 30, 2018, Just Energy has $83.7 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 September 30, 2018, the Company was compliant with all of these covenants.

(b) 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, 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 September 30, 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.

(c) 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.

(d) 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.

(e) 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. As at September 30, 2018, US$45.6 million were tendered and extinguished, resulting in a loss on redemption of $1.5 million.

(f) 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 September 30, 2018. The 5.75% convertible debentures were fully redeemed on March 27, 2018.

11 INCOME TAXES

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Current income tax expense (recovery)	**$ (520)**	$ 3,893	**$ (3,032)**	$ 4,484
Deferred tax expense (recovery)	**6,932**	(5,726)	**17,405**	480
Provision for (recovery of) income taxes	**$ 6,412**	$ (1,833)	**$ 14,373**	$ 4,964

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 September 30, 2018, Just Energy had purchased $nil of common shares through the NCIB program, compared to $nil purchased in the prior year.

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

	Six months ended Sept. 30, 2018		Year ended March 31, 2018	
	Shares	**Amount**	Shares	Amount
Common shares:				
Issued and outstanding				
Balance, beginning of period	**148,394,152**	**$ 1,079,055**	147,013,538	$ 1,070,076
Share-based awards exercised	**901,943**	**6,936**	1,643,156	11,954
Acquisition of subsidiary	**–**	**–**	1,415,285	8,966
Repurchase and cancellation of shares	**–**	**–**	(1,677,827)	(11,941)
Balance, end of period	**149,296,095**	**$ 1,085,991**	148,394,152	$ 1,079,055
Preferred shares:				
Issued and outstanding				
Balance, beginning of period	**4,323,300**	**$ 136,771**	4,040,000	$ 128,363
Shares issued for cash	**338,865**	**10,447**	283,300	9,260
Preferred shares issuance cost	**–**	**(234)**	–	(852)
Balance, end of period	**4,662,165**	**$ 146,984**	4,323,300	$ 136,771
Shareholders' capital	**153,958,260**	**$ 1,232,975**	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 September 30, 2018:

	Consumer division	Commercial division	Corporate and shared services division	Consolidated
Sales	**$ 593,608**	**$ 363,235**	**$ –**	**$ 956,843**
Gross margin	**125,246**	**48,093**	**–**	**173,339**
Administrative expenses	**23,254**	**11,659**	**23,595**	**58,508**
Selling and marketing expenses	**36,516**	**20,233**	**–**	**56,749**
Depreciation of property, plant and equipment	**904**	**56**	**–**	**960**
Amortization of intangible assets	**4,624**	**371**	**–**	**4,995**
Other operating expenses	**22,955**	**2,923**	**–**	**25,878**
Operating profit (loss) for the period	**$ 36,993**	**$ 12,851**	**$ (23,595)**	**$ 26,249**
Finance costs				**(20,123)**
Change in fair value of derivative instruments and other				**(23,932)**
Other income				**2,768**
Provision for income taxes				**(6,412)**
Loss for the period				**$ (21,450)**
Capital expenditures	**$ 10,381**	**$ 1,187**	**$ –**	**$ 11,568**

For the three months ended September 30, 2017:

	Consumer division	Commercial division	Corporate and shared services division	Consolidated
Sales	$ 504,705	$ 347,222	$ –	$ 851,927
Gross margin	107,387	32,276	–	142,663
Administrative expenses	18,073	10,446	18,287	46,806
Selling and marketing expenses	40,643	17,934	–	58,577
Depreciation of property, plant and equipment	909	76	–	985
Amortization of intangible assets	3,852	479	–	4,331
Other operating expenses (recovery)	16,033	(554)	–	15,479
Operating profit (loss) for the period	$ 27,877	$ 6,895	$ (18,287)	$ 16,485
Finance costs				(12,521)
Change in fair value of derivative instruments and other				(70,923)
Other income				203
Recovery of income taxes				1,833
Loss for the period				$ (64,923)
Capital expenditures	$ 5,015	$ 2,470	$ –	$ 7,485

For the six months ended September 30, 2018:

	Consumer division	**Commercial division**	**Corporate and shared services division**	**Consolidated**
Sales	**$ 1,135,786**	**$ 697,514**	**$ –**	**$ 1,833,300**
Gross margin	**244,011**	**82,860**	**–**	**326,871**
Depreciation of property, plant and equipment	**1,757**	**101**	**–**	**1,858**
Amortization of intangible assets	**8,627**	**713**	**–**	**9,340**
Administrative expenses	**43,400**	**21,171**	**49,619**	**114,190**
Selling and marketing expenses	**70,204**	**37,088**	**–**	**107,292**
Other operating expenses	**43,365**	**5,088**	**–**	**48,453**
Operating profit (loss) for the period	**$ 76,658**	**$ 18,699**	**$ (49,619)**	**$ 45,738**
Finance costs				**(36,463)**
Change in fair value of derivative instruments and other				**(60,488)**
Other income				**2,713**
Provision for income taxes				**(14,373)**
Loss for the period				**$ (62,873)**
Capital expenditures	**$ 19,563**	**$ 1,859**	**$ –**	**$ 21,422**
As at September 30, 2018				
Total goodwill	**$ 148,462**	**$ 154,522**	**$ –**	**$ 302,984**
Total assets	**$ 1,261,372**	**$ 408,608**	**$ –**	**$ 1,669,980**
Total liabilities	**$ 1,250,519**	**$ 283,158**	**$ –**	**$ 1,533,677**

For the six months ended September 30, 2017:

	Consumer division	Commercial division	Corporate and shared services division	Consolidated
Sales	$ 991,471	$ 708,162	$ –	$ 1,699,633
Gross margin	222,892	77,334	–	300,226
Depreciation of property, plant and equipment	1,823	159	–	1,982
Amortization of intangible assets	6,808	983	–	7,791
Administrative expenses	33,316	18,411	43,710	95,437
Selling and marketing expenses	79,632	37,021	–	116,653
Other operating expenses	43,896	2,102	–	45,998
Operating profit (loss) for the period	$ 57,417	$ 18,658	$ (43,710)	$ 32,365
Finance costs				(24,511)
Change in fair value of derivative instruments and other				39,694
Other income				1,802
Provision for income taxes				(4,964)
Profit for the period				$ 44,386
Capital expenditures	$ 10,372	$ 5,109	$ –	$ 15,481
As at September 30, 2017				
Total goodwill	$ 143,184	$ 148,441	$ –	$ 291,625
Total assets	$ 848,423	$ 428,386	$ –	$ 1,276,809
Total liabilities	$ 1,336,073	$ 209,090	$ –	$ 1,545,163

Sales from external customers
The revenue is based on the location of the customer.

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Canada	**$ 83,440**	$ 77,312	**$ 172,668**	$ 160,691
United States	**720,868**	637,793	**1,334,157**	1,272,305
International	**152,535**	136,822	**326,475**	266,637
Total	**$ 956,843**	$ 851,927	**$ 1,833,300**	$ 1,699,633

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

	As at Sept. 30, 2018	As at March 31, 2018
Canada	**$ 207,706**	$ 201,985
United States	**212,237**	207,147
International	**13,838**	11,687
Total	**$ 433,781**	$ 420,819

14 OTHER EXPENSES

(a) Other operating expenses

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Amortization of other intangible assets	**$ 4,995**	$ 4,331	**$ 9,340**	$ 7,791
Depreciation of property, plant and equipment	**960**	985	**1,858**	1,982
Bad debt expense	**24,384**	13,763	**45,184**	29,035
Share-based compensation	**1,494**	1,716	**3,269**	16,963
	$ 31,833	$ 20,795	**$ 59,651**	$ 55,771

(b) Employee benefits expense

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
Wages, salaries and commissions	**$ 67,996**	$ 56,447	**$ 128,527**	$ 112,618
Benefits	**11,692**	6,193	**16,573**	12,503
	$ 79,688	$ 62,640	**$ 145,100**	$ 125,121

15 EARNINGS (LOSS) PER SHARE

	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	**Six months ended Sept. 30, 2018**	Six months ended Sept. 30, 2017
BASIC EARNINGS (LOSS) PER SHARE				
Profit (loss) as per consolidated statement of income	**$ (21,385)**	$ (68,864)	**$ (62,762)**	$ 34,994
Dividend to preferred shareholders – net of tax	**2,374**	2,062	**4,717**	4,275
Earnings (loss) available to shareholders	**(23,759)**	(70,926)	**(67,479)**	30,719
Basic weighted average shares outstanding	**149,247,715**	146,821,112	**148,862,333**	146,941,860
Basic earnings (loss) per share available to shareholders	**$ (0.16)**	$ (0.48)	**$ (0.45)**	$ 0.21
DILUTED EARNINGS (LOSS) PER SHARE				
Earnings (loss) available to shareholders	**$ (23,759)**	$ (70,926)	**$ (67,479)**	$ 30,719
Adjustment for dilutive impact of convertible debentures	**–**	–	**–**	2,088
Adjusted earnings (loss) available to shareholders	**$ (23,759)**	$ (70,926)	**$ (67,479)**	$ 41,357
Basic weighted average shares outstanding	**149,247,715**	146,821,112	**148,862,333**	146,941,860
Dilutive effect of:				
Restricted share grants	**2,377,279**	2,884,809	**2,704,346**	2,866,591
Deferred share grants	**136,508**	101,294	**125,905**	97,465
Convertible debentures	**39,574,831**	38,804,494	**39,574,831**	38,804,494
Shares outstanding on a diluted basis	**191,336,333**	188,611,709	**191,267,415**	188,710,410
Diluted earnings (loss) per share available to shareholders	**$ (0.16)**	$ (0.48)	**$ (0.45)**	$ 0.17

16 DIVIDENDS AND DISTRIBUTIONS

For the three months ended September 30, 2018, a dividend of $0.125 (2017 – $0.125) per common share was declared by Just Energy. This dividend amounted to $18,657 (2017 – $18,349), which was approved by the Board of Directors and paid out during the period. For the six months ended September 30, 2018, dividends of $0.25 (2017 – $0.25) per common share were declared and paid by Just Energy. This amounted to $37,206 (2017 – $36,725), which was approved by the Board of Directors and paid out during the period.

For the three months ended September 30, 2018, a distribution of $0.125 (2017 – $0.125) per common share for share grants was declared by Just Energy. This distribution amounted to $443 (2017 – $313), which was approved by the Board of Directors and distributed during the period. For the six months ended September 30, 2018, distributions of $0.25 (2017 – $0.25) per common share for share grants were declared and paid by Just Energy. This amounted to $968 (2017 – $711), which was approved by the Board of Directors and distributed during the period.

For the three months ended September 30, 2018, a dividend of US$0.53125 (2017 – US$0.53125) per preferred share was declared by Just Energy. This dividend amounted to $3,230 (2017 – $2,806), which was approved by the Board of Directors and paid out during the period. For the six months ended September 30, 2018, dividends of US$1.0625 (2017 – US$1.0625) per preferred share were declared and paid by Just Energy. This amounted to $6,418 (2017 – $5,815), 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 September 30, 2018

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Premises and equipment leasing	$ 2,618	$ 7,773	$ 7,775	$ 7,700	$ 25,866
Gas, electricity and non-commodity contracts	1,026,658	1,747,709	326,348	99,395	3,200,110
	$ 1,029,276	$ 1,755,482	$ 334,123	$ 107,095	$ 3,225,976

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 September 30, 2018 amounted to $57.9 million.

As at September 30, 2018, Just Energy had total letters of credit outstanding in the amount of $89.4 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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