Report On Business ARTICLE INACCURACIES
Backgrounder

ROB Magazine article "Rebecca MacDonald Just Energy" June 2013 pages 42 through 52

While Just Energy believes the portions of the article regarding Executive Chair Rebecca MacDonald are similarly inaccurate or misleading, the following relates only to comments made regarding Just Energy Group and its business prospects.

INACCURATE FINANCIAL INFORMATION IN THE ARTICLE

Company was Debt Free in the Past and now has Debt

"[By 2006] *The company was also debt-free...*"*Page 45*

Fact - The Company's Fiscal 2006 and 2007 Annual Reports show that Just Energy was not debt free during 2006.

Embedded Profitability is Declining

Jeffrey Burchell, a short seller source for the article: "The embedded profitability on the newer book of business is far, far lower than the legacy business," Page 46

Fact - The opposite is true. The Company MD&A details the embedded margin within the Company's customer contracts. At the end of fiscal 2013, embedded margin totalled $2.27 billion or $15.77 per share. This represents **an increase of 15% from fiscal 2012. Embedded margin increased 15% in fiscal 2012 and 25% in fiscal 2011.**

Embedded Margin is Falling while Costs to Administer New Customers remain the Same

Burchell "And yet the fixed cost to manage those [new commercial] contracts is exactly the same" Page 46

Fact -In our 2012 Annual Report on page 11, we state "Commercial margins per residential customer equivalent are lower than traditional residential margins. However, aggregation and annual customer service costs are also commensurately lower because of economies of scale that can be realized, greater system automation and the fact that third-party brokers perform some of the functions that fall to Just Energy for residential customers. In fact, **administrative expenses to support the commercial business are approximately half that of the consumer business."**

Increasing Industry Competition

"By then [2008]*, natural gas prices had peaked and begun a steady fall. Moreover, a bushel of hard-charging competitors had entered the field*."*Page 48*

Fact - No source is cited by the authors. KEMA (an independent industry research house) notes a steady consolidation of competitors rather than an increase within the industry both before and after 2008.

Gross Margin is Declining

"*With gross margins down …*"*Page 48*

Fact - The Annual Reports of the Company from 2001 through 2012 and the fiscal 2013 MD&A show clearly that Just Energy gross margin has never been down in any of the 12 years the Company has been public.

Declining Customer Renewal Rates

In three places, the article highlights that Just Energy customer renewal rates are declining creating a substantial future business risk.
"In order to deal with declining renewal rates …"Page 48
"Veritas also noted that the company was going to have a hard time replacing its lost customers, with non-renewal rates rising and competition growing." Page 48
The reporters attempt to support this inaccurate claim by looking back further:
"… contract renewal rate has dropped … from over 80% five years ago, to a little over 60% in fiscal 2012. It has since improved somewhat." Page 46

Fact -Renewal rates are increasing not declining. According to the fiscal 2013 MD&A, contract renewal rates were 69% in the last year up from 64% in fiscal 2012 and 65% in fiscal 2011.Page 31 of the fiscal 2008 Annual Report (five years ago) shows the renewal rate which on a weighted average basis is 61% not *"over 80%*".

MISLEADING INFORMATION IN THE ARTICLE

Inaccurate Portrayal of the Just Energy Business

The article consistently portrays Just Energy as a "*Gas Marketer*". Throughout the article, criticism is placed on the Company for its door-to-door sales of natural gas, complaints received in that business and how it is reliant on rising prices for its value proposition. To bolster the point, the reporters use the word "gas" **26 times** in the article. Door-to-door sales are referenced **12 times** in the article.

Fact – Only 17% of the Company's business is gas customers contracted through door to door sales. 72% of customers are electricity customers, a business never explained in the article (electricity is referenced **1 time**). 53% of total customers are commercial which are not sold door to door (Commercial is referenced **1 time**).

There is no discussion whatsoever about the prospects for growth or future profitability of the 83% of customers disregarded by the article. For reference, the table below shows the growth statistics for these businesses. They are drawn from our Management's Discussion and Analysis (MD&A) of our fiscal 2013 results. All of this information was provided as requested to the reporters and was readily available to the public within our earnings announcement made last month.

	F2013	F2012	'13 Growth	F2011	'12 Growth
Electricity Customers	3,224,000	2,761,000	17%	2,084,000	32%
Electricity Margin	$341,000,000	$316,000,000	8%	$279,000,000	13%
Commercial Customers	2,233,000	1,901,000	17%	1,330,000	43%
Home Services Installations	235,000	165,000	42%	119,000	39%
Home Services Margin	$42,000,000	$28,000,000	50%	16,000,000	75%

This level of growth and profitability within 83% of Just Energy's business would appropriately be mentioned in an article about Just Energy.

Short Sellers portray a Senseless Business Model

Jeffrey Burchell, a short seller source for the article claims, "They just sell pieces of paper at the end of the day … You're just locking in your gas price. If I knocked on your door and wanted to sell you tinfoil, how's that a business?" Page 45

Mr. Burchell, a short seller, brings an obviously biased view to the situation but ignores the following facts. In Canada alone, there is estimated by CMHC to be approximately $593 billion in residential mortgages. Estimates are that approximately 40% of these mortgages are on a fixed rate locking in the customer's price. These "*pieces of paper*" quite clearly make up a "*business*".

As regards energy retailing, data provided by KEMA, the independent industry research organization, shows that more than23 million US households had selected a retailer to provide their energy commodity as of August 2012. Just Energy supplies less than 2 million of these households. The remainder are with other retailers, mostly multi-billion dollar public companies who would be surprized to learn they are not in a "*business*".

Business Model is Flawed and Unsustainable

"*Growth to date has been predicated on customer naiveté and commodity price volatility*."*Page 48*

KEMA indicates that retailing energy is and remains a very high growth industry, not just for Just Energy but for other multi-billion dollar players like Centrica, TXU and Constellation/Exelon. Just Energy has grown substantially **every year** since its inception in 1997, **sixteen years**. That is a long time for people to remain naive. The fact that 69% of these customers renew at contract end is further indication of their satisfaction with their decision to lock in price.

53% of our business comes from astute professional commodity buyers at large corporations and institutions. They are currently locking in their commodity purchases for longer and longer periods matching the thinking of the residential consumer. This is entirely inconsistent with the statement above.

Conclusion
Just Energy is a billion dollar market capitalization public company. We are extremely disappointed with this article. We do not believe it meets even the minimum standard for professional journalism.

Use of Selective Information to infer that Just Energy is not Profitable

The authors' only comment on earnings:"In fiscal 2012, the company had net losses of $127 million" Page 48

Fact -Audited earnings for the last four years are:

Fiscal 2013 – **profit of $601 million from continuing operations**
Fiscal 2012 – **loss of $128 million from continuing operations**
Fiscal 2011 **– profit of $353million**
Fiscal 2010 – **profit of $231 million**

We don't understand why only the loss is mentioned in the article when the Company has been clearly profitable over the period on a GAAP basis. We do not believe that earnings is the best measure of Just Energy's operating results but we believe attempting to allude that the business as unprofitable is completely inaccurate.

Past Acquisitions have not been Successful

Mr. Burchell, the short seller: "… she has way too much debt and she's done it to buy acquisitions that have not worked out."Page 48

Fact- The acquisitions referenced have been successful by any financial measure. The two major acquisitions the Company has made are Universal Energy and Hudson Energy. Universal was acquired in 2009 for $250 million. It was an active competitor in Canada with 430,000 customers. Cash flow from these customers to date has been more than the price paid. Universal also brought a start-up water heater business that now forms our National Home Services unit. Embedded margin for NHS today stands at $598 million, again more than justifying the entire acquisition.

In 2010, Hudson Energy was acquired for $289 million giving Just Energy a platform into the commercial markets. Hudson brought 571,000 commercial customers. By the end of fiscal 2013, less than 3 years later, the commercial book stood at 2.3 million customers. Commercial now represents 53% of our business thanks to the acquisition of Hudson

Credibility of Accountability Research

A "research" firm, Accountability Research Corp. ("ARC") used as a major source for the article. ARC is owned and operated by Al Rosen, the self-proclaimed "Dean of Canada's forensic accountants". ARC is actively promoting short sale the stock. Mr. Rosen and ARC are referenced 17 times in the article. For perspective, the electricity business which encompasses 72% of the Just Energy's customers and generates the majority of profits is mentioned once.

There was a case before the Superior Court of Ontario entitled Western Coal in 2012 in which reports by Mr. Rosen central to the decision by Justice George Strathy. Mr. Rosen's reports were singled out by Justice Strathy in the decision stating that they contain "exaggerated, inflammatory and pejorative comments". Justice Strathy concluded that he "has no confidence in [the report's] reliability." He further accused Mr. Rosen of "exceeding the bounds of his expertise." and that Mr. Rosen's assertions were "frequently based on suspicion and innuendo" or were "pure speculation." On the central point of the case, he finishes with this - "This is another example of Rosen's inclination to find a boogie man under every bed. When light is actually shone on the subject, it disappears." That is what a Senior Justice of the Ontario Superior Court thought of the credibility of Mr. Rosen's reports.

To our knowledge, neither Mr. Rosen nor any members of his "firm" have ever met with or had any discussion with members of Just Energy management nor have they attended Company conference calls. Despite this, they have written numerous reports on the Company over the past seven years. The Board believes this total absence of standard due diligence brings into question the quality of any "research" produced by ARC and the opinions of Mr. Rosen.

Rosen Questions on CPPIB Competence

"Rosen is incensed that CPPIB threw this lifeline to Just Energy. He says it's public money invested in what he considers a bad bet. "How they could possibly have loaned them five cents is beyond me," he declares with a snort." Page 49

CPPIB sent in an entire team to pull apart the Company's book with particular attention to embedded margin within the contracts. The process took the team three months following which CPPIB invested $105 million in unsecured debt. Perhaps if Mr. Rosen had done any actual due diligence on the Company he writes reports on, he would be in a better position to analyze it as a credit.