NEOMEDIA TECHNOLOGIES INC
Form 10-Q/A
May 01, 2007

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - Q/A
Amendment No. 1
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2006

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-21743

NEOMEDIA TECHNOLOGIES, INC.
(Exact Name of Issuer as Specified In Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**36-3680347** (I.R.S. Employer Identification No.)
2201 Second Street, Suite 600, Fort Myers, Florida (Address of Principal Executive Offices)	**33901** (Zip Code)

239-337-3434 Issuer's Telephone Number (Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one): Large Accelerated Filer o Accelerated Filer x Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of April 28, 2006, there were 630,759,953 outstanding shares of the issuer's Common Stock, and 22,000 outstanding shares of the issuer's Series C Convertible Preferred Stock.

EXPLANATORY NOTE

Restatement of Prior Reported Amounts

This form 10-Q/A is being filed to restate the revenue and cost of goods sold reported by NeoMedia filed on form 10-Q for the three months ended March 31, 2006 (the "Original Filing"). This amendment amends and restates the Original Filing solely as a result of, and to reflect, the restatement, and no other information in the Original Filing is amended hereby except for an update to NeoMedia's revenue recognition policy.

The restatement of revenue and cost of goods sold is required because while preparing NeoMedia's annual report for the year ended December 31, 2006, the Company became aware that it incorrectly applied the principles of EITF 99-19. The Company, in reviewing its accounting practices with respect to revenue recognition of its subsidiary NeoMedia Telecom Services, became aware that it incorrectly applied the principles of EITF 99-19, "Reporting Revenue Gross as a Principal vs. Net as an Agent." As a result, the Company had overstated its net sales and its cost of goods sold during the three months ended March 31, 2006. These amounts are reflected on the statement of operations. The adjustment does not affect net income (loss) during any period. The adjustment does not affect the statement of cash flows or balance sheet.

The NeoMedia Telecom Services business was acquired in March 2006 through the acquisition by the Company of BSD Software. Therefore the adjustment does not affect any results reported during the years ended December 31, 2005 or 2004, or any interim periods during 2005 or 2004.

As a result, the Company has restated certain financial information that was previously reported in its unaudited quarterly reports on Form 10-Q for the three month period ended March 31, 2006. The following tables provide a reconciliation of amounts previously reported by the Company.

	Previously Reported	Restatement Adjustment	Restated Amount
<u>Three months ended March 31, 2006</u>			
Net sales	$ 2,052	($205)	$ 1,847
Cost of sales	1,246	(205)	1,041

TABLE OF CONTENTS

PART I —	FINANCIAL INFORMATION	1
ITEM 1	FINANCIAL STATEMENTS	1
	CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2006 (UNAUDITED) AND DECEMBER 31, 2005	1
	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)	2
	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED)	3
	NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	4
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	39
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.	50
ITEM 4.	CONTROLS AND PROCEDURES	50
PART II —	OTHER INFORMATION	51
ITEM 1.	LEGAL PROCEEDINGS	51
ITEM 3.	DEFAULT UPON SENIOR SECURITIES	61
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	61
ITEM 5.	OTHER INFORMATION	61
ITEM 6.	EXHIBITS AND REPORTS ON FORM 8-K	62
SIGNATURES		64

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NeoMedia Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, Except Share Data)

	March 31 2006 (unaudited)	December 31 2005 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,115	$ 2,291
Trade accounts receivable, net of allowance for doubtful accounts of $73 and $203, respectively	5,159	341
Inventories, net of allowance for obsolete & slow-moving inventory of $0	852	423
Investment in marketable securities	453	104
Prepaid expenses and other current assets	1,478	151
Total current assets	15,057	3,310
Leasehold improvements & property and equipment, net	628	236
Capitalized patents, net	3,072	3,134
Micro paint chemical formulations and proprietary process, net	1,422	1,450
Goodwill	48,881	1,099
Other Intangible assets, net	22,057	246
Cash surrender value of life insurance policy	799	769
Loan to Mobot	—	1,500
Other long-term assets	893	667
Total assets	**$ 92,809**	**$ 12,411**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,408	$ 1,574
Amounts payable under settlement agreements	97	1,844
Liabilities of discontinued business unit	676	97
Taxes payable	1,112	80
Accrued expenses	4,460	898
Deferred revenues	2,576	676
Notes payable	3,774	3,015
Derivative financial instruments	23,432	—
Total current liabilities	41,535	8,184
Preferred stock, $0.01 par value, 25,000,000 shares authorized, 22,000 issued and outstanding, liquidation value of $22,000	1,847	—
Shareholders' equity:		

Common stock, $0.01 par value, 1,000,000,000 shares authorized, 630,885,698 and 475,387,910 shares issued and 629,244,272 and 467,601,717 outstanding, respectively		6,293	4,676	
Additional paid-in capital		151,407	106,456	
Deferred stock-based compensation		(146)	(169)	
Deferred equity financing costs		(13,256)	(13,256)	
Accumulated deficit		(93,842)	23.8	
Miscellaneous Expense (Income), net	0.3	(9.5)	(1.5)	(10.5)
Total Other Expense (Income)	8.4	(1.6)	22.7	13.3
Income before Provision for Income Taxes	112.6	100.8	317.4	251.2
Provision for Income Taxes	38.6	36.3	109.5	89.2
Net Income	$ 74.0	$ 64.5	$ 207.9	$162.0
Earnings Per Share:				
Basic Earnings per Share	$ 1.70	$ 1.49	$ 4.78	$3.74
Basic Weighted Average Number of Shares Outstanding	43.5	43.2	43.4	43.1
Diluted Earnings per Share	$ 1.69	$ 1.48	$ 4.75	$3.72
Diluted Weighted Average Number of Shares Outstanding	43.8	43.5	43.7	43.4
Dividends Declared per Share	$ 0.13	$ 0.13	$ 0.39	$0.39
Comprehensive Income:				
Net Income	$ 74.0	$ 64.5	$ 207.9	$162.0
Other Comprehensive Income (Loss) Items:				
Foreign currency translation adjustments	10.0	(1.5)	(3.4)	(18.5)
Defined benefit pension plans, net of tax	1.3	0.9	4.0	1.6
Other Comprehensive Income (Loss), net of tax	11.3	(0.6)	0.6	(16.9)
Comprehensive Income	$ 85.3	$ 63.9	$ 208.5	$145.1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Table of Contents

ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended	
	May 31, 2016	May 31, 2015
Cash Provided by (Used for) Operating Activities:		
Net income	$207.9	$162.0
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	49.0	34.2
Share-based compensation expense	19.9	12.8
Excess tax benefits from share-based payments	(19.7)	(12.6)
(Gain) loss on the sale or disposal of property, plant, and equipment	(1.1)	1.4
Deferred income taxes	—	0.4
Gain on financial instruments, net	—	(10.5)
Change in assets and liabilities, net of effect of acquisitions, divestitures, and effect of exchange rate changes:		
Accounts receivable	(15.9)	(25.5)
Inventories	(14.2)	(46.7)
Prepayments and other current assets	(9.0)	2.0
Accounts payable	18.9	17.0
Other current liabilities	12.4	28.2
Other	(4.3)	(4.5)
Net Cash Provided by Operating Activities	243.9	158.2
Cash Provided by (Used for) Investing Activities:		
Purchases of property, plant, and equipment	(61.8)	(42.3)
Proceeds from sale of property, plant, and equipment	2.3	1.0
Acquisition of businesses, net of cash acquired	(613.7)	(14.6)
Proceeds from settlement of financial instrument	—	14.4
Purchase of financial instrument	—	(4.1)
Net Cash Used for Investing Activities	(673.2)	(45.6)
Cash Provided by (Used for) Financing Activities:		
Issuance of long-term debt	1.7	—
Proceeds from stock option exercises and other	10.0	7.5
Excess tax benefits from share-based payments	19.7	12.6
Dividends paid	(17.1)	(17.0)
Other financing activities	—	(10.4)
Net Cash Provided by (Used for) Financing Activities	14.3	(7.3)
Effect of Exchange Rate Changes on Cash	(4.8)	(5.7)
Net Change in Cash and Cash Equivalents	(419.8)	99.6
Cash and Cash Equivalents at Beginning of Period	756.8	552.5
Cash and Cash Equivalents at End of Period	$337.0	$652.1
Supplemental Cash Flow Information:		
Income taxes paid during the period	$88.7	$79.3
Interest paid during the period	$22.2	$21.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

3

Table of Contents

ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Amounts in millions, except per-share data and as indicated)

1. Description of Business and Basis of Presentation

Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as the "Company”). The Company’s lighting and energy management solutions include devices such as luminaires, lighting and building controls, lighting components, power supplies, prismatic skylights, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption. Additionally, the Company continues to expand its solutions portfolio for both indoor and outdoor applications in an effort to capitalize on the evolving and growing market for intelligent networked systems that collect and exchange data to increase efficiency as well as provide a host of other economic benefits resulting from data analytics to better enable smart buildings and smart cities. The transition to solid-state lighting provides the opportunity for lighting to be integrated with other building automation systems to create an optimal platform for enabling the “Internet of Things” (IoT), which will support the advancement of smart buildings, smart cities, and the smart grid. The Company has one reportable segment serving the North American and select international markets.

The Consolidated Financial Statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries. References made to years are for fiscal year periods.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of May 31, 2016, the consolidated comprehensive income for the three and nine months ended May 31, 2016 and May 31, 2015, and the consolidated cash flows for the nine months ended May 31, 2016 and May 31, 2015. Certain information and footnote disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the three years ended August 31, 2015 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 27, 2015 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2016 and May 31, 2015 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to seasonality resulting in the net sales and net income of the Company generally being higher in the second half of its fiscal year, the impact of the acquisitions, and among other reasons, the continued uncertainty of general economic conditions that may impact the key end markets of the Company for the remainder of fiscal 2016.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications occurred during the current period.

4

3. Acquisitions and Investments

Fiscal 2016 Acquisitions

Juno Lighting LLC

On December 10, 2015, using cash on hand, the Company acquired for approximately $380 all of the equity interests of Juno Lighting LLC ("Juno Lighting"), a leading provider of downlighting and track lighting fixtures for both residential and commercial applications. Juno Lighting is headquartered in Des Plaines, Illinois. At the time of acquisition, Juno Lighting generated annual revenues of approximately $250. The operating results of Juno Lighting have been included in the Company's consolidated financial statements since the date of acquisition.

Distech Controls Inc.

On September 1, 2015, using cash on hand, the Company acquired for approximately $240 all of the outstanding capital stock of Distech Controls Inc. ("Distech Controls"), a provider of building automation solutions that allow for the integration of lighting, HVAC, access control, closed circuit television, and related systems. Distech Controls is headquartered in Quebec, Canada. At the time of acquisition, Distech Controls generated annual revenues of approximately $80 Canadian Dollars. The operating results of Distech Controls have been included in the Company's consolidated financial statements since the date of acquisition.

Geometri LLC

On December 9, 2015, using cash on hand, the Company acquired certain assets and assumed certain liabilities of Geometri, LLC ("Geometri"), a provider of a software and services platform for mapping, navigation, and analytics. The operating results of Geometri have been included in the Company's consolidated financial statements since the date of acquisition.

Accounting for Fiscal 2016 Acquisitions

Acquisition-related costs were expensed as incurred. Preliminary amounts related to the acquisition accounting for these acquisitions are reflected in the Consolidated Balance Sheets as of May 31, 2016. The aggregate preliminary purchase price of these acquisitions was allocated as follows:

Purchase Price	
Cash paid, net of cash acquired	$613.7
Allocation	
Goodwill	$324.0
Intangible assets:	
Customer-based[1]	117.0
Marketing-related[2]	42.4
Technology-based[3]	81.8
Property and equipment	63.4
Other assets acquired	124.3
Liabilities assumed	(139.2)
	$613.7

---

(1) Customer-based intangibles have useful lives between 12 and 15 years, with a weighted average amortization period of 14 years.

(2) Marketing-related intangibles are considered indefinite-lived.

(3) Technology-based intangibles have useful lives between five and fifteen years, with a weighted average amortization period of 11.8 years.

These amounts are deemed to be provisional until disclosed otherwise, as the Company continues to gather information related to the identification and valuation of intangible and other acquired assets and liabilities. These amounts are expected to change as the Company finalizes the allocation. During the third quarter of fiscal 2016, the Company continued to gather information regarding the valuation of marketing-related and technology-based intangibles, resulting in changes to the allocation noted above.

Proforma results of operations have not been presented because the effects of these acquisitions, individually and in the aggregate, were not material to the Company's consolidated results of operations.

Fiscal 2015 Acquisition and Investment

On April 15, 2015, using cash on hand, the Company acquired substantially all of the assets and assumed certain liabilities of ByteLight, Inc. (“ByteLight”), a provider of indoor location software for light-emitting diode (“LED”) lighting. The operating results of ByteLight have been included in the Company’s consolidated financial statements since the date of acquisition. Management finalized the acquisition accounting for ByteLight during the fourth quarter of fiscal 2015 and the amounts are reflected in the Consolidated Balance Sheets.

In addition, during fiscal 2015, the Company made a strategic, non-controlling investment in a company specializing in light sensory networks. This investment was accounted for using the cost method and is reflected in Other long term assets on the Consolidated Balance Sheets.

4. New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2016

In November 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), requiring that all tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016. The Company early adopted ASU 2015-17, which resulted in the reclassification of $23.1 from current deferred income taxes to noncurrent deferred income taxes on the Consolidated Balance Sheets as of August 31, 2015.

Accounting Standards Yet to Be Adopted

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, ("ASU 2016-09"), which will change certain aspects of accounting for share-based payments to employees. ASU 2016-09 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The standard requires that all excess tax benefits and deficiencies currently recorded as additional paid in capital be prospectively recorded in income tax expense. As such, implementation of this standard could create volatility in the Company's effective income tax rate on a quarter by quarter basis. The volatility in the effective income tax rate is due primarily to fluctuations in the Company's stock price and the timing of stock option exercises and vesting of restricted share grants. The standard also requires excess tax benefits to be presented as an operating activity on the statement of cash flows rather than as a financing activity. This element of the guidance may be applied retrospectively or prospectively. The Company intends to implement the standard as required in fiscal 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases, ("ASU 2016-02"), which requires lessees to include most leases on the balance sheet. ASU 2016-02 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of ASU 2016-02.

In July 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"), which simplifies the accounting for measurement-period adjustments to provisional amounts recognized in a business combination. ASU 2015-16 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The provisions of ASU 2015-16 are not expected to have a material effect on the Company's financial condition, results of operations, or cash flows.

In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting For Fees Paid In A Cloud Computing Arrangement (“ASU 2015-05”), which provides guidance for a customer's accounting for cloud computing costs. ASU 2015-05 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2015. The provisions of ASU 2015-05 are not expected to have a material effect on the Company's financial condition, results of operations, or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts With Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2017. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact of the provisions of ASU 2014-09.
All other newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

5. Fair Value Measurements

The Company determines fair value measurements based on the assumptions a market participant would use in pricing the asset or liability. Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

The following table presents information about assets and liabilities required to be carried at fair value and measured on a recurring basis as of May 31, 2016 and August 31, 2015:

	Fair Value Measurements as of:			
	May 31, 2016		August 31, 2015	
	Level 1	Total Fair Value	Level 1	Total Fair Value
Assets:				
Cash and cash equivalents	$337.0	$337.0	$756.8	$756.8
Other	0.4	0.4	0.5	0.5
Liabilities:				
Other	$0.4	$0.4	$0.5	$0.5

The Company utilizes valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period.

The Company used quoted market prices to determine the fair value of Level 1 assets and liabilities. No transfers between the levels of the fair value hierarchy occurred during the current fiscal period. In the event of a transfer in or out of a level within the fair value hierarchy, the transfers would be recognized on the date of occurrence.

Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC Topic 825, Financial Instruments ("ASC 825"). In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

The carrying values and estimated fair values of certain of the Company's financial instruments were as follows at May 31, 2016 and August 31, 2015:

	May 31, 2016		August 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Investment in noncontrolling affiliate	$8.0	$8.0	$8.0	$8.0
Liabilities:				

Senior unsecured public notes, net of unamortized discount and deferred costs	$348.5	$384.6	$348.4	$386.4
Other debt	5.7	5.7	4.0	4.0

Investment in noncontrolling affiliate represents a strategic investment accounted for using the cost method. The Company estimates that the historical cost of the acquired shares represents the fair value of the investment (Level 3). The senior unsecured public notes are carried at the outstanding balance, net of bond discounts and deferred costs, as of the end of the reporting period. Fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2).

Other long-term debt includes instruments for which fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2). One of the instruments is a variable-rate instrument that resets on a weekly basis; therefore, the Company estimates that the face amount of the instrument approximates fair value.
ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value to the Company. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of liquidity and other risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

6. Goodwill and Intangible Assets
Through multiple acquisitions, the Company acquired intangible assets consisting primarily of trademarks and trade names associated with specific products with finite lives, definite-lived distribution networks, patented technology, non-compete agreements, and customer relationships, which are amortized over their estimated useful lives. Indefinite-lived intangible assets consist of trade names that are expected to generate cash flows indefinitely.
The Company recorded amortization expense of $7.5 and $2.7 during the three months ended May 31, 2016 and May 31, 2015, respectively, and $18.5 and $8.3 during the nine months ended May 31, 2016 and May 31, 2015, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $25.1 in fiscal 2016, $27.1 in fiscal 2017, $27.1 in fiscal 2018, $27.1 in fiscal 2019, and $25.8 in fiscal 2020. Amortization expense recorded by the Company, as well as expected amortization expense, include a preliminary estimate related to intangibles acquired with Distech Controls, Geometri, and Juno Lighting. These amounts are deemed to be provisional until disclosed otherwise, as the Company continues to gather information related to the identification and valuation of intangible assets acquired. Refer to the Acquisitions & Investments footnote for additional information regarding the preliminary purchase price allocation.
The change in the carrying amount of goodwill during the nine months ended May 31, 2016 is summarized as follows:

Balance at August 31, 2015	$565.0
Additions from acquired businesses	324.0
Foreign currency translation adjustments	0.8
Balance at May 31, 2016	$889.8

Further discussion of the Company's goodwill and other intangible assets is included within the Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

7. Inventories
Inventories include materials, labor, in-bound freight, and related manufacturing overhead, are stated at the lower of cost (on a first-in, first-out or average cost basis) or market, and consist of the following:

	May 31, 2016	August 31, 2015
Raw materials, supplies, and work in process[(1)]	$159.3	$ 125.7
Finished goods	149.9	113.9
	309.2	239.6
Less: Reserves	(20.3)	(14.8)
Total Inventory	$288.9	$ 224.8

(1) Due to the immaterial amount of estimated work in process and the short lead times for the conversion of raw materials to finished goods, the Company does not believe the segregation of raw materials and work in process to

be meaningful information.

8. Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding, which has been modified to include the effects of all participating securities (unvested share-based payment awards with a right to receive nonforfeitable dividends) as prescribed by the two-class method under ASC Topic 260, Earnings Per Share ("ASC 260"), during the period. The equity plan approved by stockholders in January 2013 changed the dividend provisions causing share-based payment awards to lose the right to receive nonforfeitable dividends. Due to this change, any shares granted after January 2013 are not participating securities as prescribed by the two-class method under ASC 260 and are accounted for in the diluted earnings per share calculation described below.

Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised, restricted stock awards (unvested share-based payment awards without a right to receive nonforfeitable dividends) were vested, and other distributions related to deferred stock agreements were incurred. Further discussion of the Company's stock options and restricted stock awards is included within the Common Stock and Related Matters and Share-Based Payments footnotes of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

The following table calculates basic earnings per common share and diluted earnings per common share for the three and nine months ended May 31, 2016 and May 31, 2015:

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Basic Earnings per Share:				
Net income	$74.0	$64.5	$207.9	$162.0
Less: Income attributable to participating securities	(0.1)	(0.2)	(0.3)	(0.7)
Net income available to common shareholders	$73.9	$64.3	$207.6	$161.3
Basic weighted average shares outstanding	43.5	43.2	43.4	43.1
Basic earnings per share	$1.70	$1.49	$4.78	$3.74
Diluted Earnings per Share:				
Net income	$74.0	$64.5	$207.9	$162.0
Less: Income attributable to participating securities	(0.1)	(0.2)	(0.3)	(0.7)
Net income available to common shareholders	$73.9	$64.3	$207.6	$161.3
Basic weighted average shares outstanding	43.5	43.2	43.4	43.1
Common stock equivalents	0.3	0.3	0.3	0.3
Diluted weighted average shares outstanding	43.8	43.5	43.7	43.4
Diluted earnings per share	$1.69	$1.48	$4.75	$3.72

The following table presents stock options and restricted stock awards that were excluded from the diluted earnings per share calculation for the three and nine months ended May 31, 2016 and May 31, 2015 as the effect of inclusion would have been antidilutive:

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Stock options	47,406	52,143	56,840	62,175

Restricted stock awards	—	—	12,529	2,238

9. Comprehensive Income

Comprehensive income represents a measure of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. Other comprehensive income for the Company includes foreign currency translation and pension adjustments.

The following table presents the changes in each component of accumulated other comprehensive loss:

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2015	$ (42.1)	$ (68.3)	$ (110.4)
Other Comprehensive Loss before reclassifications	(3.4)	—	(3.4)
Amounts reclassified from accumulated other comprehensive income	—	4.0	4.0
Net current-period Other Comprehensive Income (Loss)	(3.4)	4.0	0.6
Balance at May 31, 2016	$ (45.5)	$ (64.3)	$ (109.8)

The following tables present the tax expense or benefit allocated to each component of other comprehensive income (loss) for the three and nine months ended May 31, 2016 and May 31, 2015:

	Three Months Ended					
	May 31, 2016			May 31, 2015		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign Currency Translation Adjustments	$ 10.0	$ —	$ 10.0	$ (1.5)	$ —	$ (1.5)
Defined Benefit Pension Plans:						
Amortization of defined benefit pension items:						
Prior service cost	0.8 (1)	(0.3)	0.5	0.2 (1)	(0.1)	0.1
Actuarial losses	1.2 (1)	(0.4)	0.8	1.1 (1)	(0.3)	0.8
Total Defined Benefit Pension Plans, net	2.0	(0.7)	1.3	1.3	(0.4)	0.9
Other Comprehensive Loss	$ 12.0	$ (0.7)	$ 11.3	$ (0.2)	$ (0.4)	$ (0.6)

	Nine Months Ended					
	May 31, 2016			May 31, 2015		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign Currency Translation Adjustments	$ (3.4)	$ —	$ (3.4)	$ (18.5)	$ —	$ (18.5)
Defined Benefit Pension Plans:						
Actuarial gain or loss	—	—	—	(1.3)	0.3	(1.0)
Amortization of defined benefit pension items:						
Prior service cost	2.3 (1)	(0.8)	1.5	0.6 (1)	(0.2)	0.4
Actuarial losses	3.7 (1)	(1.2)	2.5	3.3 (1)	(1.1)	2.2
Total Defined Benefit Pension Plans, net	6.0	(2.0)	4.0	2.6	(1.0)	1.6
Other Comprehensive Loss	$ 2.6	$ (2.0)	$ 0.6	$ (15.9)	$ (1.0)	$ (16.9)

(1) These accumulated other comprehensive income components are included in net periodic pension cost. See Pension and Profit Sharing Plans footnote within the Notes to Consolidated Financial Statements for additional

details.

10. Debt

Lines of Credit

On August 27, 2014, the Company executed a $250.0 revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility will mature and all amounts outstanding will be due and payable on August 27, 2019.

The Revolving Credit Facility contains financial covenants, including a minimum interest coverage ratio ("Minimum Interest Coverage Ratio") and a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to EBITDA (earnings before interest, taxes, depreciation, and amortization expense), as such terms are defined in the Revolving Credit Facility agreement. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Revolving Credit Facility allows for a Maximum Leverage Ratio of 3.50 and a Minimum Interest Coverage Ratio of 2.50, subject to certain conditions defined in the financing agreement. As of May 31, 2016, the Company was in compliance with all financial covenants under the Revolving Credit Facility. At May 31, 2016, the Company had additional borrowing capacity under the Revolving Credit Facility of $243.9 under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $6.1 issued under the Revolving Credit Facility. As of May 31, 2016, the Company had outstanding letters of credit totaling $11.0, primarily for securing collateral requirements under the casualty insurance programs for Acuity Brands and providing credit support for the Company's industrial revenue bond, including $6.1 issued under the Revolving Credit Facility.

Generally, amounts outstanding under the Revolving Credit Facility bear interest at a "Eurocurrency Rate." Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the London Inter Bank Offered Rate ("LIBOR") for the applicable currency plus a margin as determined by the Company's leverage ratio ("Applicable Margin"). The Applicable Margin is based on the Company's leverage ratio, as defined in the Revolving Credit Facility, with such margin ranging from 1.000% to 1.575%.

The Company is required to pay certain fees in connection with the Revolving Credit Facility, including administrative service fees and an annual facility fee. The annual facility fee is payable quarterly, in arrears, and is determined by the Company's leverage ratio as defined in the Revolving Credit Facility. This facility fee ranges from 0.125% to 0.300% of the aggregate $250.0 commitment of the lenders under the Revolving Credit Facility.

Long-term Debt

At May 31, 2016, the Company had $350.0 of publicly-traded, senior unsecured notes outstanding at a 6% interest rate that are scheduled to mature in December 2019 (the "Notes") and $4.0 of tax-exempt industrial revenue bonds that are scheduled to mature in 2021. The Company also had $1.7 outstanding under fixed-rate bank loans. Further discussion of the Company's long-term debt is included within the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

Interest Expense

Interest expense, net, is comprised primarily of interest expense on long-term debt, obligations in connection with non-qualified retirement benefits, and Revolving Credit Facility borrowings partially offset by interest income on cash and cash equivalents.

The following table summarizes the components of interest expense, net:

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Interest expense	$8.3	$ 8.2	$24.9	$ 24.5
Interest income	(0.2)	(0.3)	(0.7)	(0.7)
Interest expense, net	$8.1	$ 7.9	$24.2	$ 23.8

11

11. Commitments and Contingencies

In the normal course of business, the Company is subject to the effects of certain contractual stipulations, events, transactions, and laws and regulations that may, at times, require the recognition of liabilities, such as those related to self-insurance reserves and claims, legal and contractual issues, environmental laws and regulations, guarantees, and indemnities. The Company establishes reserves when the associated costs related to uncertainties or guarantees become probable and can be reasonably estimated. For the period ended May 31, 2016, no material changes have occurred in the Company's reserves for self-insurance, litigation, environmental matters, guarantees and indemnities, or relevant events and circumstances, from those disclosed in the Commitments and Contingencies footnote of the Notes to Consolidated Financial Statements within the Company’s Form 10-K.

Trade Compliance Matters

Prior to the close of the acquisition, Distech Controls discovered shipments by it and its subsidiaries during the past five years of standard commercial building control products directly or indirectly to customers in a country that may constitute violations of U.S. and Canadian sanctions or export regulations, including those administered by the U.S. Office of Foreign Asset Control (“OFAC”) and the Export Controls Division of the Canadian Department of Foreign Affairs, Trade and Development ("DFATD"). Distech Controls estimates that it received total revenue of approximately $0.3 from these shipments. Distech Controls has voluntarily self-reported the potential violations to OFAC and DFATD and retained outside counsel that conducted an investigation of the matter and filed a full voluntary disclosure with these agencies. Now that the Company has acquired Distech Controls, the Company has greater access to information regarding Distech Controls’ prior operations and will continue to assess the matter and implement related ongoing compliance and remediation efforts.

The Company intends to fully cooperate with respect to any investigations by governmental agencies of the potential violations. The former shareholders of Distech Controls have jointly agreed to indemnify the Company for damages, if any, as a result of, in respect of, connected with or arising out of the potential violations or any inaccuracy or breach of the representations made by Distech Controls to the Company related thereto, up to a specified aggregate amount, which is not material to the Company's consolidated financial statements. These indemnity obligations are supported by an escrow account containing proceeds from the transaction equal to the specified aggregate amount. The Company currently believes that this indemnity will be sufficient to cover any damages related to the potential violations and the costs and expenses related to the investigation thereof and any related remedial actions. The Company therefore does not expect this matter to have a material adverse effect on the business, financial condition, cash flow, or results of operations of the Company. There can be no assurance, however, that actual damages, costs and expenses will not be in excess of the indemnity or that the Company and its affiliates will not be subject to other damages, including but not limited to damage to the Company's reputation or monetary or non-monetary penalties as permitted under applicable trade laws, that may not be fully covered by the indemnity. Estimated liabilities for legal fees as well as potential fines or penalties related to this matter are included in Other accrued liabilities within the Consolidated Balance Sheets.

The Company discovered through a review of shipment activity that it may have misclassified certain shipments of component parts to its manufacturing facilities under applicable import/export regulations. Although no claim has been asserted against the Company, the Company is reviewing these shipments to determine the extent of any liabilities and the extent of available remedial measures. The Company is unable at this time to determine the likelihood or amount of any loss associated with the misclassification of these shipments.

Product Warranty and Recall Costs

Acuity Brands records an allowance for the estimated amount of future warranty costs when the related revenue is recognized. Estimated costs related to product recalls based on a formal campaign soliciting repair or return of that product are accrued when they are deemed to be probable and can be reasonably estimated. Estimated future warranty and recall costs are primarily based on historical experience of identified warranty and recall claims. However, there can be no assurance that future warranty or recall costs will not exceed historical amounts or new technology products, which may include extended warranties, may not generate unexpected costs. If actual future warranty or recall costs exceed historical amounts, additional allowances may be required, which could have a material adverse impact on the Company’s results of operations and cash flows.

Reserves for product warranty and recall costs are included in Other accrued liabilities and Other long-term liabilities on the Consolidated Balance Sheets. The changes in the reserves for product warranty and recall costs during the nine months ended May 31, 2016 and May 31, 2015 are summarized as follows:

	Nine Months Ended	
	May 31, 2016	May 31, 2015
Beginning of period	$9.6	$ 8.5
Warranty and recall costs	18.8	15.6
Payments and other deductions	(14.5)	(13.0)
Acquired warranty and recall liabilities	0.3	—
End of period	$14.2	$ 11.1

Litigation

The Company is subject to various legal claims arising in the normal course of business, including patent infringement, employment matters, and product liability claims. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, in the event of unexpected future developments, it is possible that the ultimate resolution of any such matters, if unfavorable, could have a material adverse effect on the financial condition, results of operations, or cash flows of the Company in future periods. The Company establishes reserves for legal claims when associated costs become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts reserved for such claims. However, the Company cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the amounts reserved.

12. Share-Based Payments

The Company accounts for share-based payments through the measurement and recognition of compensation expense for share-based payment awards made to employees and directors of the Company, including stock options and restricted shares (all part of the Company's equity incentive plan), and share units representing certain deferrals into the Company's director deferred compensation plan or the Company's supplemental deferred savings plan. Further details regarding each of these award programs and the Company's share-based payments are included within the Share-Based Payments footnote of the Notes to Consolidated Financial Statements within the Company’s Form 10-K. The following table presents share-based payment information for the three and nine months ended May 31, 2016 and May 31, 2015:

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Share-based expense	$6.9	$ 4.4	$19.9	$ 12.8
Shares issued upon exercise of stock options	68,159	—	185,448	187,766

13. Pension and Profit Sharing Plans

The Company has several pension plans, both qualified and non-qualified, covering certain hourly and salaried employees. Benefits paid under these plans are based generally on employees’ years of service and/or compensation during the final years of employment. Plan assets are invested primarily in equity and fixed income securities.

Net periodic pension cost for the Company's defined benefit pension plans during the three and nine months ended May 31, 2016 and May 31, 2015 included the following components before tax:

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Service cost	$0.9	$ 0.8	$2.7	$ 2.3
Interest cost	2.4	2.1	7.2	6.3
Expected return on plan assets	(2.8)	(2.8)	(8.4)	(8.2)
Amortization of prior service cost	0.8	0.2	2.3	0.6
Recognized actuarial loss	1.2	1.1	3.7	3.3
Net periodic pension cost	$2.5	$ 1.4	$7.5	$ 4.3

14. Special Charge

Fiscal 2016 Actions

During fiscal 2016, the Company recorded a pre-tax special charge of $10.2, consisting primarily of severance and employee-related costs, for actions initiated to streamline the organization, including the integration of recent acquisitions. These streamlining activities include the consolidation of selected production activities and realignment of certain responsibilities, primarily within various selling, distribution, and administrative departments. The Company expects that these actions to streamline its business activities, in addition to those taken in previous fiscal years, will allow it to reduce spending in certain areas while permitting continued investment in future growth initiatives, such as new products, expanded market presence, and technology and innovation.

Fiscal 2015 Actions

During fiscal 2015, the Company streamlined the organization by realigning certain responsibilities primarily within various selling, distribution, and administrative departments and the consolidation of certain production activities. During fiscal 2015, the Company recorded a pre-tax special charge of $12.9, consisting primarily of severance and employee-related costs of $11.9 as well as production transfer costs of $0.5 and lease termination costs of $0.5.
As of May 31, 2016, remaining severance reserves were $8.9 and are included in Accrued Compensation on the Consolidated Balance Sheets. The changes in the reserves related to these programs during the nine months ended May 31, 2016 are summarized as follows:

	Fiscal 2015 Actions	Fiscal 2016 Actions	Total
Balance at August 31, 2015	$ 4.9	$ —	$4.9
Special charge	—	10.2	10.2
Payments made during the period	(4.0)	(2.2)	(6.2)
Balance at May 31, 2016	$ 0.9	$ 8.0	$8.9

Table of Contents

15. Supplemental Guarantor Condensed Consolidating Financial Statements

In December 2009, ABL, the 100% owned and principal operating subsidiary of the Company, refinanced the then current outstanding debt through the issuance of the Notes. See Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K for further information.

In accordance with the registration rights agreement by and between ABL and the guarantors to the Notes and the initial purchasers of the Notes, ABL and the guarantors to the Notes filed a registration statement with the SEC for an offer to exchange the Notes for an issue of SEC-registered notes with identical terms. Due to the filing of the registration statement and offer to exchange, the Company determined the need for compliance with Rule 3-10 of SEC Regulation S-X ("Rule 3-10"). In lieu of providing separate audited financial statements for ABL and ABL IP Holding, the Company has included the accompanying Condensed Consolidating Financial Statements in accordance with Rule 3-10(d) of SEC Regulation S-X since the Notes are fully and unconditionally guaranteed by Acuity Brands and ABL IP Holding. The column marked "Parent" represents the financial condition, results of operations, and cash flows of Acuity Brands. The column marked "Subsidiary Issuer" represents the financial condition, results of operations, and cash flows of ABL. The column entitled "Subsidiary Guarantor" represents the financial condition, results of operations, and cash flows of ABL IP Holding. Lastly, the column listed as "Non-Guarantors" includes the financial condition, results of operations, and cash flows of the non-guarantor direct and indirect subsidiaries of Acuity Brands, which consist primarily of foreign subsidiaries. Eliminations were necessary in order to arrive at consolidated amounts. In addition, the equity method of accounting was used to calculate investments in subsidiaries. Accordingly, this basis of presentation is not intended to present our financial condition, results of operations, or cash flows for any purpose other than to comply with the specific requirements for parent-subsidiary guarantor reporting.

Table of Contents
ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS

	May 31, 2016					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$299.6	$ —	$ —	$ 37.4	$ —	$ 337.0
Accounts receivable, net	—	430.2	—	63.8	—	494.0
Inventories	—	268.2	—	20.7	—	288.9
Other current assets	4.2	13.1	—	17.6	—	34.9
Total Current Assets	303.8	711.5	—	139.5	—	1,154.8
Property, Plant, and Equipment, net	0.3	211.7	—	50.9	—	262.9
Goodwill	—	680.5	2.7	206.6	—	889.8
Intangible assets, net	—	236.2	114.3	98.2	—	448.7
Deferred income taxes	22.5	—	—	3.3	(22.6)	3.2
Other long-term assets	0.1	22.1	—	1.6	—	23.8
Investments in and amounts due from affiliates	1,386.0	285.1	190.2	—	(1,861.3)	—
Total Assets	$1,712.7	$ 2,147.1	$ 307.2	$ 500.1	$ (1,883.9)	$ 2,783.2
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	$0.8	$ 330.1	$ —	$ 23.0	$ —	$ 353.9
Current maturities of long-term debt	—	—	—	0.2	—	0.2
Other accrued liabilities	6.6	189.2	—	34.7	—	230.5
Total Current Liabilities	7.4	519.3	—	57.9	—	584.6
Long-Term Debt	—	352.7	—	1.5	—	354.2
Deferred Income Taxes	35.7	75.0	—	27.9	(22.6)	116.0
Other Long-Term Liabilities	81.6	41.3	—	17.6	—	140.5
Amounts due to affiliates	—	—	—	80.1	(80.1)	—
Total Stockholders' Equity	1,588.0	1,158.8	307.2	315.1	(1,781.2)	1,587.9
Total Liabilities and Stockholders' Equity	$1,712.7	$ 2,147.1	$ 307.2	$ 500.1	$ (1,883.9)	$ 2,783.2

Table of Contents
ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS

	August 31, 2015					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$479.9	$ —	$ —	$ 276.9	$ —	$ 756.8
Accounts receivable, net	—	365.5	—	46.2	—	411.7
Inventories	—	208.6	—	16.2	—	224.8
Other current assets	1.6	11.6	—	6.9	—	20.1
Total Current Assets	481.5	585.7	—	346.2	—	1,413.4
Property, Plant, and Equipment, net	0.3	139.8	—	34.5	—	174.6
Goodwill	—	524.2	2.7	38.1	—	565.0
Intangible assets, net	—	87.4	117.3	18.7	—	223.4
Deferred income taxes	41.9	—	—	5.2	(43.6)	3.5
Other long-term assets	1.3	23.8	—	2.0	—	27.1
Investments in and amounts due from affiliates	934.7	333.5	168.5	—	(1,436.7)	—
Total Assets	$1,459.7	$ 1,694.4	$ 288.5	$ 444.7	$ (1,480.3)	$ 2,407.0
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable	$0.9	$ 291.6	$ —	$ 18.6	$ —	$ 311.1
Other accrued liabilities	20.4	162.7	—	26.7	—	209.8
Total Current Liabilities	21.3	454.3	—	45.3	—	520.9
Long-Term Debt	—	352.4	—	—	—	352.4
Deferred Income Taxes	—	75.3	—	—	(43.6)	31.7
Other Long-Term Liabilities	78.4	42.7	—	20.9	—	142.0
Amounts due to affiliates	—	—	—	77.5	(77.5)	—
Total Stockholders' Equity	1,360.0	769.7	288.5	301.0	(1,359.2)	1,360.0
Total Liabilities and Stockholders' Equity	$1,459.7	$ 1,694.4	$ 288.5	$ 444.7	$ (1,480.3)	$ 2,407.0

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended May 31, 2016					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
Net Sales:						
External sales	$—	$ 753.8	$ —	$ 97.7	$ —	$ 851.5
Intercompany sales	—	—	12.2	29.9	(42.1)	—
Total Sales	—	753.8	12.2	127.6	(42.1)	851.5
Cost of Products Sold	—	405.1	—	97.1	(28.6)	473.6
Gross Profit	—	348.7	12.2	30.5	(13.5)	377.9
Selling, Distribution, and Administrative Expenses	12.2	218.5	0.9	29.2	(13.6)	247.2
Intercompany charges	(0.8)	0.3	—	0.4	0.1	—
Special Charge	—	9.7	—	—	—	9.7
Operating Profit (Loss)	(11.4)	120.2	11.3	0.9	—	121.0
Interest expense, net	2.6	4.0	—	1.5	—	8.1
Equity earnings in subsidiaries	(83.0)	0.3	—	—	82.7	—
Miscellaneous income, net	—	0.1	—	0.2	—	0.3
Income before Provision for Income Taxes	69.0	115.8	11.3	(0.8)	(82.7)	112.6
Provision (Benefit) for Income Taxes	(5.0)	38.3	4.6	0.7	—	38.6
Net Income	$74.0	$ 77.5	$ 6.7	$ (1.5)	$ (82.7)	$ 74.0
Other Comprehensive Income (Loss) Items:						
Foreign Currency Translation Adjustments	10.0	10.0	—	—	(10.0)	10.0
Defined Benefit Pension Plans, net	1.3	0.4	—	0.4	(0.8)	1.3
Other Comprehensive Income (Loss) Items, net of tax	11.3	10.4	—	0.4	(10.8)	11.3
Comprehensive Income (Loss)	$85.3	$ 87.9	$ 6.7	$ (1.1)	$ (93.5)	$ 85.3

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended May 31, 2015					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
Net Sales:						
External sales	$—	$ 622.2	$ —	$ 61.5	$ —	$ 683.7
Intercompany sales	—	—	10.5	21.9	(32.4)	—
Total Sales	—	622.2	10.5	83.4	(32.4)	683.7
Cost of Products Sold	—	343.4	—	66.0	(21.3)	388.1
Gross Profit	—	278.8	10.5	17.4	(11.1)	295.6
Selling, Distribution, and Administrative Expenses	7.9	179.2	1.0	19.0	(11.1)	196.0
Intercompany charges	(0.8)	0.4	—	0.4	—	—
Special Charge	—	0.4	—	—	—	0.4
Operating Profit (Loss)	(7.1)	98.8	9.5	(2.0)	—	99.2
Interest expense, net	2.5	5.4	—	—	—	7.9
Equity earnings in subsidiaries	(70.7)	1.3	—	—	69.4	—
Miscellaneous (income) expense, net	—	(8.6)	—	(0.9)	—	(9.5)
Income before Provision for Income Taxes	61.1	100.7	9.5	(1.1)	(69.4)	100.8
Provision (Benefit) for Income Taxes	(3.4)	35.5	3.8	0.4	—	36.3
Net Income	$64.5	$ 65.2	$ 5.7	$ (1.5)	$ (69.4)	$ 64.5
Other Comprehensive Income (Loss) Items:						
Foreign Currency Translation Adjustments	(1.5)	(1.5)	—	—	1.5	(1.5)
Defined Benefit Pension Plans, net	0.9	0.3	—	0.3	(0.6)	0.9
Other Comprehensive (Loss) Income Items, net of tax	(0.6)	(1.2)	—	0.3	0.9	(0.6)
Comprehensive Income (Loss)	$63.9	$ 64.0	$ 5.7	$ (1.2)	$ (68.5)	$ 63.9

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended May 31, 2016					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
Net Sales:						
External sales	$—	$2,098.3	$ —	$ 267.6	$ —	$ 2,365.9
Intercompany sales	—	—	34.4	91.4	(125.8)	—
Total Sales	—	2,098.3	34.4	359.0	(125.8)	2,365.9
Cost of Products Sold	—	1,151.6	—	268.1	(88.0)	1,331.7
Gross Profit	—	946.7	34.4	90.9	(37.8)	1,034.2
Selling, Distribution, and Administrative Expenses	34.3	601.2	2.9	83.4	(37.9)	683.9
Intercompany charges	(2.4)	0.9	—	1.4	0.1	—
Special Charge	—	10.2	—	—	—	10.2
Operating Profit (Loss)	(31.9)	334.4	31.5	6.1	—	340.1
Interest expense, net	7.9	12.1	—	4.2	—	24.2
Equity earnings in subsidiaries	(233.5)	(5.7)	—	0.2	239.0	—
Miscellaneous income, net	—	(0.6)	—	(0.9)	—	(1.5)
Income before Provision for Income Taxes	193.7	328.6	31.5	2.6	(239.0)	317.4
Provision (Benefit) for Income Taxes	(14.2)	109.6	12.8	1.3	—	109.5
Net Income	$207.9	$219.0	$ 18.7	$ 1.3	$ (239.0)	$ 207.9
Other Comprehensive Income (Loss) Items:						
Foreign Currency Translation Adjustments	(3.4)	(3.4)	—	—	3.4	(3.4)
Defined Benefit Pension Plans, net	4.0	1.2	—	1.0	(2.2)	4.0
Other Comprehensive Income (Loss) Items, net of tax	0.6	(2.2)	—	1.0	1.2	0.6
Comprehensive Income (Loss)	$208.5	$216.8	$ 18.7	$ 2.3	$ (237.8)	$ 208.5

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended May 31, 2015					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
Net Sales:						
External sales	$—	$ 1,758.6	$ —	$ 188.6	$ —	$ 1,947.2
Intercompany sales	—	—	29.7	72.1	(101.8)	—
Total Sales	—	1,758.6	29.7	260.7	(101.8)	1,947.2
Cost of Products Sold	—	996.0	—	197.6	(70.7)	1,122.9
Gross Profit	—	762.6	29.7	63.1	(31.1)	824.3
Selling, Distribution, and Administrative Expenses	23.3	496.6	3.0	58.2	(31.1)	550.0
Intercompany charges	(2.4)	1.2	—	1.2	—	—
Special Charge	—	9.8	—	—	—	9.8
Operating Profit (Loss)	(20.9)	255.0	26.7	3.7	—	264.5
Interest expense (income), net	7.6	16.3	—	(0.1)	—	23.8
Equity earnings in subsidiaries	(180.5)	(3.0)	—	—	183.5	—
Miscellaneous income, net	—	(9.5)	—	(1.0)	—	(10.5)
Income before Provision for Income Taxes	152.0	251.2	26.7	4.8	(183.5)	251.2
Provision (Benefit) for Income Taxes	(10.0)	86.4	10.7	2.1	—	89.2
Net Income	$ 162.0	$ 164.8	$ 16.0	$ 2.7	$ (183.5)	$ 162.0
Other Comprehensive Income (Loss) Items:						
Foreign Currency Translation Adjustments	(18.5)	(18.5)	—	—	18.5	(18.5)
Defined Benefit Pension Plans, net	1.6	1.0	—	0.2	(1.2)	1.6
Other Comprehensive Income (Loss) Items, net of tax	(16.9)	(17.5)	—	0.2	17.3	(16.9)
Comprehensive Income (Loss)	$ 145.1	$ 147.3	$ 16.0	$ 2.9	$ (166.2)	$ 145.1

Table of Contents
ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Nine Months Ended May 31, 2016					
	Parent	Subsidiary Issuer	Subsidiary Guarantor	Non-Guarantors	Consolidating Adjustments	Consolidated
Net Cash Provided by Operating Activities	$192.7	$ 49.6	$ —	$ 1.6	$ —	$ 243.9
Cash Provided by (Used for) Investing Activities:						
Purchases of property, plant, and equipment	—	(51.1)	—	(10.7)	—	(61.8)
Proceeds from sale of property, plant, and equipment	—	0.1	—	2.2	—	2.3
Investments in subsidiaries	(385.6)	385.6	—	—	—	—
Acquisition of businesses	—	(384.4)	—	(229.3)	—	(613.7)
Net Cash Used for Investing Activities	(385.6)	(49.8)	—	(237.8)	—	(673.2)
Cash Provided by (Used for) Financing Activities:						
Issuance of long-term debt	—	—	—	1.7	—	1.7
Proceeds from stock option exercises and other	10.0	—	—	—	—	10.0
Excess tax benefits from share-based payments	19.7	—	—	—	—	19.7
Dividends paid	(17.1)	—	—	—	—	(17.1)
Net Cash Provided by Financing Activities	12.6	—	—	1.7	—	14.3
Effect of Exchange Rate Changes on Cash	—	0.2	—	(5.0)	—	(4.8)
Net Change in Cash and Cash Equivalents	(180.3)	—	—	(239.5)	—	(419.8)
Cash and Cash Equivalents at Beginning of Period	479.9	—	—	276.9	—	756.8
Cash and Cash Equivalents at End of Period	$299.6	$ —	$ —	$ 37.4	$ —	$ 337.0

Table of Contents
ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FI