just energy
CELEBRATING 20 YEARS

Q3

ENERGY EVOLVED

2018 THIRD QUARTER REPORT TO SHAREHOLDERS

Highlights of operations for the three months ended December 31, 2017 included:

- Continued execution of the retail channel expansion strategy with 111 new store launches across 12 different retail partners for a total of 348 stores. Company remains on track to achieve its goal of being present in 500 stores by fiscal year-end.

- Base EBITDA was $52.5 million, an increase of $1.0 million compared to last year, as operational performance improvements were offset by a mix of investments in strategic sales growth initiatives and a negative foreign exchange impact.

- Gross RCE additions were 304,000, an increase of 45% year over year. Net RCE additions were 27,000, an improvement over negative 84,000 net RCE additions in the prior comparable quarter. Just Energy's total customer count has increased by 9% during fiscal 2018 to 1,606,000.

- Administrative expenses increased $5.8 million due to costs associated with serving the international customer base and new strategic initiatives; selling and marketing expenses were consistent with the prior comparable quarter; and finance costs improved $5.0 million during the quarter.

- Combined attrition improved two percentage points to 13% for the trailing 12 months with improvements in both the Consumer and Commercial divisions. Total renewal rate declined by six percentage points year over year, reflecting a very competitive market with competitors pricing aggressively while Just Energy remained focused on improving retained customers' profitability rather than pursuing low margin growth.

- Base FFO of $37.5 million represented an increase of 79% versus the prior comparable quarter, driven by finance costs improvement and the current income tax reduction. Net debt to the trailing 12-month Base EBITDA was 2.6x, up from the 2.5x reported one year ago, and the 1.8x reported at fiscal year-end.

- The Company officially launched operations in Japan under the Just Energy brand in late November, marking Just Energy's first expansion into Asia and its third new geographic launch outside of North America over the past 12 months.

- The Company reaffirmed its fiscal 2018 Base EBITDA guidance of $175 million to $190 million.

Message from the Co-Chief Executive Officers

Dear fellow shareholders,

We are pleased to deliver a solid third fiscal quarter highlighted by continued positive sales trends, strong execution of our retail channel expansion strategy and improved operational performance. Our strategy to invest in product innovation, channel development and geographic expansion is working, and we remain on course to achieve our stated financial and operational objectives for the year.

Through consistent execution, our underlying business performed well during the quarter as improved operational performance served to offset strategic growth investments and the effect of foreign exchange on our business. While our growth investments do have a negative near-term effect on our Base EBITDA, our strategic initiatives remain paramount to furthering our position as a leader in the retail energy space and will support our long-term growth.

We continue to receive great customer reception and feedback around our growing suite of value-add products and long-term loyalty programs, as evidenced by our total customer count growing to over 1.6 million Just Energy customers across six countries, which includes strong results from our recent launch in Ireland and the launch of the Just Energy brand in Japan this quarter. Japan marks Just Energy's first expansion into Asia and our third new geographic launch outside of North America in the past 12 months.

Our retail channel expansion efforts remain on track to achieve our goal of being present in 500 stores by fiscal year-end. As part of that commitment, our largest retail partner, Sam's Club, recently awarded Just Energy with 48 additional stores to add to our portfolio of stores across North America. This partnership exemplifies how Just Energy is expanding our channel opportunities to further reach potential residential customers looking to take control of their energy needs.

Our strategy is delivering measurable results, and while we continue to aggressively pursue additional growth opportunities, we remain committed to preserving the balance sheet and maintaining our dividend. We are confident we can deliver on our fiscal 2018 expectation for Base EBITDA of $175 million to $190 million while also setting the stage for prolonged, profitable growth on a global scale.

As we close out the 2018 fiscal year, we continue to identify growth opportunities that will further our position as a worldwide leader in providing energy management solutions. We want to thank our loyal shareholders, the Board of Directors, and our dedicated employees around the world for their support of our strategy.

Yours truly,

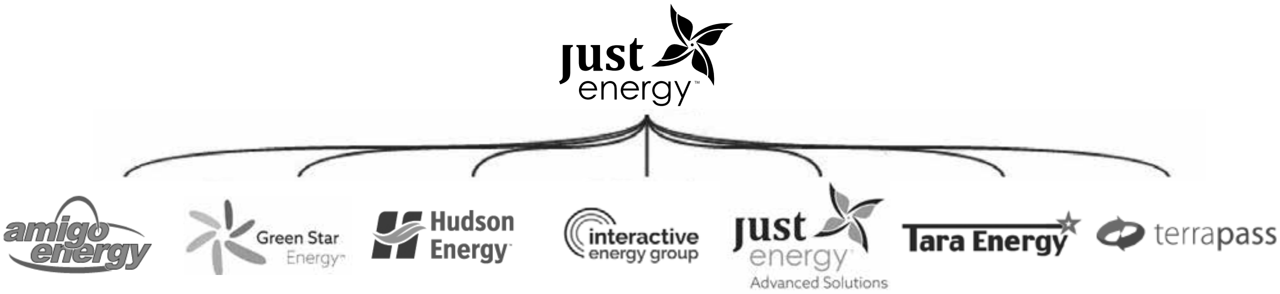
/s/ Deb Merril	/s/ James Lewis
Deb Merril Co-Chief Executive Officer	**James Lewis** Co-Chief Executive Officer

Management’s discussion and analysis – February 7, 2018

The following Management Discussion and Analysis (“MD&A”) is a review of the financial condition and operating results of Just Energy Group Inc. (“Just Energy” or the “Company”) for the three and nine months ended December 31, 2017. This MD&A has been prepared with all information available up to and including February 7, 2018. This MD&A should be read in conjunction with Just Energy’s unaudited interim condensed consolidated financial statements for the three and nine months ended December 31, 2017 (the “Interim Financial Statements”), as well as its audited consolidated financial statements for the years ended March 31, 2017 and 2016. The financial information contained herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). 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 about Just Energy, including the most recent Annual Report and Annual Information Form dated May 31, 2017, can be found on SEDAR at www.sedar.com or on the U.S. Securities and Exchange Commission’s website at www.sec.gov. Information contained within the annual MD&A is not discussed if it remains substantially unchanged.

Company overview

Established under the laws of Canada, Just Energy is a leading retail energy provider specializing in electricity and natural gas commodities, energy efficient solutions and renewable energy options. Currently operating in the United States, Canada and various international markets including the United Kingdom, 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’s margin or gross profit on commodity products is derived from the difference between the commodity sale price to its customers and the related purchase price from its suppliers. The margin on certain non-commodity products is derived from the markup price added to the cost of the product and charged to the customer. Just Energy is the parent company of Amigo Energy, 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 EBITDA for the fiscal year ending March 31, 2018. 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 and 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 dated May 26, 2017 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 have a maturity date of September 30, 2018. See "Debt and financing for operations" on page 21 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 21 for further details.

"6.75% 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 21 for further details.

"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 when, as and if declared by our Board of Directors.

"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" refers to an individual customer rather than 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.

"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 Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("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, but 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. This 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 purpose of this calculation, as it will be settled in shares and the mark to market gains (losses) are associated with supply already sold in the future at fixed prices.

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 but 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 non-cash 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

"FFO" refers to the cash flow generated by 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 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 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. It is assumed that expiring contracts will be renewed at target margin renewal rates.

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

Financial highlights

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

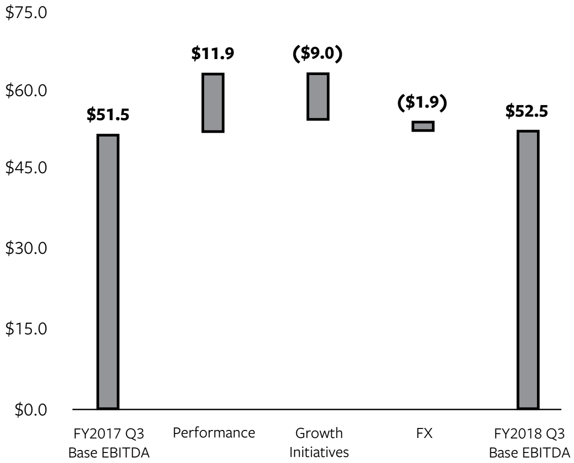
	Fiscal 2018	**% increase (decrease)**	Fiscal 2017
Sales	**$ 912,203**	**(1)%**	$ 918,536
Gross margin	**171,305**	**(2)%**	174,353
Administrative expenses	**50,389**	**13%**	44,567
Selling and marketing expenses	**55,547**	**–**	55,337
Finance costs (net of non-cash finance charges)	**10,619**	**(32)%**	15,646
Profit for the period[1]	**208,415**	**NMF[3]**	188,041
Profit per share available to shareholders – basic	**1.42**		1.22
Profit per share available to shareholders – diluted	**1.13**		0.98
Dividends/distributions	**21,501**	**14%**	18,800
Base EBITDA[2]	**52,507**	**2%**	51,489
Base FFO[2]	**37,539**	**79%**	20,940
Payout ratio on Base FFO[2]	**57%**		90%

[1] Profit includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.
[2] See "Non-IFRS financial measures" on page 4.
[3] Not a meaningful figure.

Just Energy's financial results for the three months ended December 31, 2017 included sales of $912.2 million and gross margin of $171.3 million, 1% and 2% lower, respectively, than the prior comparable quarter. Base EBITDA was $52.5 million, an increase of 2% compared to the third quarter of fiscal 2017. The operational performance improvements of $11.9 million included in Base EBITDA were offset by $9.0 million due to the Company's investments in strategic sales growth initiatives and $1.9 million in negative foreign exchange impact primarily due to the weakening of the U.S. dollar.

Administrative expenses increased by 13% as a result of costs to serve the growing customer base in the U.K., international expansion costs as well as efforts relating to new strategic initiatives; selling and marketing expenses were consistent with the prior comparable quarter; and finance costs improved 32% during the quarter. Just Energy's financial highlights for the three months ended December 31, 2017 are shown in the accompanying graph.

FY2018 Q3 BASE EBITDA
(millions)



Financial highlights

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

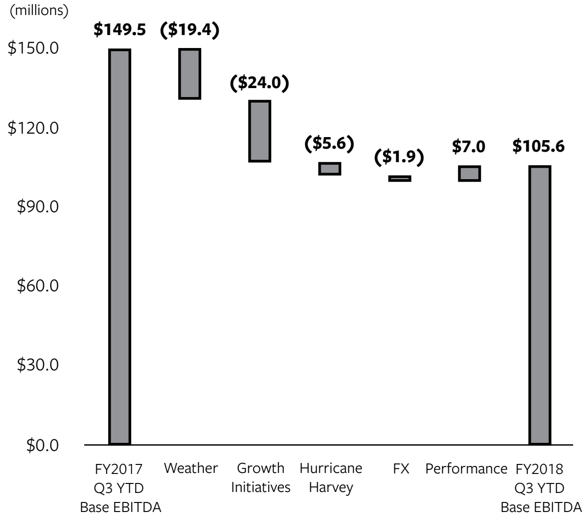
	Fiscal 2018	**% increase (decrease)**	Fiscal 2017
Sales	**$ 2,611,836**	**(7)%**	$ 2,809,773
Gross margin	**471,531**	**(9)%**	520,559
Administrative expenses	**145,826**	**7%**	135,985
Selling and marketing expenses	**172,200**	**–**	172,581
Finance costs (net of non-cash finance charges)	**29,942**	**(30)%**	42,600
Profit for the period[1]	**252,801**	**NMF[3]**	509,104
Profit per share available to shareholders – basic	**1.66**		3.32
Profit per share available to shareholders – diluted	**1.37**		2.60
Dividends/distributions	**64,752**	**15%**	56,407
Base EBITDA[2]	**105,564**	**(29)%**	149,481
Base FFO[2]	**65,730**	**(34)%**	99,170
Payout ratio on Base FFO[2]	**99%**		57%
Embedded gross margin[2]	**1,956,000**	**4%**	1,873,500
Total RCEs	**4,114,000**	**(3)%**	4,227,000

[1] Profit includes the impact of unrealized gains (losses), which represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.
[2] See "Non-IFRS financial measures" on page 4.
[3] Not a meaningful figure.

For the nine months ended December 31, 2017, sales were $2.6 billion and gross margin was $471.5 million, 7% and 9% lower, respectively, than the prior comparable period. Base EBITDA amounted to $105.6 million, a decrease of 29% from the first nine months of fiscal 2017. The decline in Base EBITDA is largely attributable to a number of challenges the Company experienced in the second quarter, including reduction of consumption arising from the abnormally mild summer weather in North America, customer disruptions caused by Hurricane Harvey and competitive market conditions. In addition, the lower EBITDA was also attributable to the Company's significant investments in strategic sales growth initiatives throughout the period.

Administrative expenses increased 7% from the prior comparable period as a result of costs to serve the growing customer base in the U.K., international expansion costs as well as efforts relating to new strategic initiatives; selling and marketing expenses were consistent with the prior comparable period; and finance costs improved 30% during the period. Just Energy's financial highlights for the nine months ended December 31, 2017 are shown in the accompanying graph.

FY2018 Q3 YTD BASE EBITDA



Operations overview

CONSUMER DIVISION

The sale of gas and electricity to customers with annual consumption equivalent to 15 RCEs and less is undertaken by the Consumer division. Marketing of the energy products of this division is primarily done through online marketing, door-to-door marketing as well as other newly implemented channels such as retail and affinity. 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 bundled product with commodity contracts, but were also sold previously as a stand-alone unit. The smart thermostats are manufactured and distributed by ecobee Inc. ("ecobee"), a company in which Just Energy holds a 10% 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 water sprinkler controllers.

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 terms of less than five years. Gross margin per RCE for this division is lower than Consumer margins, 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.

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 an 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. Via power purchase agreements and renewable energy certificates, 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. 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 past trailing 12 months, 31% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 72% of their consumption as green supply. For comparison, as reported for the trailing 12 months ended December 31, 2016, 30% of Consumer customers who contracted with Just Energy chose to include JustGreen for an average of 89% of their consumption. As of December 31, 2017, JustGreen now makes up 11% of the Consumer gas portfolio, compared with 8% a year ago. JustGreen makes up 12% of the Consumer electricity portfolio, compared to 17% a year ago.

EBITDA

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

	Fiscal 2018	Fiscal 2017
Reconciliation to Interim Financial Statements		
Profit for the period	**$ 208,415**	$ 188,041
Add:		
Finance costs	**13,266**	25,477
Provision for income taxes	**5,613**	20,976
Depreciation and amortization	**7,267**	6,435
EBITDA	**$ 234,561**	$ 240,929
Add (subtract):		
Change in fair value of derivative instruments and other	**(183,759)**	(183,345)
Share-based compensation	**1,665**	1,353
Loss (profit) attributable to non-controlling interest	**40**	(7,448)
Base EBITDA	**$ 52,507**	$ 51,489
Gross margin per Interim Financial Statements	**$ 171,305**	$ 174,353
Add (subtract):		
Administrative expenses	**(50,389)**	(44,567)
Selling and marketing expenses	**(55,547)**	(55,337)
Bad debt expense	**(13,056)**	(16,234)
Amortization included in cost of sales	**787**	759
Other expenses	**(633)**	(37)
Loss (profit) attributable to non-controlling interest	**40**	(7,448)
Base EBITDA	**$ 52,507**	$ 51,489

EBITDA

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

	Fiscal 2018	Fiscal 2017
Reconciliation to Interim Financial Statements		
Profit for the period	**$ 252,801**	$ 509,104
Add:		
Finance costs	**37,777**	61,332
Provision for income taxes	**10,577**	51,154
Depreciation and amortization	**18,586**	16,468
EBITDA	**$ 319,741**	$ 638,058
Add (subtract):		
Change in fair value of derivative instruments and other	**(223,453)**	(474,293)
Share-based compensation	**18,628**	4,255
Profit attributable to non-controlling interest	**(9,352)**	(18,539)
Base EBITDA	**$ 105,564**	$ 149,481
Gross margin per Interim Financial Statements	**$ 471,531**	$ 520,559
Add (subtract):		
Administrative expenses	**(145,826)**	(135,985)
Selling and marketing expenses	**(172,200)**	(172,581)
Bad debt expense	**(42,091)**	(44,622)
Amortization included in cost of sales	**2,333**	2,213
Other income (expenses)	**1,169**	(1,564)
Profit attributable to non-controlling interest	**(9,352)**	(18,539)
Base EBITDA	**$ 105,564**	$ 149,481

For the three months ended December 31, 2017, Base EBITDA amounted to $52.5 million, an increase of 2% from $51.5 million in the prior comparable quarter. The operational performance improvements of $11.9 million included in Base EBITDA were offset by $9.0 million due to the Company's investments in strategic sales growth initiatives and $1.9 million in negative foreign exchange impact primarily due to the weakening of the U.S. dollar.

Sales decreased by 1% for the quarter ended December 31, 2017. Gross margin was down 2%. Administrative expenses increased by 13% from the prior comparable quarter to $50.4 million, attributable to additional costs to serve the growing customer base in the U.K., international expansion costs as well as efforts relating to new strategic initiatives. Selling and marketing expenses for the three months ended December 31, 2017 were $55.5 million, consistent with the expenses reported in the prior comparable quarter.

Finance costs (net of non-cash finance charges) were $10.6 million, a decrease of 32% from the prior comparable quarter as a result of the redemption of the 6.0% convertible debentures and the senior unsecured notes, offset by the finance costs from the issuance of the 6.75% convertible debentures.

Bad debt expense was $13.1 million for the three months ended December 31, 2017, a decrease of 20% from $16.2 million recorded for the prior comparable quarter. For the nine months ended December 31, 2017, the bad debt expense of $42.1 million represents approximately 2.1% of revenue in the jurisdictions where the Company bears the credit risk, down from the 2.2% of revenue reported for the nine months ended December 31, 2016.

For the nine months ended December 31, 2017, Base EBITDA amounted to $105.6 million, a decrease of 29% from $149.5 million in the prior comparable period. The decline in Base EBITDA is largely attributable to a number of challenges the Company experienced in the second quarter, including reduction of consumption arising from the abnormally mild summer weather in North America, customer disruptions caused by Hurricane Harvey and competitive market conditions. In addition, the lower EBITDA was also attributable to the Company's significant investments in strategic sales growth initiatives throughout the period.

For the nine months ended December 31, 2017, sales decreased by 7% and the gross margin decreased by 9%. For the nine months ended December 31, 2017, administrative expenses increased by 7% from $136.0 million to $145.8 million. The increase over the prior comparable period resulted from growth in the U.K., incremental costs associated with international expansion and efforts relating to new strategic initiatives. For the nine months ended December 31, 2017, selling and marketing expenses were in line with the prior comparable period at $172.2 million.

For more information on the changes in the results from operations, please refer to "Gross margin" on page 17 and "Administrative expenses" and "Selling and marketing expenses", which are further explained on pages 18 and 19.

EMBEDDED GROSS MARGIN

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

(millions of dollars)

	As at Dec. 31, 2017	As at Sept. 30, 2017	Dec. 31 vs. Sept. 30 variance	As at Dec. 30, 2016	2017 vs. 2016 variance
Energy marketing	**$ 1,956.0**	$ 1,615.0	21%	$ 1,873.5	4%

Management's estimate of the future embedded gross margin within its customer contracts amounted to $1,956.0 million as of December 31, 2017, an increase of 4% compared to the embedded gross margin as of December 31, 2016. The increase is attributable to the growth in the residential customer base in the U.K. and the actualization of gross margin and attrition rates in the U.S., partially offset by the negative foreign exchange impact due to the weakening of the U.S. dollar.

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

Funds from Operations

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

	Fiscal 2018	Fiscal 2017
Cash inflow from operating activities	**$ 28,659**	$ 35,605
Add (subtract):		
Changes in non-cash working capital	**7,538**	1,312
Loss (profit) attributable to non-controlling interest	**40**	(7,448)
Tax adjustment	**6,883**	(5,563)
Funds from Operations	**$ 43,120**	$ 23,906
Less: Maintenance capital expenditures	**(5,581)**	(2,966)
Base Funds from Operations	**$ 37,539**	$ 20,940
Gross margin from Interim Financial Statements	**$ 171,305**	$ 174,353
Add (subtract):		
Adjustment required to reflect net cash receipts from gas sales	**(2,780)**	(2,024)
Administrative expenses	**(50,389)**	(44,567)
Selling and marketing expenses	**(55,547)**	(55,337)
Bad debt expense	**(13,056)**	(16,234)
Current income tax provision	**4,105**	(9,823)
Amortization included in cost of sales	**787**	759
Other expenses	**(633)**	(37)
Financing charges, non-cash	**2,647**	9,831
Finance costs	**(13,266)**	(25,477)
Other non-cash adjustments	**(53)**	(7,538)
Funds from Operations	**$ 43,120**	$ 23,906
Less: Maintenance capital expenditures	**(5,581)**	(2,966)
Base Funds from Operations	**$ 37,539**	$ 20,940
Base Funds from Operations payout ratio	**57%**	90%
Dividends/distributions		
Dividends on common shares	**$ 18,357**	$ 18,475
Dividends on preferred shares	**2,842**	–
Distributions for share-based awards	**302**	325
Total dividends/distributions	**$ 21,501**	$ 18,800

Funds from Operations

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

	Fiscal 2018	Fiscal 2017
Cash inflow from operating activities	**$ 58,454**	$ 115,743
Add (subtract):		
Changes in non-cash working capital	**12,424**	10,884
Profit attributable to non-controlling interest	**(9,352)**	(18,539)
Tax adjustment	**18,190**	1,575
Funds from Operations	**$ 79,716**	$ 109,663
Less: Maintenance capital expenditures	**(13,986)**	(10,493)
Base Funds from Operations	**$ 65,730**	$ 99,170
Gross margin from Interim Financial Statements	**$ 471,531**	$ 520,559
Add (subtract):		
Adjustment required to reflect net cash receipts from gas sales	**4,750**	17,501
Administrative expenses	**(145,826)**	(135,985)
Selling and marketing expenses	**(172,200)**	(172,581)
Bad debt expense	**(42,091)**	(44,622)
Current income tax provision	**(379)**	(14,449)
Amortization included in cost of sales	**2,333**	2,213
Other income (expenses)	**1,169**	(1,564)
Financing charges, non-cash	**7,835**	18,732
Finance costs	**(37,777)**	(61,332)
Other non-cash adjustments	**(9,629)**	(18,809)
Funds from Operations	**$ 79,716**	$ 109,663
Less: Maintenance capital expenditures	**(13,986)**	(10,493)
Base Funds from Operations	**$ 65,730**	$ 99,170
Base Funds from Operations payout ratio	**99%**	57%
Dividends/distributions		
Dividends on common shares	**$ 55,081**	$ 55,346
Dividends on preferred shares	**8,658**	–
Distributions for share-based awards	**1,013**	1,061
Total dividends/distributions	**$ 64,752**	$ 56,407

Base FFO for the three months ended December 31, 2017 was $37.5 million, an increase of 79% compared with Base FFO of $20.9 million for the prior comparable quarter, driven by finance costs improvement and the current income tax reduction.

For the nine months ended December 31, 2017, Base FFO was $65.7 million, a decrease of 34% from the prior comparable period when Base FFO was $99.2 million. The decline in Base FFO is largely attributable to a number of challenges the Company experienced in the second quarter, including reduction of consumption arising from the abnormally mild summer weather in North America, customer disruptions caused by Hurricane Harvey and competitive market conditions. In addition, the lower EBITDA was also attributable to the Company's significant investments in strategic sales growth initiatives throughout the period.

Dividends and distributions for the three months ended December 31, 2017 were $21.5 million, an increase of 14% from the prior comparable quarter in fiscal 2017, resulting from the issuance of preferred shares. For the nine months ended December 31, 2017, dividends and distributions were $64.8 million, an increase of 15% compared to $56.4 million reported for the nine months ended December 31, 2016. The payout ratio on Base FFO was 57% for the three months ended December 31, 2017, compared to 90% reported in the third quarter of fiscal 2017, primarily resulting from the lower Base FFO described above. For the nine months ended December 31, 2017, the payout ratio on Base FFO was 99%, compared with 57% in the prior comparable period. For the trailing 12 months ended December 31, 2017, the payout ratio was 90%, compared with a payout ratio of 53% for the trailing 12 months ended December 31, 2016.

Summary of quarterly results for operations

(thousands of dollars, except per share amounts)

	Q3 Fiscal 2018	Q2 Fiscal 2018	Q1 Fiscal 2018	Q4 Fiscal 2017
Sales	**$ 912,203**	$ 851,927	$ 847,706	$ 947,281
Gross margin	**171,305**	142,663	157,563	175,412
Administrative expenses	**50,389**	46,806	48,631	32,448
Selling and marketing expenses	**55,547**	58,577	58,076	53,727
Finance costs	**13,266**	12,521	11,990	16,745
Profit (loss) for the period	**208,415**	(64,923)	109,309	(38,220)
Profit (loss) for the period per share – basic	**1.42**	(0.47)	0.71	(0.30)
Profit (loss) for the period per share – diluted	**1.13**	(0.47)	0.56	(0.30)
Dividends/distributions paid	**21,501**	21,468	21,783	20,344
Base EBITDA	**52,507**	20,548	32,509	75,018
Base Funds from Operations	**37,539**	7,683	20,508	28,588
Payout ratio on Base Funds from Operations	**57%**	279%	106%	71%

	Q3 Fiscal 2017	Q2 Fiscal 2017	Q1 Fiscal 2017	Q4 Fiscal 2016
Sales	$ 918,536	$ 992,828	$ 898,409	$ 1,075,880
Gross margin	174,353	183,534	162,672	204,289
Administrative expenses	44,567	46,717	44,701	49,504
Selling and marketing expenses	55,337	59,454	57,790	62,259
Finance costs	25,477	17,882	17,973	20,312
Profit (loss) for the period	188,041	(161,608)	482,671	30,893
Profit (loss) for the period per share – basic	1.22	(1.13)	3.24	0.16
Profit (loss) for the period per share – diluted	0.98	(1.13)	2.51	0.14
Dividends/distributions paid	18,800	18,814	18,793	18,730
Base EBITDA	51,489	56,851	41,141	67,345
Base Funds from Operations	20,940	52,561	25,669	43,822
Payout ratio on Base Funds from Operations	90%	36%	73%	43%

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 76% and 24%, 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 third quarter

Sales decreased by 1% to $912.2 million for the three months ended December 31, 2017 from $918.5 million recorded in the third quarter of fiscal 2017. The gross margin was $171.3 million, a decrease of 2% from the prior comparable quarter. The impact from foreign exchange, primarily due to the weakening of the U.S. dollar, resulted in a decrease of $5.1 million in gross margin.

Administrative expenses for the three months ended December 31, 2017 increased by 13% to $50.4 million, mainly attributable to supporting customer growth in the U.K., international expansion as well as efforts relating to new strategic initiatives.

Selling and marketing expenses for the three months ended December 31, 2017 were $55.5 million, consistent with the prior comparable quarter.

Total finance costs for the three months ended December 31, 2017 amounted to $13.3 million, a decrease of 48% from $25.5 million reported for the three months ended December 31, 2016. The lower finance costs were a result of the redemption of the 6.0% convertible debentures and the senior unsecured notes in fiscal 2017, offset by the finance costs from the issuance of the 6.75% convertible debentures.

The change in fair value of derivative instruments and other resulted in a non-cash gain of $183.8 million for the three months ended December 31, 2017, compared to a non-cash gain of $183.3 million in the prior comparative quarter, as market prices relative to Just Energy's future electricity supply contracts decreased by an average of $3.65/MWh, while future gas contracts decreased by an average of $0.04/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 but there is a requirement to mark to market the future supply contracts.

The profit for the three months ended December 31, 2017 was $208.4 million, representing earnings per share of $1.42 and $1.13 on a basic and diluted basis, respectively. For the prior comparable quarter, the profit was $188.0 million, representing earnings per share of $1.22 and $0.98 on a basic and diluted basis, respectively.

Base EBITDA was $52.5 million for the three months ended December 31, 2017, an increase of 2% from $51.5 million in the prior comparable quarter. The operational performance improvements of $11.9 million included in Base EBITDA were offset by $9.0 million due to the Company's investments in strategic sales growth initiatives and $1.9 million in negative foreign exchange impact primarily due to the weakening of the U.S. dollar. Base FFO was $37.5 million for the third quarter of fiscal 2018, up 79% compared to $20.9 million in the prior comparable quarter as a result of lower Base EBITDA in the current quarter.

Dividends and distributions paid were $21.5 million, an increase of 14% compared to $18.8 million paid in the third quarter of fiscal 2017 as a result of dividends paid to preferred shareholders, which amounted to $2.8 million. The payout ratio on Base FFO for the quarter ended December 31, 2017 was 57%, compared with 90% in the prior comparable quarter. The payout ratio for the trailing 12 months ended December 31, 2017 was 90%, compared with 53% for the trailing 12 months ended December 31, 2016.

Segmented Base EBITDA[1]

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

			Fiscal 2018
	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 579,968**	**$ 332,235**	**$ 912,203**
Cost of sales	**(447,161)**	**(293,737)**	**(740,898)**
Gross margin	**132,807**	**38,498**	**171,305**
Add (subtract):			
Administrative expenses	**(40,379)**	**(10,010)**	**(50,389)**
Selling and marketing expenses	**(38,238)**	**(17,309)**	**(55,547)**
Bad debt expense	**(12,276)**	**(780)**	**(13,056)**
Amortization included in cost of sales	**787**	**–**	**787**
Other expenses	**(230)**	**(403)**	**(633)**
Loss attributable to non-controlling interest	**40**	**–**	**40**
Base EBITDA from operations	**$ 42,511**	**$ 9,996**	**$ 52,507**

			Fiscal 2017
	Consumer division	Commercial division	Consolidated
Sales	$ 523,857	$ 394,679	$ 918,536
Cost of sales	(394,755)	(349,428)	(744,183)
Gross margin	129,102	45,251	174,353
Add (subtract):			
Administrative expenses	(31,267)	(13,300)	(44,567)
Selling and marketing expenses	(32,514)	(22,823)	(55,337)
Bad debt expense	(11,926)	(4,308)	(16,234)
Amortization included in cost of sales	759	–	759
Other income (expenses)	(625)	588	(37)
Profit attributable to non-controlling interest	(7,448)	–	(7,448)
Base EBITDA from operations	$ 46,081	$ 5,408	$ 51,489

[1] The segment definitions are provided on page 7.

Segmented Base EBITDA[1]

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

			Fiscal 2018
	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 1,571,439**	**$ 1,040,397**	**$ 2,611,836**
Cost of sales	**(1,215,740)**	**(924,565)**	**(2,140,305)**
Gross margin	**355,699**	**115,832**	**471,531**
Add (subtract):			
Administrative expenses	**(109,453)**	**(36,373)**	**(145,826)**
Selling and marketing expenses	**(110,886)**	**(61,314)**	**(172,200)**
Bad debt expense	**(40,801)**	**(1,290)**	**(42,091)**
Amortization included in cost of sales	**2,333**	**–**	**2,333**
Other income (expenses)	**(681)**	**1,850**	**1,169**
Profit attributable to non-controlling interest	**(9,352)**	**–**	**(9,352)**
Base EBITDA from operations	**$ 86,859**	**$ 18,705**	**$ 105,564**

			Fiscal 2017
	Consumer division	Commercial division	Consolidated
Sales	$ 1,515,209	$ 1,294,564	$ 2,809,773
Cost of sales	(1,130,728)	(1,158,486)	(2,289,214)
Gross margin	384,481	136,078	520,559
Add (subtract):			
Administrative expenses	(98,321)	(37,664)	(135,985)
Selling and marketing expenses	(104,175)	(68,406)	(172,581)
Bad debt expense	(32,925)	(11,697)	(44,622)
Amortization included in cost of sales	2,213	–	2,213
Other expenses	(960)	(604)	(1,564)
Profit attributable to non-controlling interest	(18,539)	–	(18,539)
Base EBITDA from operations	$ 131,774	$ 17,707	$ 149,481

[1] The segment definitions are provided on page 7.

Consumer Energy contributed $42.5 million to Base EBITDA for the three months ended December 31, 2017, a decrease of 8% from $46.1 million in the prior comparative quarter. The decrease in Base EBITDA for Consumer Energy was attributable to higher administrative expenses as a result of costs to serve the growing customer base in the U.K., international expansion costs as well as efforts relating to new strategic initiatives. Commercial Energy contributed $10.0 million to Base EBITDA, an increase of 85% from the prior comparable quarter, when the segment contributed $5.4 million. The increase in Base EBITDA for Commercial Energy was attributable to lower selling expenses.

For the nine months ended December 31, 2017, Base EBITDA was $105.6 million, a decrease of 29% from $149.5 million recorded in the prior comparable period. The Consumer division contributed $86.9 million to Base EBITDA for the nine months ended December 31, 2017, a decrease of 34% from $131.8 million reported for the nine months ended December 31, 2016. The Commercial division contributed $18.7 million to Base EBITDA, a 6% increase from the prior comparable period, when the segment contributed $17.7 million.

Customer aggregation

RCE SUMMARY

	Oct. 1, 2017	Additions	Attrition	Failed to renew	**Dec. 31, 2017**	% increase (decrease)	Dec. 31, 2016	% increase (decrease)
Consumer Energy								
Gas	627,000	26,000	(25,000)	(11,000)	**617,000**	(2)%	604,000	2%
Electricity	1,168,000	79,000	(58,000)	(18,000)	**1,171,000**	–	1,186,000	(1)%
Total Consumer RCEs	1,795,000	105,000	(83,000)	(29,000)	**1,788,000**	–	1,790,000	–
Commercial Energy								
Gas	337,000	46,000	(7,000)	(11,000)	**365,000**	8%	250,000	46%
Electricity	1,955,000	153,000	(33,000)	(114,000)	**1,961,000**	–	2,187,000	(10)%
Total Commercial RCEs	2,292,000	199,000	(40,000)	(125,000)	**2,326,000**	1%	2,437,000	(5)%
Total RCEs	4,087,000	304,000	(123,000)	(154,000)	**4,114,000**	1%	4,227,000	(3)%

Just Energy's total RCE base is currently at 4.1 million, a 3% decrease from one year ago. Gross RCE additions for the quarter ended December 31, 2017 were 304,000, an increase of 45% compared to RCEs added in the third quarter of fiscal 2017. Net additions were a positive 27,000 for the third quarter of fiscal 2018, compared with a negative 84,000 net RCE additions in the third quarter of fiscal 2017.

Consumer RCE additions amounted to 105,000 for the three months ended December 31, 2017, a 4% increase from 101,000 gross RCE additions recorded in the prior comparable quarter. Net RCE additions for the Consumer division improved to negative 7,000 for the three months ended December 31, 2017, compared with negative 39,000 reported in the prior comparable period. As of December 31, 2017, the U.S., Canadian and U.K. segments accounted for 64%, 20% and 16% of the Consumer RCE base, respectively.

Commercial RCE additions were 199,000 for the three months ended December 31, 2017, an 83% increase over the prior comparable quarter as a result of increased additions from large natural gas Commercial and Industrial RCEs in Canada. The Interactive Energy Group ("IEG"), which commenced operation during the second quarter of fiscal 2018, had 41,711 RCEs as of the end of the third quarter. IEG operates as an independent, unbiased consulting company which offers a range of customized products and services that are tailored to meet the energy needs of Commercial customers. As at December 31, 2017, IEG had 997 commercial and industrial customer contracts.

Just Energy remains focused on increasing the gross margin per RCE added for Commercial customers and, as a result, has been more selective in its market strategy. As of December 31, 2017, the U.S., Canadian and U.K. segments accounted for 71%, 23% and 6% of the Commercial RCE base, respectively.

For the three months ended December 31, 2017, 44% of the total Consumer and Commercial RCE additions were generated through online and other non-door-to-door sales channels, 39% from commercial brokers and 17% from door-to-door sales. In the prior comparable period, 46% of RCE additions were generated from commercial brokers, 33% from online and other sales channels, and 21% using door-to-door sales.

Just Energy's geographical footprint continues to diversify outside of North America. The U.K. operations increased their RCE base by 26% to 440,000 RCEs during the nine months ended December 31, 2017 with strong growth in their Consumer RCE base. As of December 31, 2017, the U.S., Canadian and U.K. segments accounted for 68%, 22% and 10% of the RCE base, respectively. At December 31, 2016, the U.S., Canadian and U.K. segments represented 71%, 22% and 7% of the RCE base, respectively.

The Company's launch of the new retail consumer sales channel continued to meet expectations in the third quarter of fiscal 2018. The retail channel added 27,968 new RCEs during the third quarter through 12 retail partnerships. The total number of stores with a Just Energy kiosk increased in the third quarter of fiscal 2018 by 111, bringing the total to 348 retail stores with kiosks. The Company's largest retail partner, Sam's Club, recently awarded the Company with 48 additional stores to add to its portfolio of stores across North America. This partnership exemplifies how Just Energy is expanding its channel opportunities to further reach potential residential customers looking to take control of their energy needs.

CUSTOMER SUMMARY

(in thousands)

	As at Dec. 31, 2017	As at April 1, 2017	% increase (decrease)
Consumer	**1,494**	1,357	10%
Commercial	**112**	117	(3)%
Total customer count	**1,606**	1,474	9%

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 for reporting.

Just Energy's customer base also includes 44,700 smart thermostat customers. These smart thermostats are bundled with a commodity contract and are currently offered in Canada and the United States. Customers with bundled products have lower attrition and higher overall profitability. Further expansion of the energy management solutions is a key driver of continued growth for Just Energy with additional product offerings contributing to lower attrition rates.

ATTRITION

	Trailing 12 months ended Dec. 31, 2017	Trailing 12 months ended Dec. 31, 2016
Consumer	**22%**	24%
Commercial	**5%**	8%
Total attrition	**13%**	15%

The combined attrition rate for Just Energy was 13% for the trailing 12 months ended December 31, 2017, a decrease of two percentage points from the 15% reported in the prior comparable period. The Consumer attrition rate decreased two percentage points to 22% from a year ago and the Commercial attrition rate decreased three percentage points to 5%. The decrease in the attrition rates is a result of Just Energy's focus on becoming the customers' "trusted advisor" and providing a variety of energy management solutions to its customer base to drive customer loyalty.

The Company carefully monitors the levels of customer complaints from its Consumer and Commercial divisions. The goal is to resolve all complaints registered within five days of receipt. Our corporate target is to have an outstanding complaint rate of less than 0.05% of customers at any time. As of December 31, 2017, the total outstanding rate was 0.004%.

RENEWALS

	Trailing 12 months ended Dec. 31, 2017	Trailing 12 months ended Dec. 31, 2016
Consumer	**72%**	79%
Commercial	**48%**	55%
Total renewals	**58%**	64%

The Just Energy renewal process is a multifaceted program that aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance, allowing a customer to renew for an additional period. Overall, the renewal rate was 58% for the trailing 12 months ended December 31, 2017, a decrease of six percentage points from 64% as at December 31, 2016. The Consumer renewal rate decreased by seven percentage points to 72%, while the Commercial renewal rate has also decreased by seven percentage points to 48%. The decline in 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. The renewals in Consumer gas in Canada have decreased seven percentage points to 52% and Consumer electricity has decreased by nine percentage points to 49%, mainly due to new consumer protection rules in Alberta and Ontario which prohibit selling energy products door-to-door, ban contracting with consumers at their home and disallow the automatic renewal or extension of expiring contracts.

ENERGY CONTRACT RENEWALS

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

	Consumer		Commercial	
	Gas	Electricity	Gas	Electricity
Remainder of 2018	4%	6%	5%	6%
2019	24%	32%	26%	33%
2020	22%	22%	20%	23%
2021	22%	20%	14%	13%
Beyond 2021	28%	20%	35%	25%
Total	100%	100%	100%	100%

Note: All month-to-month customers, which represent 548,000 RCEs, are excluded from the table above.

Gross margin

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

			Fiscal 2018			Fiscal 2017
	Consumer	Commercial	Total	Consumer	Commercial	Total
Gas	$ 55,510	$ 5,318	$ 60,828	$ 51,141	$ 7,274	$ 58,415
Electricity	77,297	33,180	110,477	77,961	37,977	115,938
	$ 132,807	$ 38,498	$ 171,305	$ 129,102	$ 45,251	$ 174,353
Increase (decrease)	3%	(15)%	(2)%			

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

			Fiscal 2018			Fiscal 2017
	Consumer	Commercial	Total	Consumer	Commercial	Total
Gas	$ 104,150	$ 10,168	$ 114,318	$ 107,409	$ 14,773	$ 122,182
Electricity	251,549	105,664	357,213	277,072	121,305	398,377
	$ 355,699	$ 115,832	$ 471,531	$ 384,481	$ 136,078	$ 520,559
Increase (decrease)	(7)%	(15)%	(9)%			

CONSUMER ENERGY

Gross margin for the three months ended December 31, 2017 for the Consumer division was $132.8 million, an increase of 3% from $129.1 million recorded in the prior comparable quarter. For the nine months ended December 31, 2017, gross margin for the Consumer division was $355.7 million, a decrease of 7% from $384.5 million recorded for the nine months ended December 31, 2016. Average realized gross margin for the Consumer division for the rolling 12 months ended December 31, 2017 was $248/RCE, representing a 6% decrease from $264/RCE reported in the prior comparable quarter. The decrease is attributable to negative foreign exchange impact as a result of weakening of the U.S. dollar and U.K. pound and lower electricity consumption as a result of mild summer weather in North America during the second fiscal quarter. 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 $55.5 million for the three months ended December 31, 2017, an increase from $51.1 million recorded in the prior comparable quarter. For the nine months ended December 31, 2017, the gross margin contribution from the gas markets decreased by 3% over the prior comparable period to $104.2 million as a result of lower gross margin per RCE in the current quarter and negative foreign exchange impact as a result of the weakening of the U.S. dollar and U.K. pound.

Electricity

Gross margin from electricity customers in the Consumer division was $77.3 million for the three months ended December 31, 2017, a 1% decrease from $78.0 million recorded in the prior comparable quarter. For the nine months ended December 31, 2017, gross margin from electricity markets decreased 9% to $251.5 million.

COMMERCIAL ENERGY

Gross margin for the Commercial division was $38.5 million for the three months ended December 31, 2017, a decrease of 15% from $45.3 million recorded in the prior comparable quarter. For the nine months ended December 31, 2017, gross margin for the Commercial division was $115.8 million, a decrease of 15% from $136.1 million recorded for the nine months ended December 31, 2016.

Average realized gross margin for the rolling 12 months ended December 31, 2017 was $88/RCE, an increase of 7% from the $82/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 $5.3 million for the three months ended December 31, 2017, a decrease of 27% from $7.3 million recorded in the prior comparable quarter. For the nine months ended December 31, 2017, the gross margin contribution from the gas markets decreased by 31% from the prior comparable period to $10.2 million. The decrease in gross margin for the three and nine months ended December 31, 2017 is as a result of lower gross margin per RCE and negative foreign exchange impact as a result of the weakening of the U.S. dollar and U.K. pound.

Electricity

The Commercial division's electricity gross margin for the three months ended December 31, 2017 was $33.2 million, a decrease of 13% from $38.0 million recorded in the prior comparable quarter. Gross margin from the Commercial electricity markets for the nine months ended December 31, 2017 was $105.7 million, a decrease of 13% from $121.3 million recorded in the nine months ended December 31, 2016.

GROSS MARGIN ON NEW AND RENEWING CUSTOMERS

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

Annual gross margin per RCE

	Q3 Fiscal 2018	**Number of customers**	Q3 Fiscal 2017	Number of customers
Consumer customers added and renewed	**$ 225**	**183,000**	$ 222	205,000
Consumer customers lost	**189**	**120,000**	199	140,000
Commercial customers added and renewed[1]	**73**	**239,000**	82	229,000
Commercial customers lost	**77**	**157,000**	81	154,000

[1] Annual gross margin per RCE excludes margins from IEG business and large commercial and industrial customers.

For the three months ended December 31, 2017, the average gross margin per RCE for the customers added and renewed by the Consumer division was $225/RCE, an increase from $222/RCE added in the prior comparable period. The average gross margin per RCE for the Consumer customers lost during the three months ended December 31, 2017 was $189/RCE, a decrease from $199/RCE margin lost on customers in the prior comparable period.

For the Commercial division, the average gross margin per RCE for the customers signed during the three months ended December 31, 2017 was $73/RCE, a decrease from $82/RCE added in the prior comparable period. Customers lost through attrition and failure to renew during the three months ended December 31, 2017 were at an average gross margin of $77/RCE, a decrease from $81/RCE reported in the prior comparable period. Management will continue to focus on meeting its profitability target by optimizing the margin of customers added and renewed and capturing a larger customer base.

Overall consolidated results

ADMINISTRATIVE EXPENSES

(thousands of dollars)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	% increase (decrease)	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016	% increase (decrease)
Consumer Energy	**$ 40,379**	$ 31,267	29%	**$ 109,453**	$ 98,321	11%
Commercial Energy	**10,010**	13,300	(25)%	**36,373**	37,664	(3)%
Total administrative expenses	**$ 50,389**	$ 44,567	13%	**$ 145,826**	$ 135,985	7%

Administrative expenses increased by 13% to $50.4 million for the three months ended December 31, 2017 from $44.6 million recorded in the prior comparable period. The Consumer division's administrative expenses were $40.4 million for the three months ended December 31, 2017, an increase of 29% from $31.3 million recorded in the prior comparable quarter. The Commercial division's administrative expenses were $10.0 million for the third quarter of fiscal 2018, a 25% decrease from $13.3 million reported for the prior comparable quarter.

Administrative expenses increased by 7% to $145.8 million for the nine months ended December 31, 2017 from $136.0 million recorded in the prior comparative period. Consumer and Commercial administrative expenses for the nine months ended December 31, 2017 were $109.5 million and $36.4 million, an increase of 11% and a decrease of 3% over the prior comparable period, respectively. The increase in administrative costs was attributable to the growth in the U.K. operations, as well as costs associated with international expansion and new strategic initiatives.

SELLING AND MARKETING EXPENSES

(thousands of dollars)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	% increase (decrease)	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2016	% increase (decrease)
Consumer Energy	**$ 38,238**	$ 32,514	18%	**$ 110,886**	$ 104,175	6%
Commercial Energy	**17,309**	22,823	(24)%	**61,314**	68,406	(10)%
Total selling and marketing expenses	**$ 55,547**	$ 55,337	–	**$ 172,200**	$ 172,581	–

Selling and marketing expenses, which consist of commissions paid to independent sales contractors, brokers and sales agents, as well as sales-related corporate costs, were $55.5 million, remaining consistent with $55.3 million in the third quarter of fiscal 2017.

The selling and marketing expenses for the Consumer division were $38.2 million for the three months ended December 31, 2017, an 18% increase from $32.5 million recorded in the prior comparable quarter. The selling expenses increased due to significant RCE growth in the U.K.

The selling and marketing expenses for the Commercial division were $17.3 million for the three months ended December 31, 2017, down 24% from $22.8 million recorded in the prior comparable quarter. This decrease is a result of lower commission expenses due to a 5% decrease in Commercial RCEs for the nine months ended December 31, 2017.

For the nine months ended December 31, 2017, selling and marketing expenses were $172.2 million, consistent when compared to $172.6 million in the prior comparable period. The Consumer division's selling and marketing expenses were up 6% to $110.9 million compared to $104.2 million for the nine months ended December 31, 2016. Selling and marketing expenses for the Commercial division were $61.3 million for the nine months ended December 31, 2017, a decrease of 10% compared to $68.4 million in the prior comparable period as a result of residual lower commission expenses in the current period.

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

	Fiscal 2018	Fiscal 2017
Consumer	**$ 178/RCE**	$ 205/RCE
Commercial	**$ 42/RCE**	$ 40/RCE

The average aggregation cost for the Consumer division was $178/RCE for the trailing 12 months ended December 31, 2017, a decrease from $205/RCE reported in the prior comparable period. The decrease 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.

The $42 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 $42 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $76 (1.8 x $42) to the year's average aggregation cost reported above. As at December 31, 2016, the average aggregation cost for commercial brokers was $40/RCE. The lower cost in the prior comparable quarter is a function of broker commissions being a percentage of lower margins.

PROVISION FOR (RECOVERY OF) INCOME TAXES

(thousands of dollars)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2016
Current income tax expense (recovery)	**$ (4,105)**	$ 9,823	**$ 379**	$ 14,449
Deferred income tax expense	**9,718**	11,153	**10,198**	36,705
Provision for income taxes	**$ 5,613**	$ 20,976	**$ 10,577**	$ 51,154

Just Energy recorded a current income tax recovery of $4.1 million for the three months ended December 31, 2017, versus a $9.8 million current tax expense in the prior comparable quarter. For the nine months ended December 31, 2017, the current income tax expense amounts to $0.4 million, a decrease from $14.4 million reported for the nine months ended December 31, 2016, which corresponds to the decrease in income largely driven by a reduction of gross margin and Base EBITDA.

During the three months ended December 31, 2017, a deferred tax expense of $9.7 million was recorded, primarily relating to mark to market gains from financial instruments. In the same period in fiscal 2017, a deferred tax expense of $11.2 million was recorded, primarily resulting from the change in fair value of derivative instruments. A deferred tax provision of $10.2 million and $36.7 million was recorded for the nine months ended December 31, 2017 and December 31, 2016, respectively. The variance year over year is primarily due to lower mark to market gains in the current year relative to the nine months ended December 31, 2016.

Under IFRS, Just Energy recognizes income tax assets and liabilities based on the estimated tax consequences attributable to temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. A deferred tax asset will not be recognized if it is not anticipated that the asset will be realized in the foreseeable future. The effect of a change in the income tax rates used in calculating deferred income tax assets and liabilities is recognized in income during the period in which the change occurs.

Liquidity and capital resources

SUMMARY OF CASH FLOWS

(thousands of dollars)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Operating activities	**$ 28,659**	$ 35,605	**$ 58,454**	$ 115,743
Investing activities	**13,516**	(13,639)	**(4,696)**	(25,633)
Financing activities, excluding dividends	**20,768**	(43,691)	**52,005**	(81,691)
Effect of foreign currency translation	**1,390**	(712)	**373**	(2,103)
Increase in cash before dividends	**64,333**	(22,437)	**106,136**	6,316
Dividends (cash payments)	**(21,490)**	(18,788)	**(64,719)**	(56,378)
Increase (decrease) in cash	**42,843**	(41,225)	**41,417**	(50,062)
Cash and cash equivalents – beginning of period	**55,950**	118,759	**57,376**	127,596
Cash and cash equivalents – end of period	**$ 98,793**	$ 77,534	**$ 98,793**	$ 77,534

OPERATING ACTIVITIES

Cash flow from operating activities for the three months ended December 31, 2017 was an inflow of $28.7 million, compared to $35.6 million in the prior comparable quarter. The reduction is primarily a result of a reduction in gross margin in the current period. For the nine months ended December 31, 2017, cash flow from operating activities was an inflow of $58.5 million, a decrease from $115.7 million reported for the prior comparable period as a result of lower gross margin in the current period.

INVESTING ACTIVITIES

Investing activities for the three months ended December 31, 2017 included purchases of property, plant and equipment and intangible assets totalling $1.0 million and $11.3 million, respectively, compared with $2.2 million and $7.9 million, respectively, in fiscal 2017.

Investing activities for the nine months ended December 31, 2017 included purchases of property, plant and equipment and intangible assets totalling $3.9 million and $23.8 million, respectively, compared with $5.9 million and $12.7 million, respectively, in fiscal 2017.

FINANCING ACTIVITIES

Financing activities, excluding dividends, relates primarily to the issuance and repayment of long-term debt. During the three months ended December 31, 2017, Just Energy had withdrawn $20.8 million on the credit facility. During the nine months ended December 31, 2017, Just Energy issued an additional $5.2 million in preferred shares and withdrew an additional $70.0 million on its credit facility, offset by common share repurchases of $11.9 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 December 31, 2017, Just Energy paid cash dividends to its common and preferred shareholders and distributions to holders of share-based awards in the amount of $21.5 million, compared to $18.8 million paid in the prior comparable quarter. For the nine months ended December 31, 2017, Just Energy paid $64.8 million, compared to $56.4 million paid for the comparable period of fiscal 2017.

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 December 31, 2017 was US$0.53125 per preferred share.

Balance sheet as at December 31, 2017, compared to March 31, 2017

Total cash and short-term investments increased from $83.6 million as at March 31, 2017 to $98.8 million. The increase in cash is primarily attributable to the credit facility withdrawals to support the seasonal cash requirements.

As of December 31, 2017, trade receivables and unbilled revenue amounted to $354.1 million and $311.7 million, respectively, compared to March 31, 2017, when the trade receivables and unbilled revenue amounted to $353.1 million and $218.4 million, respectively. The accounts receivable balances increased as a result of normal seasonal consumption with higher electricity bills in the current quarter. Trade payables, which include gas and electricity commodity payables of $271.2 million, increased from $486.6 million to $589.3 million during the third quarter of the fiscal year.

In Ontario, Manitoba, British Columbia, Michigan and the U.K., 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 $6.8 million and $76.2 million, respectively, as of December 31, 2017. These amounts increased from $3.2 million and $17.5 million, respectively, as of March 31, 2017, mainly due to the customer growth in the U.K. As at December 31, 2017, more gas was consumed by customers than Just Energy had delivered to the LDCs in Manitoba and Quebec, and as a result, Just Energy recognized an accrued gas receivable and accrued gas payable of $1.6 million and $1.0 million, respectively. These amounts decreased from $16.4 million and $12.5 million, respectively, as of March 31, 2017. These changes represent normal seasonal fluctuations based on consumption during the winter months.

Prepaid expenses, deposits and current assets decreased from $111.3 million at March 31, 2017 to $99.2 million as of December 31, 2017 as green commodity purchases decreased by $8.8 million during the nine months ended December 31, 2017.

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 loss and, accordingly, shareholders' equity from year to year due to commodity price volatility.

Total debt has increased from $498.1 million as at March 31, 2017 to $564.7 million as at December 31, 2017. This increase is a result of the withdrawal of an additional $70.0 million on the credit facility. The book value of net debt was 2.6x for the Base EBITDA, up from 2.5x reported one year ago, and the 1.8x reported at fiscal year-end.

Debt and financing for operations

(thousands of dollars)

	Maturity	**Dec. 31, 2017**	March 31, 2017	Dec. 31, 2016
Credit facility	September 1, 2018	**$ 138,288**	$ 68,258	$ 90,295
6.75% convertible debentures	December 31, 2021	**147,477**	145,579	145,008
5.75% convertible debentures	September 30, 2018	**97,955**	96,022	95,413
6.5% convertible bonds	July 29, 2019	**182,091**	190,486	191,487
6.0% convertible debentures	N/A	**–**	–	92,773

The various debt instruments are described as follows:

- A $342.5 million credit facility expiring on September 1, 2018, supported by guarantees and secured by, among other things, a general security agreement and an asset pledge excluding, primarily, the U.K., Japan and Germany operations. Credit facility withdrawals amounted to $138.3 million as of December 31, 2017, compared with $68.3 million as of March 31, 2017. In addition, total letters of credit outstanding as at December 31, 2017 amounted to $109.5 million (March 31, 2017 – $109.2 million).
- A 6.75% 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 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.
- 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.

See Note 11 of the unaudited interim condensed consolidated financial statements for further details regarding the nature of each debt agreement.

Acquisition of businesses

ACQUISITION OF INTELL ENERCARE SOLUTIONS INC.

On June 6, 2017, Just Energy completed the acquisition of 100% of the issued and outstanding shares of Intell Enercare Solutions Inc., a complete service provider for supply, design and installation of energy saving technologies, for up to $11.0 million, subject to closing adjustments. Terms of the deal include an initial payment of $2.2 million. Also, Just Energy will pay up to $9.0 million to the sellers over three years provided that certain EBITDA targets are satisfied. The fair value of the contingent consideration at acquisition was estimated to be $7.8 million. The acquisition of Intell Enercare Solutions Inc. was accounted for using the purchase method of accounting.

The transaction costs related to the acquisition have been expensed and are included in other operating expenses in the interim condensed consolidated statements of income. The fair value of the contingent consideration was subsequently reduced to $2.0 million during the quarter through the interim condensed consolidated statements of income due to changes in the assumptions of the time required for the sellers to meet EBITDA targets.

For an allocated breakdown of the purchase price to identified assets and liabilities acquired in the acquisition, see Note 9 of the Interim Financial Statements for the three months and nine months ended December 31, 2017.

ACQUISITION OF DB SWDIREKT GMBH AND DB SWPRO GMBH

On December 8, 2016, Just Energy completed the acquisition of 95% of the issued and outstanding shares of SWDirekt, a retail energy company, and 50% of the issued and outstanding shares of SWPro, a sales and marketing company, for $6.4 million, subject to closing adjustments. Terms of the deal include a $2.2 million payment upon the achievement of sales targets. The contingent consideration was subsequently written down to $nil through the interim condensed consolidated statements of income due to changes to the sellers' involvement in the business and the assumption of the time required for the sellers to meet sales targets.

The acquisition of SWDirekt and SWPro was accounted for using the purchase method of accounting. Just Energy allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition.

For an allocated breakdown of the purchase price to identified assets and liabilities acquired in the acquisition, see Note 9 of the Interim Financial Statements for the three months and nine months ended December 31, 2017.

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	$ 589,346	$ –	$ –	$ –	$ 589,346
Long-term debt	238,288	188,175	160,000	–	586,463
Interest payments	28,781	33,831	10,800	–	73,412
Premises and equipment leasing	1,325	9,233	7,690	10,881	29,129
Gas, electricity and non-commodity contracts	567,020	2,156,560	133,905	19,380	2,876,865
	$ 1,424,760	$ 2,387,799	$ 312,395	$ 30,261	$ 4,155,216

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 $102.3 million, of which $37.8 million has been presented as current liabilities and $64.5 million as long-term liabilities. As at December 31, 2017, the current liabilities amount to $33.6 million and long-term liabilities amount to $55.9 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 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 $109.5 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, Surety Company of America, Berkley Insurance Company, Fidelity and Deposit Company of Maryland, and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at December 31, 2017 were $53.9 million (March 31, 2017 – $55.9 million).

Critical accounting estimates

The 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 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for uncollectible accounts reflects Just Energy's best estimates of losses on the accounts receivable balances. Just Energy determines the allowance for doubtful accounts on customer receivables by applying loss rates based on historical results to the outstanding receivable balance. Just Energy is exposed to customer credit risk on its continuing operations in Alberta, Texas, Illinois, Ohio, Delaware, California, Michigan, Georgia, the U.K. 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 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 $15.7 million and $23.0 million have been recorded on the interim condensed and consolidated statements of financial position as at December 31, 2017 and March 31, 2017, respectively. These assets primarily relate to mark to market losses on our derivative financial instruments. 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.

As at December 31, 2017, no deferred tax assets were recognized in the U.S. However, net taxable temporary differences of $180.0 million were generated for the nine months ended December 31, 2017.

Deferred income tax liabilities of $6.4 million and $1.7 million have been recorded on the interim condensed consolidated statements of financial position as at December 31, 2017 and March 31, 2017, respectively. These liabilities are primarily due to mark to market losses on the derivative financial instruments and unrealized foreign exchange losses which, when realized, will be recognized for tax purposes.

The enactment of the Tax Cuts and Jobs Act of 2017 in the U.S. resulted in a reduction in the federal corporate income tax rate effective January 1, 2018 and other tax measures. The enactment does not have a material impact as Just Energy has significant loss carryforward in the U.S. on which no deferred tax assets were recognized.

As further clarification and guidance on the new legislation is provided by the IRS and U.S. Treasury, Just Energy will continue to assess its impact on our financial position. However, no material impact is expected.

SUBSIDIARIES

Subsidiaries that are not wholly owned by Just Energy require judgment in determining the amount of control that Just Energy has over that entity and the appropriate accounting treatments. In these interim consolidated financial statements, management has determined that Just Energy controls SWDirekt and SWPro and, therefore, has treated the portion that is not owned by Just Energy as a non-controlling interest.

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

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

Depreciation and amortization expense from operations for the three and nine months ended December 31, 2017 recorded in the interim condensed consolidated statements of cash flows was $6.5 million and $16.3 million, respectively, compared with $6.4 million and $16.5 million, respectively, for the three and nine months ended December 31, 2016.

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 consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IAS 39, Financial Instruments: Recognition and Measurement; 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 consolidated income statement. Due to commodity volatility and to the size of Just Energy, the swings in mark to market on these positions will increase the volatility in Just Energy's earnings.

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

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

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

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

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. For a sensitivity analysis of these forward curves, see Note 8 of the interim condensed consolidated financial statements for the quarter ended December 31, 2017. Other inputs, including volatility and correlations, are driven off historical settlements.

Just Energy common and preferred shares

As at February 7, 2018, there were 146,900,344 common shares and 4,290,778 preferred shares of Just Energy outstanding.

In February 2017, Just Energy closed its underwritten public offering of 4,040,000 of its 8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Shares at a price of US$25.00 per preferred share, for gross proceeds of US$101 million.

In May 2017, Just Energy announced it has entered into an at-the-market issuance ("ATM offering") sales agreement pursuant to which Just Energy may, at its discretion and from time to time, offer and sell in the United States preferred shares having an aggregate offering price of up to US$150 million. As at February 7, 2018, Just Energy has issued an additional 250,778 preferred shares for aggregate total gross proceeds of $8.2 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 5.75% convertible debentures as well as the Just Energy common shares up to March 16, 2018. Under each NCIB, Just Energy may purchase debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2017 up to daily and total limits. For the nine months ended December 31, 2017, Just Energy had purchased $11.9 million of common shares through the NCIB program, compared to $nil 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.

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. A jury trial on the liability phase was completed on October 6, 2014. The jury refused to find a wilful violation by Just Energy but reached a verdict that supports the plaintiffs' class and collective action that certain individuals were not properly classified as outside salespeople in order to qualify for an exemption under the minimum wage and overtime requirements pursuant to the FLSA and Ohio wage and hour laws. Just Energy disagrees with the result of the October 2014 trial and is of the opinion that it is not supported by existing law and precedent. On January 9, 2015, the Court struck the plaintiffs' damage expert report. A separate damages phase is in process but potential amounts owing have yet to be determined. Just Energy's appeal opportunities will remain open after conclusion of the damages phase, which still remains unscheduled by the Court. Just Energy strongly believes it complied with the law and continues to vigorously defend against the claims.

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 granted Wilkins' request to certify the lawsuit as a class action to include a class made up of Illinois sales representatives who sold for Just Energy Illinois and Commerce. On March 22, 2016, Just Energy's summary judgment motion to dismiss Wilkins' claims was denied. On June 16, 2016, the Court granted Just Energy's motion for reconsideration which objected to Wilkins' class definition and revised the definition to exclude sales representatives who sold for Commerce. Certain class plaintiffs were dismissed by agreement of the parties due to failure to appear at deposition or failure to fit within the revised class definition. Motion for decertification of the class will be filed by March 16, 2018. 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 granted Flood's request to certify the lawsuit as a class action for the FLSA claims to include a class made up of New York sales representatives who sold for Just Energy New York. 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 granted Just Energy's motion for summary judgment dismissing Flood's claims and denied the motion to certify the class action. On February 16, 2017, Flood and opt-in plaintiffs filed an appeal of the dismissal of the Federal District Court's order to the Court of Appeals for the Second Circuit. The appeal remains pending with oral argument scheduled for February 20, 2018. Just Energy strongly believes it complied with the law and will vigorously contest the appeal of the dismissal.

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. In August 2015, Omarali filed a motion to certify a proposed class action of door-to-door sales representatives, and the Court set a hearing for June 21, 2016. The Court issued its certification decision on July 27, 2016, which granted Omarali's request for certification with certain changes. Importantly, the Court refused to certify Omarali's request for damages on an aggregate basis, finding that any alleged class member damages "cannot be determined without proof by individual class members", and the Court left any further resolution on this issue to the common issues trial judge. The Court also refused to certify Omarali's request for the option of punitive damages against Just Energy and found that there was no evidence that Just Energy's conduct justified a punitive damages question, largely because the evidence presented showed that over the years Just Energy was "reassured that their sales agents were indeed ICs, not employees" by "various administrative agencies including the Canada Revenue Agency, the Workplace Safety and Insurance Board, and at least on one occasion before an employment officer of the Employment Standards Act". Examinations are being held during 2018. No trial date has been scheduled. Just Energy strongly believes it complied with the law and continues to vigorously contest this matter.

Controls and procedures

INTERNAL CONTROLS FOR DISCLOSURE AND FINANCIAL REPORTING

As of December 31, 2017, the Co-Chief Executive Officers ("Co-CEOs") and Chief Financial Officer ("CFO") of the Company, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Just Energy is made known to the Co-CEOs and CFO, and have designed internal controls over financial reporting based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

During the three and nine months ended December 31, 2017, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 continues to deploy its strategy to become a world-class consumer enterprise delivering superior value to its customers through a range of energy management solutions and a multi-channel approach. The Company has recently completed a phase of internal transformation centred on repairing its balance sheet and overall debt structure, as well as improving the profitability profile of its customer base. Just Energy's growth plans centre on customer growth, geographic expansion, channel growth and enhancements, strategic acquisitions, and new products and structures.

Management reiterated its previously issued guidance of fiscal 2018 Base EBITDA in the range of $175 million to $190 million. These expectations reflect the impact of the significant one-time weather events in the second fiscal quarter, combined with the low commodity pricing environment and the Company's efforts to improve profitability. To achieve profitability and optimize growth in the fourth fiscal quarter and beyond, Just Energy will:

- Target sales growth through all channels. The Company is on track to be present in 500 stores by the fiscal year-end, working with its retail partners, including Sam's Club. With the success realized through our retail channel expansion efforts, the Company will focus on joint marketing partnerships and authorized agent programs to drive brand awareness and new customer growth. The business development efforts in retail will be shifted towards multinationals in footprint, allowing those efforts to be amortized over multiple countries in the portfolio. As part of Just Energy's digital transformation, the Company revamped its website and completed its transition to its new digital partner while maintaining the expected new acquisitions.

- Focus on sustainable cost reduction through continuous productivity enhancing and cost efficiency initiatives that were underway in the third fiscal quarter. Continued benefits will be realized in the fourth fiscal quarter and subsequent years.

- Invest in international expansion by replicating its U.K. success in other markets. Just Energy fully launched its operations in Ireland, Japan and Germany. Supported by the U.K.'s leadership team, supplier relationships and market approximation, Ireland will grow at a faster pace. International expansion will continue to be the key driver for future growth of the Company, and therefore significant investments will be made to seed more international operations.

In addition, management is actively engaged in and expects to complete the refinancing of its 2018 maturing debts in the near term.

The Company remains committed to its current dividend policy.

Interim condensed consolidated statements of financial position

(in thousands of Canadian dollars)

		As at	As at	As at
		Dec. 31,	March 31,	Dec. 31,
		2017	2017	2016
	Notes	**(Unaudited)**	(Audited)	(Unaudited)
ASSETS				
Current assets				
Cash and cash equivalents		**$ 98,793**	$ 57,376	$ 77,534
Short-term investments	5	**–**	26,255	–
Restricted cash		**3,418**	3,620	6,260
Trade and other receivables	6	**354,077**	353,139	370,479
Unbilled revenues		**311,610**	218,413	246,344
Accrued gas receivables		**1,620**	16,352	606
Gas delivered in excess of consumption		**6,834**	3,232	12,722
Gas in storage		**29,212**	12,350	24,324
Prepaid expenses, deposits and other current assets	7	**99,218**	111,323	97,714
Fair value of derivative financial assets	8	**33,063**	11,656	33,330
Corporate tax recoverable		**7,977**	2,986	6,051
		945,822	816,702	875,364
Non-current assets				
Investments		**11,854**	15,561	11,854
Property, plant and equipment		**19,959**	21,682	24,772
Intangible assets		**372,412**	357,987	358,813
Other non-current assets		**16,237**	–	–
Fair value of derivative financial assets	8	**5,542**	3,010	7,770
Deferred tax asset		**15,703**	23,013	9,202
		441,707	421,253	412,411
TOTAL ASSETS		**$ 1,387,529**	$ 1,237,955	$ 1,287,775
LIABILITIES				
Current liabilities				
Trade and other payables		**$ 589,346**	$ 486,632	$ 533,349
Accrued gas payable		**989**	12,537	633
Deferred revenue		**76,230**	17,546	42,465
Income taxes payable		**7,750**	13,913	8,307
Fair value of derivative financial liabilities	8	**100,904**	168,793	81,992
Provisions		**6,867**	8,215	11,388
Current portion of long-term debt	11	**235,181**	–	92,773
		1,017,267	707,636	770,907
Non-current liabilities				
Long-term debt	11	**329,568**	498,088	519,548
Deferred lease inducements		**852**	1,088	1,167
Fair value of derivative financial liabilities	8	**53,262**	178,724	197,374
Other non-current liabilities	10	**55,900**	–	–
Deferred tax liability		**6,395**	1,745	8,414
		445,977	679,645	726,503
TOTAL LIABILITIES		**1,463,244**	1,387,281	1,497,410
SHAREHOLDERS' DEFICIENCY				
Shareholders' capital	13	**1,202,058**	1,198,439	1,076,051
Equity component of convertible debentures		**13,508**	13,508	18,866
Contributed surplus (deficit)		**(42,385)**	58,266	52,008
Deficit		**(1,311,203)**	(1,489,900)	(1,404,525)
Accumulated other comprehensive income		**62,307**	70,361	47,965
TOTAL SHAREHOLDERS' DEFICIENCY		**(75,715)**	(149,326)	(209,635)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$ 1,387,529**	$ 1,237,955	$ 1,287,775

Commitments and Guarantees (Note 18)

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of income

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

	Notes	**Three months ended Dec. 31, 2017**	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
OPERATIONS					
Sales	14	**$ 912,203**	$ 918,536	**$ 2,611,836**	$ 2,809,773
Cost of sales		**740,898**	744,183	**2,140,305**	2,289,214
GROSS MARGIN		**171,305**	174,353	**471,531**	520,559
EXPENSES					
Administrative		**50,389**	44,567	**145,826**	135,985
Selling and marketing		**55,547**	55,337	**172,200**	172,581
Other operating	15(a)	**21,201**	23,263	**76,972**	63,132
		127,137	123,167	**394,998**	371,698
Operating profit before the following		**44,168**	51,186	**76,533**	148,861
Finance costs	11	**(13,266)**	(25,477)	**(37,777)**	(61,332)
Change in fair value of derivative instruments and other	8	**183,759**	183,345	**223,453**	474,293
Other income (loss)		**(633)**	(37)	**1,169**	(1,564)
Profit before income taxes		**214,028**	209,017	**263,378**	560,258
Provision for income taxes	12	**5,613**	20,976	**10,577**	51,154
PROFIT FOR THE PERIOD		**$ 208,415**	$ 188,041	**$ 252,801**	$ 509,104
Attributable to:					
Shareholders of Just Energy		**$ 208,455**	$ 180,593	**$ 243,449**	$ 490,565
Non-controlling interest		**(40)**	7,448	**9,352**	18,539
PROFIT FOR THE PERIOD		**$ 208,415**	$ 188,041	**$ 252,801**	$ 509,104
Earnings per share available to shareholders	16				
Basic		**$ 1.42**	$ 1.22	**$ 1.66**	$ 3.32
Diluted		**$ 1.13**	$ 0.98	**$ 1.37**	$ 2.60

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of comprehensive income

(unaudited in thousands of Canadian dollars)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
PROFIT FOR THE PERIOD	**$ 208,415**	$ 188,041	**$ 252,801**	$ 509,104
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Unrealized income (loss) on translation of foreign operations	**4,507**	(1,977)	**(8,054)**	(943)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**$ 212,922**	$ 186,064	**$ 244,747**	$ 508,161
Total comprehensive income attributable to:				
Shareholders of Just Energy	**$ 212,962**	$ 178,616	**$ 235,395**	$ 489,622
Non-controlling interest	**(40)**	7,448	**9,352**	18,539
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**$ 212,922**	$ 186,064	**$ 244,747**	$ 508,161

See accompanying notes to the interim condensed consolidated financial statements

Interim condensed consolidated statements of changes in shareholders’ deficiency

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

	Notes	**2017**	2016
ATTRIBUTABLE TO THE SHAREHOLDERS			
Accumulated earnings (losses)			
Accumulated earnings (losses), beginning of period		**$ 259,571**	$ (165,963)
Profit for the period, attributable to shareholders		**243,449**	490,565
Accumulated earnings, end of period		**503,020**	324,602
DIVIDENDS			
Dividends, beginning of period		**(1,749,471)**	(1,672,720)
Dividends declared and paid	17	**(64,752)**	(56,407)
Dividends, end of period		**(1,814,223)**	(1,729,127)
DEFICIT		**$ (1,311,203)**	$ (1,404,525)
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Accumulated other comprehensive income, beginning of period		**$ 70,361**	$ 48,908
Other comprehensive loss		**(8,054)**	(943)
Accumulated other comprehensive income, end of period		**$ 62,307**	$ 47,965
SHAREHOLDERS’ CAPITAL	13		
Common shares			
Common shares, beginning of period		**$ 1,070,076**	$ 1,069,434
Share-based units exercised		**11,015**	6,617
Repurchase and cancellation of shares		**(11,941)**	–
Common shares, end of period		**1,069,150**	1,076,051
Preferred shares			
Preferred shares, beginning of period		**$ 128,363**	$ –
Shares issued		**5,195**	–
Shares issuance costs		**(650)**	–
Preferred shares, end of period		**132,908**	–
SHAREHOLDERS’ CAPITAL		**$ 1,202,058**	$ 1,076,051
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES			
Balance, beginning of period		**$ 13,508**	$ 25,795
Add: Issuance of 6.75% convertible debentures		**–**	5,899
Less: Redemption of 6.0% convertible debentures		**–**	(12,828)
Balance, end of period		**$ 13,508**	$ 18,866
CONTRIBUTED SURPLUS (DEFICIT)			
Balance, beginning of period		**$ 58,266**	$ 43,459
Add: Share-based compensation expense	15(a)	**18,628**	4,255
Redemption of 6.0% convertible debentures		**–**	12,906
Non-cash deferred share grant distributions		**33**	29
Less: Purchase of non-controlling interest	10	**(102,793)**	–
Share-based units exercised		**(11,015)**	(6,617)
Share-based compensation adjustment		**(5,504)**	(2,024)
Balance, end of period		**$ (42,385)**	$ 52,008
NON-CONTROLLING INTEREST			
Distributions to non-controlling shareholders		**$ (9,352)**	$ (18,539)
Profit attributable to non-controlling interest		**9,352**	18,539
Balance, end of period		**$ –**	$ –
TOTAL SHAREHOLDERS’ DEFICIENCY		**$ (75,715)**	$ (209,635)

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 Dec. 31, 2017**	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Net inflow (outflow) of cash related to the following activities					
OPERATING					
Profit before income taxes		**$ 214,028**	$ 209,017	**$ 263,378**	$ 560,258
Items not affecting cash					
Amortization of intangible assets	15(a)	**5,439**	3,975	**13,230**	10,695
Depreciation of property, plant and equipment	15(a)	**1,041**	1,701	**3,023**	3,560
Amortization included in cost of sales		**787**	759	**2,333**	2,213
Share-based compensation	15(a)	**1,665**	1,353	**18,628**	4,255
Financing charges, non-cash portion		**2,647**	9,831	**7,835**	18,732
Other		**(93)**	(90)	**(277)**	(270)
Change in fair value of derivative instruments		**(183,759)**	(183,345)	**(223,453)**	(474,293)
Adjustment required to reflect net cash receipts from gas sales		**(2,780)**	(2,024)	**4,750**	17,501
Net change in non-cash working capital balances		**(7,538)**	(1,312)	**(12,424)**	(10,884)
Income taxes paid		**(2,778)**	(4,260)	**(18,569)**	(16,024)
Cash inflow from operating activities		**28,659**	35,605	**58,454**	115,743
INVESTING					
Purchase of property, plant and equipment		**(951)**	(2,210)	**(3,910)**	(5,866)
Purchase of intangible assets		**(11,250)**	(7,887)	**(23,772)**	(12,715)
Acquisition of businesses		**–**	(3,994)	**(2,546)**	(3,994)
Short-term investments		**25,717**	422	**25,532**	(4,550)
Decrease in restricted cash		**–**	30	**–**	1,492
Cash inflow (outflow) from investing activities		**13,516**	(13,639)	**(4,696)**	(25,633)
FINANCING					
Dividends paid		**(21,490)**	(18,788)	**(64,719)**	(56,378)
Repayment of long-term debt		**–**	(280,000)	**–**	(306,909)
Issuance of long-term debt		**–**	160,000	**–**	160,000
Debt issuance costs		**–**	(6,538)	**–**	(6,538)
Credit facilities withdrawal		**20,768**	90,295	**70,030**	90,295
Issuance of preferred shares		**–**	–	**5,195**	–
Preferred shares issuance costs		**–**	–	**(1,676)**	–
Shares repurchase		**–**	–	**(11,941)**	–
Distributions to non-controlling interest		**–**	(7,448)	**(9,603)**	(18,539)
Cash outflow from financing activities		**(722)**	(62,479)	**(12,714)**	(138,069)
Effect of foreign currency translation on cash balances		**1,390**	(712)	**373**	(2,103)
Net cash inflow (outflow)		**42,843**	(41,225)	**41,417**	(50,062)
Cash and cash equivalents, beginning of period		**55,950**	118,759	**57,376**	127,596
Cash and cash equivalents, end of period		**$ 98,793**	$ 77,534	**$ 98,793**	$ 77,534
Supplemental cash flow information:					
Interest paid		**$ 7,938**	$ 14,390	**$ 26,833**	$ 40,666

See accompanying notes to the interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

For the nine months ended December 31, 2017
(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

1 ORGANIZATION

Just Energy Group Inc. ("Just Energy") is a corporation established under the laws of Canada to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates. The registered office of Just Energy is First Canadian Place, 100 King Street West, Toronto, Ontario, Canada. The unaudited interim condensed consolidated financial statements ("Interim Financial Statements") consist of Just Energy and its subsidiaries and affiliates. The Interim Financial Statements were approved by the Board of Directors on February 7, 2018.

2 OPERATIONS

Just Energy is a leading retail energy provider 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, 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. 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 10% 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 markets its product offerings through a number of sales channels including door-to-door marketing, broker, retail and affinity relationships, and online marketing. Prior to August 1, 2017, the online marketing of gas and electricity contracts was primarily conducted through Just Ventures LLC and Just Ventures L.P. (collectively, "Just Ventures"), a joint venture in which Just Energy holds a 50% equity interest. This exclusive relationship ended on July 31, 2017. See Note 10 for further information.

3 FINANCIAL STATEMENT PREPARATION

(a) Statement of compliance with IFRS

These Interim Financial Statements of Just Energy and its subsidiaries 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, 2017 annual audited consolidated financial statements. Accordingly, certain information and footnote disclosures normally included in the annual 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, 2017 and 2016.

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, 2018, 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. For the 12 months ended December 31, 2017, Just Energy reported gross margin of $646,943 (2016 – $724,848) and profit of $214,581 (2016 – $539,997).

(c) Principles of consolidation

The Interim Financial Statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at December 31, 2017. Subsidiaries and affiliates are consolidated from the date of acquisition of 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

As at December 31, 2017, there have been no additional accounting pronouncements by the IASB beyond those described in Just Energy's 2017 Annual Report that would impact Just Energy's Interim Financial Statements. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Interim Financial Statements are disclosed below. Just Energy intends to adopt these standards, if applicable, when they become effective.

IFRS 9, Financial Instruments ("IFRS 9"), was issued by the IASB on July 24, 2014, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is only applied to financial liabilities. IFRS 9 uses a new expected loss impairment model and also uses a new model for hedge accounting aligning the accounting treatment with risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management has appointed an IFRS 9 transition team to assess the financial statement impact of IFRS 9. The transition team will implement the accounting system, process and internal control changes that result from the new standard. The transition team has undertaken IFRS 9 planning sessions, developed an adoption plan and completed the scoping phase of the implementation. Next steps will involve completing the overall analysis, assessing any potential impacts to accounting systems and internal controls, and reviewing the additional disclosures required by the standard. Management continues to evaluate the impact of IFRS 9 on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), was jointly issued by the IASB and the Financial Accounting Standards Board, effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 outlined a single comprehensive model to account for revenue arising from contracts with customers and will replace the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue. The core principle of IFRS 15 is to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard provides a single, principles-based five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or industry. The standard will also provide guidance on the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. The standard also specifies that direct incremental costs of obtaining and fulfilling a contract that are expected to be recovered should be capitalized and amortized over the useful life of customers. Disclosure requirements will increase, which include disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates made. Just Energy will not be early adopting IFRS 15. Just Energy has changed its implementation approach from the full retrospective approach to the modified retrospective approach, where IFRS 15 will be applied to 2019 results beginning April 1, 2018 without restating comparative periods. This change is based on the results of our preliminary analysis, which is explained in detail below.

Management has appointed an IFRS 15 transition team to assess the financial statement impact of IFRS 15. The transition team will implement the accounting system, process and internal control changes that result from the new standard. The transition team has undertaken IFRS 15 planning sessions and developed a preliminary adoption plan. The transition team has determined that the requirements of IFRS 15 to capitalize direct incremental costs will impact the accounting for sales commissions in certain markets. Preliminary analysis indicates that Just Energy's bundled product contracts are most likely to be impacted by the changes in the standard. Further analysis is required on the impact of flat-bill contracts. Minimal impact is expected on other types of customer contracts. Next steps will involve completing the overall analysis, assessing any potential impacts to accounting systems and internal controls, and reviewing the additional disclosures required by the standard. Management continues to evaluate the impact of IFRS 15 on the consolidated financial statements.

Amendments to IFRS 2, Share-based Payment ("IFRS 2"), clarifies how to account for certain types of share-based payment transactions. IFRS 2 stipulates new conditions on the accounting for three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting of a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. IFRS 2 is applied prospectively; retroactive application is only permitted if the application can be performed without using hindsight. Requirements to apply IFRS 2 are effective for annual periods beginning on or after January 1, 2018. Management has appointed an IFRS 2 transition team to assess the financial statement impact of IFRS 2. The transition team will implement the accounting system, process and internal control changes that result from the new standard.

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, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17, Leases and Related Interpretations, and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. Just Energy has not yet assessed the impact of this standard.

5 SHORT-TERM INVESTMENTS

	As at Dec. 31, 2017	As at March 31, 2017	As at Dec. 31 2016
Fixed income	**$ –**	$ 23,872	$ –
Equities	**–**	2,383	–
	$ –	$ 26,255	$ –

6 TRADE AND OTHER RECEIVABLES

	As at Dec. 31, 2017	As at March 31, 2017	As at Dec. 31, 2016
Trade account receivables, net	**$ 268,938**	$ 288,254	$ 294,293
Other	**85,139**	64,885	76,186
	$ 354,077	$ 353,139	$ 370,479

7 PREPAID EXPENSES, DEPOSITS AND OTHER CURRENT ASSETS

	As at Dec. 31, 2017	As at March 31, 2017	As at Dec. 31, 2016
Prepaid expenses and deposits	**$ 58,797**	$ 62,087	$ 60,589
Green certificates	**40,421**	49,236	37,125
	$ 99,218	$ 111,323	$ 97,714

8 FINANCIAL INSTRUMENTS

(a) Fair value of derivative financial instruments

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.

The following table illustrates gains (losses) related to Just Energy's derivative financial instruments classified as fair value through profit or loss and recorded on the 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.

Change in fair value of derivative instruments and other

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Physical forward contracts and options (i)	**$ 143,575**	$ 121,934	**$ 159,922**	$ 297,314
Financial swap contracts and options (ii)	**36,847**	58,262	**52,871**	157,595
Foreign exchange forward contracts	**(689)**	466	**(2,754)**	(1,303)
Share swap	**(3,957)**	613	**(5,764)**	(1,697)
Unrealized foreign exchange on 6.5% convertible bond	**(898)**	–	**11,199**	–
6.5% convertible bond conversion feature	**2,840**	(1,076)	**7,740**	17,043
Other derivative options	**6,041**	3,146	**239**	5,341
Change in fair value of derivative instruments and other	**$ 183,759**	$ 183,345	**$ 223,453**	$ 474,293

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statements of financial position as at December 31, 2017:

	Financial assets (current)	**Financial assets (non-current)**	**Financial liabilities (current)**	**Financial liabilities (non-current)**
Physical forward contracts and options (i)	**$ 25,262**	**$ 3,207**	**$ 41,439**	**$ 34,848**
Financial swap contracts and options (ii)	**2,439**	**1,327**	**39,453**	**15,972**
Foreign exchange forward contracts	**–**	**–**	**312**	**2,172**
Share swap	**–**	**–**	**19,680**	**–**
6.5% convertible bond conversion feature	**–**	**–**	**–**	**270**
Other derivative options	**5,362**	**1,008**	**20**	**–**
As at December 31, 2017	**$ 33,063**	**$ 5,542**	**$ 100,904**	**$ 53,262**

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the consolidated statements of financial position as at March 31, 2017:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options (i)	$ 982	$ 983	$ 89,472	$ 124,173
Financial swap contracts and options (ii)	3,207	2,027	65,362	46,246
Foreign exchange forward contracts	565	–	–	295
Share swap	–	–	13,916	–
6.5% convertible bond conversion feature	–	–	–	8,010
Other derivative options	6,902	–	43	–
As at March 31, 2017	$ 11,656	$ 3,010	$ 168,793	$ 178,724

The following table summarizes certain aspects of the fair value of derivative financial assets and liabilities recorded in the interim condensed consolidated statements of financial position as at December 31, 2016:

	Financial assets (current)	Financial assets (non-current)	Financial liabilities (current)	Financial liabilities (non-current)
Physical forward contracts and options (i)	$ 25,519	$ 6,682	$ 46,045	$ 116,942
Financial swap contracts and options (ii)	1,534	753	35,826	59,689
Foreign exchange forward contracts	387	335	–	–
Share swap	–	–	–	15,515
6.5% convertible bond conversion feature	–	–	–	5,228
Other derivative options	5,890	–	121	–
As at December 31, 2016	$ 33,330	$ 7,770	$ 81,992	$ 197,374

Below is a summary of the financial instruments classified through profit and loss as at December 31, 2017, to which Just Energy has committed:

(i) Physical forward contracts and options consist of:

- Electricity contracts with a total remaining volume of 31,144,129 MWh, a weighted average price of $42.74/MWh and expiry dates up to December 31, 2027.
- Natural gas contracts with a total remaining volume of 78,707,942 GJs, a weighted average price of $3.82/GJ and expiry dates up to December 31, 2028.
- Renewable energy certificates ("REC") and emission-reduction credit contracts with a total remaining volume of 4,018,442 MWh and 308,900 tonnes, respectively, a weighted average price of $26.27/REC and $2.55/tonne, respectively, and expiry dates up to December 31, 2028 and December 31, 2021.
- Electricity generation capacity contracts with a total remaining volume of 3,592 MWCap, a weighted average price of $10,645.90/MWCap and expiry dates up to December 31, 2021.
- Ancillary contracts with a total remaining volume of 183,960 MWh, a weighted average price of $18.50/MWh and expiry dates up to December 31, 2019.

(ii) Financial swap contracts and options consist of:

- Electricity contracts with a total remaining volume of 16,030,045 MWh, an average price of $41.63/MWh and expiry dates up to February 28, 2023.
- Natural gas contracts with a total remaining volume of 116,251,779 GJs, an average price of $3.57/GJ and expiry dates up to December 31, 2028.
- Electricity generation capacity contracts with a total remaining volume of 339 MWCap, a weighted average price of $4,067.85/MWCap and expiry dates up to October 31, 2020.
- Ancillary contracts with a total remaining volume of 972,360 MWh, a weighted average price of $13.86/MWh and expiry dates up to December 31, 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 Interim Financial Statements.

Share swap agreement

Just Energy has entered into a share swap agreement to manage the statements of income 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. Net monthly settlements received under the share swap agreement are recorded in other income. Just Energy marks to market the fair value of the share swap agreement and has included that value in the non-current derivative financial liabilities on the 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 as a change in fair value of derivative instruments.

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.

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

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 was no transfer into or out of Level 1, Level 2 or Level 3 during the nine months ended December 31, 2017 or the year ended March 31, 2017.

Fair value measurement input sensitivity

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

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at December 31, 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial assets	**$ –**	**$ –**	**$ 38,605**	**$ 38,605**
Derivative financial liabilities	**–**	**(28,645)**	**(125,521)**	**(154,166)**
Total net derivative liabilities	**$ –**	**$ (28,645)**	**$ (86,916)**	**$ (115,561)**

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at March 31, 2017:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 14,666	$ 14,666
Derivative financial liabilities	–	(17,741)	(329,776)	(347,517)
Total net derivative liabilities	$ –	$ (17,741)	$ (315,110)	$ (332,851)

The following table illustrates the classification of derivative financial assets (liabilities) in the FV hierarchy as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ –	$ –	$ 41,100	$ 41,100
Derivative financial liabilities	–	(12,562)	(266,804)	(279,366)
Total net derivative liabilities	$ –	$ (12,562)	$ (225,704)	$ (238,266)

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

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

	Nine months ended Dec. 31, 2017	Year ended March 31, 2017	Nine months ended Dec. 31, 2016
Balance, beginning of period	**$ (315,110)**	$ (638,231)	$ (638,231)
Total gains (losses)	**56,634**	(42,084)	59,107
Purchases	**59,121**	(30,265)	5,603
Sales	**(19,513)**	2,084	436
Settlements	**131,952**	393,386	347,381
Balance, end of period	**$ (86,916)**	$ (315,110)	$ (225,704)

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

As at December 31, 2017 and March 31, 2017, the carrying value of cash and cash equivalents, short-term investments, restricted cash, current trade and other receivables, unbilled revenues, and trade and other payables approximates their fair value due to their short-term nature.

Long-term debt recorded at amortized cost has a fair value as at December 31, 2017 of $583.5 million (March 31, 2017 – $542.0 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 following exceptions:

(i) the $100 million, $160 million and US$150 million convertible debentures, which are fair valued based on market value; and

(ii) the fair value of the senior unsecured note is based on discounting future cash flows using a discount rate consistent with the above convertible debentures.

The $100 million, $160 million and US$150 million convertible debentures are classified as Level 1 and the senior unsecured note is classified as Level 2 in the FV hierarchy.

(c) Management of risks arising from financial instruments

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 nine months ended December 31, 2017, assuming that all the other variables had remained constant, profit for the period would have been $2.5 million lower/higher and other comprehensive income would have been $9.5 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 long-term debt exposes it 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 $496 in profit before income taxes for the nine months ended December 31, 2017 (2016 – $198).

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 nine months ended December 31, 2017 would have increased (decreased) by $178,371 ($177,134), 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 nine months ended December 31, 2017 would have increased (decreased) by $184,113 ($182,857), 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 United Kingdom, 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:

	Dec. 31, 2017	March 31, 2017	Dec. 31, 2016
Current	**$ 91,862**	$ 96,510	$ 104,367
1–30 days	**27,560**	30,672	31,112
31–60 days	**10,980**	12,806	12,897
61–90 days	**9,215**	8,358	10,076
Over 90 days	**64,110**	47,059	41,873
	$ 203,727	$ 195,405	$ 200,325

Changes in the allowance for doubtful accounts were as follows:

	Dec. 31, 2017	March 31, 2017	Dec. 31, 2016
Balance, beginning of period	**$ 49,431**	$ 58,789	$ 58,789
Provision for doubtful accounts	**42,091**	56,041	44,622
Bad debts written off	**(27,297)**	(64,262)	(54,781)
Other	**(4,154)**	(1,137)	(821)
Balance, end of period	**$ 60,071**	$ 49,431	$ 47,809

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

Counterparty credit risk

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

As at December 31, 2017, the estimated counterparty credit risk exposure amounted to $38,605 (2016 – $41,100), representing the risk relating to Just Energy's exposure to derivatives that are in an asset position.

(iii) Liquidity risk

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

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

As at December 31, 2017:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 589,346	$ 589,346	$ 589,346	$ –	$ –	$ –
Long-term debt[1]	564,749	586,463	238,288	188,175	160,000	–
Gas, electricity and non-commodity contracts	154,166	2,876,865	567,020	2,156,560	133,905	19,380
	$ 1,308,261	$ 4,052,674	$ 1,394,654	$ 2,344,735	$ 293,905	$ 19,380

As at March 31, 2017:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 486,632	$ 486,632	$ 486,632	$ –	$ –	$ –
Long-term debt	498,088	527,743	–	367,743	160,000	–
Gas, electricity and non-commodity contracts	347,517	3,397,692	1,982,896	1,189,745	188,282	36,769
	$ 1,332,237	$ 4,412,067	$ 2,469,528	$ 1,557,488	$ 348,282	$ 36,769

As at December 31, 2016:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	More than 5 years
Trade and other payables	$ 533,349	$ 533,349	$ 533,349	$ –	$ –	$ –
Long-term debt	612,321	646,352	94,652	391,700	–	160,000
Gas, electricity and non-commodity contracts	279,366	3,528,139	664,780	2,396,573	409,748	57,038
	$ 1,425,036	$ 4,707,840	$ 1,292,781	$ 2,788,273	$ 409,748	$ 217,038

[1] Included in long-term debt are the $100,000 and $160,000 relating to convertible debentures and US$150,000 relating to convertible bonds, which may be settled through the issuance of shares at the option of the holder or Just Energy upon maturity.

In addition to the amounts noted above, as at December 31, 2017, 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	$ 28,781	$ 33,831	$ 10,800	$ –

(iv) Supplier risk

Just Energy purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Just Energy has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. As at December 31, 2017, Just Energy has applied a discount factor to determine the fair value of its financial assets in the amount of $3,109 (2016 – $5,577) to accommodate for its counterparties' risk of default.

9 ACQUISITION OF BUSINESSES

(a) Acquisition of Intell Enercare Solutions Inc.

On June 6, 2017, Just Energy completed the acquisition of 100% of the issued and outstanding shares of Intell Enercare Solutions Inc., a complete service provider for supply, design and installation of energy saving technologies, for up to $11.0 million, subject to closing adjustments. Terms of the deal include an initial payment of $2.2 million. Also, Just Energy will pay up to $9.0 million to the sellers over three years provided that certain EBITDA targets are satisfied. The fair value of the contingent consideration at acquisition was estimated to be $7.8 million. The acquisition of Intell Enercare Solutions Inc. was accounted for using the purchase method of accounting. Just Energy allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired		
Intangible assets	$	877
Goodwill		9,644
Working capital		(302)
Deferred tax		(232)
Total consideration	$	9,987
Cash paid, net of estimated working capital adjustment	$	2,199
Contingent consideration		7,788
Total consideration	$	9,987

The transaction costs related to the acquisition have been expensed and are included in other operating expenses in the interim condensed consolidated statements of income. The fair value of the contingent consideration was subsequently reduced to $1,978 during the quarter through the interim condensed consolidated statements of income due to changes in the assumptions of the time required for the sellers to meet EBITDA targets.

(b) Acquisition of db swdirekt GmbH and db swpro GmbH

On December 8, 2016, Just Energy completed the acquisition of 95% of the issued and outstanding shares of SWDirekt, a retail energy company, and 50% of the issued and outstanding shares of SWPro, a sales and marketing company, for $6.4 million, subject to closing adjustments. Terms of the deal include a $2.2 million payment upon the achievement of sales targets.

The acquisition of SWDirekt and SWPro was accounted for using the purchase method of accounting. Just Energy allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired		
Working capital	$	588
Property, plant and equipment		56
Intangible assets		1,172
Goodwill		4,831
Non-controlling interest		(41)
Other liabilities		(221)
Total consideration	$	6,385
Cash paid, net of estimated working capital adjustment	$	4,221
Contingent consideration		2,164
Total consideration	$	6,385

The contingent consideration was subsequently written down to $nil through the interim condensed consolidated statements of income due to changes to the sellers' involvement in the business and the assumption of the time required for the sellers to meet sales targets.

10 NON-CONTROLLING INTEREST

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 $102.3 million, of which $37.8 million has been presented as current liabilities and $64.5 million as long-term liabilities. As at December 31, 2017, the current liabilities amount to $33.6 million and long-term liabilities amount to $55.9 million.

11 LONG-TERM DEBT AND FINANCING

	Maturity	**Dec. 31, 2017**	March 31, 2017	Dec. 31, 2016
Credit facility (a)	September 1, 2018	**$ 138,288**	$ 68,258	$ 90,295
Less: Debt issue costs (a)		**(1,062)**	(2,257)	(2,655)
6.75% convertible debentures (b)	December 31, 2021	**147,477**	145,579	145,008
6.5% convertible bonds (c)	July 29, 2019	**182,091**	190,486	191,487
5.75% convertible debentures (d)	September 30, 2018	**97,955**	96,022	95,413
6.0% convertible debentures	N/A	**–**	–	92,773
		564,749	498,088	612,321
Less: Current portion		**(235,181)**	–	(92,773)
		$ 329,568	$ 498,088	$ 519,548

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)	$ 138,288	$ –	$ –	$ –	$ 138,288
5.75% convertible debentures (d)	100,000	–	–	–	100,000
6.75% convertible debentures (b)	–	–	160,000	–	160,000
6.5% convertible bonds (c)	–	188,175	–	–	188,175
	$ 238,288	$ 188,175	$ 160,000	$ –	$ 586,463

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

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Credit facility (a)	**$ 3,402**	$ 2,902	**$ 8,972**	$ 7,122
6.75% convertible debentures (b)	**3,342**	3,177	**9,404**	3,177
6.5% convertible bonds (c)	**4,043**	4,160	**11,784**	12,273
6.0% convertible debentures	**–**	4,127	**–**	17,973
Loss on partial redemption of 6.0% convertible debentures	**–**	3,113	**–**	3,113
5.75% convertible debentures (d)	**2,101**	2,047	**6,246**	6,089
Senior unsecured note	**–**	5,767	**–**	10,994
Unwinding of discount and other	**378**	184	**1,371**	591
	$ 13,266	$ 25,477	**$ 37,777**	$ 61,332

(a) As at December 31, 2017, Just Energy has a $342.5 million credit facility to meet working capital requirements, which includes an increase to the capacity by $50 million for a letter of credit facility (the "LC facility"), effective December 30, 2016. The principal amount outstanding under the LC facility is guaranteed by Export Development Canada under its Account Performance Security Guarantee Program. The syndicate of lenders includes Shell Energy North America (Canada) Inc./Shell Energy North America (U.S.), L.P., Canadian Imperial Bank of Commerce ("CIBC"), National Bank of Canada, HSBC Bank Canada, Alberta Treasury Branches, JP Morgan Chase Bank, N.A. and Canadian Western Bank.

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 3.40%. Prime rate advances are at a rate of bank prime (Canadian bank prime rate or U.S. prime rate) plus 2.40% and letters of credit are at a rate of 3.40%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at December 31, 2017, the Canadian prime rate was 3.20% and the U.S. prime rate was 4.50%. Just Energy has drawn $138.3 million against the facility and the total letters of credit outstanding as of the current period amounted to $109.5 million (March 31, 2017 – $109.2 million). As at December 31, 2017, Just Energy has $89.8 million of the facility remaining as well as a $5.0 million swing line with CIBC 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 international operations. Just Energy is required to meet a number of financial covenants under the various debt agreements. As at December 31, 2017, the Company was compliant with all of these covenants.

(b) On October 5, 2016, Just Energy issued $160 million of convertible unsecured senior subordinated debentures (the "6.75% convertible debentures"). The 6.75% 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.

(c) On January 29, 2014, Just Energy issued US$150 million of European-focused senior convertible 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. Just Energy incurred transaction costs of $5,215 and has shown these costs net of the 6.5% convertible bonds.

(d) 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.

12 INCOME TAXES

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Current income tax expense (recovery)	**$ (4,105)**	$ 9,823	**$ 379**	$ 14,449
Deferred tax expense	**9,718**	11,153	**10,198**	36,705
Provision for income taxes	**$ 5,613**	$ 20,976	**$ 10,577**	$ 51,154

13 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.

On February 7, 2017, Just Energy closed its underwritten public offering of 4,000,000 of its 8.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Shares (the "preferred shares") at a public offering price of US$25.00 per preferred share, for gross proceeds of US$100 million. In addition, concurrently with the closing of the public offering of preferred shares, Just Energy closed a non-brokered private placement of 40,000 Preferred Shares at a price of US$25.00 per preferred share, for gross proceeds of US$1 million.

Just Energy has the ability to make a normal course issuer bid ("NCIB") to purchase for cancellation a portion of the outstanding 5.75% convertible debentures as well as the Just Energy common shares up to March 16, 2018. Under each NCIB, Just Energy may purchase debentures and common shares representing 10% of the outstanding public float at close of business February 28, 2017 up to daily and total limits. For the nine months ended December 31, 2017, Just Energy had purchased $11.9 million of common shares through the NCIB program, compared to $nil purchased in the prior comparable period.

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

	Nine months ended Dec. 31, 2017		Year ended March 31, 2017		Nine months ended Dec. 31, 2016	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common shares:						
Issued and outstanding						
Balance, beginning of period	**147,013,538**	**$ 1,070,076**	147,183,778	$ 1,069,434	147,183,778	$ 1,069,434
Share-based awards exercised	**1,564,633**	**11,015**	679,760	7,191	638,861	6,617
Repurchase and cancellation of shares	**(1,677,827)**	**(11,941)**	(850,000)	(6,549)	–	–
Balance, end of period	**146,900,344**	**$ 1,069,150**	147,013,538	$ 1,070,076	147,822,639	$ 1,076,051
Preferred shares:						
Issued and outstanding						
Balance, beginning of period	**4,040,000**	**$ 128,363**	–	$ –	–	$ –
Shares issued for cash	**149,950**	**5,195**	4,040,000	132,973	–	–
Preferred shares issuance cost	**–**	**(650)**	–	(4,610)	–	–
Balance, end of period	**4,189,950**	**$ 132,908**	4,040,000	$ 128,363	–	$ –
Shareholders' capital	**151,090,294**	**$ 1,202,058**	151,053,538	$ 1,198,439	147,822,639	$ 1,076,051

14 REPORTABLE BUSINESS SEGMENTS

Just Energy's reportable segments include the following: Consumer Energy and Commercial Energy.

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 customers 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 Interim Financial Statements. Just Energy is not considered to have any key customers.

For the three months ended December 31, 2017:

	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 579,968**	**$ 332,235**	**$ 912,203**
Gross margin	**132,807**	**38,498**	**171,305**
Depreciation of property, plant and equipment	**956**	**85**	**1,041**
Amortization of intangible assets	**4,954**	**485**	**5,439**
Administrative expenses	**40,379**	**10,010**	**50,389**
Selling and marketing expenses	**38,238**	**17,309**	**55,547**
Other operating expenses	**13,662**	**1,059**	**14,721**
Operating profit for the period	**$ 34,618**	**$ 9,550**	**$ 44,168**
Finance costs			**(13,266)**
Change in fair value of derivative instruments and other			**183,759**
Other loss			**(633)**
Provision for income taxes			**(5,613)**
Profit for the period			**$ 208,415**
Capital expenditures	**$ 8,175**	**$ 4,026**	**$ 12,201**

For the three months ended December 31, 2016:

	Consumer division	Commercial division	Consolidated
Sales	$ 523,857	$ 394,679	$ 918,536
Gross margin	129,102	45,251	174,353
Depreciation of property, plant and equipment	1,616	83	1,699
Amortization of intangible assets	3,381	593	3,974
Administrative expenses	31,267	13,300	44,567
Selling and marketing expenses	32,514	22,823	55,337
Other operating expenses	13,177	4,413	17,590
Operating profit for the period	$ 47,147	$ 4,039	$ 51,186
Finance costs			(25,477)
Change in fair value of derivative instruments and other			183,345
Other loss			(37)
Provision for income taxes			(20,976)
Profit for the period			$ 188,041
Capital expenditures	$ 1,473	$ 737	$ 2,210

For the nine months ended December 31, 2017:

	Consumer division	**Commercial division**	**Consolidated**
Sales	**$ 1,571,439**	**$ 1,040,397**	**$ 2,611,836**
Gross margin	**355,699**	**115,832**	**471,531**
Depreciation of property, plant and equipment	**2,779**	**244**	**3,023**
Amortization of intangible assets	**11,761**	**1,469**	**13,230**
Administrative expenses	**109,453**	**36,373**	**145,826**
Selling and marketing expenses	**110,886**	**61,314**	**172,200**
Other operating expenses	**58,531**	**2,188**	**60,719**
Operating profit for the period	**$ 62,289**	**$ 14,244**	**$ 76,533**
Finance costs			**(37,777)**
Change in fair value of derivative instruments and other			**223,453**
Other loss			**1,169**
Provision for income taxes			**(10,577)**
Profit for the period			**$ 252,801**
Capital expenditures	**$ 18,547**	**$ 9,135**	**$ 27,682**
As at December 31, 2017			
Total goodwill	**$ 148,661**	**$ 142,831**	**$ 291,492**
Total assets	**$ 858,087**	**$ 529,442**	**$ 1,387,529**
Total liabilities	**$ 1,173,471**	**$ 289,773**	**$ 1,463,244**

For the nine months ended December 31, 2016:

	Consumer division	Commercial division	Consolidated
Sales	$ 1,515,209	$ 1,294,564	$ 2,809,773
Gross margin	384,481	136,078	520,559
Depreciation of property, plant and equipment	3,332	226	3,558
Amortization of intangible assets	9,199	1,496	10,695
Administrative expenses	98,321	37,664	135,985
Selling and marketing expenses	104,175	68,406	172,581
Other operating expenses	36,846	12,033	48,879
Operating profit for the period	$ 132,608	$ 16,253	$ 148,861
Finance costs			(61,332)
Change in fair value of derivative instruments and other			474,293
Other loss			(1,564)
Provision for income taxes			(51,154)
Profit for the period			$ 509,104
Capital expenditures	$ 3,911	$ 1,955	$ 5,866

As at December 31, 2016			
Total goodwill	$ 150,981	$ 139,296	$ 290,277
Total assets	$ 1,041,352	$ 246,423	$ 1,287,775
Total liabilities	$ 1,357,424	$ 139,986	$ 1,497,410

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

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Canada	**$ 115,966**	$ 127,780	**$ 276,658**	$ 326,087
United States	**580,238**	662,287	**1,852,542**	2,134,136
International	**215,999**	128,469	**482,636**	349,550
Total	**$ 912,203**	$ 918,536	**$ 2,611,836**	$ 2,809,773

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 Dec. 31, 2017	As at March 31, 2017	As at Dec. 31, 2016
Canada	**$ 201,294**	$ 189,911	$ 193,457
United States	**180,299**	182,840	183,204
International	**10,778**	6,918	6,924
Total	**$ 392,371**	$ 379,669	$ 383,585

15 OTHER EXPENSES

(a) Other operating expenses

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Amortization of other intangible assets	**$ 5,439**	$ 3,975	**$ 13,230**	$ 10,695
Depreciation of property, plant and equipment	**1,041**	1,701	**3,023**	3,560
Bad debt expense	**13,056**	16,234	**42,091**	44,622
Share-based compensation[1]	**1,665**	1,353	**18,628**	4,255
	$ 21,201	$ 23,263	**$ 76,972**	$ 63,132

[1] During the period ended June 30, 2017, Just Energy awarded 1,670,435 restricted stock grants and performance bonus grants that vested immediately with a grant date fair value of $7.08 per share.

(b) Employee benefits expense

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
Wages, salaries and commissions	**$ 58,838**	$ 49,450	**$ 171,456**	$ 157,978
Benefits	**7,708**	6,785	**20,211**	23,076
	$ 66,546	$ 56,235	**$ 191,667**	$ 181,054

16 EARNINGS PER SHARE

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016	**Nine months ended Dec. 31, 2017**	Nine months ended Dec. 31, 2016
BASIC EARNINGS PER SHARE				
Earnings available to shareholders	**$ 208,455**	$ 180,593	**$ 243,449**	$ 490,565
Basic weighted average shares outstanding	**146,859,332**	147,798,122	**146,914,251**	147,616,127
Basic earnings per share available to shareholders	**$ 1.42**	$ 1.22	**$ 1.66**	$ 3.32
DILUTED EARNINGS PER SHARE				
Earnings available to shareholders	**$ 208,455**	$ 180,593	**$ 243,449**	$ 490,565
Adjustment for dilutive impact of convertible debentures	**4,884**	9,124	**14,474**	16,515
Adjusted earnings available to shareholders	**$ 213,339**	$ 189,717	**$ 257,923**	$ 507,080
Basic weighted average shares outstanding	**146,859,332**	147,798,122	**146,914,251**	147,616,127
Dilutive effect of:				
Restricted share grants	**2,807,661**	1,778,347	**2,761,033**	2,972,891
Deferred share grants	**89,210**	85,029	**94,347**	77,432
Convertible debentures	**38,804,494**	44,062,939	**38,804,494**	44,062,939
Shares outstanding on a diluted basis	**188,560,697**	193,724,437	**188,574,125**	194,729,389
Diluted earnings per share available to shareholders	**$ 1.13**	$ 0.98	**$ 1.37**	$ 2.60

17 DIVIDENDS PAID

For the three months ended December 31, 2017, a dividend of $0.125 (2016 – $0.125) per common share was declared by Just Energy. This dividend amounted to $18,659 (2016 – $18,800), which was approved by the Board of Directors and paid out during the period. For the nine months ended December 31, 2017, dividends of $0.375 (2016 – $0.375) per common share were declared and paid by Just Energy. This amounted to $56,094 (2016 – $56,407), which was approved by the Board of Directors and paid out during the period.

For the three months ended December 31, 2017, a dividend of US$0.53125 (2016 – $nil) per preferred share was declared by Just Energy. This dividend amounted to $2,842 (2016 – $nil), which was approved by the Board of Directors and paid out during the period. For the nine months ended December 31, 2017, dividends of US$1.59375 (2016 – $nil) per preferred share were declared and paid by Just Energy. This amounted to $8,658 (2016 – $nil), which was approved by the Board of Directors and paid out during the period.

18 COMMITMENTS AND GUARANTEES

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

As at December 31, 2017

	Less than 1 year	1–3 years	4–5 years	More than 5 years	Total
Premises and equipment leasing	$ 1,325	$ 9,233	$ 7,690	$ 10,881	$ 29,129
Gas, electricity and non-commodity contracts	567,020	2,156,560	133,905	19,380	2,876,865
	$ 568,345	$ 2,165,793	$ 141,595	$ 30,261	$ 2,905,994

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.

Guarantees

Pursuant to separate arrangements with Westchester Fire Insurance Company, Travelers Casualty and Surety Company of America, Berkley Insurance Company and Charter Brokerage LLC, Just Energy has issued surety bonds to various counterparties including states, regulatory bodies, utilities and various other surety bond holders in return for a fee and/or meeting certain collateral posting requirements. Such surety bond postings are required in order to operate in certain states or markets. Total surety bonds issued as at December 31, 2017 amounted to $53.9 million.

As at December 31, 2017, Just Energy had total letters of credit outstanding in the amount of $109.5 million (Note 11(a)).

19 SUBSEQUENT EVENTS

On February 5, 2018, Just Energy announced that it has entered into a Sale and Purchase Agreement (the "Purchase Agreement") to acquire all of the issued and outstanding shares of EdgePower, Inc. ("EdgePower"), a privately held energy monitoring and management company operating out of Aspen, Colorado. EdgePower currently provides lighting and HVAC controls, as well as enterprise monitoring, in hundreds of commercial buildings in North America.

The aggregate consideration payable by Just Energy under the Purchase Agreement is US$14 million at closing, subject to customary adjustments, to be paid, approximately, as US$7 million in cash and through the issuance of US$7 million in Just Energy common shares. In addition, the consideration also includes a one-time performance-based payout after three years of up to a maximum of US$6 million, payable in cash, subject to annual and cumulative performance thresholds. The closing of the acquisition is expected to occur on or about February 28, 2018 and is subject to the satisfaction or waiver of a number of conditions customary in acquisition transactions of this nature.

20 COMPARATIVE INTERIM FINANCIAL STATEMENTS

Certain figures in the comparative Interim Financial Statements have been reclassified from statements previously presented to conform to the presentation of the current period's Interim Financial Statements.

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